



Standing Out





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This report is about how NATCO, one of India's most exciting niche pharmaceutical companies, is standing out through its vision, business professionalism and products; and how HEPCINAT, its latest launch, extends the Company into a new therapy segment.



HEPCINAT

A GAME CHANGER



What is HEPCINAT?

HEPICINAT is Natco's brand of generic Sofosbuvir, a medicine used for chronic Hepatitis C (CHC) infection marketed globally by Gilead Sciences Inc., under its brand Sovaldi®.

Why is HEPCINAT important for Natco at this juncture for the Company?

Natco has traditionally been recognised for its efforts in the field of oncology. NATCO's Gastro Division took shape with the launch of HEPCINAT (Sofosbuvir) in India, making Natco one of the few companies to launch Hepatitis C virus (HCV) medicines. The launch of HEPCINAT heralds a new beginning in the non-oncology therapy segment, catalysing the Company's growth in India and RoW markets.

What capabilities of the Company does HEPCINAT encapsulate?

HEPICINAT encapsulates our purpose: "Making Specialty medicines accessible to all".

It also encapsulates our objective of providing efficient, safe, affordable and convenient generic alternatives for treating millions of HCV patients in the developing world.

What is the addressable patient pool for this ailment in India and the world?

As per World Health Organisation (WHO) estimates, there are about 15-20 mn people living in India infected with HCV. It is estimated that there are more than 100 mn patients in developing countries (101 countries that are part of Gilead's license agreement) living with HCV.

Being consistently focused on oncology, how did the Company enter this space?

Natco's philosophy has always been to improve affordability and access. Oncology was one such therapy area where Natco lived its corporate philosophy. HCV is another major global health burden in need of affordable treatment options, where we believed we could make a positive difference.

How many players were in the race for developing/launching the product?

Under the licensing agreement with Gilead, there are over 10 players who can manufacture and market Sofosbuvir and its combinations across 101 developing countries.

How did NATCO stand out in this race?

Natco foresaw the unmet need well ahead thereby becoming the first generic company in India to launch the generic version of Sofosbuvir under our trade name, HEPCINAT.

What is the Company's strategy to make its business sustainable in this therapy segment?

The Company is working on Sofosbuvir combination drugs and other pipeline generic drugs in the Gastro/Hepatology segment to create a sustainable business in this therapy segment.

How will Natco take this product to other nations?

Natco intends to get the product registered in key countries where we currently have the license to sell from Gilead. However, this activity shall be undertaken in a phased manner. The registration timeline varies from country to country, but we expect to commercialise in some key geographies over the next year.



AN OVERVIEW OF OUR IDENTITY

What kind of a company is Natco?

We are an R&D-focused, vertically integrated pharmaceutical company engaged in developing, manufacturing and marketing finished dosage formulations ("FDF") and active pharmaceutical ingredients ("APIs"). We market our FDF products in India, the United States, and the rest of the world ("RoW") which includes nations predominantly in South America, Europe and Asia. Our core strength lies in developing and manufacturing pharmaceutical products in-house, which we commercialise either through our relationships with multinational pharmaceutical companies or through our distribution network. Our API products are primarily exported to various international markets and also used to manufacture our FDF products.

How is Natco positioning itself to meet emerging demand?

At Natco, we believe that the successful companies of the future in our space will be those that address the critical needs of the largest number of patients at the lowest delivered cost (as opposed to pricing medicines high for a relatively small number), which is precisely

the kind of business model we have invested in to extend the deepest benefit to the widest number of stakeholders.

Has this positioning translated into a distinctive Natco identity?

Over the last decade, a distinctive Natco identity has definitely emerged within the country's pharmaceutical sector. Natco is being increasingly recognised as a sustainable pharmaceutical company, enhancing value for its diverse family of stakeholders.

Our customers respect us for the value-addition that we bring to their table in the form of extensive statutory compliances, timely product development, just-in-time supply and the ability to help them strengthen their businesses and enhance market shares.

Our consumers (customers of our customers) respect us for our best manufacturing practices and quality products.

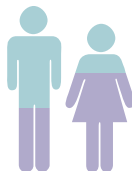
Our employees – over 3000 in total as on 31 March 2015 – respect us for the value that we are adding to their careers in a delegated, challenging and entrepreneurial environment.

Our communities respect us for our ability to make sensitive investments in social infrastructure; our Natco Trust provides education, livelihoods, healthcare and safe drinking water facilities.

How has this differentiated identity translated into a unique global Natco positioning?

In the pharmaceutical space, a Company's size is taken as a key determinant of its capabilities and achievements. Which means that as a company gets progressively larger, one begins to expect specific margins, filings, breakthroughs and market share. This is one area where Natco has stood out. For a company with about ₹850 crore revenues, which classifies it as a mid-cap company, Natco enjoys a global status as befits companies that are larger.

3000+



TEAM STRENGTH



OUR BUSINESS MODEL



How critical is a business model in the success of a global-Indian pharmaceutical company like Natco?

A robust business model is everything in the global pharmaceutical industry for increasingly relevant reasons. Most success drivers in the global pharmaceutical industry represent moving goalposts; what was relevant a year ago may be less relevant today; regulatory barriers are rising in most countries (emerging economies included); there is a secular increase in the awareness of food and health hygiene; there is a greater government focus on reducing healthcare costs; there is a deeper respect for intellectual property rights the world over.

Within each of these spaces there is a continuous evolution. The result is that companies need to have a robust business model that is intrinsically flexible and responding continuously to external change. What does this mean for companies



like ours? It means that competence within one area of the business – whether it is research or manufacturing or regulatory competence – is no longer considered adequate. Only companies that can comprehensively manage the eco-system can hope to succeed in a sustainable way.

Given this context, what is the core of Natco's business model?

As has been enunciated, Natco's success has been derived from its research-led ability to identify and develop complex products in speciality therapeutic segments in a cost-effective manner.

Natco has a range of therapeutic areas that it can potentially be present in. What are the areas that it has prioritised?

Natco continues to explore cancer care and oncology medication as these comprise a large segment and the malady is tissue- and organ-specific. There are niche sub-segments of cancer requiring special attention, marked by gene mutation complexity resulting in refractory forms of cancer.

Natco is also looking to expand its hepato-care portfolio by broadening

the width of its hep-C therapy products. This will result in additional patient benefit in terms of getting access to products with shorter treatment duration and improving affordability.

In what markets has Natco selected to be present?

Natco is present in the largest pharmaceutical market (US) in addition to one of the largest potential markets (India). The Company has widened its footprint across South America; with hepta care, Natco has ambitious plans for the RoW markets.

Our US presence is not just incidental to where we want to grow our business; it is intrinsic to our brand and how we wish to be perceived.

How would you explain your India presence?

India represents one of the most exciting opportunities in the world for a number of reasons.

Despite being the second most populous nation, India is way behind other peer nations in healthcare expenditure. Government health expenditure as a percentage of GDP

was 1.19% in India in 2011 compared to 2.85% in China and 4.07% in Brazil (Source: WHO). If India is to progress, the healthcare needs of this population will need to be addressed.

The extent of unmet patient needs in this geography, coupled with the room to reduce the high cost of medicines in those niches, makes the scenario attractive for a competitive player like Natco.

Why is product selection critical to business success in the pharmaceutical space?

Business sustainability in the pharmaceutical industry is pivoted largely around product selection. Companies need to envision today the products they will launch after 5-7 years and work towards it – commit investments and resources in their development, approvals and other infrastructure. An early entry in the market with niche products makes a big difference in market share and margins. Natco intends to stay ahead to reap these benefits without compromising on its objective of niche medicine accessibility and affordability.



THE ONCOLOGY SPACE

AND NATCO'S PRESENCE IN IT



8.2 mn
estimates for total
cancer deaths in
2012

Why has Natco chosen to be present in the cancer space?

According to estimates from the International Agency for Research on Cancer, there were 14.1 million new cancer cases in 2012 worldwide, of which 8 million occurred in economically developing countries, which contains about 82% of the world's population. The corresponding estimate for total cancer deaths in 2012 were 8.2 million (about 22,000 cancer deaths a day) – 2.9 million in economically developed countries, and 5.3 million in economically developing countries. This is the principal reason Natco has selected to focus on this space – not only is the incidence growing, but it is majorly an emerging economy phenomenon, which is the region where Natco is based.



What are the biggest challenges in addressing complexities of the cancer space?

From a pharmaceutical company's perspective, cancer drugs are an expensive proposition for the following reasons:

Cancer is a new ailment. The relatively recent understanding of the ailment DNA (only 59 years ago) has made it even more challenging for pharmaceutical majors to develop remedies.

Cancer therapies are biologically complex. Drug development requires a deep understanding of chemistry, which is generally present with only a handful of companies.

Cancer is expensive. Unlike products catering to other therapeutic segments, products for oncology need dedicated facilities for product development, product testing and commercial production. This makes the capital cost for entering the oncology space prohibitive. From an operating perspective, while the complex process mandatorily requires a skilled team, the small volumes and batch sizes make the operational cost high.

What is the incidence of cancer in India?

Cancer is a global killer disease. Its incidence is growing by leaps and bounds. Consider India: the country reports about one million new cases every year. This is 15% less than the US, whose population is one-third that of India. The Indian National Cancer Registry Program (NCRP) estimated the number of cancer cases in India at 946,172 in 2008, based on data from 2005–2006, could rise to 1,148,758 in 2020.

What is Natco's positioning in the pricing and positioning of anti-cancer medication?

Natco has focused on launching generic versions of existing anti-cancer medications at a fraction of the cost of existing therapies. This makes Natco's products affordable for a large section of the patient community.

How is Natco helping moderate the treatment of cancer therapy?

The Company is identifying critical sub-segments within the oncology space. Within these spaces it analyses existing anti-cancer therapies available globally and develops generic medication, leveraging its chemistry knowledge and processes expertise. This allows it to significantly moderate therapy costs, exemplified in several product launches of Natco like Sorafenib, Imatinib, Gefitinib, Erlotinib, etc. that were priced significantly below the innovator's market prices.

Which are the principal oncology products of the Company?

Natco is the leading Indian player in the oncology space. The Company's product pipeline consists of drugs used for various types of cancer – blood, lung, liver, kidney, breast, brain, ovary and prostate. Natco marketed 24 products in the Indian market during FY2014-15; its key products (₹100 million brands) comprise Gefitinat, Erlonat, Veenat, Sorafenat and Lenalid.

1,148,758



ESTIMATED
CANCER
CASES IN
INDIA BY
2020



How is the Company moving beyond oncology?

Apart from oncology, the Company enjoys a presence in neuro-psychiatry, gastroenterology, orthopaedic and anti-asthmatic spaces. Natco extended into the hepatology/virology therapeutic space. The Company launched the first ever generic version of Sovaldi (manufactured by Gilead Sciences Inc.), the blockbuster drug

used to treat chronic Hepatitis C in India and Nepal (March 2015) under the brand HEPCINAT. The Company signed a non-exclusive licensing agreement with Gilead Sciences to manufacture and market generic versions of its chronic Hepatitis C medicines in 101 developing countries (as of the date of this report). Moving ahead, the Company has developed a therapy basket of three or four products, which is expected to be launched in the coming years.

24
products marketed
by Natco in the Indian
market during 2014-15





RESEARCH & DEVELOPMENT



10%

of the R&D team possess
Ph.Ds and post-doctoral
qualifications

How critical is research at Natco?

Research is the biggest differentiator, graduating Natco into a reliable manufacturer of niche products at affordable costs. The Company's annual investment in research has ranged between 5 and 8% of net sales, with the goal to increase this spend, emphasising a long-term perspective. The Company believes that Research & Development will continue to drive its growth.

What is the direction of the Company's research?

Over the years, the Company expanded its R&D team from a modest 50 in 2000 to over 200 in 2014-15. Nearly 10% of the team possess Ph.Ds and post-doctoral qualifications while more than 80% have M.Sc. degrees. About 50% of the current team has been with the Company for more than five years, setting a track record of positive technical contributions. The Company invested in an 85,000 sq ft R&D space in Hyderabad, of which 15,000 sq ft is dedicated to high potency compounds. At Natco, we believe that this direction is enduring and relatively de-risked in an otherwise dynamic industry.

How has the Company enhanced its distinctive research capability?

Natco's distinctive research capability is principally IP-based – involving knowledge-oriented patent study, analysis and strategising around regulatory filings. Natco is into ANDA filings with para-IV certifications essentially involving either patent non-infringement stand or patent in-validation. Natco's scientists are well-informed of the latest technological advancements in the pharmaceutical industry and transfer their knowledge base into products they develop and deliver. This approach has enabled Natco to launch more cost-effective generic therapeutic products marked by high technology barriers.

How can one describe the R&D-driven product pipeline of the Company?

Natco's R&D comprises two key pipelines – ANDA-associated pipeline and development pipeline.

ANDA pipeline: This comprises several ANDAs under review at USFDA that have been developed and filed and are at various stages of review at the regulatory authorities.

Development pipeline: The R&D is working to strengthen and sustain the launch pipeline by extending the oncological space further into specialty and niche areas like BARF/MEK inhibitors, B-cell malignancy arresters, proteasome inhibitors and HER-2 negative breast cancer medications. The division is also diversifying into frontier therapeutic areas for treatment of Hepatitis and diabetes.



NATCO'S INTERNATIONAL PRESENCE



What is Natco's strategy for growing its US presence?

Natco has adopted a differentiated strategy to grow its US presence. As opposed to marketing only generic me-too products, the Company selected to be present in the generic space with complex products addressing niche therapeutic areas with growing potential around an unmatched price-value proposition. In addition, Natco partnered large global pharmaceutical players to market products for faster and deeper penetration.

How is the Company strengthening its other non-US international presence?

Natco has a similar strategy for Europe as that of USA – from the perspective of a partnership-based model. Beyond USA and Europe, Natco has expanded its global footprint through an extension into Brazil, Canada, Australia and South-East Asia. Natco's widening market footprint is a fallout of its established presence in the US market, facilitating a relatively easy entry into the Canadian, Australian and South-East Asian markets.

When is this footprint-widening initiative expected to generate revenues?

Natco has made significant progress in establishing a foothold in these markets. The Company has created offices, recruited teams and initiated product filings with regulatory authorities. The Company expects to start generating revenues from its global expansion strategy in the next few years.



NATCO'S PEOPLE



What is the Company's team size?

Natco's business is managed by a 3000+ team. The senior management possesses rich pharmaceutical sector experience with a prudent mix of dynamism and conservatism.

How is Natco enriching its knowledge capital?

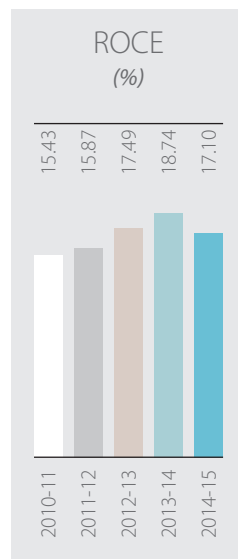
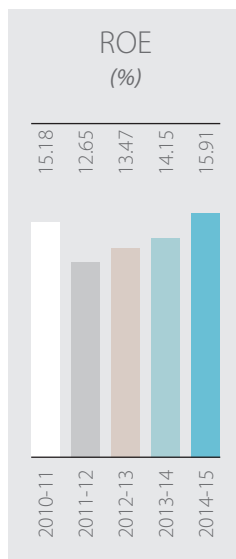
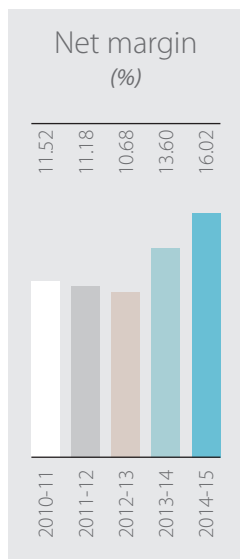
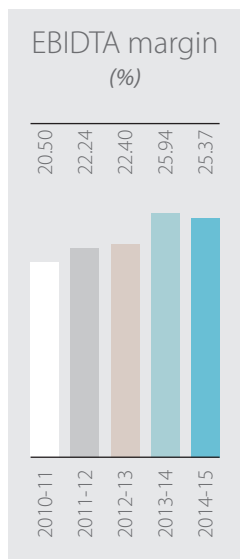
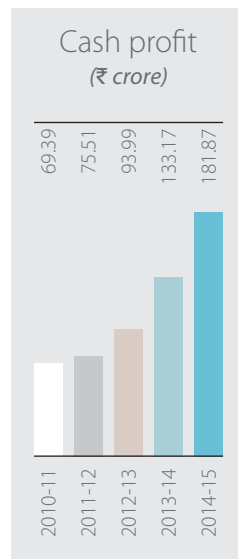
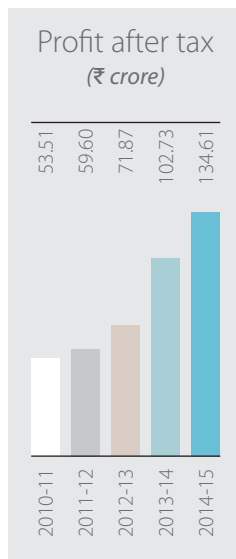
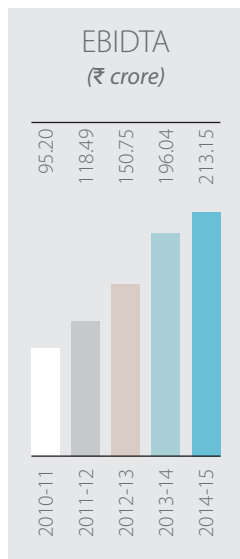
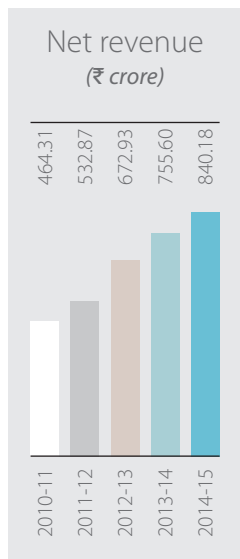
Natco's key strength lies in its knowledge capital. The Company consistently invested in enhancing its knowledge capital through institutionalised training (technical and behavioural).

How is the Company strengthening the bond with the corporate brand?

The Company provides a congenial working environment that encourages leadership. The Company also encourages its team members to come up with out-of-the-box initiatives. The team is provided with adequate authority-responsibility to implement novel ideas.



SOLID FOUNDATION





FISCAL 2014-15 IN RETROSPECT

FINANCIAL PERFORMANCE

11.20%

Revenue growth

8.73%

EBIDTA growth

25.37%

EBIDTA Margin

16.02%

PAT Margin

THE 2014-15 OPERATIONAL REVIEW

Is the Company at an inflection point?

Natco is at an inflection point for some good reasons.

Products: The Company's launch pipeline comprises globally relevant products expected to be launched in 12-24 months. These opportunities retain the promise to take the Company to the next level.

Capacity: The Company's new facilities are equipped with larger capacities, which could transform it into a large Indian pharmaceutical player.



STATEMENT BY THE NATCO MANAGEMENT

**“FISCAL 2014-15 WAS A PERIOD OF
CONSOLIDATION WHERE WE PREPARED
OURSELVES FOR THE BIG LEAP.”**



V. C. Nannapaneni,
Chairman & Managing Director



Rajeev Nannapaneni,
*Vice Chairman
and Chief Executive Officer*

Dear shareholders,

Fiscal 2014-15 was an important year in Natco's journey in terms of our performance but, more importantly, in terms of creating building blocks for profitable business growth over the coming years.

Revenues grew by 11.20% over 2013-14 while earnings before interest, tax and depreciation (EBIDTA) grew by 8.73% over the same period. What is pertinent is that this growth was achieved without any significant contribution from new product launches in the international business during the year.

This points to the fact that increasing acceptance of our existing product basket will continue to grow our base business, enabling us to sustain shareholder value growth.

Setting the building blocks

Fiscal 2014-15 was a period of consolidation where we implemented strategic initiatives that will facilitate a big leap over the next few years.

- We launched the first ever generic version of Sovaldi (manufactured by Gilead Sciences Inc.), the blockbuster drug used to treat chronic Hepatitis C in India (March 2015) under our brand HEPCINAT. The Company signed a non-exclusive licensing agreement with Gilead Sciences Inc. to manufacture and market generic versions of its chronic Hepatitis C medicines in developing countries. This product is expected to emerge as an important business in the current year even as the team is focused on establishing its footprint in other important markets.
- Our key API site at Mekaguda and formulation site at Kothur were successfully certified by the USFDA authorities, showcasing our alignment with global best practices and strengthening the customer's confidence in the quality of our manufacturing processes.
- We are investing ₹120 crore towards setting up a world-class formulation facility at Visakhapatnam dedicated to our international business, scheduled to commence operations in 2016-17. We expect this to take

care of our capacity requirement for the next several years.

The current year's blueprint

Natco is continuing to invest in strengthening its capabilities in the current year.

- We are expanding our existing Kothur formulation complex with an additional unit. This unit will focus on developing and manufacturing complex chemistries to support our formulation development pipeline and filings in regulatory markets.
- We are upgrading our existing facilities at Mekaguda (API) and Chennai (Cytotoxic API) in strengthening their capabilities in manufacturing APIs, raising productivity and optimising costs. In addition, we are investing in an injectable unit at our existing Nagarjuna Sagar facility, widening our delivery platforms and opportunity canvas.
- We understand that our passion in increasing our exposure to complex products and challenging market needs to be supplemented with stronger research capabilities. In keeping with this belief, we are more than doubling our R&D infrastructure and significantly strengthening our R&D team's knowledge capital by getting on board experts from relevant fields.

- While we continue investing in improving our infrastructure, we recognise that our people are primarily responsible for driving the business and taking the Company to the next level. To cement a stronger bond between the Company and the team, we plan to offer ESOPs to our team members – transforming employees into stakeholders and making them the Company's growth-drivers.
- With a low long-term borrowing debt-equity ratio at 0.17 (March 31, 2015), we feel confident of funding our planned investments in 2015-16. This positions the Company attractively in raising funds through appropriate financial instruments, when needed.

Optimism for the current year

We continue to be optimistic about our growth in the current year for the following reasons:

- We are hopeful of strong sales volumes from the launch of HEPCINAT in India and are hopeful of launching this product in select high-growth emerging geographies.
- We continue to remain hopeful of launching the long-awaited generic version of Copaxone during FY2016.
- We have a robust launch pipeline



comprising niche products for the USA and domestic markets, which is expected to support our growth aspirations.

- Our Guwahati unit (for domestic formulations) commissioned in FY2015 will continue to add products and capacity, and our Visakhapatnam unit (for international formulation) should commence operations in 2016 –

both of these infrastructure-related activities promise to strengthen business volumes for the Company.

Message for shareholders

Even as the external business environment becomes increasingly volatile due to growing business complexities and increasing competitive forces, our team remains

driven with the singular objective to make our business profitable and sustainable. In doing so, we hope to deliver superior returns for our shareholders through good and bad times.

Warm regards,
The management team

GROWTH AND SUSTAINABILITY

How is Natco funding its business model?

Natco has two distinctive business lines – the base business where it focuses on the usual marketplace opportunities with the objective to generate sustainable returns over a number of years, and big opportunity business where the Company invests patiently in addressing large standalone global opportunities. This low-investment cum high-returns model does not guarantee when the profits will actually happen; what it does create is a strong product pipeline that can be progressively encashed.

What are the significant growth drivers for Natco in 2015-16?

The year 2015-16 promises to be a value-led period.

The Company's new product, HEPCINAT, was launched in March 2015 and is expected to generate attractive revenues starting 2015-16. Besides, the Company has a pipeline of product launches in the domestic and international markets, which should generate sizeable revenues.

How will the Company sustain its growth?

In the pharmaceutical business, growth is derived from product pipeline quality. Natco has developed a good product pipeline for its domestic business driven by continued growth in the oncology and hepatology segments.

For the US market, the product pipeline comprises a number of Para IV filings, with some launches that would enable the Company to enjoy an exclusive period for its generic drug in the market at the time of launch.



COMPETITIVE ADVANTAGES

Niche: The Company is unique in the sense that it does what others would not.

- It has identified niche opportunities (small sized, complex molecules), which are generally overlooked by others leading to unique business potential.
- It has demonstrated the conviction to challenge patents of large global pharmaceutical companies.

Research and intellectual capital: The Company's strength in research and people have been the cornerstone of its success.

- Strong research team comprises over 200 members, majority of which are B.Pharm/M.Sc/Ph.Ds
- Expertise in chemistry process, regulatory dynamics, developing cost-effective generics and novel drug delivery solutions
- Sustaining large investments in research initiatives – ₹172 crore during the five years leading to 2014-15
- High retention of middle and senior management, providing experience to the business strategies

Integration: The Company is integrated across the pharmaceutical

value chain in more ways than one, resulting in improved business profitability.

- API to formulation, formulations in multiple dosage forms
- Domestic markets to regulated and semi-regulated markets

Alliances: The Company's ability to partner with leading global pharmaceutical players has been critical to its success.

- Partnerships with well-known global pharmaceutical companies, who typically handle front-end marketing and litigation challenges in the USA, enabled the Company to focus on its core activity of research and manufacturing
- Facilitated superior reach in the expansive US market; de-risked the organisation from adverse litigation fallouts
- Timely and strong supplier partnerships facilitated the launch of products within aggressive timelines, representing a threat to competitors

Spread: The Company addresses opportunities across therapeutic segments, strengthening its growth canvas.

• In the domestic market, it is one of the leaders in the generic oncology space with an appreciable market share in the targeted therapy segment of oncology; it recently made a strong foray into gastrointestinal space through the launch of its HEPCINAT drug.

• In the international market, the Company's products span several therapeutic segments namely oncology, gastrointestinal, central nervous system, etc.

Conservative: The Company's conservative approach strengthened its financial statements and business stability.

- Spent all its R&D expenditure from its P&L account in the year it was incurred
- Reserves were at ₹813 crore (March 31, 2015)
- Consistently deployed accruals to repay debt – long-term borrowing debt-equity ratio stood at 0.17 (March 31, 2015) with an interest cover of 5.24x.



PRIDE IN OWNERSHIP

Natco possesses a credible record of strengthening shareholder value in good and bad markets through astute business management, strategic long-term initiatives, profit sharing and governance.

Tangible value-addition

The Company strengthened its business and profits, added to its asset base, increased its dividend pay-out and, in doing so, strengthened its market capitalisation.

Revenue and profitability growth: The Company focuses on niche complex products, bereft of much competition, providing it an edge over sectoral peers. As a result, the Company grew sales (revenues and volumes) across markets and products through product launches, enhanced capacities and approvals from customer leading to their growing demand.

Prudent investments: As cash flow from operations grew through value-driven initiatives, the Company maintained a prudent balance between investment in growing capabilities and reducing financial leverage. As a result, while capacities increased, debt-equity ratio declined, strengthening business sustainability and investor confidence.

Rewarding shareholders: The Company consistently paid dividends to shareholders. The combination of healthy profit growth and shareholder payout resulted in a growth in market capitalisation and enterprise value.

Intangible value-addition

The Company strengthened its governance-led business commitment and corporate brand with the objective of enhancing stakeholder

confidence in the management's ability to sustain growth over the long term.

Top-of-mind: The Company's success in developing and launching niche products in a cost-effective manner strengthened its brand and image as a research-focused organisation.

Growing recognition: Increasing approvals from global regulatory authorities and large global customers bears testimony to the Company's ability in conducting business operations aligned to global best practices.

Ethical practices: The Company maintains transparent governance practices, enhancing its credibility.

	2012-13	2013-14	2014-15
Net sales growth (y-o-y)	26.3%	12.3%	11.2%
Profit for the year growth (y-o-y)	21%	43%	31%
EBIDTA margin (%)	22.40	25.94	25.37
Net margin (%)	10.68	13.60	16.02

	2012-13	2013-14	2014-15
Addition to tangible assets (₹ crore)	275.5	88.2	104.6
Investment in R&D (₹ crore)	37.8	40.7	51.7
Long-term borrowing debt-equity ratio (as on March 31)	0.35	0.19	0.17

	2012-13	2013-14	2014-15
Dividend rate (%)	40%	50%	50%



MANAGEMENT DISCUSSION AND ANALYSIS



Economic overview

Global economy: Global growth in 2014 was a modest 3.4%, following an improvement in advanced economies relative to the previous year and a slowdown in emerging markets and developing economies. Despite the slowdown, emerging market and developing economies still accounted for three-fourths of global growth in 2014.

Global growth is projected to increase slightly to reach 3.5% in 2015 and then to rise further to 3.7% during 2016. The increase will be driven by a rebound in advanced economies, supported by declining oil prices, with the United States playing a crucial role. In emerging markets, growth is projected to decline in 2015 for the fifth year in a row, reflecting downward revisions for oil exporters, a slowdown in China in a bid to move towards a growth

that is less reliant on investment, and a weaker outlook for Latin America resulting from a softening of commodity prices.

The US: A solid recovery is expected to continue in the United States, where growth averaged about 4% in the last three quarters of 2014. Markedly lower energy prices, stifled inflation, reduced fiscal drag, strengthened balance sheets, and an improving housing



market are expected to sustain the momentum of the past three quarters. These forces are expected to more than offset the drag on net exports coming from the strengthening of the dollar. Consequently, this growth is projected to reach 3.1% in 2015 as well as 2016.

India: In 2014-15, the Indian economy retained its position as one of the largest in the world with a promising outlook. This optimism was inspired by moderated inflation, domestic demand growth, increased investments and declining oil prices, among other factors.

The RBI tightened its monetary policy, which helped contain demand pressure, creating a buffer against external shocks and keeping currency volatility under check. The average Wholesale Price Index inflation for 2014-15 declined to 3.4% (April-December) compared to 8.9% in 2013-14, largely influenced by a decline in fuel prices. Food price inflation moderated to 4.8% during April-December 2014 compared to 9.4% in 2013-14.

For 2015-16, the Economic Survey pegged real gross domestic product growth (at market prices) between 8 and 8.5%, which was 0.6 to 1.1 percentage points higher than

GDP indicators	2013-14	2014-15
GDP at constant prices (₹ crore)	9,921,106	10,656,925
Growth (%)	6.9	7.4
GVA at basic prices (2011-12 prices) (₹ crore)	9,169,787	9,857,672
Growth (%)	6.6	7.5

What changed in 2014-15

In January, 2015, the Central Government revised the base year for calculating GDP from 2004-05 to 2011-12. GDP at factor cost will henceforth be represented as GVA (Gross Value Added) at basic prices for industry-wise estimates, while 'GDP at market prices' will be referred to as GDP.

estimates for the current financial year. In the short run, growth is likely to be boosted by a combination of lower oil prices, monetary policy easing and a normal monsoon.

The pharmaceutical industry

The global pharmaceutical space

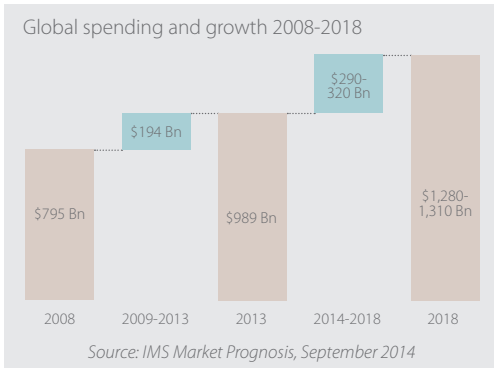
Overview

Global spending on medicines is forecast to reach nearly US\$1.3 trillion by 2018, an increase of about 30% over the 2013 level. This level of growth — a compound annual growth rate of 4-7% on a constant currency basis — will be slightly higher than the 5.2% recorded over the past five years, as the introduction of new

specialty medicines and increased accessibility for patients coincides with lower impacts from patents expiry in developed markets.

Among the major markets, the United States remains the largest, representing over one-third of the global total, and is expected to grow at a compound annual growth rate of 5-8% through 2018.

Over the next five years, advances in the therapy areas of oncology, diabetes and Hepatitis C will be of particular interest and importance. The surge in cancer drug innovation over recent years will continue and contribute to a global spending on all oncology drugs, reaching about US\$100 billion in 2018, up from US\$65 billion in 2014.



Growth will be driven by population growth, an aging population, and improved access in pharmerging markets.

Strengthening of the global economy, fewer patent expiries in developed markets, new medicines and growth in pharmerging markets will contribute to a CAGR of 4-7% through 2018.

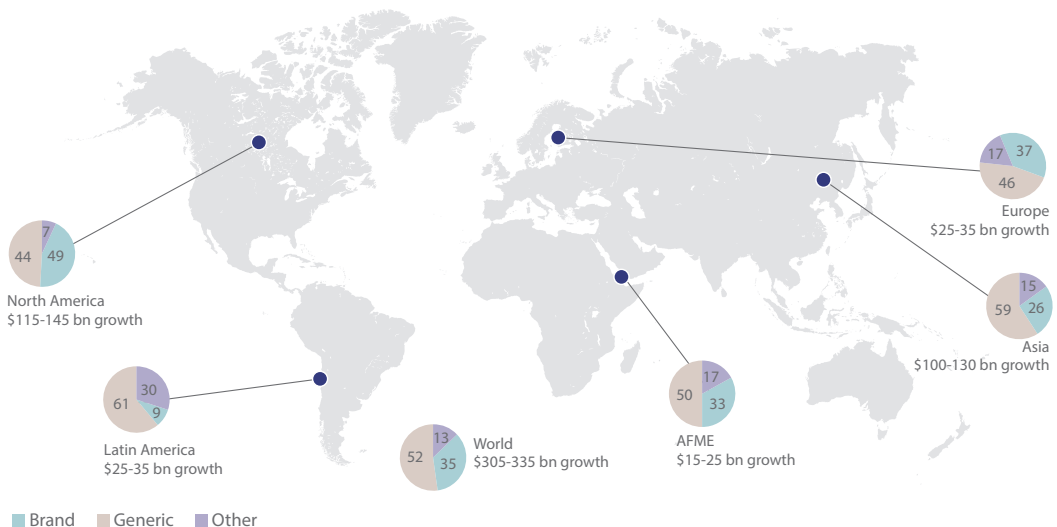
The global population aged 65 and over will grow faster than any other age segment, and will account for almost 30% of the overall population growth in the next five years.

Of developed markets, the US will see the largest per capita spending increase from 2013 to 2018.

Growing relevance of generics

Global spending on medicines is expected to shift towards generics as developed economies are increasingly implementing strategies for optimising healthcare expenditure. Generic medicines account for over 50% of the global prescriptions – in the US, generic usage in volume terms is estimated at 86%.

The US: Generics have played an important financial role in the American pharma markets, as per the Generics Pharmaceutical Association. The use of generic prescription drugs instead of their branded counterpart have saved the US healthcare system around US\$931 billion from 2001 to 2010; in 2013 alone nearly 86% i.e. four out of five prescriptions in the US were for generic drugs. Around 40% of the generic drugs in the US come from India and with Obamacare coming in, this figure is set to rise further.



Source: IMS Market Prognosis, September 2014; IMS Institute for Healthcare Informatics, October 2014



Oncology – driving growth

Spending on oncology medicines globally is expected to grow by over 50% to exceed US\$100 billion in 2018 driven by an increase in cancer incidence of up to 31% by 2020, and rising rates of melanoma and kidney cancers. Absolute growth is expected to be US\$25-45 billion, compared to US\$17 billion in the prior five years.

High numbers of global drug approvals and launches in 2012 and 2013 and a strong pipeline will drive higher growth in developed markets in the forecast period. Biosimilars will play a greater role in cancer treatment in pharmerging markets over the next five years.

Globally, oncology makes up 31% of the total pipeline, 25% of the late-stage pipeline (phase II through pre-registration), and is double the size of the next highest class.

The Indian pharmaceutical space

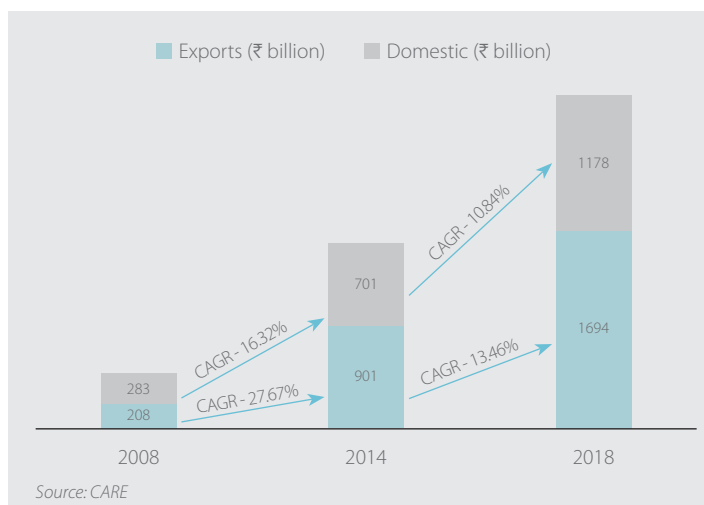
The Indian Pharmaceutical Industry (IPI) is ranked third globally in terms of volume and thirteenth in terms of value. The lower market share in terms of value can be attributed to the predominance of generic medicines which command lower prices. As per estimates, the industry size is expected to grow at a CAGR of 12.38% from ₹1602 bn in 2014 to ₹2872 bn by 2018 given the huge export potential coupled with steady growth in the domestic formulation market. Growth in the domestic pharma market is

expected to be driven by increase in the penetration of health insurance, improving access to healthcare facilities, rising prevalence of chronic diseases and rising per capita income. The export growth is expected to be led by increasing generic penetration in the regulated markets on the back of enhanced focus on the niche and complex product segments, patent expiries and growing demand from semi-regulated pharma markets. In the long term, growth in the exports market will be sustained by emerging markets such as Russia, Brazil, South Africa, etc.

Going ahead, the prospects for the domestic pharmaceutical sector appear promising.

- The Indian pharmaceutical sector is expected to clock total sales of US\$27 billion by 2016, according to a recent report by Deloitte, *2014 Global Life Sciences Outlook*, revenue from sales which stood at US\$22.6 billion in 2012 and about US\$23.6 billion in 2013.
- The Indian pharmaceutical industry is on a good growth path and is likely to be in the top 10 global markets in value term by 2020, according to the PwC–CII report, *India Pharma Inc: Gearing up for the next level of growth*.

The drugs and pharmaceuticals sector attracted cumulative foreign direct investment inflows worth US\$12,813.02 million between April 2000 and December 2014, according to data released by the Department of Industrial Policy and Promotion (DIPP).



BUSINESS DIVISION > 1

INTERNATIONAL FORMULATIONS



Natco's international formulation business is centred on its presence in the US, the world's largest pharmaceutical market. The Company's portfolio comprises niche products manufactured at its USFDA-approved facilities in India and marketed through its alliance partners in associated geography.

Presence in the US is marked by 14 product approvals (including two tentative approvals), as of March 31st, 2015. The Company plans to continue with this strategy of filing for few niche products, which would hopefully lead to a limited competition market and better financial realisations.

Highlights, 2014-15

- Registered a revenue of ₹156.6 crore
- Key products, namely Lansoprazole (Rx), Ondansetron and Rizatriptan registered strong volume growth
- Filed six ANDAs during the year, taking the cumulative ANDA filing to 35 as on March 31, 2015
- Received 'Acceptable' certificate from the USFDA for its Kothur formulation facility
- Received tentative approval for Armodafinil tablets (multiple strengths)
- Initiated the setting-up of

a greenfield finished dosage pharmaceutical unit at Visakhapatnam, dedicated to sales in the international markets at a likely investment of ₹120 crore

Blueprint, 2015-16

Natco is optimistic of its prospects in the current year.

The US market: This positivity for international business is a consequence of improving business prospects in the USA. The table below highlights some of the key Para IV products in the pipeline which the Company hopes to commercialise over the next few years.



Overview of Key Filings

Key brand	Molecule	Indication	Dosage Form	Para IV/ FTF	Para III	Market Opportunity (US\$m)
Copaxone 20mg	Glatiramer 20mg	Multiple Sclerosis	PFS	√		2,410
Copaxone 40mg	Glatiramer 40mg	Multiple Sclerosis	PFS	√		1,342
Gilenya	Fingolimod	Multiple Sclerosis	Capsule	√		1,247
Tamiflu	Oseltamivir Capsules	Influenza infection	Capsule	√		821
Treanda	Bendamustine	Leukemia	Injection	√		681
Revlimid*	Lenalidomide	Multiple myeloma	Capsule	√		577
Entocort	Budesonide	Crohn disease	Capsule		√	493
Nuvugil	Armodafinil	Antidepressants	Tablets	√		448
Vidaza	Azacitidine	Myelodysplastic syndrome	Injection		√	282
Jevtana	Cabazitaxel	Prostate cancer	Injection	√		119
Fosrenol	Lanthanum Carbonate	End-stage renal disease	Tablet	√		115
Tykerb	Lapatinib Ditosylate	Anti-cancer	Tablet	√		88
Tracleer*	Bosentan	Hypertension	Tablet		√	47
Nexavar*	Sorafenib	Anti-cancer	Tablet	√		47

14 Para IV filings with combined market size of US\$11.1bn and 4 big ticket Para III filings

Well positioned to unlock its pipeline value in the near term with expected approvals of 4-5 ANDA in 18-24 months including Copaxone 20mg in US

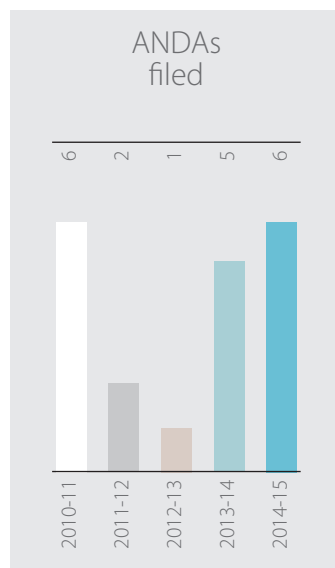
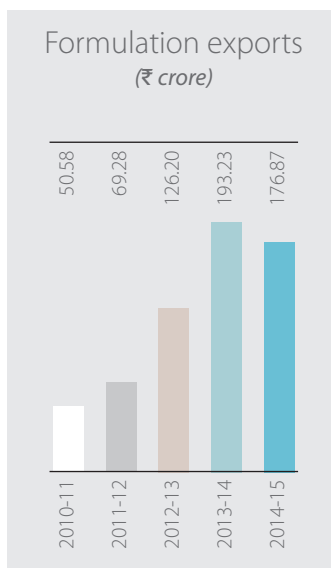
*Represents REMS product with potentially higher addressable market size.

Source: IMS based on Annual Sales of products for CY2014.

The non-US business: The Company has a presence in Brazil, Canada, Australia and Singapore through its subsidiaries in these geographies.

Brazil: The Company has filed nine products with ANVISA, the Brazilian regulatory authority, which are at various stages of approval – some approvals could materialise in the current year. The Company plans to file limited high value niche molecules on an ongoing basis.

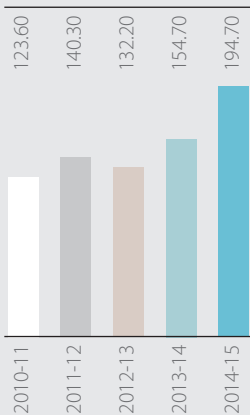
Canada: The Company has filed for eight products. In addition, the team has created a pipeline of niche products to be launched over the next two to four years.



BUSINESS DIVISION > 2
DOMESTIC FORMULATIONS



Revenues from oncology segment
 (₹ crore)



Natco pioneered the launch of several generic versions of drugs in the domestic oncology segment and holds a leading market share in their operated portfolios. Following the launch of a generic version of Imatinib Mesylate, a life-saving drug used for the treatment of Chronic Myeloid Leukemia (under the name of Veenat) in 2003, the Company came to the spotlight in this highly specialised area. This blockbuster launch was followed by the launch of other cancer drugs, namely Gefitinat, Sorafenat, Zolodonat, Erlonat, Letronat, etc., which strengthened its leadership position in this space.

The Company's logistics network in India is well-knit with about 150 marketing personnel and distributors at strategic points to ensure product availability pan-India.

Highlights, 2014-15

- Registered a healthy revenue in domestic formulations, a growth of 27% over the previous year
- Witnessed strong growth in existing oncology products, registering double-digit growth
- Emerged as the first company in India to get an approval for generic Sofosbuvir tablets 400mg from Drugs Controller General (India) for



the treatment of chronic Hepatitis C infection; Natco launched the product under the brand HEPCINAT

- Launched Xpreza (Azacitidine) as a complement to the existing product basket for the cure of leukaemia
- Launched Trabec (Trabectedin) for the cure of solid tumors, Natco being the only generic player with a treatment for this ailment in India

Cancer – moving ahead

In recent years, cancer treatment is graduating from cytotoxins towards target-based therapies due to the ill-effects of cytotoxins impacting the entire human body and their lower curability. Hence, the target-based therapy segment is witnessing a significant increase in new product launches. Cytotoxins, on the other hand, will continue to be relevant with a difference. Pharmaceutical companies will increasingly work on novel drug delivery systems for

these products, enhancing their effectiveness and curability rate.

Beyond Onco

Natco has a portfolio of products catering primarily to gastroenterology, orthopaedics and critical care. The Company currently has 10 products in oral and injectables dosage forms. The Company also takes up select contract manufacturing assignments.

Hepatitis C and India

Hepatitis C is a viral condition spread through blood, needles, tattoo, surgery or intravenous drip.

While 15 million Indians affected by chronic Hepatitis C infection, a majority of them are not treated due to a lack of public awareness regarding the spread of the virus and also a lack of knowledge in preventive steps.

A World Health Organisation (WHO) study on Hepatitis C found unsafe

therapeutic injections and transfusion of unsafe blood as the predominant modes of transmission of HCV in the country.

Blueprint, 2015-16

Natco will focus on marketing its HEPCINAT product pan-India. The Company is also working on launching more products in the gastroenterology space. In the oncology space, the Company will focus on target therapies and developing novel drug delivery solutions in the Cytotoxin space.

Natco's ₹100 million brands

Product	Therapeutic segment
Geftinat	Lung cancer
Erlonat	Lung cancer
Veenat	Chronic Myeloid Leukemia
Sorafenat	Liver and kidney cancer
Lenalid	Multiple Myeloma

Disturbing facts

- 1.8 million: People living with cancer in India (within five years of diagnosis)
- Over 1 million: Number of new cases getting added every year. This number is predicted to double in 20 years, according to the International Agency for Research on Cancer (IARC). (Source: *Business Standard*, May 24, 2014)

BUSINESS DIVISION > 3

ACTIVE PHARMACEUTICAL INGREDIENTS



The Company manufactures API for sales in the domestic and international markets, apart from captive consumption. Captive consumption is increasing following new product launches, even as a parallel effort

to expand revenues continues to happen. The expansion of facilities at its Mekaguda facility and Chennai facilities under Natco Organics Limited (merger of Natco Organics Limited into the Company) is in process. Both these

facilities will cater to the increasing demand for external sales of APIs and captive consumption.

The Company continues to enjoy credibility as a quality API supplier for end-users, helping market new APIs with minimal gestation periods.

The Company had a cumulative DMF filing for 31 APIs in the US markets as on March 31, 2015. In addition, the Company created a robust pipeline of over 15 products under various stages of development.

Highlights, 2014-15

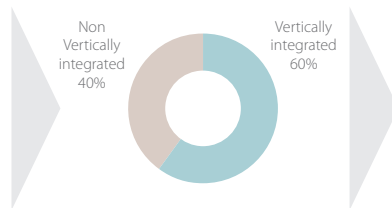
- Initiated the sales of Salmeterol, expected to generate heartening volumes in the coming year
- Registered sizeable sales to the Latin American and EU markets
- USFDA successfully inspected and approved the Mekaguda facility

Strategic Advantage with Backward Integration in Critical APIs

API Strengths

- Complex multi-step synthesis and scale-up (50 steps for one speciality gm-scale API)
- Semi-synthetic fusion technologies (Fermentation/ Biotech/Synthetic/Separation technologies)
- Containment/High potency APIs
- Peptide (solid phase) pharmaceuticals

Vertically integrated ANDAs



Total addressable market (US\$m)



(As on March 31, 2015)



ANALYSIS OF FINANCIAL STATEMENTS

(BASED ON CONSOLIDATED FINANCIAL STATEMENTS)



Natco continued to register growth in both revenue and profitability.

Statement of Profit and Loss

Revenue from operations (net):

Business income grew by 11.2% from ₹755.60 crore in 2013-14 to ₹840.18 crore in 2014-15. This increase was predominantly due to healthy domestic growth during the period under review.

- Revenues from the domestic formulations business grew by 27% over the previous year while exports

formulations remained flat at ₹156.6 crore.

- Revenues from the API business during 2014-15 grew 29.6% from ₹198.4 crore to ₹257.08 crore, the key reason being non-recurring revenues from a domestic API sale.

Operating expenses: Growing business operations resulted in an increase in operating expenses (total expenses less material consumption, finance cost, depreciation) from ₹326.34 crore in 2013-14 to ₹384.65 crore.

Cost of material consumed:

Expenses under this head increased marginally by 4% over the previous year consequent to increased production volumes. The team efforts in streamlining operating processes to eliminate wastages and superior vendor negotiations helped optimise material costs.

Employee expenses: The growing team size to manage expanding business operations resulted in a 21% increase in the Company's employee cost from ₹112.77 crore in 2013-14 to ₹136.92 crore in 2014-15. Besides,

the annual salary increase for the team, increased focus on training and performance-related payments also contributed to increased employee expenses.

Finance cost: The Company reduced its finance expense by 14% from ₹36.62 crore in 2013-14 to ₹31.68 crore in 2014-15 following astute financial management. Interest cover improved from 4.52 in 2013-14 to 5.24 in 2014-15, showcasing the Company's growing interest repayment capability.

Other expenses: These comprise other routine operational expenses – power and fuel, repair and maintenance, R&D expense and marketing and selling expenses. Expenses under this head increased by 9% from ₹213.51 crore in 2013-14 to ₹232.54 crore even as revenue grew in double-digit percentage, the result of disciplined business management.

Margins: The Company's focus on value-led growth facilitated margins expansion at the operating and net levels. While EBITDA grew by 8.73% from ₹196.04 crore in 2013-14 to ₹213.15 crore in 2014-15, EBITDA margin decreased slightly by 57 bps (basis points) from 25.94% to 25.37% over the same period. Net margin stood at 16.02% in 2014-15 against 13.60% in 2013-14.

Balance Sheet

Capital employed: The capital employed in the business increased

by 9.8% from ₹883.4 crore as on March 31 2014 to ₹970.3 crore as on March 31 2015. The increased funds were deployed primarily to meet working capital requirements.

Shareholders' fund: The Company's shareholders' funds increased by 17% from ₹725.88 crore as on March 31, 2014 to ₹846.05 crore as on March 31, 2015. This increase was owing to an increase in reserves and surplus (from ₹692.80 crore to ₹812.82 crore) and issue of equity shares during the year under review.

The Company issued 161,775 equity shares of ₹10 each, fully paid-up at a premium of ₹1,190 per equity share to the erstwhile shareholders of Natco Organics Limited in exchange of 19,310,000 equity shares of ₹10 each at face value held in NOL.

The reserves and surplus balance increased for two reasons:

- Ploughing of business profits
- Premium on issue of equity shares

Total outside liabilities: The Company's total outside liabilities increased from ₹469.8 crore as on March 31, 2014 to ₹538 crore as on March 31, 2015 – accounting for 55.4% of the capital employed. As a result, gearing stood at 0.64x as on March 31, 2015 against 0.65x as on March 31, 2014.

Long-term loans: The balance under this head including current maturities stood at ₹143.30 crore as on March

31, 2015 against ₹141.81 crore as on March 31, 2014.

Short-term loans: The balance under this head jumped significantly from ₹98.63 crore as on March 31, 2014 to ₹168.54 crore as on March 31, 2015. This was primarily sourced to fund the Company's additional working capital requirements.

Gross block: The balance under tangible assets increased from ₹781.03 crore as on March 31, 2014 to ₹885.66 crore as on March 31, 2015. This increase was due to investments in new facilities at Guwahati and annual routine capital expenditure.

Working capital: As the Company expanded its business operations across geographies with a larger product basket and an even larger number of product filings, working capital requirements increased considerably.

Inventories: The inventory balance grew by 21% from ₹181.12 crore as on March 31, 2014 to ₹220.00 crore as on March 31, 2015. Raw materials and work-in-progress were the two largest components under the inventories head – an outcome of increasing operating capacities. Further, increased product filing also contributed to the increase in inventories.

Trade receivables: The balance under this head jumped by 62% from ₹118.80 crore as on March 31, 2014 to ₹192.43 crore as on March 31, 2015.



RISK MANAGEMENT

INDIAN BUSINESS

1 The Company's focus on one therapeutic segment could prove detrimental.

Risk mitigation: In the domestic market, the Company has focused its energies on catering to the oncology segment for important reasons:

- Cancer is the killer disease whose occurrence is growing rapidly in India
- Development and manufacture

of cancer therapies is complex and hazardous, significantly reducing the number of players catering to this segment

This has made the oncology segment a high-growth and uncluttered space to operate in.

Natco specialises in developing and manufacturing cancer therapies in a highly cost-effective manner (offering them at a fraction of the cost of existing therapies), putting them within the reach of the common man. In doing so, it has established a strong presence in this segment.

2 The Company needs to look beyond oncology for sustained business growth.

Risk mitigation: In 2014-15, the Company launched its blockbuster product, HEPCINAT, for the cure of Hepatitis C. In addition, the Company

is developing other pipeline and HEPCINAT-combination products to strengthen its product basket in this segment. This addition would help

significantly de-risk the Company's business from an overdependence on a single therapeutic segment in the long run.

3 The Company may fall short of manufacturing capacity to deliver the desired volumes for planned product launches.

Risk mitigation: The Company recently commissioned a greenfield facility at Guwahati for manufacturing

products for the domestic markets. The addition of this unit should take care of the Company's capacity for

the domestic market for the next few years.

INTERNATIONAL BUSINESS

1 The Company may not be able to sustain business growth from its international operations.

Risk mitigation: Natco has a strong healthy product base and a strong launch pipeline for the US; additionally, it implemented its flanking strategy to complement its US business.

US growth

- The Company has a pipeline of ANDAs, a majority of which are Para IV, which could potentially provide Natco

better realisations and profitability.

Flanking strategy

- Created a strong presence in Brazil and Canada – set up its office, created the requisite infrastructure, secured the necessary approvals and filed for niche products for approval, which should commence generating revenue in 18-24 months

- Establishing a presence in Australia and South-East Asia with a region-specific office, necessary infrastructure and approvals.

These strategic initiatives should strengthen business growth from the Company's international operations.

2 Para IV ANDAs could lead to expensive litigation for the Company.

Risk mitigation: Natco adopted a partnership strategy for the US and European markets. For its Para IV filings, the Company partnered large global pharmaceutical players for undertaking litigation (including

bearing litigation expenses) and marketing products in the US. This provides the Company a dual benefit:

- De-risks the Company from litigation expenses and consequences

- Provides speed to market and depth of reach for products in the expansive and growing US market

3 The Company may fall short of the requisite manufacturing capacities.

Risk mitigation: Natco is setting up a greenfield manufacturing facility at Visakhapatnam dedicated to formulations for the international

markets – particularly for the US markets. This ₹120 crore facility is to commence operations by end-2016. We expect this facility to support

the capacity requirements of NATCO for at least 24-36 months from commissioning.



MAKING A DIFFERENCE WHERE IT MATTERS MOST

The working body: Natco Trust, the corporate social responsibility wing of Natco Pharma Limited (founded 1995)

The belief: The vision 'to facilitate self-sustained development among the communities being served' and the mission 'to provide such support

and service to the society which would have long standing impact on improving the lives of the individuals benefiting thereof.'

The coverage area: The Trust operates in the city and districts of Hyderabad as well as Ranga Reddy Nalgonda and

Mahaboobnagar districts in Telangana state and the Guntur district of Andhra Pradesh.

The programme coverage: It covers areas which matter most in the holistic community development – education, health and livelihood.

EDUCATION

NATCO Trust's education programme is driven by the belief that every child, when presented with the right opportunity, can become an actualised individual. Accordingly, all interventions are planned only with economically under-privileged children; the schools are located in rural villages or urban slums.



The CMD and Shri Kantilal Dande, District Collector, Guntur at EduFair – 2014 at Natco School of Learning, Guntur



Sports for development Session at Primary School, Nandigam, Kothur Mandal

A School Library Programme fosters reading proficiency. A reading habit is inculcated in children with periodic monitoring to assess progress.

Sports for development project (Technical Partner – Magic Bus India Foundation):

The goal of the planned intervention is to bring about a positive change among children and parents in terms of attitude and behaviour related to education, health, gender, socio-emotional learning and the right to play. This project covers nine government schools in Kothur Programme area, reaching out to 1675 children.

After-school tuitions at Government primary schools were initiated in 2011-12, covering 780 children in 2014-15. The coaching is provided by trained community volunteers in each of the 13 centres with a focus on improving/providing strong fundamentals in Telugu and maths among Grade 1 to five children in government schools. For 2014-15, out of the 146 children trained for coaching in entrance

exams for residential school, 46 children secured 54 seats in various government residential schools.

Child clubs were formed to facilitate a change in the behavioural aspects among children with a special focus on personal hygiene, critical thinking and analysing (for both, in- and out-of-school issues) self-expression and cooperative social behaviour.

School health: As a part of this project, the team is organising eye screening, general health and dental camps in the schools in which the Trust operates.

School support programmes

These include need-based one-time interventions in the form of material, teacher or training support.

	Natco High School	Natco School of Learning	Natco Government High School	Natco Bala Vikasa Kendram
Location	Rangapur village of Kothur mandal (Mahaboobnagar district)	Gollamudipadu village, Ponnuru mandal, (Guntur district)	Borabanda, a highly concentrated urban slum, near Jubilee Hills, Hyderabad	Thangilla Thanda
No. of students	1433 children	512 children	1900 children	13 children
Medium	English medium	English medium CBSE school	Telugu and English media	Multi-grade, multi-level methodology
Classes	Nursery to Grade 10	Nursery to Grade 9	Primary and high schools	Pre-school education



Newly constructed Niloufer Natco OPD block, Red Hills, Hyderabad

HEALTH

Natco Trust is committed to enhancing the health and well-being of targeted communities. It attempts to improve the health-seeking behaviour of communities regarding nutritious food, mother and child health, communicable diseases, preventive mechanisms through community-based health services and health awareness.

Natco Mobile Health Clinics provide primary healthcare facilities in 30 villages surrounding its manufacturing units reaching out to approximately 4500 households at Nagarjunasagar, Nalgonda district and Kothur, Mahaboobnagar district.

- **Special camps** were organised based on the disease patterns in communities. Eye screening and IOL camps are organised. Some 87 beneficiaries underwent cataract

operations while 448 beneficiaries were provided spectacles to restore/improve their vision.

- **Referral services** were provided as per need to Osmania and Gandhi General Hospitals, Niloufer Hospital, MNJ Cancer Hospital and Sarojini Eye Hospital where the Trust stationed patient counsellors

- **Health education/awareness** on judicious use of medicines, anti-tobacco, personal hygiene, etc. were

imparted among the communities

Nutrition centres: Through this programme, the Trust aims at preventing disability and malnutrition among pregnant and lactating women, motivating them for institutional delivery for healthy motherhood. Appropriate tracking mechanisms were developed to ensure the health benefits reach expecting and lactating mothers in the coverage area. Some 95% ante-natal



Women beneficiaries at the nutrition centre

and 96% post-natal mothers from the identified beneficiaries benefited from these centres with 99% institutional deliveries in the programme area.

Kitchen gardens were developed at each of the nutrition centres; individual kitchen gardens for ante-natal and post-natal women are also underway.

Sanitation is one other major intervention identified in the Trust's programme agenda. The Trust facilitated the construction of 87 individual sanitary latrines (ISLs) in Gollamudipadu village, out of identified 148 households without ISLs. Natco Trust has facilitated the construction of these ISLs. Some 2215 members were sensitised on health, hygiene and sanitation issues.

Hospital support in terms of infrastructure was provided.

- Construction of Niloufer Natco OPD block; 30,315 sq ft floor area was created and a total 14 paediatric departments provide services from this block.

LIVELIHOOD

Natco Vocational Training Centre: Initiated in 2008 at Borabanda, Hyderabad, and now being replicated in four centres in four locations, we are registered under Modular Employable Skills, under Skill Development Initiative Scheme of Directorate General of Employment & Training, under Ministry of Labour & Employment, Government of India.

Since inception, more than 3000 unemployed especially women were trained under various trades, and more importantly, found a source of income.

Natco Career Counselling and Guidance Centre: Initiated in 2014 at Nagarjunasagar to sensitise, guide and counsel the literate, employable youth on higher education, self-employment, life skills enhancement and employment (public/private sector) opportunities from time to time.



*includes CSR expenditure as detailed in the Director's report, Annexure IV



KEY MANAGEMENT TEAM





CORPORATE INFORMATION

Board of Directors

Shri V C Nannapaneni	Chairman & Managing Director
Shri T V Rao	Director - Independent
Shri G S Murthy	Director - Independent
Dr B S Bajaj	Director - Independent
Shri Rajeev Nannapaneni	Vice Chairman & Chief Executive Officer
Dr A K S Bhujanga Rao	Director & President (R&D and Tech.)
Shri D G Prasad	Director - Independent
Shri Vivek Chhachhi	Director - Non-Executive & Non-Independent
Shri Tarun Khanna	Alternative Director to Shri Vivek Chhachhi
Dr.Mrs. Leela Digumarti	Director - Independent
Shri P S R K Prasad	Director & Executive Vice President (Corp. Engg. Services)
Dr. M U R Naidu	Director – Independent
Dr. D Linga Rao	Director & President (Tech. Affairs)

Company Secretary & Vice President (Legal & Corp Affairs)

CS M Adinarayana

Interim Chief Financial Officer

Shri S V V N Appa Rao

Registered Office

NATCO house, Road # 2
Banjara Hills, Hyderabad 500 034
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
Ph: 040-23818475, 23818476
Email: info@vccipl.com, Website: vccipl.com

Statutory Auditors

M/s. Walker Chandio & Co. LLP,
7th Floor, Block III, White House
Kundan Bagh, Begumpet,
Hyderabad- 500016

Internal Auditors

M/s. Seshachalam & Co
1-11-256, Street No. 1, Wall Street Plaza, 6th Floor,
ICICI Building, Begumpet, Hyderabad - 500016

Cost Auditors

M/s. S.S. Zanwar & Associates
Flat #205, 3rd Floor, Reliance Krishna Apt,
Hill fort, Hyderabad-500004

Secretarial Auditor

CS Balachandra Sunku
Abhaya, 6-3-609/140/1
Anand Nagar, Khairathabad
Hyderabad- 500004



BOARD'S REPORT

Dear Members,

Your Directors have pleasure in submitting the 32nd Annual Report together with the audited accounts of the Company for the year ended on 31st March, 2015.

Financial Results for the year ended 31st March, 2015

₹ in lakhs

	Consolidated		Standalone	
	2014-15	2013-14	2014-15	2013-14
Revenue from operations (Net)	82528	73889	71555	62234
Other Income	1490	1671	1357	1571
Total Revenue	84018	75560	72912	63805
Profit before Exceptional Items and Tax	14935	12898	16954	14145
Less: Exceptional Items	(1513)	-	(1513)	-
Profit Before Tax	13422	12898	15441	14145
Less: Tax expense	(3512)	(3226)	(3252)	(3005)
Add / (Less): Deferred tax	3117	139	3104	(121)
Profit after tax and before minority interest	13027	9811	15293	11019
Minority Interest	435	463	-	-
Profit for the year	13462	10274	15293	11019
Add: Opening Surplus brought forward from the previous year	36380	29142	37592	29607
Less: Appropriations:	(2002)	(1935)	(2002)	(1935)
Interim Dividend (including tax on distributed Profits)				
Transfer to General Reserve	(1100)	(1100)	(1100)	(1100)
Closing Surplus carried forward	46740	36381	49783	37591

Company Affairs

The Company's standalone revenue for the year was ₹72912 lakhs, up 14% over the previous year. Earnings before interest, taxes, depreciation, amortisation and impairment (EBIDTA) before exceptional items increased by 20% to ₹24213 lakhs compared to previous year in value terms, or 33% of standalone revenue. Profit before taxes (PBT) was ₹15441 lakhs, up 9% over the previous year.

The Company's consolidated revenue for the year was ₹84018 lakhs, up 11% over the previous year. EBITDA before exceptional items grew by 16% as compared to previous in value terms, to ₹22829 lakhs, or 27% of consolidated revenue. Profit before taxes (PBT) was ₹13422 lakhs, an increase of 4% over the previous year.

Revenue from APIs constituted 30% of the revenue while formulations constituted 50% of the revenue. This growth was largely driven by domestic oncology segment, increase in market share in some of the key products and also contribution from new product launches in FY2015.

During the year, the Company got the unique distinction of being the first company in India to launch the generic version of Gilead's Sovaldi under its brand "Hepcinat" for the treatment of Hepatitis C.

As of Mar 31st, 2015, the Company has made 35 ANDA filings of which (i) 14 are approved (including 2 tentative approvals); (ii) 14 are Paragraph IV filings, which have been filed in collaboration with global pharmaceutical companies, such as, Mylan, Breckenridge, Alvogen, Actavis and Lupin.

As of Mar 31st, 2015, the Company filed 31 DMFs with the USFDA across therapeutic segments such as oncology, CNS, anti-asthmatic, anti-depressant, anti-migraine, anti-osteoporosis and gastrointestinal disorders and are currently working on several more DMFs to be filed with USFDA in near future.

Dividend

Your Directors had recommended and paid an interim dividend of ₹5.00 per equity share (last year— ₹5.00 per equity share) during February, 2015. Your Directors recommend that this may be treated as the final dividend.

Transfer to Reserves

The Company transferred ₹1100 lakhs to the general reserve during the current financial year.

Share Capital

The paid-up share capital of your Company increased to ₹3323.49 lakhs in FY2015, due to the allotment of 161,775

equity shares of ₹10 each, fully paid at a premium of ₹1190 per equity share to the erstwhile shareholders of Natco Organics Limited in exchange of 19,310,000 equity shares of ₹10 each at face value held by them in Natco Organics Limited

Fixed Deposits

The Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013. Accordingly no disclosure or reporting is required in respect of details relating to deposits covered under this Chapter

Change in the nature of Business, if any

During the year, there was no change in the nature of business of the Company or any of its subsidiaries.

Subsidiaries

The Company has one (1) domestic subsidiary and five (5) international subsidiaries (excluding one (1) step down subsidiary) as on 31 March 2015. During FY2015, Natco Organics Limited became a wholly owned subsidiary. The consolidated financial statement of the Company and all its subsidiaries prepared in accordance with Accounting Standards 21 and 27 as specified in the Companies (Accounts) Rules, 2014, form part of the annual report. Further, a statement containing the salient features of the financial statement of our subsidiaries in the prescribed Form AOC-1, is attached as "Annexure I" to the Board's Report. This statement also provides the details of the performance and financial position of each subsidiary. In accordance with Section 136 of the Companies Act, 2013, the audited financial statements and related information of the subsidiaries, where applicable, will be available for inspection during regular business hours at the Company's registered office in Hyderabad, India.

Particulars of Investments, Loans & Advances

The Company makes investments, loans and advances to its subsidiaries for their business purpose. Details of investments, loans and advances 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 Shareholders Information

A detailed report on the corporate governance systems and practices of the Company is given in a separate chapter of this annual report. Similarly, other detailed information for shareholders is provided in the chapter Additional Shareholders' Information.

A certificate from the Secretarial Auditors of the Company on the compliance with the conditions of corporate governance is attached to the 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

Dr P. Bhaskara Narayana, Director and CFO passed away on 21st October, 2014. Your Board of Directors wishes to place on record the contribution made by him to the Company and place on record its deep sense of gratitude to him and conveyed the same to his family members

Mr. Vivek Chhachhi is retiring at the ensuing Annual General Meeting and is eligible for re-appointment.

Shri P S R K Prasad has been appointed as an Additional Director effective 12th November 2014. Dr. D Linga Rao and Dr M U R Naidu were appointed as Additional Directors effective 11th February, 2015. These Directors are being appointed in the ensuing Annual General Meeting.

Board Evaluation

As per provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, an evaluation of the performance of the Board and members was undertaken.

The contribution and impact of individual Directors were reviewed through a peer evaluation on parameters such as level of engagement and participation, flow of information, independence of judgment, conflicts resolution 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 potential Board member is also assessed on the basis of independence criteria defined in Section 149(6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

In accordance with Section 178(3) of the Companies Act, 2013, Clause 49(IV) (B) of the Listing Agreement and on recommendations of Compensation Committee, the Board adopted a remuneration policy for Directors, Key Management Personnel (KMPs) and Senior Management. The policy is attached as an annexure.

Declaration by Independent Directors

The Company has received necessary declaration from each independent Director under Section 149(7) of the Companies Act, 2013, that he/she meets criteria of Independence laid down in Section 149(6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

Number of Board Meetings

The Board of Directors met four times during the year. Details of Board meetings are laid out in Corporate Governance report, which forms a part of this annual report.

Business Risk Management

The Company has a risk management mechanism in place which manage uncertainty and identify, assess, monitor to reduce the impact of risks to the business which is discussed in detail in the Management Discussion and Analysis section.

Adequacy of Internal Financial Control Systems

The Company has in place adequate internal financial controls with reference to financial statements. These controls ensure the accuracy and completeness of the accounting records and preparation of reliable financial statements.

Directors Responsibility Statement

In terms of Section 134(5) of the Companies Act, 2013, your

Directors state that:

1. applicable accounting standards have been followed in the preparation of the annual accounts;
2. accounting policies have been selected and applied consistently. Judgments and estimates made are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of FY2015 and of the profit of the Company for that period;
3. proper and sufficient care has been taken to maintain adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. annual accounts have been prepared on a going concern basis;
5. adequate internal financial controls for the Company to follow have been laid down and these are operating effectively; and
6. proper and adequate systems have been devised to ensure compliance with the provisions of all applicable laws and these systems are 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 or arrangement entered into by the Company with related parties referred to in Section 188(1) in Form AOC-2 is attached as "Annexure II".

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 has an Ombudsperson policy (Whistle-Blower/Vigil mechanism) to report concerns. Under this policy, provisions have been made to safeguard persons who use this mechanism from victimization. An Audit Committee member is the Chief Ombudsperson. The policy also provides access to the chairperson of the Audit Committee under certain circumstances. The details of the procedure are also

available on the website of the Company, www.natcopharma.com.

Auditors

Statutory Auditors

The shareholders at their 31st Annual General Meeting (AGM) held on 27 September 2014, approved the re-appointment of M/s. Walker Chandiook & Co LLP, Chartered Accountants, as statutory auditors of the Company, to hold office from the conclusion of the 31st AGM up to the conclusion of the 36th Annual General Meeting for the year 2018-2019. In terms of first proviso of Section 139 of the Companies Act, 2013, the appointment of the auditors is subject to ratification by the shareholders at every subsequent AGM. Accordingly, the statutory auditors, M/s. Walker Chandiook & Co LLP Chartered Accountants, have confirmed their eligibility under Section 141 of the Companies Act, 2013, Rule 4 of the Companies (Audit and Auditors) Rules, 2014 and Clause 41(l) (h) of the Listing Agreement.

The Audit Committee and the Board of Directors recommend the appointment of M/s. Walker Chandiook & Co LLP Chartered Accountants, as statutory auditors of the Company from the conclusion of the 32nd AGM till the conclusion of the 33rd AGM, to the shareholders for ratification.

Secretarial Auditor

Pursuant to Section 204 of the Companies Act, 2013 and the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, a practicing Company Secretary was appointed to conduct the secretarial audit of the Company for FY2015. The secretarial audit report for FY2015 is attached as "Annexure III".

Basing on the consent received from practicing Company Secretary and the recommendations of the Audit Committee, the Board has appointed CS Bala Chandra Sunku, a practicing Company Secretary, as secretarial auditor of the Company for FY2016.

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. Your Board has, on the recommendation of the Audit Committee, appointed M/s. S.S. Zanwar & Associates as cost auditors of the Company for FY2016. The provisions also require that the remuneration of the cost auditors be ratified by the shareholders accordingly your Board recommended the same. The cost audit report for the FY 2015 will be filed with the Central Government within the stipulated timeline. As a matter of record, relevant cost audit reports for FY2014 were filed within the due date.

Significant and Material Orders passed by the courts / regulators

During FY2015, 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

As per Section 135 of the Companies Act, 2013, the Company has a Corporate Social Responsibility (CSR) Committee of its Board of Directors. The Committee comprises of 1. Shri G.S.Murthy 2. Shri V.C.Nannapaneni 3. Shri Rajeev Nannapaneni

The role & responsibilities of CSR Committee is:

- (a) to formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of Companies Act, 2013;
- (b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
- (c) monitor the Corporate Social Responsibility Policy of the Company from time to time.
- (d) Adhere to Section 135 of the Companies Act, 2013 & Companies (Corporate Social Responsibility Policy) Rules, 2014 (including any statutory modifications,

amendments or re-enactments thereto for the time being in force).

- (e) All other activities as informed or delegated by the Board of Directors from time to time.

The Company supported NATCO Trust, which continues to actively pursue its social welfare activities in the areas of education, health and hygiene, livelihood and employment generation, safe water and sanitation and need based community structure.

The Company's in-house quarterly magazine "Spandana" continues to receive applauds.

The Report on CSR activities of the Company is attached as "Annexure IV".

Business Responsibility Report

A detailed Business Responsibility Report is available as a separate section in this annual report

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

Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, the declared dividends, which remained unpaid or unclaimed for a period of seven years, have been transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the said Act the details of which are available elsewhere in the Annual Report.

Employees Stock Option Schemes

No Employees Stock Option Scheme was in place in the reporting financial year.

Particulars of Employees

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013, read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are attached as "Annexure V".

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

The particulars as prescribed under Section 134(3) (m) of the Companies Act, 2013, read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are attached as "Annexure VI".

Extract of the Annual Return

The details forming part of the extract of the annual return in Form MGT-9 is attached as "Annexure VII".

Nomination and Remuneration Committee

Your Board of Directors had framed Nomination and Remuneration Committee as per Section 178 of Companies Act 2013 and Clause 49 of the Listing Agreement. The Policy of the same is attached as "Annexure VIII"

Acknowledgement

Your Directors place on record their sincere appreciation for the significant contribution made by our employees through their dedication, hard work and commitment, as also for the trust reposed on us by the medical fraternity and patients. We also acknowledge the support extended to us by the analysts, bankers, government agencies, media, customers, suppliers, shareholders and investors at large. We look forward to continued support in our endeavor to help people lead healthier lives.

For and on behalf of the Board of Directors

Place: Hyderabad

Date: 12-08-2015

V. C. Nannapaneni

Chairman and Managing Director

Annexure-I to 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:

	NATCO Pharma Inc.	NATCO Organics Limited	NATCO Pharma (Canada) Inc.	Time cap Overseas Limited	Natco Farma Do Brasil	NATCO Pharma Asia Pte Ltd	NATCO Pharma Australia Pty Ltd
Share Capital	4,18,49,274	79,69,39,450	6,13,59,291	48,48,00,718	29,13,54,422	1,62,52,308	40,38,148
Reserves	22,07,47,149	(35,97,30,737)	(5,99,57,977)	(3,24,62,450)	(18,99,70,308)	(1,48,24,688)	(54,23,830)
Total Assets	31,93,31,268	1,38,43,42,550	62,82,820	45,24,63,328	15,44,58,966	23,93,087	3,98,367
Total Liabilities	5,67,34,845	94,71,33,837	48,81,506	1,25,060	5,30,74,852	9,65,467	17,84,049
Investments	NIL	NIL	NIL	41,74,66,288	NIL	NIL	NIL
Turnover	94,79,52,421	12,50,17,792	7,68,275	16,19,330	18,69,77,643	NIL	NIL
Profit before taxation	7,76,68,700	(7,30,69,924)	(4,68,81,419)	(2,40,87,605)	(11,81,00,320)	(1,13,14,526)	(60,71,163)
Provision for taxation	2,44,11,239	1,21,47,535	NIL	NIL	NIL	NIL	NIL
Profit after taxation	5,32,57,461	(6,09,22,389)	(4,68,81,419)	(2,40,87,605)	(11,81,00,320)	(1,13,14,526)	(60,71,163)
Proposed Divided	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Reporting Currency	USD	INR	CAD	USD	Brazilian Real	SGD	AUD
Closing exchange rate	62.53	1.00	49.45	62.53	19.22	45.43	47.79
Average exchange rate	61.04	1.00	53.88	61.04	24.91	47.46	53.49
% of Shareholding	100.00	100.00	99.34	83.78	79.47	100.00	80.00

For and on behalf of the Board of Directors

Date: 12-08-2015
Place: Hyderabad

V. C. Nannapaneni
Chairman and Managing Director

Annexure II to the Board's Report

From 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).

Form for Disclosure of particulars 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 transaction under third proviso thereto.

1. Details of contracts or arrangements or transactions not at Arm's length basis.

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. Details of contracts or arrangements or transactions at Arm's length basis.

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.

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:	Date(s) of approval by the Board if any:	Amount paid as advances, if any:
Sri V C Nannapaneni, Chairman & Managing Director	Lease Agreement	1-4-2012 to 31-3-2015	To locate western India Marketing Office and accommodation to Senior Executives visiting Mumbai – Rent paid- ₹18,00,000/- p.a.	28/05/2012	NIL
Sri Rajeev Nannapaneni, Vice Chairman & CEO	Lease Agreement	1-4-2012 to 31-3-2015	To locate Chennai Marketing Office and Guest House - Rent paid-₹9,60,000/-p.a.	28/05/2012	NIL
M/s. Time Cap Pharma Labs Ltd Shareholding Of Shri VC Nannapaneni	Lease Agreement	1-4-2012 to 31-3-2015	To locate Delhi Office and Guest House- Rent paid-₹18,00,000/-p.a.	28/05/2012	Nil
M/s. Time Cap Pharma Labs Ltd Shareholding Of Shri VC Nannapaneni	Lease Agreement	1-6-2013 to 31-5-2016	To locate godown at Kothur Mandal, Mahaboobnagar Dist.- Rent paid-₹12,00,000/-p.a.	30/05/2013	Nil
M/s. Time Cap Pharma Labs Ltd Shareholding Of Shri VC Nannapaneni	Lease Agreement	1-6-2013 to 31-5-2016	To locate Company's Solar Panel Production at Kothur Mandal, Mahaboobnagar Dist.- Rent paid-₹12,00,000/-p.a.	30/05/2013	Nil
M/s. Natco Organics Limited Wholly owned Subsidiary	Lease Agreement	1-1-2013 to 31-12-2015	To locate C&F Office at Sanathnagar, Hyderabad - Rent Paid- ₹9,00,000 /-p.a.	13/02/2013	Nil
M/s. Natco Organics Limited Wholly owned Subsidiary	Lease Agreement	1-1-2013 to 31-12-2015	To locate godown and office accommodation at Sanathnagar, Hyderabad - Rent paid-₹9,00,000/-p.a.	13/02/2013	NIL

For and on behalf of the Board of Directors

Date: 12-08-2015

Place: Hyderabad

V. C. Nannapaneni
Chairman and Managing Director

Annexure-III to the Board's Report

Form MR-3

Secretarial Audit Report

(For the financial year ended 31st March, 2015)

[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]

To
The Members of
M/s. Natco Pharma Limited

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

Based on my verification of the 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 authorised representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period ended on 31st March 2015, 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 period ended on 31st March 2015 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 Byelaws 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;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999
 - (e) 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;
 - (f) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
 - (g) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
 - (h) The Listing Agreements entered into by the Company with the BSE Limited, National Stock Exchange of India Limited.
 - (i) The Memorandum and Articles of Association

(vi) The following are the Industry Specific Acts applicable to the Company:

- (a) Drugs and Cosmetics Act, 1940
- (b) Narcotic Drugs and Psychotropic Substances, 1985
- (c) Explosives Act, 1884
- (d) Inflammable Substances Act, 1952
- (e) Poisons Act, 1919
- (f) Air (Prevention and control of pollution) Act, 1981
- (g) Water (Prevention and control of pollution) Act, 1974
- (h) Indian Boilers Act, 1923

(vii) The following are the Labour Laws applicable to the Company:

- (a) Factories Act, 1948
- (b) Payment of Wages Act, 1936
- (c) Payment of Gratuity Act, 1972
- (d) Payment of Bonus Act, 1965
- (e) Employees Provident Fund and Miscellaneous Provisions Act 1952
- (f) Employees State Insurance Act
- (g) The Employees Exchanges (Compulsory notification of vacancies) Act, 1959
- (h) The Contract Labour (Regularisation and Abolition) Act, 1970
- (i) The Maternity Benefits Act, 1961
- (j) AP Shops and Establishment Act, 1988.

I further report that

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

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, 1992 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 (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 including the provisions with regard to disclosures and maintenance of records required under the said Regulations;
- (d) The Company has not bought back equity shares of the Company, during the period; therefore, the compliance of the provisions of the Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; does not arise.
- (e) The Company has not delisted any of its securities, during the period, therefore, the compliance of the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; does not arise.

I further report that:

- (a) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review are carried out in compliance with the provisions of the Act.
- (b) Adequate notice is given to all directors to schedule the Board Meetings. Agenda and detailed notes on agenda are 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, are taken unanimously.
- (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 Compliance Certificates issued by the Company Secretary to the Board of Directors and also Compliance Certificates issued by the respective Department Heads. 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 Labour and Financial Laws, I relied upon Compliance Certificates issued by the Company Secretary to the Board of Directors and also Compliance Certificates issued by the respective Department Heads and also report of Statutory and Internal 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 the company has allotted 1,61,775 (One lakh sixty one thousand seven hundred seventy five) Equity Shares of ₹10/- each, at a price of ₹1200/- (Rupees One thousand Two Hundred only) per share on Preferential Basis other than Cash during the year.

Date: 12-08-2015
Place: Hyderabad

CS Balachandra Sunku
Practising Company Secretary
FCS No.5496 CP No.12745

Annexure-IV to the Board's Report**Annual Report on Corporate Social Responsibility (CSR)**

1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken.
The Board has approved the CSR Policy of the Company which is available on the Company's Website and projects and programmes are mentioned in at 5 (c).
2. The Composition of the CSR Committee:
The CSR Committee was constituted by the Board of Directors at its meeting held on 12-08-2014.
It comprises of
 1. Shri G.S.Murthy
 2. Shri V.C.Nannapaneni
 3. Shri Rajeev Nannapaneni
3. Average net profit of the company for last three financial years:
1,120,958,350
4. Prescribed CSR Expenditure (two per cent. of the amount as in item 3 above):
₹22,419,167
5. Details of CSR spent during the financial year:
 - (a) Total amount to be spent for the financial year;
₹25,542,579
 - (b) Amount unspent, if any;
N.A.
 - (c) Manner in which the amount spent during the financial year is detailed below.

	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, Mahboobnagar District, Telangana	95.92	Natco Trust
b.	Natco School of Learning	Education	Gollamudipadu Village, Ponnuru Mandal, Guntur District, A.P.	55.31	Natco Trust

	CSR Project / Activity	Sector	Location of the project / Programme	Amount spent on the projects / programs	Amount spent direct / implementing agency
2	Sports for Development Project	Education	Kothur Mandal, Mahboobnagar District, Telangana	12.00	Natco Trust
3	Tuition Centre	Education	Pedavoor Mandal, Nalgonda District, Telangana	13.50	Natco Trust
4	Natco Mobile Health Clinics	Health	Mahboobnagar and Nalgonda District, Telangana	25.00	Natco Trust
5	Nutrition Centre	Health	Mahboobnagar and Nalgonda District, Telangana	10.09	Natco Trust
6	Patient Counselling	Health	Hyderabad & Rangareddy District, Telangana	15.00	Natco Trust
7	Natco Career Counselling and Guidance Centre	Livelihood	Mahboobnagar and Nalgonda District, Telangana	8.50	Natco Trust
	Total (A)			235.32	
B.	Administrative expenses				
1	Implementing expenses	Education		12.00	Natco Trust
2	Implementing expenses	Health		6.00	Natco Trust
3	Implementing expenses	Livelihoods		2.11	Natco Trust
	Total (B)			20.11	
	Total (A+B)			255.43	

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:

The entire amount was spent.

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 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

Date: 12-08-2015
Place: Hyderabad

V. C. Nannapaneni
Chairman and Managing Director

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 FY2015 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 FY2015	Comparison of the remuneration of each KMPs against the performance of the company
Mr. V. C. Nannapaneni	Chairman and Managing Director	67	20	Compared to FY 2014, the standalone revenue in FY 2015 grew by 14% and Profit before exceptional items and tax grew by 20%
Mr. Rajeev Nannapaneni	Vice Chairman and CEO	56	25	
Dr. A.K.S. Bhujanga Rao	Whole Time Director	45	178	
Mr. P.S.R.K Prasad	Whole Time Director	45	178	
Dr. D Linga Rao	Whole Time Director	45	178	
Mr. M. Adinarayana	Company Secretary	13	73	
Mr. S.V.V.N Apparao	Interim Chief Financial Officer	13	73	

Mr. T.V. Rao, Mr. G.S. Murthy, Dr. B.S. Bajaj, 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 15% in FY2015.
- (iii) The number of permanent employees on the rolls of Company as on 31 March 2015 is 3,117.
- (iv) The average increase in remuneration paid to employees is 17 % for FY2015 as compared to FY2014. Compared to FY2014, the standalone revenue in FY 2015 grew by 14% and profit before exceptional items and tax grew by 20%

The remuneration policy of the company is to provide competitive compensation based on company's performance, employee individual contribution and market conditions.

- (v) For FY2015, the remuneration paid to all KMP's aggregate to approximately 4.15% of the Net Profit. The Net Profit was ₹152.93 crores whereas remuneration paid to all KMPs aggregate to approximately ₹6.35 crores.

(vi)

Particulars	As at 31st March, 2015		As at 31st March, 2014	
	BSE	NSE	BSE	NSE
a) Market Capitalisation	₹7013 Crores	₹7009 Crores	₹2636 Crores	₹2641 Crores
b) Price earnings ratio	45.70	45.68	23.11	23.15

- c) The closing price of the Company's equity shares on the NSE and BSE as on 31 March 2015 was ₹2108.95 and ₹2110.05 respectively. The market capitalisation of the company grew by 166% in FY15 as compared to FY14.

(vii) Average percentage increase made in the salaries of employees other than the KMPs for FY2015 was 16% as compared to FY2014. There was an increase of 72% in the total remuneration of KMPs for the same period.

(viii) No variable component of remuneration was availed by the directors.

(ix) None of the employees (who are not directors) receive remuneration in excess of highest paid director.

(x) It is hereby affirmed that the remuneration paid during FY 2015 is as per the remuneration policy of the company.

Information required under Section 197 (12) of the Companies Act, 2013 read with Rule 5 (2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

Name of the Employee	Age of employee	Designation of the employee	Gross remuneration received (₹ in Lakhs)	Nature of employment, whether contractual or otherwise	Qualifications of the employee	Experience of the employee	Date of Commencement of employment	The last employment held by such employee before joining the Company
Mr. V. C. Nannapaneni	69	CMD	1,67,28,000	Regular	MS (Pharmaceutical Administration)	46	03.10.1981	Time Cap Labs Inc.
Mr. Rajeev Nannapaneni	38	VC & CEO	1,39,38,000	Regular	BA in Quantitative Economics & BA in History TUFTS University, USA	16	03.07.2000	Merrill Lynch and Natco systems LLC
Dr. A K S Bhujanga Rao	62	President – R & D	99,99,996	Regular	Ph.D	33	11.10.2000	Director at Veera Labs
Dr. D Linga Rao	59	President – Technical Affairs	100,00,008	Regular	Ph.D	40	11.02.1993	Sr. QC Executive at IDPL
Mr. P S R K Prasad	57	EVP - CES	100,00,008	Regular	B.Tech.	32	23.05.1995	Engineering Manager at B.Dawood
Dr. M Pulla Reddy	57	EVP – R&D	110,00,000	Regular	Ph.D	21	01.04.1994	-
Dr. B R Reddy	62	Director - Formulations	110,00,000	Regular	Ph.D	30	29.01.2007	Director – Operations at Granules India Limited

None of the employee is related to the Directors except Sri Rajeev Nannapaneni who is son of Sri V. C. Nannapaneni.

For and on behalf of the Board of Directors

Date: 12-08-2015
Place: Hyderabad

V. C. Nannapaneni
Chairman and Managing Director

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

(A) Conservation of energy –

During the year, the Company has implemented energy conservation projects across its various business units Major categories of such investments are:

1. Installation of Energy efficient equipment & optimization of processes consuming energy: Major projects in this category are:
 - a) Conversion of CFL based lighting to LED based lighting has been taken up and being implemented in phased manner across all units, which has potential to save about 1.5 million units per annum when completed.
 - b) The company has brought in high pressure and efficient reverse osmosis technology as part of tertiary Effluent treatment and adoption of high efficiency evaporation technology for Effluent has brought down the Steam consumption and eventually coal consumption has been reduced by 4 Tons/day.
 - c) Adapting PSA technology for Nitrogen Gas generation as an alternative to energy intensive and expensive gas generation from liquid Nitrogen has been implemented. This has resulted in annual savings of ₹1.75 cr. The investment ₹40 lacs has been paid back in less than 3 months.
 - d) The company has been investing since 2013 the Installation of VFD's (variable frequency drives) for all motors (more than 10HP) and 5.0HP continuous operating motors for better Energy Efficiency, soft start, reduction in CMD, reduction in starting loads, process comfort, etc. We have installed VFDs of total capacity of 260 KW in 2013, 500 KW in 2014 and 200 KW in 2015 till date.
2. Identifying cheaper power sources both in-house and external and Utilizing the alternate sources of energy:
 - a) Sourcing cheaper open access power in a controlled strategy, instead of generating DG power during power holidays has resulted a savings of ₹4.5crs during FY 2013-2014 and ₹1cr during FY 2014-2015(Lesser Power holidays in 14-15). No considerable investment made for procuring this cheaper power.
 - b) The company is working on a project for Sourcing cheaper open access power as an alternative to State Electricity Board power even during Non-Power holiday period by installing a dedicated 33 KV feeder in 132 KV. Sub-station. The savings are subjected to change based on IEX (open Access) market demand price. The estimated payback period for the investment of ₹2.75crs is about 3 years.
 - c) Installed 100KW capacity solar photo voltaic power generation plant for employees' colony
3. Steps in progress for increasing the utilization of alternate sources of energy:
 - a) Proposing to install 1000KW solar power generation plant adjacent to Chemical Division in 2015-16
 - b) Proposing to replace the power intensive reciprocating refrigeration compressors with screw compressors for Brine and chilled water refrigeration systems.
 - c) Carrying out the feasibility studies for Wind Power Generation for captive power utilization.

Disclosure of particulars with respect to conservation of energy.

Power and Fuel Consumption	For the year ended 31.03.2015	For the year ended 31.03.2014
1. Electricity		
a) Purchased Units	38747477	37180686
Total amount (₹)	26,69,92,184	26,65,70,131
Rate / Unit (₹)	6.89	7.17
b) Own Generation:		
i) Through Diesel		
Generator Units	2129502	1780821
Units / ltr. Of Diesel Oil	3.35	3.36
Cost / Unit (₹)	18.49	17.07
2. Coal D/C grade		
Quantity (Tonnes)	4050	6085
Total Amount	3,02,23,233	4,53,30,878
Average rate per tonne (₹)	7463	7450
3. Furnace Oil		
Quantity (Ltr)	419269	397743
Total amount (₹)	1,75,01,686	1,84,04,609
Average rate per Ltr (₹)	41.74	46.27

(B) Technology absorption

- i) 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 and quality of products.
- ii) Benefits derived as a result of the above efforts:
 - a) Market presence in the formulations segment to several branches of medicines.
- iii) In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) - Not Applicable

(C) Expenditure on R&D

Amount (₹ in Lakhs)

	For the year ended 31.03.2015	For the year ended 31.03.2014
a) R&D Expenditure	5171.71	4065.86
b) Total R&D Expenditure as percentage of Net Revenue from Operations (Including capital expenditure)	7.23	6.53

(D) Foreign Exchange Earnings and Outgo

Amount (₹ in Lakhs)

	For the year ended 31.03.2015	For the year ended 31.03.2014
a) Earnings in Foreign Exchanges:		
1. Export on F.O.B. basis	28662.58	29077.99
2. Sale of services	853.97	2255.77
3. Income from Profit sharing agreements	2039.44	3047.55
4. Interest on loans to subsidiary company	-	72.28
b) CIF value of Imports		
1. Raw materials and packing materials	3699.34	3393.93
2. Capital Goods and consumable stores	1683.11	818.36
c) Expenditure in Foreign Currency towards:		
Travelling expenses	86.68	61.94
Sales promotion and commission	2,220.90	381.26
Professional and consultation fees	814.68	1,440.43
Rates and taxes	412.68	551.88
Interest on borrowings	65.66	108.20
Royalty	99.55	55.15
Others	505.07	217.15

For and on behalf of the Board of Directors

Date: 12-08-2015
Place: Hyderabad

V. C. Nannapaneni
Chairman and Managing Director

Annexure VII to the Board's Report

Form No. MGT 9

Extract of Annual Return

As on financial year ended on 31.03.2015

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

I. Registration & Other Details:

1	CIN	L24230TG1981PLC003201
2	Registration Date	19th September, 1981
3	Name of the Company	NATCO Pharma Limited
4	Category/Sub-category of the Company	Company Limited by Shares / Public Company
5	Address of the Registered office & contact details	Natco House, Road # 2, Banjara Hills, Hyderabad 500034 Tel No.+91 40 23547532
6	Whether listed company	Yes
7	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Venture Capital and Corporate Investements Pvt Ltd 12-10-167, Bharat Nagar, Hyderabad 500016

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)

S. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Pharmaceuticals	210	100%

III. Particulars of Holding, Subsidiary and Associate Companies

S. No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Natco Organics Limited	U24231TN1994PLC027491	Subsidiary	100%	2(87)
2	Natco Phama Inc,	SRV 060928109-4232479	Subsidiary	100%	2(87)
3	Time Cap Overseas Limited	98889-C2/GBL	Subsidiary	84%	2(87)
4	Natco Phama (Canada) Inc,	834474-4	Subsidiary	99%	2(87)
5	Natco Pharma Asia Pte. Ltd	201230076Z	Subsidiary	100%	2(87)
6	Natco Pharma Australia Pty Ltd	601572301	Subsidiary	80%	2(87)
7	Natcofarma Do Brasil Ltda.	08.157.293/0001-27	step down Subsidiary	79%	2(87)

IV. Share Holding Pattern

(Equity share capital breakup as percentage of total equity)

(i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2014]				No. of Shares held at the end of the year [As on 31-March-2015]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	1,01,94,315		1,01,94,315	30.82	99,56,262		99,56,262	29.96	-2.34
b) Central Govt	-		-	0.00			-	0.00	0.00
c) State Govt(s)	.		-	0.00			-	0.00	0.00
d) Bodies Corp.	70,25,944		70,25,944	21.24	74,16,894		74,16,894	22.32	5.56
e) Banks / FI			-	0.00			-	0.00	0.00
f) Any other			-	0.00			-	0.00	0.00
Sub Total (A) (1)	1,72,20,259	-	1,72,20,259	52.07	1,73,73,156	-	1,73,73,156	52.27	0.89
(2) Foreign				0.00					
a) NRI Individuals	4,87,708		4,87,708	1.47	4,87,708		4,87,708	1.47	0.00
b) Other Individuals			-	0.00			-	0.00	0.00
c) Bodies Corp.			-	0.00			-	0.00	0.00
d) Any other			-	0.00			-	0.00	0.00
Sub Total (A) (2)	4,87,708	-	4,87,708	1.47	4,87,708	-	4,87,708	1.47	0.00
Total (A)	1,77,07,967	-	1,77,07,967	53.54	1,78,60,864	-	1,78,60,864	53.74	0.86
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	32,13,670	800	32,14,470	9.72	18,71,403	800	18,72,203	5.63	-41.76
b) Banks / FI	1,363	200	1,563	0.00	8,299	200	8,499	0.03	443.76
c) Central Govt			-	0.00	-		-	0.00	0.00
d) State Govt(s)			-	0.00	-		-	0.00	0.00
e) Venture Capital Funds			-	0.00	-		-	0.00	0.00
f) Insurance Companies			-	0.00	-		-	0.00	0.00
g) FIs	42,99,257		42,99,257	13.00	33,11,275	-	33,11,275	9.96	-22.98
h) Foreign Venture Capital Funds			-	0.00	-		-	0.00	0.00
i) Others (specify)			-	0.00	-		-	0.00	0.00
Sub-total (B)(1):-	75,14,290	1,000	75,15,290	22.72	51,90,977	1,000	51,91,977	15.62	-30.91

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2014]				No. of Shares held at the end of the year [As on 31-March-2015]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	1110927	5720	11,16,647	3.38	937360	5620	9,42,980	2.84	-15.55
ii) Overseas	-		-	0.00	0		-	0.00	0.00
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹1 lakh	28,57,631	4,68,128	33,25,759	10.06	2876073	426510	33,02,583	9.94	-0.70
				0.00				0.00	0.00
				0.00				0.00	0.00
				0.00				0.00	0.00
ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	25,92,593	16,660	26,09,253	7.89	2882651	16660	28,99,311	8.72	11.12
				0.00				0.00	0.00
				0.00				0.00	0.00
				0.00				0.00	0.00
c) Others (specify)									
Non Resident Indians	1,23,610	64,960	1,88,570	0.57	112903	64900	1,77,803	0.53	-5.71
Overseas Corporate Bodies			-	0.00	-		-	0.00	0.00
				0.00				0.00	0.00
Foreign Nationals			-	0.00	0		-	0.00	0.00
Clearing Members	81,308	-	81,308	0.25	64502	0	64,502	0.19	-20.67
Trusts	5,28,280	-	5,28,280	1.60	25799	0	25,799	0.08	-95.12
Foreign Portfolio Investors- Corporate			-	0.00	2769030	0	27,69,030	8.33	100.00
Sub-total (B)(2):-	72,94,349	5,55,468	78,49,817	23.73	96,68,318	5,13,690	1,01,82,008	30.64	29.71
Total Public (B)	1,48,08,639	5,56,468	1,53,65,107	46.46	1,48,59,295	5,14,690	1,53,73,985	46.26	0.06
C. Shares held by Custodian for GDRs & ADRs			-	0.00				0.00	0.00
				0.00				0.00	0.00
				0.00				0.00	0.00
Grand Total (A+B+C)	3,25,16,606	5,56,468	3,30,73,074	100.00	3,27,20,159	5,14,690	3,32,34,849	100.00	0.49

(ii) Shareholding of Promoter

S. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	V C Nannapaneni	69,35,829	20.97	0	70,59,354	21.24	0	1.78%
2	Time Cap Pharma Labs Ltd	34,12,694	10.32	0	34,31,444	10.32	0	0.55%
3	Natsoft Information Systems Pvt Ltd	31,53,500	9.53	0	31,53,500	9.49	0	0.00%
4	Venkaiiah Chowdary Nannapaneni HUF	10,88,009	3.29	0	10,88,009	3.27	0	0.00%
5	Rajeev Nannapaneni	3,56,610	1.08	0	3,57,235	1.07	0	0.18%
6	Neelima Sita Nannapaneni	3,96,592	1.20	0	36,592	0.11	0	-90.77%
7	Durga Devi Nannapaneni	8,27,820	2.50	0	8,27,820	2.49	0	0.00%
8	N Ramakrishna Rao	1,40,982	0.43	0	1,41,282	0.43	0	0.21%
9	T Anila	1,25,984	0.38	0	1,25,984	0.38	0	0.00%
10	T Ananda Babu	94,641	0.29	0	94,641	0.28	0	0.00%
11	Vidyadhari Tummala	80,440	0.24	0	80,440	0.24	0	0.00%
12	Sita Ravamma Nannapaneni	37,900	0.11	0	37,900	0.11	0	0.00%
13	Jhansi Tummala	31,420	0.10	0	31,420	0.09	0	0.00%
14	Alapati Bapanna	3,660	0.01	0	3,660	0.01	0	0.00%
15	Devendranath Alapati	3,000	0.01	0	3,000	0.01	0	0.00%
16	Natco Group Employees Welfare Trust	9,136	0.03	0	0	0.00	0	-100.00%
17	Venkata Satya Swathi Kantamani	5,50,000	1.66	0	5,50,000	1.65	0	0.00%
18	Il And Fs Trust Company Ltd A/c Neelima Nannapaneni Trust	4,56,550	1.38	0	8,16,550	2.46	0	78.85%
19	Natco Aqua Ltd	3,200	0.01	0	3,200	0.01	0	0.00%
20	Ndl Infra Tech Pvt Ltd	-	0.00	0	18,750	0.06	0	0.00%
21	T Bapineedu	-	0.00	0	83	0.00	0	0.00%
	Total	1,77,07,967	53.54	0	1,78,60,864	53.74	0	0.86%

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

S. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of Shares Pledged / encumbered to total shares
	At the beginning of the year	1,77,07,967	53.54%	1,77,07,967	53.28
	on 27/6/2014 transfer of shares to the respective employees from welfare trust	(8,836)	-0.03%	1,76,99,131	53.25
	on 13/12/2014 allotted for consideration other than cash	1,61,733	0.49%	1,78,60,864	53.74

(iv) Shareholding Pattern of top ten Shareholders

(Other than Directors, Promoters and Holders of GDRs and ADRs):

S. No.	Name of the Shareholder	Shareholding at the beginning / end of the year		Date	Increase/ Decrease in Share holding	Reason	Cumulative Shareholding during the year	
		No of Shares	% of total shares of the Company				No of Shares	% of total shares of the Company
1	CX Securities Limited	17,00,000	5.14	01/04/2014				
				23/01/2015	(41,706)	Transfer	16,58,294	4.99
				30/01/2015	(2,94,000)	Transfer	13,64,294	4.11
				13/03/2015	(89,294)	Transfer	12,75,000	3.84
		12,75,000	3.84	31/03/2015			12,75,000	3.84
2	Dilip S Shanghvi	11,50,000	3.48	01/04/2014				
		11,50,000	3.46	31/03/2015				
3	ICICI Prudential Value Discovery Fund	10,00,000	3.02	01/04/2014				
				12/09/2014	(35,675)	Transfer	9,64,325	2.90
				19/09/2014	(59,982)	Transfer	9,04,343	2.72
				23/09/2014	(43,211)	Transfer	8,61,132	2.59
				30/09/2014	(2,726)	Transfer	8,58,406	2.58
				10/10/2014	(2,737)	Transfer	8,55,669	2.57
				05/12/2014	(21,840)	Transfer	8,33,829	2.51
				12/12/2014	(316)	Transfer	8,33,513	2.51
				19/12/2014	(825)	Transfer	8,32,688	2.51
				02/01/2015	(88,681)	Transfer	7,44,007	2.24
				09/01/2015	(18,186)	Transfer	7,25,821	2.18
				16/01/2015	(8,873)	Transfer	7,16,948	2.16
				23/01/2015	(60,765)	Transfer	6,56,183	1.97
				06/03/2015	(15,620)	Transfer	6,40,563	1.93
		13/03/2015	(1,40,563)	Transfer	5,00,000	1.50		
		5,00,000	1.50	31/03/2015				

S. No.	Name of the Shareholder	Shareholding at the beginning / end of the year		Date	Increase/ Decrease in Share holding	Reason	Cumulative Shareholding during the year	
		No of Shares	% of total shars of the Company				No of Shares	% of total shars of the Company
4	Kotak Mahindra Trusteeship Services Limited - A/C Kotak India Venture Fund	5,27,780	1.60	01/04/2014				
				30/06/2014	(4,06,138)	Transfer	1,21,642	0.37
				04/07/2014	(88,082)	Transfer	33,560	0.10
		33,560	0.10	31/03/2015				
5	Hynnos Fund Limited	5,07,500	1.53	01/04/2014				
		5,07,500	1.53	31/03/2015				
6	IL and FS Trust Company Limited	4,50,000	1.36	01/04/2014				
				20/06/2014	3,60,000	Transfer	8,10,000	2.44
		8,10,000	2.44	31/03/2015				
7	HSBC Bank (Mauritius) Limited	4,15,011	1.25	01/04/2014				
				28/11/2014	(57,511)	Transfer	3,57,500	1.08
		3,57,500	1.08	31/03/2015				
8	SBI Magnum Taxgain Scheme	3,62,518	1.10	01/04/2014				
				04/04/2014	(42,518)	Transfer	3,20,000	0.96
				30/06/2014	(80,000)	Transfer	2,40,000	0.72
				05/09/2014	(12,000)	Transfer	2,28,000	0.69
				12/09/2014	(28,000)	Transfer	2,00,000	0.60
				09/01/2015	(5,041)	Transfer	1,94,959	0.59
				16/01/2015	(14,959)	Transfer	1,80,000	0.54
				23/01/2015	(20,000)	Transfer	1,60,000	0.48
				25/02/2015	(32,844)	Transfer	1,27,156	0.38
				27/02/2015	(24,156)	Transfer	1,03,000	0.31
		1,03,000	0.31	31/03/2015				
9	TATA AIA Life Insurance Company Limited - Whole Life Mid Cap Equity Fund-Ulif 009 04/01/07 Wle 110	3,61,121	1.09	01/04/2014				
				30/06/2014	(48,414)	Transfer	3,12,707	0.94
				18/07/2014	(46,747)	Transfer	2,65,960	0.80
				25/07/2014	(19,742)	Transfer	2,46,218	0.74
				31/10/2014	(35,000)	Transfer	2,11,218	0.64
		2,11,218	0.64	31/03/2015				
10	Orange Mauritius Investments Limited	3,11,960	0.94	01/04/2014				
				04/04/2014	75,000	Transfer	3,86,960	1.16
		3,86,960	1.16	31/03/2015				

S. No.	Name of the Shareholder	Shareholding at the beginning / end of the year		Date	Increase/ Decrease in Share holding	Reason	Cumulative Shareholding during the year	
		No of Shares	% of total shars of the Company				No of Shares	% of total shars of the Company
11	Wasatch Emerging Markets Small Cap Fund	0	0.00	01/04/2014				
				30/06/2014	2,50,252	Transfer	2,50,252	0.75
				04/07/2014	90,312	Transfer	3,40,564	1.02
				11/07/2014	54,203	Transfer	3,94,767	1.19
				18/07/2014	48,302	Transfer	4,43,069	1.33
				25/07/2014	(17,100)	Transfer	4,25,969	1.28
				08/08/2014	(10,771)	Transfer	4,15,198	1.25
				15/08/2014	(4,929)	Transfer	4,10,269	1.23
				17/10/2014	(5,730)	Transfer	4,04,539	1.22
				31/10/2014	28,833	Transfer	4,33,372	1.30
				07/11/2014	22,152	Transfer	4,55,524	1.37
				06/02/2015	(17,500)	Transfer	4,38,024	1.32
				27/02/2015	(7,702)	Transfer	4,30,322	1.29
				06/03/2015	(7,853)	Transfer	4,22,469	1.27
				20/03/2015	(12,900)	Transfer	4,09,569	1.23
		31/03/2015	4,09,569					
12	Merrill Lynch Capital Markets Espansa S.A.S.V.	0	0.00	01/04/2014				
				23/01/2015	95,892	Transfer	95,892	0.29
				06/02/2015	18,525	Transfer	1,14,417	0.34
				13/02/2015	44,310	Transfer	1,58,727	0.48
				27/02/2015	49,539	Transfer	2,08,266	0.63
		31/03/2015	2,08,266					

(v) Shareholding Pattern of top ten Shareholders

(Other than Directors, Promoters and Holders of GDRs and ADRs):

S. No.	Name of the Directors	Date	Shareholding at the begning of the year		Cumulative Share holding during the year	
			No of Shares	% of toal shares of the Company	No of Shares	% of toal shares of the Company
Sri V C Nannapannei						
1	At the beginning of the Year		8023838	24.26		
2	Date Wise Increase / Decrease in share holding during the year specifying the reasons for increase / decrease	13/12/2014 Pref. Allotment			123525	0.37
3	At the end of the year				8147363	24.51
Sri TV Rao						
1	At the beginning of the Year		nil			
2	Date Wise Increase / Decrease in share holding during the year specifying the reasons for increase / decrease					
3	At the end of the year					nil
Sri G S Murthy						
1	At the beginning of the Year		nil			
2	Date Wise Increase / Decrease in share holding during the year specifying the reasons for increase / decrease					
3	At the end of the year					nil
Dr B S Bajaj						
1	At the beginning of the Year		nil			
2	Date Wise Increase / Decrease in share holding during the year specifying the reasons for increase / decrease					
3	At the end of the year					nil
Sri Rajeev Nannapaneni						
1	At the beginning of the Year		356610			
2	Date Wise Increase / Decrease in share holding during the year specifying the reasons for increase / decrease	13/12/2014 Pref. Allotment			625	0.00
3	At the end of the year				357235	1.07
Sri Vivek Chhachhi						
1	At the beginning of the Year		nil			
2	Date Wise Increase / Decrease in share holding during the year specifying the reasons for increase / decrease					
3	At the end of the year					nil
Sri D G Prasad						
1	At the beginning of the Year		nil			
2	Date Wise Increase / Decrease in share holding during the year specifying the reasons for increase / decrease					
3	At the end of the year					nil

S. No.	Name of the Directors	Date	Shareholding at the begning of the year		Cumulative Share holding during the year	
			No of Shares	% of toal shares of the Company	No of Shares	% of toal shares of the Company
	Dr. Smt. Leela Digumarthi					
1	At the beginning of the Year		nil			
2	Date Wise Increase / Decrease in share holding during the year specifying the reasons for increase / decrease					
3	At the end of the year					nil
	Dr. A K S Bhujanga Rao					
1	At the beginning of the Year		8700	0.03		
2	Date Wise Increase / Decrease in share holding during the year specifying the reasons for increase / decrease					
3	At the end of the year				8700	0.03
	Sri P S R K Prasad					
1	At the beginning of the Year		0			
2	Date Wise Increase / Decrease in share holding during the year specifying the reasons for increase / decrease	12/11/2014 (Director w.e.f)			8290	0.02
3	At the end of the year				8290	0.02
	Sri D Linga Rao					
1	At the beginning of the Year		0			
2	Date Wise Increase / Decrease in share holding during the year specifying the reasons for increase / decrease	11/02/2015 (Director w.e.f)				
3	At the end of the year				10291	0.03
	Dr. M U R Naidu					
1	At the beginning of the Year	11/02/2015				
2	Date Wise Increase / Decrease in share holding during the year specifying the reasons for increase / decrease	(Director w.e.f)				
3	At the end of the year				3000	0.01
	Sri M Adinarayana					
1	At the beginning of the Year		6100	0.02		
2	Date Wise Increase / Decrease in share holding during the year specifying the reasons for increase / decrease					
3	At the end of the year				6100	0.02
	Sri S V V N Appa Rao					
1	At the beginning of the Year		350	0.00		
2	Date Wise Increase / Decrease in share holding during the year specifying the reasons for increase / decrease					
3	At the end of the year				350	0.00

VI. Remuneration of Directors and Key Managerial Personnel

A. Remuneration of Director, and Key Managerial Personnel

S. No.	Particulars of Remuneration	Name of Directors					Total Amount ₹ in lakhs
		Sri V C Nannapaneni	Sri Rajeev Nannapaneni	Dr. A K S Bhujanga Rao	Sri P S R K Prasad *	Dr. D Linga Rao **	
1	Gross Salary						
	a. Salary as per provisions contained I in section 17(1) of the Income Tax Act, 1961	150.00	124.98	86.53	37.02	14.81	413.34
	b. Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-	2.34	-	-	2.34
	c. Profits in lieu of Salary under Section 17(3) of Income Tax Act, 1961	-	-	-	-	-	-
2	Stock Option	-	-	-	-	-	-
3	Sweat Equity	-	-	-	-	-	-
4	Commission	-	-	-	-	-	-
5	Others, Please Specify – PF	17.28	14.40	11.13	4.64	1.86	49.31
	Total (A)	167.28	139.38	100.00	41.66	16.67	464.99

* w.e.f. November, 2014, ** w.e.f. February, 15

B. Remuneration to other Directors

S. No.	Particulars of Remuneration	Name of Directors						Total Amount In ₹
		Sri G S Murthy	Dr. B S Bajaj	Sri T V Rao	Sri D G Prasad	Dr. Mrs. Leela Digumarti	Dr M U R Naidu	
1	Independent Directors							
	Fee for attending Board / Committee meetings	1,10,000	1,10,000	1,00,000	1,00,000	20,000	20,000	4,60,000
	Commission							
	Other, Please specify (Incidental fees)	8,000	8,000	8,000	8,000	2,000	2,000	36,000
2	Other Non-Executive Directors	Sri Vivek Chhachhi						
	Fee for attending Board / Committee meetings	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	Commission							
	Other, Please specify							

Note: In terms of the provisions of the Companies Act, 2013, the remuneration payable to Non-executive and Independent Directors shall Not exceed 1% of the net profit of the Company. The Company is paying only sitting fee to all Non-executive and Independent Directors for attending Board / Committee Meetings.

C. Remuneration to Key Managerial Personnel other than MD / WTD

S. No.	Particulars of Remuneration	Name of KMP		Total Amount ₹ lakhs
		Mr. M Adinarayana Company Secretary	Mr. S V V N Appa Rao Interim CFO	
1	Gross Salary			
	a. Salary as per provisions contained I in section 17(1) of the Income Tax Act, 1961	25.73	26.62	52.35
	b. Value of perquisites u/s 17(2) Income Tax Act, 1961	0.90	-	0.90
	c. Profits in lieu of Salary under Section 17(3) of Income Tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
5	Others, Please Specify – PF	3.37	3.38	6.75
	Total (A)	30.00	30.00	60.00

VII. 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 (give Details)
A. Company					
Penalty	NIL	NA	NA	NA	NA
Punishment	NIL	NA	NA	NA	NA
Compounding	NIL	NA	NA	NA	NA
B. Directors					
Penalty	NIL	NA	NA	NA	NA
Punishment	NIL	NA	NA	NA	NA
Compounding	NIL	NA	NA	NA	NA
C. Other Officers in Default					
Penalty	NIL	NA	NA	NA	NA
Punishment	NIL	NA	NA	NA	NA
Compounding	NIL	NA	NA	NA	NA

Nomination and Remuneration Policy

Our policy on the appointment and remuneration of directors and key managerial personnel provides a framework based on which our human resources management aligns their recruitment plans for the strategic growth of the Company. The nomination and remuneration policy is provided herewith pursuant to Section 178(4) of the Companies Act, 2013 and Clause 49(IV)(B)(4) of the Listing Agreement

Introduction:

In pursuance of the Company's policy to consider human resources as its invaluable assets, to pay equitable remuneration to all Directors, Key Managerial Personnel (KMP) and employees of the Company, to harmonize the aspirations of human resources consistent with the goals of the Company and in terms of the provisions of the Companies Act, 2013 and the listing agreement as amended from time to time this policy on nomination and remuneration of Directors and Key Managerial Personnel has been formulated by the Committee and approved by the Board of Directors.

The objective and purpose of this policy are:

- To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non-Executive) and persons who may be appointed as Key Managerial positions and to determine their remuneration.
- To determine remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies, in the Pharmaceutical industry.
- To carry out evaluation of the performance of Directors, as well as Key Managerial Personnel.
- To provide them reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.

- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage. In the context of the aforesaid criteria the following policy has been formulated by the Nomination and Remuneration Committee and adopted by the Board of Directors at its meeting held on 12th August, 2014.

Constitution of the Nomination and Remuneration Committee:

The Board has changed the nomenclature of Remuneration Committee by renaming it as Nomination and Remuneration Committee on 12th August, 2014. The Nomination and Remuneration Committee comprises of 4 members.

S. No.	Name of the Member	Category
1	Shri G.S. Murthy	Independent Non-Executive Director
2	Dr.B.S. Bajaj	Independent Non-Executive Director
3	Shri Vivek Chhachhi	Non-Executive Director
4	Shri V.C. Nannapaneni	Executive Director

The Board has the power to reconstitute the Committee consistent with the Company's policy and applicable statutory requirement.

Definitions:

- Board means Board of Directors of the Company.
- Directors means Directors of the Company.
- Committee means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board.
- Company means NATCO Pharma Limited.
- Independent Director means a director referred to in Section 149 (6) of the Companies Act, 2013.

- Key Managerial Personnel (KMP) means- (i) Managing Director; (ii) Whole-time Director; (iii) Chief Financial Officer; (iv) Company Secretary; (v) Such other officer as may be prescribed.
- Senior Management means personnel of the Company who are members of its core management team excluding the Board comprising all members of management one level below the executive directors including the functional heads.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the meaning respectively assigned to them therein.

Applicability:

The Policy is applicable to

- Directors (Executive and Non Executive)
- Key Managerial Personnel
- Senior Management Personnel

General:

- This Policy is divided in three parts: Part – A covers the matters to be dealt with and recommended by the Committee to the Board, Part – B covers the appointment and nomination and Part – C covers remuneration and perquisites etc.
- This policy shall be included in the Board's Report.

Part – A

Matters to be dealt with, perused and recommended to the board by the Nomination and Remuneration Committee

The Committee shall:

- Formulate the criteria for determining qualifications, positive attributes and independence of a director.
- Identify persons who are qualified to become Director

and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.

- Recommend to the Board, appointment and removal of Director, KMP.
- Formulation of criteria for evaluation of Independent Directors and the Board.
- Devising a policy on Board diversity.

Part – B

Policy for Appointment and Removal of Director, KMP and Senior Management

- Appointment criteria and qualifications:
 1. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
 2. A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
 3. The Company shall not appoint or continue the employment of any person as Whole time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

- Term / Tenure:

1. CEO/Whole – Time Director

The Company shall appoint or re-appoint any person as its CEO or Whole –time Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of the term

2. Independent Director: - An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.

- No Independent Director shall hold office for more than two consecutive terms of five years each, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

- At the time of appointment of Independent Director it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company.

- Evaluation:

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval (yearly).

- Removal:

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management

Personnel subject to the provisions and compliance of the said Act, rules and regulations.

- Retirement:

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

Part – C

Policy Relating to the Remuneration for the Whole-Time Director, KMP and Senior Management Personnel

- General:

1. The remuneration / compensation / commission etc. to the Whole-time Director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.

2. The remuneration and commission to be paid to the Whole-time Director shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of the Company and as per the provisions of the Companies Act, 2013, and the rules made thereunder.

3. Increments to the existing remuneration / compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders as per Companies Act, 2013 in the case of Whole-time Director..

4. Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the

remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

- Remuneration to Whole-time / Executive / Managing Director, KMP and Senior Management Personnel:

1. Fixed pay:

The Whole-time Director / KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.

2. Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director in accordance with the provisions of Schedule V of the Companies Act, 2013 and if it is not able to comply with such provisions, with the previous approval of the Central Government.

3. Provisions for excess remuneration:

If any Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies Act, 2013 or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

- Remuneration to Non- Executive / Independent Director:

1. Remuneration / Commission:

The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Articles of Association of the Company and the Companies Act, 2013 and the rules made thereunder.

2. Sitting Fees:

The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed Rupees One lakh per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time and approved by the Board of the Company.

3. Stock Options:

An Independent Director shall not be entitled to any stock option of the Company.

Policy review

This policy is framed in line with the provisions of the Companies Act, 2013 and rules made thereunder and requirements of clause 49 of the Listing Agreement.

In case of any subsequent changes in the provisions of the Companies Act, 2013 or any other regulation which makes any of the provisions in the policy inconsistent with the Act or regulations, the provisions of the Act or regulations would prevail over the policy and the policy would be modified in due course to make it consistent with the law.

This policy shall be reviewed by the Nomination and Remuneration Committee as and when changes need to be incorporated in the policy due to changes in the regulations or as may be felt appropriate by the Committee.



CORPORATE GOVERNANCE REPORT

NATCO Pharma Limited believes that transparency in the form of disclosures, presence of strong Board with adequate composition of independent Directors, 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.

Compliance of law in letter and spirit is the thumb rule of your Company. Going beyond the mandate of law in terms of corporate governance practices has been one of the reasons for the ever ending trust built up in the hearts of thousands of Shareholders and other stakeholders of the Company.

At Natco, we consider stakeholders as our partners in success, and we remain committed to maximising stakeholder value. This approach to value creation emanates from our belief that sound governance system, based on relationship and trust, is integral to creating enduring value for all. We have strengthened governance practices. These practices define the way business is conducted and value is generated. Stakeholders' interest is taken into account before making any business decision.

Responsible corporate conduct is integral to the way we do our business. Our actions are governed by our values and principles, which are reinforced at all levels within the Company. Our Code of Business Principles is an extension

of our values and reflects our continued commitment to ethical business across our operations. Your Company is a law abiding corporate citizen.

We believe, to succeed, requires highest standard of corporate governance behaviour towards everyone we work with, the communities we deal in and the environment on which we have an impact. This is our road to consistent, competitive, profitable and responsible growth and creating long term value for our shareholders.

Board of Directors:

Composition

The Board of NATCO is a combination of eminent intellectuals from varied fields having immense knowledge and expertise in their subject of interest. The Composition of Board is made keeping in view the growth of the Company without prejudice to the legal provisions provided for in the Companies Act, 2013 as well as the Listing Agreement.

The Board comprises of 12 directors of which 6 are Independent non-executive Directors, including one Woman Director, 5 are executive directors and 1 non-executive and non-independent Director. The Composition is in consonance with Clause 49 of the Listing Agreement, which is represented below:

S. No.	Name of the Director	Category	No of Board Meetings during the year		Whether Attended Last AGM Held on 27-09-2014	No. of Directorships in Other Public Limited Companies*	No of Committees		Relationship Intere Directors
			Held	Attended			Member	Chairman	
1	Sri V. C. Nannapaneni	Promoter	4	4	Yes	1	6	Nil	Father of Shri Rajeev Nannapaneni
2	Sri T. V. Rao	Independent Director	4	4	Yes	5	1	Nil	NA
3	Sri G. S. Murthy	Independent Director	4	4	Yes	Nil	5	1	NA
4	Dr. B. S. Bajaj	Independent Director	4	4	Yes	1	4	Nil	NA
5	Shri Rajeev Nannapaneni	Whole time Director	4	4	Yes	1	3	Nil	Son of Shri V.C. Nannapaneni
6	Dr.A.K.S.Bhujanga Rao	Whole time Director	4	4	Yes	Nil	Nil	Nil	NA
7	Shri Vivek Chhachhi	Non-Executive Director	4	4	No	2	2	Nil	NA
8	Shri D.G.Prasad	Independent Director	4	4	No	4	1	Nil	NA
9	Dr. Mrs. Leela Digumarti	Independent Director	4	1	Yes	Nil	Nil	Nil	NA
10	Shri PSRK Prasad*	Whole time Director	4	2	NA	1	Nil	Nil	NA
11	Dr. MUR Naidu*	Independent Director	4	1	NA	Nil	Nil	Nil	NA
12	Dr. D. Linga Rao*	Whole time Director	4	1	NA	Nil	Nil	Nil	NA

Dr P. Bhaskara Narayana, Director and CFO of the Company expired on 21st October, 2014.

* Shri P.S.R.K. Prasad was appointed as an Additional Director on 12th November, 2014.

* On 11/02/2015 Dr M. U. R. Naidu and Dr D. Linga Rao were appointed as Additional Directors.

Each Director intimates the Company of his/her shareholding in the Company as well as directorships in other Companies in the prescribed forms on an annual basis and also when there is any subsequent change.

Independent Directors

The presence of Independent Directors on the Board ensures fairness in the decision making and protects interests of stakeholders. Section 149 of the Companies Act, 2013 and Clause 49 of the Listing Agreement provide for the composition of Independent Directors on the Board. Your Company is in strict compliance of the same.

Half of your Company's Board consists of Independent Directors who have provided a declaration to the effect that they meet the criteria of independence as specified under Section 149(6) of the Companies Act, 2013. They are well qualified in the fields of science, finance, law and administration. They have no pecuniary relationship with the Company except for the sitting fees and out-of-pocket expenses provided for them.

Board Meetings

Board Meetings are the decision-making mechanisms and are the basis for functioning of any Company. Here at NATCO Board Meetings are given utmost importance and as such adequate numbers of meetings were held during 2014-15 for better governance of the Company keeping in view the interests of all the stakeholders.

In its Board Meeting, the Board analyses the affairs of the Company, opportunities for the growth of the Company, litigation status of the Company before various Courts in India and abroad, financial statements of the Company, and considers such other items as recommended by the management of your Company.

Prior intimation was made to Stock Exchanges before holding any Board Meeting. It was ensured that the mandatory requirements for conduct of Board Meetings were duly complied with and that the necessary forms were filed before appropriate authorities.

During the Financial Year 2014-15 the Board of Directors of your Company met 4 times on the following dates:

1. 29th May, 2014
2. 12th August, 2014
3. 12th November, 2014
4. 11th February, 2015

The time gap between any two successive meetings did not

exceed one hundred and twenty days. Requisite Quorum was present in all the meetings.

In order to avoid possible time and travel constraints of the Directors both the Board and Audit Committee Meetings were held on the same day. However, it was made certain that adequate time is provided for both the meetings for thorough discussions.

Meeting of Independent Directors

The Independent Directors of your Company met on 11/02/2015 to consider the matters as provided in the Schedule IV to the Companies Act, 2013 as well as clause 49 of the Listing Agreement. In addition to the above, they also analysed the financial position of the Company and discussed about the KMP insurance existing in the Company.

The Company Secretary of your Company facilitated the convening and holding of the meeting of Independent Directors.

Board Evaluation

A formal annual evaluation has been made by the Board of its own performance and that of its committees and individual Directors. The Performance Evaluation has been done by the entire Board of Directors, excluding the Director being evaluated. Various questionnaires are used to assess the performance of the Directors. All the Directors have participated in this evaluation process.

Familiarisation Programme for Independent Directors

The Company has organised a Familiarisation Programme for the Independent Directors of the Company to familiarise them with the Company vis a vis 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 in the Company's website: Weblink: (<http://natcopharma.co.in/wp-content/uploads/2015/08/Familiarization-programme-for-ID.pdf>)

Code of Conduct for prevention of insider trading

The Board of Directors of your Company has framed the Code of Internal Procedures and Conduct to Regulate, Monitor and

Report Trading by Insiders In the Securities of the Company (The 'Code') in accordance with the SEBI (Prohibition of Insider Trading) Regulations, 2015. Various forms for pre-clearance of trade and disclosure of shareholding have been prescribed and the same were attached to the Code which is available in the Company's website.

Weblink:(<http://natcopharma.co.in/wp-content/uploads/2015/07/Code-of-Conduct-PIT-2015-Natco.pdf>)

Committee Meetings

The Companies Act, 2013 and clause 49 of Listing Agreement prescribe certain mandatory committees to be constituted by a listed Company and other requirements as to their composition, role and responsibilities.

Your Company is in strict compliance with all the requirements for constituting the committees and conduct of their meetings at regular intervals.

The Board of Directors has constituted six (6) Board Committees viz. Audit Committee, Stakeholders Relationship

Committee, Nomination and Remuneration Committee, Compensation Committee, Allotment Committee and Corporate Social Responsibility Committee.

Particulars of these committees, including the number of meetings held during the Financial Year 2014-15 are provided below:

(a) Audit Committee

A qualified and independent Audit Committee has been set up by the Board comprising of 6 member out of which five of are financially literate.

The Committee comprises of 5 Non-Executive Directors and one Executive Director. Four out of the six members including the Chairman are Independent Directors.

During the Financial Year 2014-15 a total of four (4) Audit Committee meetings were held on 29th May, 2014, 12th August, 2014, 12th November, 2014 and 11th February, 2015 and not more than four (4) months had elapsed between any two consecutive meetings. Requisite Quorum was present in all the meetings.

The following are the details of members of the Audit Committee:

Name of the Member	Category	Number of Audit Committee Meetings	
		Held	Attended
Shri G.S. Murthy (Chairman)	Independent Directors	4	4
Dr. B.S. Bajaj			4
Shri T.V. Rao			4
Shri D.G. Prasad			4
Shri Vivek Chhachhi	Non-Executive Director		4
Sri V. C. Nannapaneni	Executive Director		4

The terms of reference of Audit Committee includes, but not limited to, the following:

1. Recommendation for appointment, remuneration and terms of appointment of auditors of the company;
2. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
3. Reviewing, with the management, the annual financial statements and auditor's report thereon before

submission to the board for approval, with particular reference to:

- a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013
- b. Changes, if any, in accounting policies and practices and reasons for the same.

-
- c. Major accounting entries involving estimates based on the exercise of judgment by management
 - d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with listing and other legal requirements relating to financial statements
 - f. Disclosure of any related party transactions
 - g. Qualifications in the draft audit report
4. Approval or any subsequent modification of transactions of the company with related parties;
 5. Scrutiny of inter-corporate loans and investments;
 6. Valuation of undertakings or assets of the company, wherever it is necessary;
 7. Evaluation of internal financial controls and risk management systems;
 8. Monitoring the end use of funds raised through public offers and related matters;
 9. Oversee of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
 10. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
 11. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
 12. Reviewing, with the management, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
 13. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems;
 14. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
 15. Discussion with internal auditors of any significant findings and follow up there on;
 16. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
 17. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
 18. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
 19. To review the functioning of the Whistle Blower mechanism;
 20. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
- (b) Stakeholders' Relationship Committee**
- Your Company has constituted a Stakeholders' Relationship Committee (previously termed as 'Investor Grievances Committee') in order to resolve the issues raised by several stakeholders from time to time. The Committee comprises of Shri G.S. Murthy, Shri V. C. Nannapaneni and Shri Rajeev Nannapaneni as the members.
- The meeting of Stakeholders' Relationship Committee held on 11-02-2015.
- The Company Secretary and Vice-President (Legal & Corporate Affairs) M. Adinarayana is the Compliance Officer in this regard.
- The Committee received a total of 319 complaints in 2014-15
-

all of which are resolved to the satisfaction of the stakeholders.

(c) Nomination and Remuneration Committee

Your Company has in place a Nomination and Remuneration Committee comprising of a majority of independent directors, inter alia, to appraise the performance of managing/ whole time directors/ senior management personnel, to determine

and recommend to the Board, the remuneration payable to them, the details of which are included in this report.

The Nomination and Remuneration Committee meeting were held on 12th August, 2014

The particulars of the members of the committee are as below:

Name of the Member	Category	Number of Audit Committee Meetings	
		Held	Attended
Shri G.S. Murthy	Independent Directors	1	1
Dr. B.S. Bajaj			1
Shri Vivek Chhachhi	Non-Executive Director		1
Sri V. C. Nannapaneni	Executive Director		1

The Committee had framed a 'Remuneration Policy' for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees. The Nomination and Remuneration Committee policy of the Company is attached to the Board's Report.

As provided for in the Companies Act, 2013 as well as in the Listing Agreement all the members of the Committee are non-executive directors except Shri V. C. Nannapaneni who is the Chairman & Managing Director of the Company and hence is eligible to be a member of the Committee.

The terms of reference of the Nomination and Remuneration Committee are as below:

- Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors and key managerial personnel;
- Formulation of criteria for evaluation of Independent Directors and the Board;
- Devising a policy on Board diversity;
- Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal.

Remuneration paid to Executive Directors and Sitting fees to be paid to Non-Executive Directors during the year 2014-2015.

Executive Directors

S. No.	Name	Position	Total amount ₹ in Lakhs
1	Shri V.C.Nannapaneni	Chairman & Managing Director	167.28
2	Shri Rajeev Nannapaneni	Vice Chairman & CEO	139.38
3	Dr. AKS Bhujanga Rao	President (R&D and Technical)	100.00
4	Shri PSRK Prasad*	Executive Vice President (Corp.Engg.Services)	41.66
5	Dr.D.Linga Rao*	President (Tech. Affairs).	16.67

* Part of the year

Non-Executive Directors

A sitting fee of ₹20,000/- (Rupees Twenty Thousand only) is paid for attending the Board Meeting and ₹5,000/- (Rupees Five Thousand only) is paid for attending Committee Meeting in addition to reimbursement of out of pocket expenses. The amount is paid within the ceiling limits under Companies Act, 2013 and the Article of Association of the Company. The details of the sitting fees paid to Non working Directors during the year 2014-2015 is given below:

S. No.	Name	Position	Sitting Fees paid for the meetings of							Total ₹
			Board meeting ₹	Audit Committee ₹	Stakeholders' Relationship Committee ₹	Nomination & Remuneration Committee ₹	Allotment Committee ₹	Compensation Committee	Corporate Social Responsibility Committee	
1.	Sri G.S.Murthy	Independent Director	80,000	20,000	5,000	5,000	-	-	-	1,10,000
2.	Dr. B.S.Bajaj	Independent Director	80,000	20,000	-	5,000	5,000	-	-	1,10,000
3.	Mr.T.V.Rao	Independent Director	80,000	20,000	-	-	-	-	-	1,00,000
4.	Shri D.G. Prasad	Independent Director	80,000	20,000	-	-	-	-	-	1,00,000
5.	Dr. Mrs. Leela Digumarti	Independent Director	20,000	-	-	-	-	-	-	20,000
6.	Dr. MUR Naidu	Additional Director	20,000	-	-	-	-	-	-	20,000

(d) Compensation Committee

Your Company has also constituted a Compensation Committee to grant share options to eligible employees of the Company as provided for in the Employee Stock Option Scheme approved by the Board of Directors as well as the Members of the Company.

Shri G.S. Murthy, Dr B. S. Bajaj and Shri V.C. Nannapaneni as the members.

There was no Compensation Committee Meeting held during the Financial Year 2014-15.

There is no ESOP were granted during the financial year 2014-2015 and the status is annexed to the Board's Report.

(e) Allotment Committee

The Board of Directors of your Company has constituted an Allotment Committee which comprises of Sri G.S. Murthy, Dr B.S. Bajaj, Shri V.C. Nannapaneni and Shri Rajeev Nannapaneni as the other members.

The object of the Committee is to review and allot shares to various persons like Corporate, Employees, Foreign Investors etc.

The Allotment Committee meeting was held on 16th December, 2014 to allot equity shares of the Company to the promoters of Natco Organics Limited (NOL) in exchange for equity shares of NOL. As a consequence NOL has become the wholly owned subsidiary of your Company and the disclosure in this regard is mentioned elsewhere.

(f) Corporate Social Responsibility Committee

Since inception your Company has always believed that the success and growth of the Company has its share to the society in which your Company operates, people living therein and the environment which are the gift of God.

To repay the same the Company had established 'NATCO Trust' with the mission to provide such support and service to the society which would have long standing impact on improving the lives of the individuals benefitting thereof.

Those companies which fulfil the criteria specified in sub-section (1) of Section 135 of the Companies Act, 2013 shall constitute a Corporate Social Responsibility (CSR) Committee to formulate a CSR policy, recommend the expenditure to be incurred for CSR activities and monitor the policy from time to time.

Your Company fulfils the stipulated conditions and as such, the Board of Directors of your Company had constituted a CSR Committee comprising of Shri G. S. Murthy, an independent director as its Chairman and two other members viz., Shri V. C. Nannapaneni and Shri Rajeev Nannapaneni.

The Board of Directors had formulated a CSR Policy which is available on the Company's website. Weblink: <http://natcopharma.co.in/wp-content/uploads/2015/08/Natco-CSRpolicy.pdf>

The presence of CSR Committee has added more value to the current CSR activities of the Company and improved the strength of the NATCO Trust.

Share Transfer Committee

The transfers/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/transmission and related matters.

Shares lodged for transfer either at Company's Registered Office or at the Company's Registrars are normally 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) is given to depositories within 15 days.

During the Financial year 292 instruments of transfers/transmission for 19380 equity shares were received and the same were effected.

Internal Complaints Committee

Your Company has constituted Internal Complaints Committee at each of its offices and factories to resolve any issues related to sexual harassment of women at workplace.

There were no complaints received from any one during the year.

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

Annual General Meetings

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

Year	Date of the Meeting	Venue	Time	Special Resolutions Passed
2012	29-09-2012	Daspalla Hotel, Road No. 37, Jubilee Hills, Hyderabad 500 033	10.00 a.m.	2
2013	28-09-2013	Daspalla Hotel, Road No. 37, Jubilee Hills, Hyderabad 500 033	10.30 a.m.	4
2014	27-09-2014	Daspalla Hotel, Road No. 37, Jubilee Hills, Hyderabad 500 033	10.30 a.m.	8

All the resolutions in the AGM of Years 2012 and 2013 were passed by show of hands.

In the AGM of 2014 the Company provided its members with e-voting facility in order to exercise their right to vote. At the AGM, ballot papers were circulated to the members to cast their votes. The procedure followed was in compliance with the rules made in this regard by Ministry of Corporate Affairs.

No resolution was passed through postal ballot in the last three AGMs. However, your Company is proposing to conduct postal ballot to take your approval for the Scheme of Amalgamation of NOL (a wholly owned subsidiary of the Company) with the Company. The procedure to be followed for postal ballot will be as prescribed under the Companies (Management and Administration) Rules, 2014.

Minutes

Minutes of Board meetings, Committee meetings and the General Body Meetings are prepared, recorded and approved by the Chairman of the Meetings as per statutory norms.

Quarterly Reconciliation of Share Capital Audit Report

A thorough audit is conducted on a quarterly basis by a qualified Company Secretary in practice, in terms of regulation 55 A of SEBI (Depositories & Participants) Regulations, 1996, to reconcile the total admitted equity share capital with NSDL and CDSL and the total issued and listed equity share capital. The Reconciliation of Share Capital audit report confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and total number of dematerialised shares held with NSDL and CDSL.

Secretarial Standards

The Institute of Company Secretaries of India has issued various Secretarial Standards. The Company's practices and procedures meet with these guidelines.

Disclosures

i. Related Party Transactions

All related party transactions with related parties during the financial year were done in accordance with the provisions of the Companies Act, 2013 and clause 49 of the Listing Agreement. 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 Director have any pecuniary material relationship, material transactions with the Company for the year ended 31st March, 2015. The Company had formulated a Related Party Transactions Policy which is available on the Company's website. Weblink: (<http://natcopharma.co.in/wp-content/uploads/2015/03/RPT-Policy.pdf>)

ii. 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 approach directly 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 denied access to the audit committee.

The Company had formulated a Whistle Blower Policy which is available on the Company's website.

Weblink: (<http://natcopharma.co.in/wp-content/uploads/2015/03/whistle-blower-policy.pdf>)

iii. 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 during the last three years.

iv. Mandatory Requirements & Non-Mandatory Requirements

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement and is being reviewed from time to time. The non-mandatory requirements complied with have been disclosed at the relevant places of this report.

v. Environmental Policy

Your Company complies with all the applicable environmental legislations and regulations, by incorporating suitable modern techniques such as waste management, recovery of raw materials, isolating bye-products and distillations of solvents to control pollutions, by conserving raw materials, natural resources such as water, diesel, coal & electricity by creating an environmental awareness among employees & Suppliers and by providing a frame work for setting and reviewing of environmental objectives and targets. Your Company's units are zero pollution discharging once.

Compliance with other Mandatory Requirements

i. Management Discussion and Analysis

Management Discussion and Analysis Statement along with

management of Risks at Natco is forming part of the Annual Report of the Company.

ii. Subsidiary Companies

The Company has Subsidiaries named Natco Pharma Inc. in USA (Wholly Owned subsidiary), Natco Organics Limited in India (Wholly Owned subsidiary), Natco Pharma Singapore Pte Ltd, Singapore (Wholly Owned subsidiary), Time Cap Overseas Limited in Mauritius, Natco Pharma Inc. in Canada, Natcofarma Do Brazil Ltda, Brazil, Natco Pharma Australia Pty, Australia.

iii. Disclosure Of Issue Proceeds

As per the resolution passed by the shareholders of the Company at AGM of the Company held on 27th September, 2014, the Company made preferential allotment for consideration other than cash and allotted 1,61,775 (One lakh sixty one thousand seven hundred seventy five) Equity Shares of ₹10/- each, at a price of ₹1200/- (Rupees One thousand Two Hundred only) per share to the Promoters of NATCO Organics Limited to make it 100% subsidiary.

iv. Review Of Directors' Responsibility Statement

The Board in its report have confirmed that the annual accounts for the year ended 31st March, 2015 have been prepared as per applicable accounting standards and policies and that sufficient care has been taken for maintaining adequate accounting records.

Compliance with other Non-Mandatory Requirements

i. Board:

The Chairman of the Board is Executive Chairman.

ii. Shareholders' Right:

As per the Listing Agreement Quarterly/ yearly Audited/ un-audited Results on the Company's financial performance with press note(s), if any, were sent to stock exchanges and published in newspapers and on the Company's Website.

iii. CEO/CFO Certification

The CEO and the CFO certified to the Board on the prescribed matters as required under clause 49 of the Listing Agreement.

Means of Communication

At NATCO, dissemination of information is considered crucial since many stakeholders are interested in the affairs of the Company. The Audited/Unaudited quarterly, half-yearly and annual financial results both on stand-alone and consolidated basis of the Company were made available in the Public Domain of Stock Exchanges soon after the conclusion of the Board Meeting in which the above-said results were considered/approved by the Board and the same were published in both Vernacular and National newspapers in compliance with legal provisions in this regard.

It is ensured that any information regarding the Company such as product launches, further developments in legal issues, USFDA approvals, marketing approvals, new joint ventures or partnerships etc. were promptly intimated to the Stock Exchange and updated on the Company's website (<http://natcopharma.co.in/>) as well as made part of press releases.

Any price sensitive information is brought to the notice of NSE, BSE, Press and Electronic Media in order to avoid any insider trading practices with such information.

The details regarding the publishing of quarterly results in the newspapers areas below:

Quarter ended	Name of the English Daily	Name of the Regional Daily	Date of Publication
30th June, 2014	Financial Express	Namaste Telangana, Prajasakti	14-08-2014
30th September, 2014	Financial Express, Hans India	Namaste Telangana, Prajasakti, Eenadu	13-11-2014
31st December, 2014	Financial Express, Metro India, Business Standard	Andhra Prabha, Eenadu	12-02-2015
31st March, 2015	Financial Express	Nava Telangana	23-05-2015

General Shareholder Information:

Details regarding the AGM

Date	26th September, 2015
Time	10:30 a.m.
Venue	Daspalla Hotel, Road No. 37, Jubilee Hills, Hyderabad 500 033
Book Closure Dates	21st September, 2015 to 26th September, 2015 (Both days inclusive)

Listing on Stock Exchanges

The Company's shares are listed on the Recognised Stock Exchanges of India having Nation Wide Terminal. The ISIN No. is INE987B01018.

The details of name of the exchange and respective stock code of the Company is as follows:

Name of the Stock Exchange	Stock Code
Bombay Stock Exchange Limited	524816
National Stock Exchange of India Limited	NATCOPHARM

The Company has duly paid the annual listing fees for the year 2014-15 to both the above-mentioned Stock Exchanges and also paid the Custodial Fee for the year 2014-15 to both the Depositories, namely National Securities Depository Limited and the Central Depository Service (India) Limited.

Financial Year

Your Company follows April-March as its Financial Year and as such the quarterly Unaudited / Audited Financial Results for every quarter beginning from April will be declared as per the Listing Agreement.

Market Price Data

Quarter ended	NSE		BSE	
	High	Low	High	Low
April, 2014	866.85	650.00	866.90	655.55
May, 2014	829.00	706.30	830.00	710.00
June, 2014	1210.00	731.70	1,210.70	735.00
July, 2014	1157.00	971.25	1,164.80	960.00
August, 2014	1251.00	1000.50	1,248.00	1,006.00
September, 2014	1590.00	1236.65	1,585.70	1,233.00
October, 2014	1573.95	1240.25	1,568.75	1,245.40
November, 2014	1469.90	1303.25	1,480.00	1,308.00
December, 2014	1570.30	1301.20	1,570.00	1,301.90
January, 2015	1589.00	1342.00	1,586.25	1,344.10
February, 2015	1469.50	1330.00	1,473.40	1,329.90
March, 2015	2289.00	1373.90	2,291.40	1,378.95

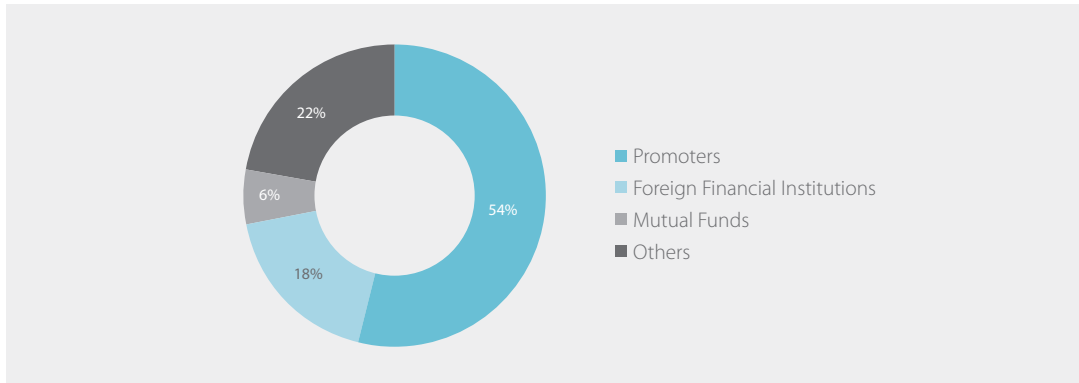
Share transfer work for both Physical & Electronic Forms

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

Address: VCCIPL, 12-10-167, Bharat Nagar, Hyderabad 500 018

Tel. No.: 040-23818475 & 23818476 Fax No.: 040-23868024 E-mail: info@vccilindia.com.

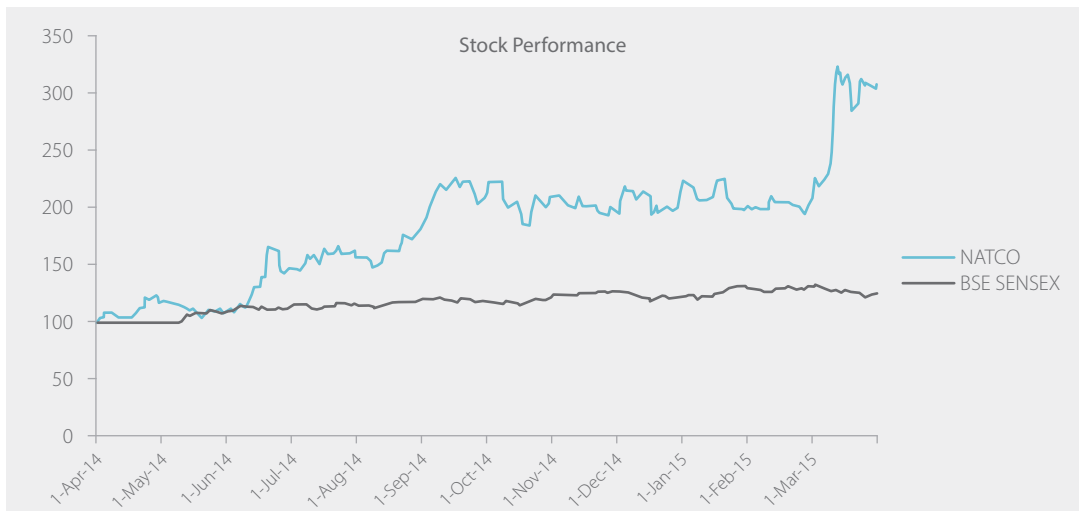
Shareholding Pattern

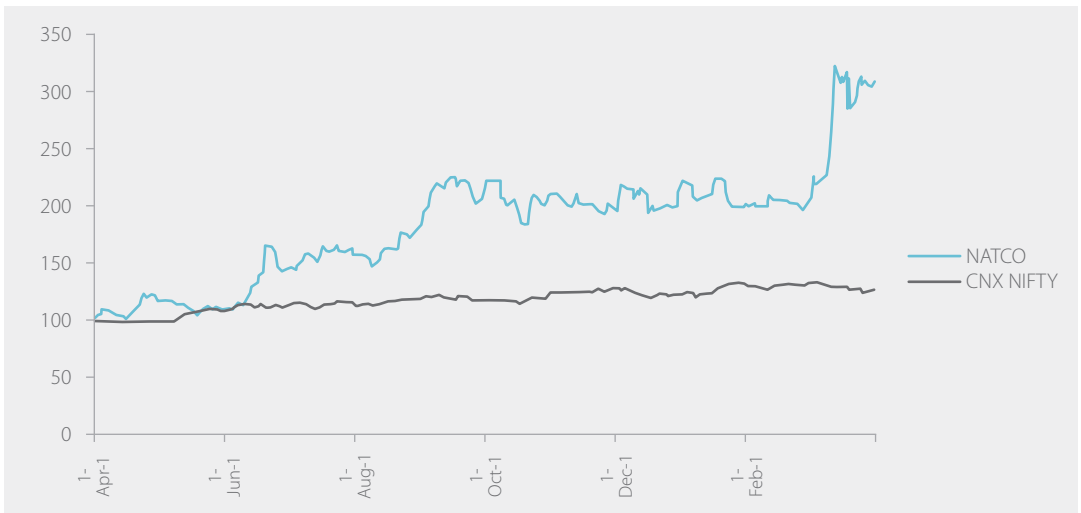


Dematerialisation of Shares and Liquidity

Dematerialisation of shares is a vital part in the Capital Market as that would ensure transparency in the trades undertaken. Members have responded positively to the call of NATCO to convert their physical shares to demat.

At present, nearly 98.5% of the shares of your Company is dematerialised as on 31.03.2015. As the trading of your Company's shares is being conducted only in electronic form all other members holding physical shares are requested to dematerialise their shares at the earliest.





Distribution of Shareholding

Nominal value	Holders		Amount	
	Number	% of total	Rs.	% of total
Upto – 5000	25855	94.91	16370440	4.93
5001 – 10000	628	2.31	5232770	1.57
10001 – 20000	298	1.09	4524390	1.36
20001 – 30000	97	0.36	2498970	0.75
30001 – 40000	67	0.25	2379210	0.72
40001 – 50000	49	0.18	2284680	0.69
50001 – 100000	87	0.32	6390070	1.92
100001 and above	160	0.59	292667960	88.06
Total	27241	100.00	332348490	100.00

Unclaimed Shares

The status of unclaimed shares of the Company transferred to a demat account "Natco Pharma Limited – Unclaimed Suspense Account", in accordance with Clause 5A (ii) of the Listing Agreement with Stock Exchanges, is given below:

Particulars	No of Shareholders	No of Shares
Aggregate number of Shareholder and outstanding shares held in the Unclaimed Suspense Account as on 01 April, 2015	4317	94740
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	101	2420
Aggregate number of shareholders and outstanding shares held in the Unclaimed Suspense Account as on 31st March, 2015	4216	92320

Plant Locations

Pharma Division Kothur Post & Mandal, Mehboobnagar Dist. Telangana – 509 228	Pharma Division – Parenteral Vijayapuri North, Nagarjunasagar, Nalgonda Dist., Telangana – 508 202
Chemical Division Mekaguda, Kothur Mandal, Mehboobnagar Dist. Telangana – 509 228	R&D Division B-13, Industrial Estate, Sanathnagar, Hyderabad Telangana – 500 018
Formulations Division Plot No. 19, Pharma City, Selaqui Industrial Area, Vikas Nagar, Dehradun 248 001, Uttarakhand	Formulations Division Plot No. A3, UPSIDC, Selaqui Industrial Area, Dehradun 248 001, Uttarakhand
Natco Organics Limited No. 74/7B, Vaikkadu, TPP Salai, Manali, Chennai 600 013, Tamil Nadu	Pharma Division DAG No. – 749, 750, Kokjhar Village, Revenue Circle – Mirza, Kamrup (Rural) Guwahati Dist., Assam 781 122

Address for Correspondence

Regd. Office:

NATCO House, Road No. 2, Banjara Hills,
Hyderabad – 500 033
Tel. No. (040) 23547532
Fax No. 23548243
Email : investors@natcopharma.co.in

ANNEXURE 1

Corporate Governance Report

To
The Shareholders,

Affirmation of Compliance with Code of Business Conduct

I, V.C. Nannapaneni, Chairman & Managing Director, declare that the Board of Directors of the Company has received affirmation on compliance with the Code of Business Conduct for the period from 1st April, 2014 or the date of their joining the Company, whichever is later, to 31st March, 2015 from all Board Members and also Senior Management staff immediately one level below the board members viz. all functional business heads, heads of finance, HR, legal, EDP Dept.

Hyderabad
12-08-2015

V. C. Nannapaneni
Chairman & Managing Director

ANNEXURE 2

CEO/ CFO Certification to the Board

(Under Clause 49(IX) of Listing Agreement)

We Certify that –

- a. We have reviewed the financial statements and the cash flow statement for the year ended 31st March, 2015 and that to the best of our knowledge and belief:
 - These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - 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 ended 31st March, 2015 that are fraudulent, illegal or violative of the Company's code of conduct;
- c. We accept responsibility for establishing and maintaining internal controls and that We have evaluated the effectiveness of the internal control systems of the Company and I have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of the internal control, if any, of which we are aware of 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:
 - i) significant change in internal control over financial reporting during the year under reference;
 - ii) significant changes in accounting policies during the year and that the same has been disclosed in the notes to financial statement;
 - iii) 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.

Date: 12-08-2015

Shri Rajeev Nannapaneni
Vice Chairman & CEO

Shri SVVN Appa Rao
Interim CFO

Certificate on compliance of conditions of Corporate Governance as per clause 49 of the Listing Agreement with the Stock Exchanges.

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 on March 31, 2015 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. My examination has been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of the certificate of Corporate Governance as stipulated in the said clause. 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 and the representations made by the Directors and the management, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement. The Company has submitted and published the Financial Results for all the quarters with the stipulated time.

I further state that such compliance 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.

Place: Hyderabad
Date: 12-08-2015

P. Renuka
Company Secretary in Practice
C.P.No.3460



FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To
The Members of
NATCO Pharma Limited

Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of NATCO Pharma Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2015, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements, that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act; safeguarding the assets of the Company; 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.
4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall

presentation of the standalone financial statements.

7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

8. 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 Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2015, its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. As required by Section 143(3) of the Act, we report that:
- 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;
 - 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;
 - the standalone financial statements dealt with by this report are in agreement with the books of account;
 - in our opinion, the aforesaid standalone financial

statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);

- on the basis of the written representations received from the directors as on 31 March 2015 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2015 from being appointed as a director in terms of Section 164(2) of the Act;
- 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, in our opinion and to the best of our information and according to the explanations given to us:
 - as detailed in Note 34(b) to the standalone financial statements, the Company has disclosed the impact of pending litigations on its standalone financial position;
 - the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **Walker Chandiook & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**

Partner

Place: Hyderabad

Date: 22 May 2015

Membership No.: 207660

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT

Annexure to the Independent Auditor's Report of even date to the members of NATCO Pharma Limited, on the financial statements for the year ended 31 March 2015

Based on the audit procedures performed for the purpose of reporting a true and fair view on the 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, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets, except for instances where the records for plant and machinery, furniture and other assets are maintained for a group of similar assets and not for each individual asset.
- (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. No material discrepancies were noticed on such verification.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies between physical inventory and book records were noticed on physical verification.
- (iii) The Company has granted interest free unsecured loans to a company covered in the register maintained under Section 189 of the Act; and with respect to the same:
 - (a) as the terms and conditions of the said loan are not stipulated, we are unable to comment as to whether the receipt of the principal amount is regular; and
 - (b) in the absence of stipulated terms and conditions, we are unable to comment as to whether there is any overdue amount in excess of Rupees one lakh and whether reasonable steps have been taken by the Company for recovery of the principal amount and interest.
- (iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) 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, sales tax, wealth tax, service tax, customs duty, excise duty, value added tax, 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 income tax, sales tax, customs duty, service tax, wealth tax, excise duty, value added tax and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹)	Amount Paid Under Protest (₹)	Period to which the amount relates	Forum where dispute is pending
The Central Sales Tax Act, 1956	Central sales tax	8,690,000	2,500,000	FY: 1997-98	Honorable High Court of Andhra Pradesh
The Customs Act, 1962	Customs duty	2,000,000	-	July 2006 to June 2010	CESTAT, Bengaluru
The Finance Act, 1994	Service tax	1,749,256	1,068,319	FY: 2011-12	CESTAT, Bengaluru
The Income Tax Act, 1961	Income tax	656,957	656,957	AY: 1989-90 to 1998-99	Honorable High Court of Andhra Pradesh.

(c) The Company has transferred the amount required to be transferred to the investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 and rules made thereunder within the specified time.

(viii) In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.

loans for the purpose for which these loans were obtained.

(ix) There are no dues payable to debenture-holders. In our opinion, the Company has not defaulted in repayment of dues to any financial institution or a bank during the year.

(xii) No fraud on or by the Company has been noticed or reported during the year covered by our audit.

(x) The Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 3(x) of the Order are not applicable.

For **Walker Chandiook & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**

Place: Hyderabad

Partner

(xi) In our opinion, the Company has applied the term

Date: 22 May 2015

Membership No.: 207660

BALANCE SHEET

as at 31st March, 2015

(All amounts in ₹ unless otherwise stated)

	Note No.	As at 31 March, 2015	As at 31 March, 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	4	33,23,48,490	33,07,30,740
Reserves and surplus	5	8,45,75,72,394	6,99,82,60,995
		8,78,99,20,884	7,32,89,91,735
Non-current liabilities			
Long-term borrowings	6	96,28,20,583	94,96,91,199
Deferred tax liabilities (net)	7	11,29,04,754	42,32,71,191
Other long term liabilities	8	77,10,412	69,10,411
Long-term provisions	9	9,18,85,805	10,62,92,232
		1,17,53,21,554	1,48,61,65,033
Current liabilities			
Short-term borrowings	10	1,68,54,35,777	98,63,12,469
Trade payables	11	1,15,33,94,024	99,18,09,855
Other current liabilities	12	1,13,31,88,070	96,48,17,286
Short-term provisions	13	1,11,06,085	41,36,732
		3,98,31,23,956	2,94,70,76,342
Total		13,94,83,66,394	11,76,22,33,110
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	14	5,68,02,48,888	5,23,19,03,737
Intangible assets	15	4,71,01,893	5,78,95,367
Capital work-in-progress		1,00,77,37,038	92,93,69,463
Non-current investments	16	1,31,14,97,150	88,58,11,357
Long-term loans and advances	17	1,42,47,35,918	1,25,16,10,941
Other non-current assets	18	3,52,06,523	3,21,68,190
		9,50,65,27,410	8,38,87,59,055
Current assets			
Current investments	19	11,82,970	31,79,534
Inventories	20	1,98,34,67,727	1,61,96,56,419
Trade receivables	21	1,88,95,75,106	1,15,84,66,666
Cash and bank balances	22	7,18,82,537	7,69,60,333
Short-term loans and advances	17	47,66,23,528	48,99,89,540
Other current assets	23	1,91,07,116	2,52,21,563
		4,44,18,38,984	3,37,34,74,055
Total		13,94,83,66,394	11,76,22,33,110

Notes 1 to 45 form an integral part of these standalone financial statements.

This is the Balance Sheet referred to in our report of even date.

For Walker Chandiook & Co LLP
Chartered Accountants

For and on behalf of Board of Directors of
NATCO Pharma Limited

per Sanjay Kumar Jain
Partner

V C Nannapaneni
Chairman & Managing Director

Rajeev Nannapaneni
Vice Chairman & CEO

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

SVN Appa Rao
Interim CFO

Place : Hyderabad
Date : 22 May 2015

Place : Hyderabad
Date : 22 May 2015

STATEMENT OF PROFIT AND LOSS for the year ended 31st March, 2015

(All amounts in ₹ unless otherwise stated)

	Note No.	For the year ended 31 March, 2015	For the year ended 31 March, 2014
REVENUE			
Revenue from operations (gross)	24	7,26,98,01,951	6,28,16,77,723
Less : Excise duty		11,42,95,510	5,82,55,959
Revenue from operations (net)		7,15,55,06,441	6,22,34,21,764
Other income	25	13,56,65,686	15,70,51,409
Total revenue		7,29,11,72,127	6,38,04,73,173
EXPENSES			
Cost of materials consumed (including packing material)	26	1,78,58,11,493	1,66,69,87,571
Purchases of stock-in-trade		87,50,700	-
Changes in inventory of finished goods, work-in-progress and stock-in-trade	27	(8,75,97,155)	(15,96,62,233)
Employee benefits expense	28	1,16,18,88,643	94,22,30,959
Finance costs	29	30,13,19,073	34,05,54,722
Depreciation and amortisation expense	14 and 15	42,46,39,089	26,78,60,053
Other expenses	30	2,00,09,96,677	1,90,80,06,888
Total expenses		5,59,58,08,520	4,96,59,77,960
Profit before exceptional items and tax		1,69,53,63,607	1,41,44,95,213
Exceptional item	31	15,12,74,688	-
Profit before tax		1,54,40,88,919	1,41,44,95,213
Tax expense			
Current tax		32,52,00,000	30,05,00,000
Deferred tax expense	7(a)	(31,03,66,437)	1,20,72,312
Profit for the year		1,52,92,55,356	1,10,19,22,901
Earnings per equity share [EPES]	39		
Basic and diluted EPES		46.17	34.49
Nominal value per equity share		10	10
Weighted average number of equity shares considered in computation of basic and diluted EPES		3,31,20,055	3,19,45,951

Notes 1 to 45 form an integral part of these standalone financial statements.

This is the Statement of Profit and Loss referred to in our report of even date.

For Walker Chandiook & Co LLP
Chartered Accountants

For and on behalf of Board of Directors of
NATCO Pharma Limited

per Sanjay Kumar Jain
Partner

V C Nannapaneni
Chairman & Managing Director

Rajeev Nannapaneni
Vice Chairman & CEO

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

SVVN Appa Rao
Interim CFO

Place : Hyderabad
Date : 22 May 2015

Place : Hyderabad
Date : 22 May 2015

CASH FLOW STATEMENT for the year ended 31st March, 2015

(All amounts in ₹ unless otherwise stated)

	For the year ended 31 March, 2015	For the year ended 31 March, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,54,40,88,919	1,41,44,95,213
Adjustments :		
Depreciation and amortisation expense	42,46,39,089	26,78,60,053
Net gain on sale of current investments	(2,36,31,749)	(1,00,58,159)
Inventory written-off	70,24,358	78,13,451
Provision for employee benefits	(74,37,074)	2,50,01,350
Provision towards doubtful trade receivables	72,73,264	-
Provision no longer required, written back	(3,71,95,454)	(46,21,360)
Interest income	(65,43,393)	(3,06,38,540)
Dividend income	(3,660)	(1,31,668)
Interest expenses	28,74,82,841	31,74,97,391
Gain on sale of asset	(65,80,947)	(78,065)
Unrealised foreign exchange gain, net	(1,77,59,765)	(57,05,925)
Operating profit before working capital changes	2,17,13,56,429	1,98,14,33,741
Increase in other current liabilities	10,65,63,873	14,10,69,393
Increase in trade payables	19,87,79,623	3,83,74,393
Increase in long-term liabilities	8,00,001	-
Increase in inventories	(37,08,35,666)	(34,42,71,289)
Decrease / (increase) in trade receivables	(72,06,21,939)	10,61,68,977
Decrease in long-term loans and advances	9,33,22,029	22,12,04,348
Increase in short-term loans and advances	(3,90,44,302)	(10,36,36,518)
Decrease in other current assets	61,14,447	21,43,611
Cash generated from operating activities	1,44,64,34,495	2,04,24,86,656
Income taxes paid	(20,09,10,595)	(32,46,14,389)
Net cash generated from operating activities	A 1,24,55,23,900	1,71,78,72,267
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible assets	(1,07,10,96,420)	(94,25,18,570)
Purchase of intangible assets	(30,39,437)	(2,01,81,618)
Proceeds from sale of tangible assets	1,73,56,896	5,91,872
Investment in subsidiary companies	(23,15,55,793)	(11,79,64,275)
Investment in non-current investments	-	(2,55,035)
Proceeds from sale of current investments	2,56,28,313	1,50,00,151
Interest received	48,28,872	3,03,93,752
Loans recovered from / (given to) subsidiary companies	(21,94,26,174)	(26,56,91,241)
Dividends received	3,660	1,31,668
Increase in other bank balances	(21,92,437)	(58,60,867)
Net cash used in investing activities	B (1,47,94,92,520)	(1,30,63,54,163)

CASH FLOW STATEMENT for the year ended 31st March, 2015

(All amounts in ₹ unless otherwise stated)

	For the year ended 31 March, 2015	For the year ended 31 March, 2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	-	1,08,52,80,000
Proceeds from long-term borrowings	44,99,76,150	31,25,00,000
Repayment of long-term borrowings	(43,21,84,671)	(80,53,19,661)
(Repayments) / proceeds from short-term borrowings, net	69,91,23,308	(49,11,22,363)
Interest paid	(28,95,63,339)	(31,74,62,546)
Dividends paid (including tax on distributed profits)	(19,93,29,249)	(19,34,52,737)
Net cash (used in) / from financing activities	22,80,22,199	(40,95,77,307)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(59,46,421)	19,40,797
Cash and cash equivalents as at the beginning of the year	6,86,39,947	6,66,99,150
Cash and cash equivalents as at the end of the year [Refer Note 1]	6,26,93,526	6,86,39,947

Note 1:

Cash and bank balances as per Note 22	7,18,82,537	7,69,60,333
Less: Other bank balances	91,89,011	83,20,386
Total Cash and cash equivalents	6,26,93,526	6,86,39,947

Note 2: Issue of equity shares including premium aggregating to ₹194,130,000 issued to erst while shareholders of Natco Organics Limited ('NOL') for swap of shares in NOL (Refer 3 (e) (i)) has been considered as non-cash item for the cash flow statement.

This is the Cash Flow Statement referred to in our report of even date.

For **Walker Chandiook & Co LLP**
Chartered Accountants

For and on behalf of Board of Directors of
NATCO Pharma Limited

per **Sanjay Kumar Jain**
Partner

V C Nannapaneni
Chairman & Managing Director

Rajeev Nannapaneni
Vice Chairman & CEO

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

SVN Appa Rao
Interim CFO

Place : Hyderabad
Date : 22 May 2015

Place : Hyderabad
Date : 22 May 2015

NOTES TO THE FINANCIAL STATEMENT

Summary of significant accounting policies and other explanatory information

1. COMPANY OVERVIEW

NATCO Pharma Limited ("the Company") is a public company listed in India and incorporated in accordance with the provisions of Companies Act, 1956. The Company is engaged in manufacturing and selling of bulk drugs and finished dosage formulations and caters to both domestic and international markets.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of standalone financial statements

The standalone financial statements are prepared under historical cost convention in accordance with the generally accepted accounting principles in India ("Indian GAAP"), including the Accounting Standards specified under Section 133 of the Companies Act, 2013 (the "Act") read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended), and pronouncements of The Institute of Chartered Accountants of India ("ICAI"). The standalone financial statements have been prepared on an accrual basis of accounting policies which are consistent with those used in the prior period.

Pursuant to the enactment of the Act, effective 1 April 2014 the Company has adopted Schedule III of the Act, for preparation and presentation of the standalone financial statements. In relation to the Company, the adoption of Schedule III neither impact recognition and measurement principles followed in preparation nor presentation and disclosures made in the standalone financial statements.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Act. Based on the nature of business, the Company has ascertained its operating cycle as up to twelve months for the purpose of current and non-current classification of assets and liabilities.

b. Use of estimates

The preparation of the standalone financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the standalone

financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for trade receivables, doubtful loans and advances, future obligations under employee retirement benefit plans, income taxes, classification of assets and liabilities into current and non-current and the useful lives of fixed assets.

Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c. Tangible Fixed assets

Fixed assets are stated at cost less accumulated depreciation, amortization and impairment losses, if any. Cost comprise of purchase price, freight, non-refundable duties, taxes and any other cost attributable to bringing the asset to its working condition for its intended use. Assets retired from active use and held for disposal are stated at their estimated net realisable values or net book values, whichever is lower.

Exchange rate variations relating to long-term foreign currency monetary items, which are utilized in acquisition of a depreciable capital assets are added to or deducted from the cost of the asset and depreciated over the remaining useful life of the asset.

d. Borrowing costs

Borrowing costs that are attributable to the acquisition and construction of a qualifying asset are capitalised as a part of the cost of the asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

e. Depreciation

Depreciation is provided on straight line method ("SLM") based on useful lives of the assets as estimated by management which coincides with rates prescribed under Schedule II to the Act.

Depreciation on sale/deduction from fixed assets is provided for up to the date of sale /deduction as the case may be.

NOTES TO THE FINANCIAL STATEMENT

Summary of significant accounting policies and other explanatory information (Contd.)

f. Intangible assets

Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortized over a period of 6 years, on a straight line basis.

g. Impairment of assets

The carrying amounts of assets, both tangible and intangible, are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

h. Investments

Investments that are readily realizable and intended to be held for not more than a year and current maturities of long-term investments are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

i. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the collectability is reasonably assured.

Sale of goods:

Revenue from sale of goods is accounted for when significant risks and rewards are transferred to buyers, which generally coincide with the dispatch of goods from the factory premises, or the date of the bill of lading or airway bill in respect of export sales. Revenue is inclusive of excise duty but net of sales tax, trade discounts and returns, where applicable.

Sale of services:

Revenue from sale of services is recognized as

per the terms of contracts with customers when the related services are performed or the agreed milestones are achieved and when the Company completes all its performance obligations.

Export entitlements:

Export entitlements are recognised when the right to receive such entitlement is established as per the terms of the relevant scheme in respect of the exports made and where there is no significant uncertainty regarding compliance with the terms and conditions of such scheme.

Profit sharing arrangements:

Revenue from profit sharing arrangements on sale of products is recognised based on terms and conditions of arrangements with respective customers.

Licensing and dossiers arrangements:

Revenue from licensing and dossiers arrangements is recognised in accordance with terms of the relevant agreement as accepted and agreed with the customers.

Interest income:

Interest income is recognized on the time proportion basis taking into account the amount outstanding and the interest rate applicable.

Dividend income:

Dividend income is recognized when the right to receive the payment is established.

j. Inventories

Raw material, packaging material, stores and spare parts are carried at cost. 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 valued at

NOTES TO THE FINANCIAL STATEMENT

Summary of significant accounting policies and other explanatory information

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.

k. Employee benefits

Provident Fund

The Company contributes to the provident fund maintained by the Regional Provident Fund Commissioner, in accordance with the Employees Provident Fund and Miscellaneous Provision Act, 1952. The provident fund plan is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which it becomes due. There are no other obligations of the Company other than the contributions made to the fund.

Gratuity

Gratuity is a post-employment defined benefit obligation. An independent actuary, using the projected unit credit method calculates the defined benefit obligation annually. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the statement of profit and loss in the period in which such gains or losses arises.

Employee state insurance

The Company contributes to the Employees State Insurance Fund maintained by the respective state authorities, in accordance with Employees State Insurance Act, 1948. The plan is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which it becomes due. There are no other obligations of the Company other than the contributions made to the funds.

Compensated absences

As per the Company's policy, eligible leaves can be accumulated by the employees and carried forward to future periods either to be utilized during the service, or encashed. Encashment can be made during service or on resignation, or retirement of the employee. The value of benefits is determined

based on an independent actuarial valuation using the projected unit credit method as at the year end. Actuarial gains and losses are recognized immediately in the statement of profit and loss.

l. Research and development

Expenditure incurred on research and development activities is expensed as and when incurred.

m. 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.

n. Foreign currency transactions

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported at year-end rates. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences

Exchange differences arising on the settlement of foreign currency monetary items or on reporting monetary items of the Company at rates different from those at which they were initially recorded during the year, or reported in previous standalone financial statements, are recognized as income or as expense in the year in which they arise.

o. Taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflect the impact of

NOTES TO THE FINANCIAL STATEMENT

Summary of significant accounting policies and other explanatory information (Contd.)

timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

Unrecognized deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain or virtually certain, as the case may be that future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets are reviewed at each balance sheet date.

The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternative Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the ICAI, the said asset is created by way of a credit to the Statement of Profit and Loss and shown as MAT credit entitlement.

p. Earnings per equity share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average

number of equity shares outstanding during the year. For the purpose of diluted earnings per share, the net profit or loss for the year 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.

q. Provisions and contingent liabilities

A provision is recognised when the Company has a present obligation as a result of past event i.e., it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. A disclosure of the contingent liability is made when there is a possible or a present obligation that may, but probably will not, require an outflow of resources.

r. Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments.

s. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments, with original maturity of less than three months.

3. CHANGE IN ACCOUNTING ESTIMATE

Hitherto, depreciation on all tangible fixed assets was provided on straight line method over the estimated useful lives using the rates prescribed under erstwhile Schedule XIV of the Companies Act, 1956. Effective 1 April 2014, in accordance with the requirements to Schedule II of the Act, the Company has adopted the rates prescribed under Schedule II and accordingly, depreciation on the tangible fixed assets for the year ended 31 March 2015 is higher by ₹127,839,130 and further an amount of ₹62,258,333 has been charged to the opening balance of the general reserve in respect of the assets whose remaining useful life is nil as at 1 April 2014 in accordance with Schedule II of the Act.

NOTES TO THE FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

	As at 31 March, 2015		As at 31 March, 2014	
	Number	Amount	Number	Amount
4. SHARE CAPITAL				
Authorized share capital				
Equity shares of ₹10 each	4,00,00,000	40,00,00,000	4,00,00,000	40,00,00,000
Issued, subscribed and fully paid up				
Equity shares of ₹10 each	3,32,34,849	33,23,48,490	3,30,73,074	33,07,30,740
	3,32,34,849	33,23,48,490	3,30,73,074	33,07,30,740

(a) Reconciliation of shares

	As at 31 March, 2015		As at 31 March, 2014	
	Number	Amount	Number	Amount
Equity shares of ₹10 each				
Balance at the beginning of the year	3,30,73,074	33,07,30,740	3,13,73,074	31,37,30,740
Add: Issued during the year	1,61,775	16,17,750	17,00,000	1,70,00,000
Balance at the end of the year	3,32,34,849	33,23,48,490	3,30,73,074	33,07,30,740

(b) Terms and rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors 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.

(c) Shareholders holding more than five percent shares in the Company

	As at 31 March, 2015		As at 31 March, 2014	
	Number	%	Number	%
Equity shares of ₹10 each				
V C Nannapaneni *	81,47,363	24.51%	80,23,838	24.26%
Time Cap Pharma Labs Limited	34,31,444	10.32%	34,12,694	10.32%
Natsoft Information Systems Private Limited	31,53,500	9.49%	31,53,500	9.53%
CX Securities Limited **	NA	NA	17,00,000	5.14%

* including shares held in the capacity of Karta of HUF aggregating to 1,088,009 (31 March 2014:1,088,009)

** shareholding of the investor as at 31 March 2015 is less than 5% and hence no disclosure is given.

(d) Employee stock option scheme ("ESOP")

(i) The Company had instituted NATCO Stock Option Plan 2010 ("ESOP 2010") as per the special resolution passed in the annual general meeting of the members held on 30 September 2010. The Scheme was formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI ESOP Guidelines") issued by the Securities and Exchange Board of India ("SEBI") and pursuant to the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956. Pursuant to such approval, the Board is authorized to issue employee stock options, that are exercisable into not more than 600,000 equity shares of the Company to eligible employees based on specific recommendations of the remuneration committee. Each option comprises of one underlying equity share of ₹10 each. 236,551

NOTES TO THE FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

options were granted during August 2011 at an exercise price of ₹10 each and were accounted at an intrinsic value of ₹252.55 per share, being the difference between the market value, calculated in accordance with the valuation methods prescribed by the SEBI and the grant price and accounted as stock option compensation over the vesting period of twelve months from the date of the grant.

- (ii) During the year ended 31 March 2015, the Company has not granted any options to the employees and no options were pending for vesting / exercise as at 31 March 2015.
- (e) Details of shares issued pursuant to contract without payment being received in cash and brought back during the last 5 years, immediately preceding the balance sheet date:

	Number of shares	
	1 April 2010 to 31 March 2015	1 April 2009 to 31 March 2014
Aggregate number of equity shares allotted *	3,86,897	3,32,247

* Equity shares allotted pursuant to contracts without payment being received in cash comprise of:

- (i) During the year ended 31 March 2015, the Company has issued 161,775 equity shares of ₹10 each, fully paid-up at a premium of ₹1,190 per equity share to the erstwhile shareholders of Natco Organics Limited ('NOL') in exchange of 19,310,000 equity shares of ₹10 each at face value held in NOL.
- (ii) Balance equity shares comprising of 225,122 (31 March 2014: 332,247) were allotted during the period of five years, on exercise of the options granted under the employee stock option plan (ESOP) wherein part consideration was received in form of employee services.

	As at 31 March, 2015	As at 31 March, 2014
5. RESERVES AND SURPLUS		
Capital reserve	20,72,72,762	20,72,72,762
Capital redemption reserve	49,28,810	49,28,810
Securities premium reserve		
Balance at the beginning of the year	2,58,97,21,552	1,52,14,41,552
Add: Additions during the year	19,25,12,250	1,06,82,80,000
Balance at the end of the year	2,78,22,33,802	2,58,97,21,552
General reserve		
Balance at the beginning of the year	43,71,61,000	32,71,61,000
Add: Additions during the year	11,00,00,000	11,00,00,000
Less: Adjustment (Refer note: 3)	(6,22,58,333)	-
Balance at the end of the year	48,49,02,667	43,71,61,000
Surplus in the statement of profit and loss		
Balance at the beginning of the year	3,75,91,76,871	2,96,07,23,185
Add: Profit for the year	1,52,92,55,356	1,10,19,22,901
Less: Interim dividend - ₹5 (31 March 2014: ₹5) per share	(16,61,74,245)	(16,53,65,370)
Less: Tax on distributed profits	(3,40,23,629)	(2,81,03,845)
Less: Transferred to general reserve	(11,00,00,000)	(11,00,00,000)
Balance at the end of the year	4,97,82,34,353	3,75,91,76,871
	8,45,75,72,394	6,99,82,60,995

NOTES TO THE FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

	As at 31 March, 2015	As at 31 March, 2014
6. LONG-TERM BORROWINGS		
Secured		
Term loans from		
Banks	1,17,98,68,320	96,56,06,253
Other parties	22,32,35,295	41,97,05,883
	1,40,31,03,615	1,38,53,12,136
Less: Current maturities of long-term borrowings (note 12)	44,02,83,032	43,56,20,937
	96,28,20,583	94,96,91,199

(a) Terms and conditions of loans and nature of security

- Term loans amounting to ₹623,235,295 (31 March 2014: ₹457,205,883) is secured by pari-passu first charge on the entire immovable properties and movable fixed assets both present and future of Mekaguda Unit and part of the loan is further secured by an exclusive charge on all the immovable properties and movable fixed assets of both the units (Plot No-19 and Plot NoA-3) at Dehradun and exclusive charge on the R&D equipment acquired from the loan amount.
- Term loan amounting to ₹122,086,614 (31 March 2014: ₹241,300,697) is secured by an exclusive charge over all movable and immovable fixed assets of NATCO Research Center and a part of the loan is secured by first charge on the movable and immovable fixed assets of Mekaguda unit along with other lenders.
- Term loan amounting to ₹657,781,706 (31 March 2014: ₹686,805,556) is secured by pari-passu first charge on the entire fixed assets both present and future of Kothur Unit.

All the above loans are guaranteed by Mr. V.C Nannapaneni, Chairman and Managing Director and carry interest linked to the respective Bank's / Institution's prime / base lending rate, and range from 3.53% per annum to 12.75% per annum (31 March 2014: 3.53% per annum to 12.50% per annum).

(b) Details of repayment of long term borrowings

	As at 31 March, 2015	As at 31 March, 2014
Up to 1 year	44,02,83,032	43,56,20,937
From 1 to 3 years	88,13,44,433	76,67,46,754
3 years and above	8,14,76,150	18,29,44,445
	1,40,31,03,615	1,38,53,12,136

	As at 31 March, 2015	As at 31 March, 2014
7. DEFERRED TAX LIABILITIES (NET)		
On account of depreciation	11,29,04,754	46,40,25,210
On account of employee benefits and others	-	(4,07,54,019)
Net deferred tax liability	11,29,04,754	42,32,71,191

- (a) On the basis of management's assessment of its future business plan and impact thereof on its future taxable income, the management believes that the Company shall continue to pay tax on income under the Minimum Alternate Tax (MAT) provisions of the Income Tax Act, 1961 over the next several years. Thus, deferred tax liabilities (net) aggregating to ₹310,366,437 lakhs recognized in the earlier years on account of timing differences which will be reversed during the period in which taxes are expected to be paid under MAT is de-recognized in the current financial year in accordance with the provisions of Accounting Standard 22 – 'Accounting for Taxes on Income'.

	As at 31 March, 2015	As at 31 March, 2014
8. OTHER LONG-TERM LIABILITIES		
Deposits	77,10,412	69,10,411
	77,10,412	69,10,411

NOTES TO THE FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

	As at 31 March, 2015	As at 31 March, 2014
9. LONG-TERM PROVISIONS		
Provision for gratuity	5,76,73,519	7,06,44,264
Provision for compensated absences	3,42,12,286	3,56,47,968
	9,18,85,805	10,62,92,232

(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 or in the event of death in lumpsum after deduction of necessary taxes upto a maximum limit of ₹1,000,000.

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, 2015	31 March, 2014
(i) Change in projected benefit obligation		
Projected benefit obligation at the beginning of the year	11,74,54,552	9,44,62,630
Service cost	94,15,272	75,57,010
Interest cost	93,96,364	67,04,247
Actuarial (gain) / loss	(88,15,079)	1,38,18,766
Benefits paid	(70,19,049)	(50,88,101)
Projected benefit obligation at the end of the year	12,04,32,060	11,74,54,552
(ii) Change in plan assets		
Fair value of plan assets at the beginning of the year	4,68,10,288	3,99,43,228
Expected return on plan assets	47,04,817	35,17,274
Employer contributions	99,66,090	84,37,887
Benefits paid	(70,19,049)	(50,88,101)
Fair value of plan assets at the end of the year	5,44,62,146	4,68,10,288
(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	12,04,32,060	11,74,54,552
Funded status of the plans	(5,44,62,146)	(4,68,10,288)
Net liability recognised in the balance sheet	6,59,69,914	7,06,44,264
(iv) Expense recognized in the statement of profit and loss		
Service cost	94,15,272	75,57,010
Interest cost	93,96,364	67,04,247
Expected returns on plan assets	(47,04,817)	(35,17,274)
Recognized net actuarial (gain)/ loss	(88,15,079)	1,38,18,766
Net gratuity costs	52,91,740	2,45,62,749
(v) Key actuarial assumptions		
Discount rate	8.00%	8.00%
Expected return on plan assets	9.00%	8.75%
Salary escalation rate	4.00%	4.00%

(vi) Amounts for the current and previous four periods are as follows:

Particulars	31.03.2015	31.03.2014	31.03.2013	31.03.2012	31.03.2011
Defined benefit obligation	120,432,060	117,454,552	94,462,630	73,162,037	58,231,217
Planned assets	54,462,146	46,810,288	39,943,228	27,293,852	26,078,468
Surplus / (deficit) :	(65,969,914)	(70,644,264)	(54,519,402)	(45,868,185)	(32,152,749)
Experience adjustment to planned liabilities	(8,815,079)	13,818,766	13,154,950	7,133,657	(2,872,373)
Experience adjustment to planned assets	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

	As at 31 March, 2015	As at 31 March, 2014
10. SHORT-TERM BORROWINGS		
Loans repayable on demand		
Secured		
From banks	1,37,51,97,497	94,33,54,453
Unsecured		
From banks	31,02,38,280	4,29,58,016
	1,68,54,35,777	98,63,12,469

- (a) Loans repayable on demand represents cash credit, overdraft, bills purchased and discounted with various banks and carry interest linked to the respective Bank's / Institution's prime / base lending rate, and range from 10% per annum to 14% per annum (31 March 2014: 5.75% per annum to 14% per annum)
- (b) Loans repayable on demand are secured by way of first charge on all the current assets of the Company. The collateral security is joint pari-passu first charge on the corporate Office and all fixed assets of Nagarjuna Sagar Unit apart from personal guarantees of Mr. V.C. Nannapaneni, Chairman and Managing Director, Mrs. Durga Devi Nannapaneni, promoter and Dr. N. Ramakrishna Rao, relative of Chairman and Managing Director.
- (c) Unsecured loans are personally guaranteed by Mr. V.C. Nannapaneni, Chairman and Managing Director.

11. TRADE PAYABLES

Sundry creditors		
Dues to micro and small enterprises [Refer (a) below]	1,49,66,656	2,08,06,259
Dues to others	1,13,84,27,368	97,10,03,596
	1,15,33,94,024	99,18,09,855

- (a) The management has identified creditors covered by Micro, Small and Medium Enterprises Development Act, 2006 (MSMEDA). Accordingly, disclosures in respect of the amounts payable to such enterprises as at 31 March 2015 has been made in note 35 to the financials statements and such disclosures is based on information received and available with the Company.

12. OTHER CURRENT LIABILITIES

Current maturities of long-term borrowings	44,02,83,032	43,56,20,937
Interest accrued but not due on long-term borrowings	51,96,019	72,76,517
Creditors for capital assets	26,50,81,581	20,67,24,892
Book overdraft	7,82,49,535	3,64,62,711
Advance from customers	20,20,70,794	14,92,52,209
Employee related payables	8,89,32,989	8,36,54,810
Unpaid dividends	91,89,011	83,20,386
Statutory liabilities	4,41,85,109	3,75,04,824
	1,13,31,88,070	96,48,17,286

13. SHORT-TERM PROVISIONS

Provision for leave benefits	28,09,690	41,36,732
Provision for gratuity	82,96,395	-
	1,11,06,085	41,36,732

NOTES TO THE FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

14. TANGIBLE ASSETS

Gross block	Freehold land	Leasehold land	Buildings	Plant and equipment	Office equipment	Furniture & Fixtures	Vehicles	Computers	Total
Gross block									
Balance as at 1 April 2013	44,53,40,200	1,67,25,782	1,76,17,20,329	3,51,54,95,622	2,44,39,486	4,50,25,732	9,18,38,981	9,10,00,594	5,99,15,86,726
Additions	32,86,38,635	-	7,63,45,496	36,40,46,292	7,15,942	1,20,65,350	57,54,835	84,55,417	79,60,21,967
Disposals / adjustments	-	-	-	-	-	-	13,02,045	-	13,02,045
Foreign exchange fluctuation	-	-	1,30,43,925	2,33,56,265	-	-	-	-	3,64,00,190
Balance as at 31 March 2014	77,39,78,835	1,67,25,782	1,85,11,09,750	3,90,28,98,179	2,51,55,428	5,70,91,082	9,62,91,771	9,94,56,011	6,82,27,06,838
Additions	1,2,23,08,886	10,12,01,300	30,78,15,049	36,48,77,383	32,25,450	1,17,40,504	1,38,45,761	71,71,278	93,21,85,611
Disposals / adjustments	1,07,65,000	-	-	-	-	-	14,71,770	-	1,22,36,770
Foreign exchange fluctuation	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2015	88,55,22,721	11,79,27,082	2,15,89,24,799	4,26,77,75,562	2,83,80,878	6,88,31,586	10,86,65,762	10,66,27,289	7,74,26,55,679
Accumulated depreciation									
Up to 1 April 2013	-	14,37,778	29,56,35,071	89,79,77,971	1,05,97,110	1,93,26,598	4,20,60,521	6,80,91,782	1,33,51,26,831
Depreciation charge	-	1,88,536	5,91,82,882	18,08,67,913	11,87,667	31,91,159	66,41,715	52,04,636	25,64,64,508
Reversal on disposal	-	-	-	-	-	-	7,88,238	-	7,88,238
Up to 31 March 2014	-	16,26,314	35,48,17,953	1,07,88,45,884	1,17,84,777	2,25,17,757	4,79,13,998	7,32,96,418	1,59,08,03,101
Depreciation charge	-	3,70,287	6,67,91,759	31,01,91,700	53,30,768	44,91,376	1,39,85,152	99,30,415	41,10,91,457
Adjustment (Refer note 3)	-	-	76,07,938	4,62,73,631	54,16,219	-	10,52,393	16,22,873	6,19,73,054
Reversal on disposal	-	-	-	-	-	-	14,60,821	-	14,60,821
Up to 31 March 2015	-	19,96,601	42,92,17,650	1,43,53,11,215	2,25,31,764	2,70,09,133	6,14,90,722	8,48,49,706	2,06,24,06,791
Net block									
Balance as at 31 March 2014	77,39,78,835	1,50,99,468	1,49,62,91,797	2,82,40,52,295	1,33,70,651	3,45,73,325	4,83,77,773	2,61,59,593	5,23,19,03,737
Balance as at 31 March 2015	88,55,22,721	11,59,30,481	1,72,97,07,149	2,83,24,64,347	58,49,114	4,18,22,453	4,71,75,040	2,17,77,583	5,68,02,48,888

(a) Leasehold land include land acquired from the State Industrial Development Corporation of Uttarakhnad Limited for a period of 90 years, Uttar Pradesh State Industrial Development Corporation Limited for a period of 87 years and from Ramky Pharma City (India) Limited for a period of 33 years which is renewable for a further period of 2 terms of 33 years each.

NOTES TO THE FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

	Computer Software	Total
15. INTANGIBLE ASSETS		
Gross block		
Balance as at 1 April 2013	6,53,31,550	6,53,31,550
Additions	2,01,81,618	2,01,81,618
Balance as at 31 March 2014	8,55,13,168	8,55,13,168
Additions	30,39,437	30,39,437
Balance as at 31 March 2015	8,85,52,605	8,85,52,605
Accumulated amortisation		
Up to 1 April 2013	1,62,22,256	1,62,22,256
Amortization charge	1,13,95,545	1,13,95,545
Up to 31 March 2014	2,76,17,801	2,76,17,801
Amortization charge	1,35,47,632	1,35,47,632
Adjustment	2,85,279	2,85,279
Up to 31 March 2015	4,14,50,712	4,14,50,712
Net block		
Balance as at 31 March 2014	5,78,95,367	5,78,95,367
Balance as at 31 March 2015	4,71,01,893	4,71,01,893

	As at 31 March, 2015	As at 31 March, 2014
16. NON-CURRENT INVESTMENTS		
Investments in equity instruments, Trade, Unquoted		
<i>Investments in subsidiaries</i>		
1,000 (31 March 2014: 1,000) representing 100% (31 March 2014: 100%) fully paid-up, non-assessable shares of US\$1,000 each in Natco Pharma Inc., Delaware, United States of America	4,18,49,274	4,18,49,274
79,693,945 (31 March 2014: 20,241,770) representing 100% (31 March 2014: 51%) equity shares of ₹10 each, fully paid-up in NATCO Organics Limited	79,69,39,450	20,24,17,700
Share application money in NATCO Organics Limited	-	40,00,42,198
622,012 (31 March 2014: 189,628) representing 84% (31 March 2014: 73%) equity shares of US\$10 each, fully paid-up in Time Cap Overseas Limited, Mauritius	34,94,70,272	9,04,97,200
Share application money in Timecap Overseas Limited, Mauritius	2,05,39,911	11,13,10,423
1,232,613 (31 March 2014: 368,715) representing 99.33% (31 March 2014: 97.82%) equity shares of Canadian Dollar 1 each, fully paid-up in NATCO Pharma (Canada) Inc, Canada	6,73,79,275	2,13,50,424
340,000 (31 March 2014: Nil) representing 100% (31 March 2014: Nil) equity shares of Singapore Dollar 1 each, fully paid-up in NATCO Pharma Asia PTE Ltd.	1,62,52,308	-
Share application money in Natco Pharma Asia PTE Ltd	-	26,66,193
67,600 (31 March 2014: Nil) representing 80% (31 March 2014: Nil) equity shares of Australian Dollar 1 each, fully paid-up in NATCO Pharma Australia PTY Ltd	33,88,715	-
	1,29,58,19,205	87,01,33,412

NOTES TO THE FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

	As at 31 March, 2015	As at 31 March, 2014
16. NON-CURRENT INVESTMENTS (contd...)		
Others		
Share application money in NATIVITA JLLC	2,55,035	2,55,035
750 (31 March 2014: 750) equity shares of ₹100 each, fully paid-up, in Jeedimetla Effluent Treatment Limited	75,000	75,000
34,400 (31 March 2014: 34,400) equity shares of ₹10 each, fully paid-up, in Pattancheru Enviro-Tech Limited	3,44,000	3,44,000
	6,74,035	6,74,035
Total investments in equity instruments, Trade (A)	1,29,64,93,240	87,08,07,447
Investments in equity instruments, Others, Quoted		
27,000 (31 March 2014: 27,000) equity shares of ₹10 each, fully paid-up in Jayalakshi Spinning Mills Limited	2,70,000	2,70,000
Total investments in equity instruments, Others (B)	2,70,000	2,70,000
Other non-current investments, Others, Unquoted		
Investment in portfolio management services		
15,000,000 (31 March 2014: 15,000,000) compulsorily convertible preference shares of ₹1 each, fully paid-up in Ravindranath GE Medical Associates Private Limited.	1,50,00,000	1,50,00,000
National savings certificates	3,910	3,910
Total investments in other non-current investments (C)	1,50,03,910	1,50,03,910
Total non-current investments (A+B+C)	1,31,17,67,150	88,60,81,357
Less: provision for diminution in value of investments	2,70,000	2,70,000
	1,31,14,97,150	88,58,11,357
Quoted investments	2,70,000	2,70,000
Market value of quoted investments	-	-
Unquoted investments [including share application money]	1,31,14,97,150	88,58,11,357
Provision for diminution in value of investments	2,70,000	2,70,000

(a) Investment in portfolio management services

The Company has made an investment, aggregating to ₹15,000,000 in the private equity opportunities fund of Anand Rathi Financial Services Limited (ARFSL). By virtue of shareholders agreement and share subscription agreement, both dated 29 November 2010, ARFSL has invested the Company's fund in the Compulsorily Convertible Preference Shares of Ravindranath GE Medical Associates Private Limited. The Company's investment in the private equity opportunities fund of ARFSL provides for a return of 20% in excess of 16% on a gross pre-tax IRR basis. In the absence of reasonable certainty of realization of return, no income was accrued on such investment for the year ended 31 March 2015.

NOTES TO THE FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

	As at 31 March, 2015	As at 31 March, 2014
17. LOANS AND ADVANCES		
(Unsecured, considered good)		
Long-term		
Capital advances	38,61,13,279	26,72,13,356
Security deposits	4,34,46,298	3,39,08,779
Advance tax, net	4,31,92,485	16,74,81,890
Loans and advances to related parties (a)	86,41,62,991	71,55,27,530
Balances with government authorities	8,78,20,865	6,74,79,386
	1,42,47,35,918	1,25,16,10,941
Short-term		
Loans and advances to related parties	13,25,218	5,37,35,532
Prepaid expenses	3,67,11,178	1,65,33,656
Balances with government authorities	31,51,43,978	27,29,46,626
Advances for purchases and expenses	9,61,47,851	12,26,74,142
Other advances	2,72,95,303	2,40,99,584
	47,66,23,528	48,99,89,540

(a) Represent the interest free loans and advances made to NOL for working capital and business purposes.

18. OTHER NON-CURRENT ASSETS

(Unsecured, considered good)

Deposit held with banks*	2,71,19,198	2,57,95,386
Interest accrued on fixed deposits	80,87,325	63,72,804
	3,52,06,523	3,21,68,190

*Bank deposits held with banks as margin money with a maturity period of more than 12 months.

19. CURRENT INVESTMENTS

Investments in equity instruments, Quoted, Non trade

15,000 (31 March 2014: 75,000) equity shares of ₹10 each, fully paid-up in Neuland Laboratories Limited	6,75,000	26,71,564
2,000 (31 March 2014: 2,000) equity shares of ₹10 each, fully paid-up in Sun Pharmaceuticals Industries Limited	5,07,970	5,07,970
	11,82,970	31,79,534

Aggregate amount of

Quoted investments	11,82,970	31,79,534
Market value of quoted investments	70,39,800	2,06,49,500
Unquoted investments	-	-

NOTES TO THE FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

	As at 31 March, 2015	As at 31 March, 2014
20. INVENTORIES		
Raw materials [including goods-in-transit of ₹2,462,726 (31 March 2014: ₹4,851,836)]	55,43,77,442	40,74,69,346
Packing materials [including goods-in-transit of ₹Nil (31 March 2014: ₹18,479,433)]	22,61,46,019	21,29,49,422
Work-in-progress	69,42,91,320	64,44,18,948
Finished goods	24,24,83,396	20,48,30,894
Stores and spares [including goods-in-transit of ₹7,276,750 (31 March 2014: ₹4,833,231)]	25,73,75,316	14,12,65,856
Stock-in-trade	87,94,234	87,21,953
	1,98,34,67,727	1,61,96,56,419

21. TRADE RECEIVABLES

Due for a period exceeding six months		
Unsecured, considered good	17,45,18,319	16,71,64,860
Unsecured, considered doubtful	1,76,07,783	1,03,34,519
	19,21,26,102	17,74,99,379
Less: Provision for doubtful receivables	1,76,07,783	1,03,34,519
	17,45,18,319	16,71,64,860
Other debts		
Unsecured, considered good	1,71,50,56,787	99,13,01,806
	1,88,95,75,106	1,15,84,66,666

22. CASH AND BANK BALANCES

Cash and cash equivalents		
Balances with banks		
- on current accounts	3,02,33,141	4,00,68,754
- on deposit accounts	-	20,00,000
Cash on hand	3,24,60,385	2,65,71,193
	6,26,93,526	6,86,39,947
Other bank balances		
Unpaid dividend account	91,89,011	83,20,386
	91,89,011	83,20,386
	7,18,82,537	7,69,60,333

23. OTHER CURRENT ASSETS

(Unsecured, considered good)		
Export incentives receivable	1,91,07,116	2,52,21,563
	1,91,07,116	2,52,21,563

NOTES TO THE FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

	For the year ended 31 March, 2015	For the year ended 31 March, 2014
24. REVENUE FROM OPERATIONS		
Sale of products	6,66,71,80,268	5,55,31,48,373
Sale of services	11,28,77,714	22,55,91,510
Other operating revenues		
Job work charges	8,30,21,710	11,93,31,350
Export incentives	5,03,45,985	4,87,34,811
Trading sales	13,73,06,131	1,30,48,723
Scrap sales	1,51,26,392	1,70,68,074
Income from profit sharing arrangements	20,39,43,751	30,47,54,882
	48,97,43,969	50,29,37,840
Total revenue from operations	7,26,98,01,951	6,28,16,77,723

	31 March, 2015	31 March, 2014
Details of products sold		
Manufactured goods		
Bulk drug and drug intermediaries	2,58,53,68,690	1,97,86,41,126
Formulations	4,07,06,06,730	3,56,89,48,815
	6,65,59,75,420	5,54,75,89,941
Traded goods		
Formulations	1,12,04,848	55,58,432
	6,66,71,80,268	5,55,31,48,373

25. OTHER INCOME

Interest income from		
Fixed deposits	55,17,056	40,03,148
Loans to subsidiaries	-	72,28,326
Income tax refund	10,26,337	1,94,07,066
Dividend income	3,660	1,31,668
Net gain on sale of current investments	2,36,31,749	1,00,58,159
Net gain on sale of fixed assets	65,80,947	78,065
Foreign exchange gain, net	5,82,42,444	10,77,30,256
Provision no longer required, written back	3,71,95,454	46,21,360
Other non-operating income	34,68,039	37,93,361
	13,56,65,686	15,70,51,409

26. COST OF RAW MATERIALS CONSUMED (INCLUDING PACKING MATERIALS CONSUMED)

Opening stock	62,04,18,768	46,89,94,805
Add: Purchases during the year	1,94,59,16,186	1,81,84,11,534
Less: Closing stock	78,05,23,461	62,04,18,768
	1,78,58,11,493	1,66,69,87,571

Disclosed based on derived figures, rather than actual records of issue.

NOTES TO THE FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

	For the year ended 31 March, 2015	For the year ended 31 March, 2014
27. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE		
Opening stock		
- Finished goods	20,48,30,894	15,50,69,614
- Work-in-progress	64,44,18,948	52,96,45,057
- Stock-in-trade	87,21,953	1,35,94,891
	85,79,71,795	69,83,09,562
Closing stock		
- Finished goods	24,24,83,396	20,48,30,894
- Work-in-progress	69,42,91,320	64,44,18,948
- Stock-in-trade	87,94,234	87,21,953
	94,55,68,950	85,79,71,795
	(8,75,97,155)	(15,96,62,233)
Following are the details of inventory balances under broad heads:		
<i>Opening stock</i>		
Finished goods		
Bulk drug and drug intermediaries	12,48,64,301	4,97,17,930
Formulations	7,99,66,593	10,53,51,684
	20,48,30,894	15,50,69,614
Work in progress		
Bulk drug and drug intermediaries	58,23,86,335	49,16,55,899
Formulations	6,20,32,613	3,79,89,158
	64,44,18,948	52,96,45,057
Traded goods		
Formulations	87,21,953	1,35,94,891
	87,21,953	1,35,94,891
<i>Closing inventory</i>		
Finished goods		
Bulk drug and drug intermediaries	9,57,93,074	12,48,64,301
Formulations	14,66,90,322	7,99,66,593
	24,24,83,396	20,48,30,894
Work in progress		
Bulk drug and drug intermediaries	59,10,86,597	58,23,86,335
Formulations	10,32,04,723	6,20,32,613
	69,42,91,320	64,44,18,948
Traded goods		
Formulations	87,94,234	87,21,953
	87,94,234	87,21,953
28. EMPLOYEE BENEFITS EXPENSE		
Salaries and wages	1,01,00,14,406	79,39,42,610
Contribution to provident and other funds	7,60,78,369	6,21,76,628
Gratuity expense	53,12,718	2,45,38,447
Staff welfare expenses	7,04,83,150	6,15,73,274
	1,16,18,88,643	94,22,30,959

NOTES TO THE FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

	For the year ended 31 March, 2015	For the year ended 31 March, 2014
29. FINANCE COSTS		
Interest expense	28,74,82,841	31,74,97,391
Other borrowing costs	1,38,36,232	2,30,57,331
	30,13,19,073	34,05,54,722

Interest expense is after capitalization of ₹11,022,070 (31 March 2014: ₹10,064,052) to qualifying fixed assets.

30. OTHER EXPENSES

Consumption of stores and spare parts	17,56,57,098	18,20,29,454
Power and fuel	40,49,38,806	40,68,73,853
Rent	1,24,21,591	1,15,98,801
Repairs and maintenance		
- Buildings	3,50,48,702	4,35,12,166
- Plant and equipment	10,67,14,705	11,93,85,821
- Others	2,89,72,234	2,75,65,078
Insurance	2,72,25,132	2,58,08,151
Rates and taxes	8,96,44,142	7,74,74,085
Factory maintenance expenses	12,79,40,595	13,88,67,802
Analysis charges	4,87,03,475	5,05,45,318
Carriage and freight outwards	7,62,71,540	7,89,26,544
Donations	3,03,00,772	4,23,69,040
CSR expenditure (refer note: 43)	2,55,42,579	-
Communication expenses	2,07,02,124	1,86,61,449
Office maintenance and other expenses	2,66,15,726	1,95,69,738
Travelling and conveyance	11,22,50,074	9,64,36,617
Legal and professional fees	15,49,00,846	18,61,30,451
Payment to auditors		
- As auditor	20,00,000	20,00,000
- For reimbursement of expenses	39,000	23,412
Inventory written-off	70,24,358	78,13,451
Directors sitting fee	4,60,000	2,65,000
Provision towards doubtful trade receivables	72,73,264	-
Sales promotion expenses including sales commission	26,66,68,705	16,57,77,415
Research and development expenses	13,10,84,969	14,28,51,578
Printing and stationery	3,94,64,978	2,64,00,211
Miscellaneous expenses	4,31,31,262	3,71,21,453
	2,00,09,96,677	1,90,80,06,888

31. EXCEPTIONAL ITEM

Exceptional item represents amount paid on settlement of pending legal dispute with M/s. SMS Pharmaceuticals Limited.

NOTES TO THE FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

32. RELATED PARTY DISCLOSURES

(a) Names of the related parties and nature of relationship

Names of related parties	Nature of relationship
NATCO Pharma Inc., United States of America	Subsidiary company
Timecap Overseas Limited., Mauritius	
NATCO Pharma (Canada) Inc., Canada	
NATCO Pharma Asia PTE Ltd., Singapore	
NATCO Pharma Australia PTY., Australia	
NATCO Organics Limited	
NATCO Farma Do Brazil Ltda EPP, Brazil	Step-down subsidiary company
Time Cap Pharma Labs Limited	Entities in which Directors have control or have significant influence
NATCO Trust	
NATCO Group Employees Welfare Trust	
Natsoft Information Systems Private Limited	
V C Nannapaneni	Key management personnel ("KMP")
Rajeev Nannapaneni	
A K S Bhujanga Rao	
P Bhaskara Narayana (till October 2014)	
Durga Devi Nannapaneni	Relative of KMP
Venkata Satya Swathi Kantamani	
Neelima Nannapaneni	
Dr. Ramakrishna Rao	

(b) Transactions with related parties

	For the year ended 31 March, 2015	For the year ended 31 March, 2014
NATCO Pharma Inc.		
Interest on loans and advances	-	6,94,326
Time Cap Overseas Limited		
Investment in equity shares, including share application money	16,82,02,560	4,59,67,220
Interest on loans and advances	-	65,34,000
Advance for expenses	-	51,44,967
NATCO Pharma (Canada) Inc.		
Investment in equity shares, including share application money	4,60,28,851	1,86,29,043
Sale of products	11,16,424	15,67,163
Advances for expenses	-	3,41,208
NATCO Pharma Asia PTE Ltd		
Investment in equity shares, including share application money	1,35,86,115	26,66,193
NATCO Pharma Australia PTY		
Investment in equity shares, including share application money	33,88,715	-
NATCO Organics Limited		
Rental expense	18,00,000	18,00,000
Loans and advances	27,18,36,488	26,56,91,241
Purchases and other charges	14,44,96,712	16,06,05,976
Sale of products	2,28,48,993	48,62,554

NOTES TO THE FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

(b) Transactions with related parties *(continued)*

	For the year ended 31 March, 2015	For the year ended 31 March, 2014
Time Cap Pharma Labs Limited		
Job work income	-	2,53,091
Commission and expenses reimbursement	42,43,323	68,83,562
Purchase of raw-materials	11,69,175	17,13,600
Rental expense	42,00,000	38,00,000
Advances given	-	35,00,000
Dividends paid	1,71,57,220	1,70,63,470
Natsoft Information Systems Private Limited		
Dividends paid	1,57,67,500	1,57,67,500
NATCO Trust		
Donations given	2,02,38,541	2,95,69,040
CSR activities	2,55,42,579	-
NATCO Group Employees Welfare Trust		
Dividends paid	-	2,73,785
Transactions with key management personnel		
V C Nannapaneni		
Managerial remuneration	1,50,00,000	1,39,38,000
Leave encashment paid	1,32,00,000	-
Rental expenses	18,00,000	18,00,000
Dividends paid	4,07,36,815	4,01,19,190
Rajeev Nannapaneni		
Managerial remuneration	1,24,98,000	1,11,48,000
Leave encashment paid	11,33,333	-
Rental expenses	9,60,000	9,60,000
Dividends paid	17,86,175	17,83,050
P Bhaskara Narayana		
Managerial remuneration, including final settlement pay-out	82,28,186	36,00,000
Dividends paid	-	18,500
A K S Bhujanga Rao		
Managerial remuneration	86,52,996	33,50,996
Dividends paid	43,500	43,500
Leave encashment paid	12,15,000	-
Transactions with relatives of KMP		
Durga Devi Nannapaneni		
Dividends paid	41,39,100	41,39,100
Venkata Satya Swathi Kantamani		
Dividends paid	27,50,000	27,50,000
Neelima Nannapaneni		
Dividends paid	1,82,960	19,82,960
Dr. Ramakrishna Rao		
Dividends paid	7,06,610	7,04,910

NOTES TO THE FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

(c) Balances receivable / (payable)

	As at 31 March, 2015	As at 31 March, 2014
NATCO Pharma Inc.	13,25,218	3,22,10,788
Time Cap Overseas Limited	-	1,28,58,539
NATCO Organics Limited		
Loan outstanding	70,28,28,850	43,09,92,362
Advance for future supplies	16,13,34,141	28,45,35,168
Time Cap Pharma Labs Limited	(20,28,499)	(14,13,982)
NATCO Pharma (Canada) Inc.	-	14,74,493
NATCO Trust	-	86,68,747
V C Nannapaneni	(11,03,850)	(5,77,293)
Rajeev Nannapaneni	(4,92,087)	(4,99,087)
A K S Bhujanga Rao	(2,99,840)	(1,57,203)
P Bhaskara Narayana	-	(1,82,753)

Note:

- (i) Mr. V. C. Nannapaneni has extended personal guarantees in connection with the loans availed by the Company. Refer note 6 & 10.
- (ii) Mrs. Durga Devi Nannapaneni and Dr. Ramakrishna Rao has extended personal guarantees in connection with the loans availed by the Company. Refer note 10.

(d) Disclosure pursuant to Clause 32 of Listing Agreement

Loans and Advances in the nature of loans, including interest accrued to subsidiaries and to companies in which directors are interested

	As at 31 March, 2015	As at 31 March, 2014
Outstanding balance		
NATCO Pharma Inc.	13,25,218	3,22,10,788
Timecap Overseas Limited	-	-
NATCO Organics Limited	70,28,28,850	43,09,92,362
Maximum balance outstanding at any time during the year		
NATCO Pharma Inc.	3,22,10,788	8,57,72,269
Timecap Overseas Limited	-	5,07,01,819
NATCO Organics Limited	70,28,28,850	43,09,92,362

(e) Transaction with related parties

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 arms length prices. The Company is in the process of updating the Transfer Pricing documentation for the financial year ended 31 March 2015. In opinion of the management, the same would not have an impact on these standalone financial statements. Accordingly, these standalone financial statements do not include the effect of the transfer pricing implications, if any.

33. SEGMENT REPORTING

In accordance with AS 17 - Segment Reporting, segment information has been given in the consolidated financial statements of NATCO Pharma Limited and therefore no separate disclosure on segment information is given in these standalone financial statements.

NOTES TO THE FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

	As at 31 March, 2015	As at 31 March, 2014
34. CONTINGENT LIABILITIES AND COMMITMENTS		
(a) Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	17,95,36,081	17,84,85,937
(b) Contingent liabilities		
Claims against the company not acknowledged as debt	-	20,42,27,280
Disputed sales tax liabilities	86,90,000	86,90,000
Disputed service tax liabilities	17,49,256	-
Disputed customs liability	20,00,000	-
Disputed income tax liabilities	6,56,957	2,99,52,680

35. DUES TO MICRO AND SMALL ENTERPRISES

The Micro and Small Enterprises have been identified on the basis of information available with the Company. This has been relied upon by the auditors. Details of dues to such parties are given below:

	As at 31 March, 2015	As at 31 March, 2014
(a) The principal amount remaining unpaid as at the end of the year	1,49,66,656	2,08,06,259
(b) The amount of interest accrued and remaining unpaid at the end of the year	36,57,576	36,57,576
(c) Amount of interest paid by the company in terms of Section 16, of (MSMED Act 2006) along with the amounts of payments made beyond the appointed date during the year.	-	-
(d) Amount of interest due and payable for the period of delay in making payment without the interest specified under the (MSMED Act 2006)	-	-
(e) The amount of further interest remaining due and payable in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the (MSMED Act 2006)	-	-

36. UNHEDGED FOREIGN CURRENCY EXPOSURE

Particulars	Amount in foreign currency		Amount equivalent in ₹	
	31 March, 2015	31 March, 2014	31 March, 2015	31 March, 2014
Amount payable				
Borrowings in USD	20,07,500	40,15,000	12,20,86,614	24,13,00,697
Trade payables				
USD	17,00,478	4,50,427	10,50,86,828	2,70,70,653
Euro	35,439	-	26,45,386	-
GBP	9,266	-	7,87,043	-
Amount receivable				
Non-current investments				
USD	75,49,120	46,36,113	41,18,59,456	24,06,63,285
SGD	3,40,000	55,000	1,62,52,308	26,66,193
CAD	12,32,613	3,78,613	6,73,79,275	2,16,77,843
AUD	67,600	-	33,88,715	-
Loans and advances in USD	21,193	7,52,661	13,25,218	4,50,69,327
Trade receivables*				
USD	52,31,325	48,86,090	32,74,32,824	28,78,98,442
Euro	2,08,245	96,431	1,40,58,737	79,62,934
CAD	40,968	29,502	20,25,955	15,96,056

*Net of discounted bills of ₹550,729,006 (31 March 2014: ₹484,873,187)

NOTES TO THE FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

	For the year ended 31 March, 2015	For the year ended 31 March, 2014
37. EARNINGS IN FOREIGN CURRENCY ON ACCRUAL BASIS		
Export on FOB basis	2,86,62,57,766	2,90,77,98,652
Sale of services	8,53,96,500	22,55,76,510
Income from profit sharing arrangements	20,39,43,751	30,47,54,882
Interest on loans to subsidiary company	-	72,28,326
38. EXPENDITURE IN FOREIGN CURRENCY ON ACCRUAL BASIS		
Travelling expenses	86,68,356	61,93,593
Sales promotion and commission	22,20,89,854	3,81,25,870
Professional and consultation fees	8,14,68,209	14,40,42,530
Rates and taxes	4,12,67,768	5,51,88,058
Interest on borrowings	65,65,919	1,08,19,952
Royalty	99,55,480	55,14,646
Others	5,05,07,147	2,17,15,207
39. VALUE OF IMPORTS ON CIF BASIS		
Raw materials and packing materials	36,99,33,684	33,93,93,452
Capital goods (including spares and components)	16,83,11,170	8,18,36,428
40. DIVIDEND REMITTED IN FOREIGN CURRENCY		
Number of non - resident shareholders	11	20
Number of equity shares held on which dividend was due	55,780	5,45,068
Amount remitted (\$)	4,381	43,964
Amount remitted (₹)	2,78,900	27,25,340
Period to which is relates	2014-15	2013-14
41. AMOUNTS INCURRED ON RESEARCH AND DEVELOPMENT EXPENSES		
Salaries and wages	16,49,85,137	12,85,90,067
Consumption of materials, spares	16,00,75,625	11,45,88,187
Utilities	1,45,93,611	1,41,89,187
Other research and development expenses	13,54,84,603	11,50,02,237
Capital equipments	4,20,32,302	3,42,16,579
	51,71,71,278	40,65,86,257

NOTES TO THE FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

	For the year ended 31 March, 2015	For the year ended 31 March, 2014
42. IMPORTED AND INDIGENOUS CONSUMPTION		
Raw materials (including packing materials)		
Imported		
Amount	17,78,99,298	20,91,05,354
Percentage	9.96%	12.54%
Indigenous		
Amount	1,60,79,12,195	1,45,78,82,217
Percentage	90.04%	87.46%
Total		
Amount	1,78,58,11,493	1,66,69,87,571
Percentage	100%	100%
Stores and spares		
Imported		
Amount	1,66,13,166	1,41,27,671
Percentage	9.46%	7.76%
Indigenous		
Amount	15,90,43,932	16,79,01,783
Percentage	90.54%	92.24%
Total		
Amount	17,56,57,098	18,20,29,454
Percentage	100%	100%

31 March, 2015

43. EXPENDITURE ON CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

(a) Gross amount required to be spent by the company during the year	2,24,19,167
(b) Contribution to trusts controlled by the company	
NATCO Trust	2,55,42,579
(c) Provision towards CSR activities undertaken by entering into a contractual obligation and which have completed during the year	-

44. Additional information as required under paragraph 5 of the part II of the Schedule III to the Act to the extent either "Nil" or "Not Applicable" has not been furnished.

45. COMPARATIVES

Previous year figures have been reclassified / regrouped wherever necessary, to confirm to current year presentation.

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date.

For Walker Chandio & Co LLP
Chartered Accountants

per Sanjay Kumar Jain
Partner

Place : Hyderabad
Date : 22 May 2015

For and on behalf of Board of Directors of
NATCO Pharma Limited

V C Nannapaneni
Chairman & Managing Director

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

Place : Hyderabad
Date : 22 May 2015

Rajeev Nannapaneni
Vice Chairman & CEO

SVVN Appa Rao
Interim CFO

INDEPENDENT AUDITOR'S REPORT

To
The Members of
NATCO Pharma Limited

Report on the Consolidated Financial Statements

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 2015, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). The Holding Company's Board of Directors, and the respective Board of Directors/management of the subsidiaries included in the Group, are responsible for the design, implementation and maintenance of internal control 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. Further, in terms with the provisions of the Act, the respective Board of Directors of the Holding Company and its subsidiary company, incorporated in India are responsible for maintenance of adequate accounting records; safeguarding the assets; 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, which have been used for the purpose of preparation of the consolidated financial statements by the directors of the Holding Company, as aforesaid.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
4. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the auditor's report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Holding Company's

preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Holding Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

7. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in subparagraph 9 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

8. 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 reports of the other auditors on the financial statements of the subsidiaries as noted below, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2015, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other Matters

9. We did not audit the financial statements of subsidiaries, included in the consolidated financial statements, whose financial statements reflect total assets (after eliminating intra-group transactions) of ₹1,901,614,795 as at 31 March 2015, total revenues (after eliminating intra-group transactions) of ₹1,134,625,154 and net cash flows amounting to

₹28,207,727 for the year ended on that date. 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-sections (3) and (11) 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.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is 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

10. As required by the Companies (Auditor's Report) Order, 2015 ("the Order"), issued by the Central Government of India in terms of Section 143(11) of the Act, and based on the comments in the auditor's report of a subsidiary company incorporated in India, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.
11. As required by Section 143(3) of the Act, and based on the auditor's report of a subsidiary, 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 the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014(as amended);
- e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2015 taken on record by the Board of Directors of the Holding Company and the report of the other statutory auditor of its subsidiary company incorporated in India, none of the directors of the Group companies incorporated in India, are disqualified as on 31 March, 2015 from being appointed as a director in terms of Section 164 (2) of the Act;
- f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. as detailed in note 32(b), 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;
- iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company. In relation to a subsidiary company incorporated in India, there were no amounts which were required to be transferred to the Investor Education and Protection Fund.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**

Partner

Place: Hyderabad

Date: 22 May 2015

Membership No.: 207660

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT

Annexure 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 2015

Based on the audit procedures performed for the purpose of reporting a true and fair view on the consolidated financial statements of the Holding 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 based on the comments in the auditor's report of a subsidiary company incorporated in India, we report that:

- (i) (a) The Holding Company and its subsidiary company incorporated in India have maintained proper records showing full particulars,

including quantitative details and situation of fixed assets, except for certain instances where the records for plant and machinery, furniture and other assets are maintained for a group of similar assets and not for each individual asset by the Holding Company.

- (b) The Holding Company and a subsidiary company incorporated in India 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 companies and the nature of their assets. No material discrepancies were noticed on such verification.

- (ii) (a) The management of Holding Company and its subsidiary company incorporated in India has conducted physical verification of inventory at reasonable intervals during the year.
 - (b) The procedures of physical verification of inventory followed by the management of Holding Company and its subsidiary company incorporated in India are reasonable and adequate in relation to the size of the companies and the nature of their businesses.
 - (c) The Holding Company and a subsidiary company incorporated in India are maintaining proper records of inventory and no material discrepancies between physical inventory and book records were noticed on physical verification.
- (iii) A subsidiary company incorporated in India has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a) and 3(iii)(b) of the Order are not applicable to such subsidiary company. The Holding Company has granted interest free unsecured loans to a company covered in the register maintained under Section 189 of the Act and with respect to the same:
- (a) As the terms and conditions of the said loan are not stipulated, we are unable to comment as to whether the receipt of the principal amount is regular; and
 - (b) In the absence of stipulated terms and conditions, we are unable to comment as to whether there is any overdue amount in excess of ₹ one lakh and whether reasonable steps have been taken by the Holding Company for recovery of the principal amount and interest.
- (iv) In our opinion, there is an adequate internal control system commensurate with the size of the Holding Company and a subsidiary company incorporated in India and the nature of their businesses for the

purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

- (v) The Holding Company and a subsidiary company incorporated in India 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 Holding 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 Holding 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. In relation to a subsidiary company incorporated in India, the Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of subsidiary company's products/ services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable to such subsidiary company.
- (vii) (a) A subsidiary company incorporated in India, is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, with the appropriate authorities. In relation to Holding Company, undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, value added tax, 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, in relation to Holding Company

and a subsidiary company incorporated in India, 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) In relation to Holding Company, the dues outstanding in respect of income tax, sales tax, customs duty, service tax, wealth tax, excise duty, value added tax and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹)	Amount Paid Under Protest (₹)	Period to which the amount relates	Forum where dispute is pending
The Central Sales Tax Act, 1956	Central sales tax	8,690,000	2,500,000	FY: 1997-98	Honorable High Court of Andhra Pradesh
The Customs Act, 1962	Customs duty	2,000,000	-	July 2006 to June 2010	CESTAT, Bengaluru
The Finance Act, 1994	Service tax	1,749,256	1,068,319	FY: 2011-12	CESTAT, Bengaluru
The Income Tax Act, 1961	Income tax	656,957	656,957	AY: 1989-90 to 1998-99	Honorable High Court of Andhra Pradesh.

In relation to a subsidiary company incorporated in India, there are no dues in respect of income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax and cess that have not been deposited with the appropriate authorities on account of any dispute.

- (a) The Holding Company has transferred the amount required to be transferred to the investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 and rules made thereunder within the specified time. In relation to a subsidiary company incorporated in India, there were no amounts which were required to be transferred to the Investor Education and Protection Fund by such company in accordance with the relevant provisions of the Companies Act, 1956 and rules made thereunder. Accordingly, the provisions of clause 3(vii)(c) of the Order are not applicable to such subsidiary company.

(viii) The Holding Company has no accumulated losses at the end of the financial year and they have not incurred cash losses in the current and the immediately preceding financial year. In relation to a subsidiary company incorporated in India, the company's accumulated losses at the end of the financial year are less than fifty per cent of its net worth. The subsidiary company has incurred cash losses in the current and the immediately preceding financial year.

(ix) The subsidiary company incorporated in India has no dues payable to a financial institution or a bank or debenture-holders during the year. In respect of Holding Company, in our opinion, the Company has not defaulted in repayment of dues to any financial institution or a bank during the year. The Holding Company did not have any outstanding debentures during the year.

(x) The Holding Company and a subsidiary company incorporated in India has not given any guarantees

for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 3(x) of the Order are not applicable.

(xi) The subsidiary company incorporated in India did not have any term loans outstanding during the year. In respect of Holding Company, in our opinion the Company has applied the term loans for the purpose for which these loans were obtained.

(xii) No fraud on or by the Holding Company and a subsidiary company incorporated in India has been noticed or reported during the year covered by our audit.

For **Walker Chandiook & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 22 May 2015

Membership No.: 207660

CONSOLIDATED BALANCE SHEET as at 31st March, 2015

(All amounts in ₹ unless otherwise stated)

	Note No.	As at 31 March, 2015	As at 31 March, 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	33,23,48,490	33,07,30,740
Reserves and surplus	4	8,12,81,62,428	6,92,80,29,630
		8,46,05,10,918	7,25,87,60,370
Minority interest		5,02,50,161	6,87,95,530
Non-current liabilities			
Long-term borrowings	5	97,01,57,454	95,48,62,897
Deferred tax liabilities (net)	6	11,88,94,128	43,05,65,589
Other long term liabilities	7	82,57,334	1,03,99,407
Long-term provisions	8	9,49,76,176	11,08,89,471
		1,19,22,85,092	1,50,67,17,364
Current liabilities			
Short-term borrowings	9	1,68,54,35,777	98,63,12,469
Trade payables	10	1,25,30,14,315	1,09,78,62,833
Other current liabilities	11	1,18,56,26,934	1,02,17,81,301
Short-term provisions	12	1,33,26,463	1,68,64,289
		4,13,74,03,489	3,12,28,20,892
Total		13,84,04,49,660	11,95,70,94,156
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	13	6,64,02,43,508	6,12,73,80,414
Intangible assets	14	45,94,61,121	32,00,52,933
Capital work-in-progress		1,28,96,43,974	1,23,77,62,962
Non-current investments	15	1,56,77,945	1,56,77,945
Long-term loans and advances	16	57,03,27,217	54,24,75,803
Other non-current assets	17	3,54,33,011	3,23,80,362
		9,01,07,86,776	8,27,57,30,419
Current assets			
Current investments	18	11,82,970	31,79,534
Inventories	19	2,19,99,97,394	1,81,12,46,508
Trade receivables	20	1,92,42,87,186	1,18,79,98,758
Cash and bank balances	21	13,36,05,399	11,04,75,468
Short-term loans and advances	16	55,14,82,819	54,32,41,906
Other current assets	22	1,91,07,116	2,52,21,563
		4,82,96,62,884	3,68,13,63,737
Total		13,84,04,49,660	11,95,70,94,156

Notes 1 to 36 form an integral part of these consolidated financial statements.

This is the Consolidated Balance Sheet referred to in our report of even date.

For Walker Chandio & Co LLP
Chartered Accountants

For and on behalf of Board of Directors of
NATCO Pharma Limited

per Sanjay Kumar Jain
Partner

V C Nannapaneni
Chairman & Managing Director

Rajeev Nannapaneni
Vice Chairman & CEO

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

SVVN Appa Rao
Interim CFO

Place : Hyderabad
Date : 22 May 2015

Place : Hyderabad
Date : 22 May 2015

CONSOLIDATED STATEMENT OF PROFIT AND LOSS for the year ended 31st March, 2015

(All amounts in ₹ unless otherwise stated)

	Note No.	For the year ended 31 March, 2015	For the year ended 31 March, 2014
REVENUE			
Revenue from operations (gross)	23	8,38,22,54,848	7,44,71,81,452
Less : Excise duty		12,94,94,407	5,82,55,959
Revenue from operations (net)		8,25,27,60,441	7,38,89,25,493
Other income	24	14,90,71,423	16,70,77,830
Total revenue		8,40,18,31,864	7,55,60,03,323
EXPENSES			
Cost of materials consumed (including packing material consumed)	25	1,67,26,23,796	1,60,09,71,625
Purchases of stock-in-trade		84,27,83,226	88,89,79,944
Changes in inventory of finished goods, work-in-progress and stock-in-trade	26	(9,16,77,623)	(15,77,14,880)
Employee benefits expense	27	1,36,91,62,152	1,12,77,29,729
Finance costs	28	31,67,63,593	36,61,88,677
Depreciation and amortisation expense	13 and 14	47,26,56,545	30,44,33,992
Other expenses	29	2,32,53,69,688	2,13,51,52,604
Prior period item		7,03,373	4,94,052
Total expenses		6,90,83,84,750	6,26,62,35,743
Profit before exceptional items and tax		1,49,34,47,114	1,28,97,67,580
Exceptional item	30	15,12,74,688	-
Profit before tax		1,34,21,72,426	1,28,97,67,580
Tax expense			
Current tax		35,11,73,069	32,26,40,399
Deferred tax benefit	6(a)	(31,16,71,461)	(1,39,40,128)
Profit after tax and before minority interest		1,30,26,70,818	98,10,67,309
Minority interest		(4,34,86,931)	(4,62,75,569)
Profit for the year		1,34,61,57,749	1,02,73,42,878
Earnings per equity share [EPES]			
Basic and diluted EPES		40.64	32.16
Nominal value per equity share		10	10
Weighted average number of equity shares considered in computation of basic and diluted EPES		3,31,20,055	3,19,45,951

Notes 1 to 36 form an integral part of these consolidated financial statements.

This is the Consolidated Statement of Profit and Loss referred to in our report of even date.

For Walker Chandio & Co LLP
Chartered Accountants

For and on behalf of Board of Directors of
NATCO Pharma Limited

per Sanjay Kumar Jain
Partner

V C Nannapaneni
Chairman & Managing Director

Rajeev Nannapaneni
Vice Chairman & CEO

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

SVVN Appa Rao
Interim CFO

Place : Hyderabad
Date : 22 May 2015

Place : Hyderabad
Date : 22 May 2015

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31st March, 2015

(All amounts in ₹ unless otherwise stated)

	For the year ended 31 March, 2015	For the year ended 31 March, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,34,21,72,426	1,28,97,67,580
Adjustments :		
Depreciation and amortisation expense	47,26,56,545	30,44,33,992
Net gain on sale of current investments	(2,36,31,749)	(1,00,58,159)
Inventory written-off	70,24,358	78,13,451
Bad and doubtful trade receivables written off	58,537	19,18,395
Provision for employee benefits	(89,43,942)	2,55,13,106
Provision no longer required, written back	(3,87,66,503)	(67,53,572)
Interest income	(55,32,804)	(56,13,616)
Dividend income	(3,660)	(1,31,668)
Gain on sale of asset	(65,80,947)	(78,095)
Interest expenses	30,29,27,361	34,58,71,387
Unrealised foreign exchange gain	(1,77,59,765)	(57,05,925)
Operating profit before working capital changes	2,02,36,19,857	1,94,69,76,876
Increase in other current liabilities	10,13,25,392	11,69,68,817
Increase in trade payables	19,39,17,985	3,93,47,051
Decrease in long-term liabilities	(21,42,073)	(1,25,73,462)
Increase in inventories	(39,57,75,244)	(35,88,19,918)
Decrease / (increase) in trade receivables	(71,85,87,200)	11,29,18,379
Decrease in other current assets	61,14,447	21,43,611
Increase in short-term loans and advances	(82,40,913)	(10,99,10,790)
Decrease / (increase) in long-term loans and advances	(3,61,79,324)	4,87,96,743
Cash generated from operating activities	1,16,40,52,927	1,78,58,47,307
Income taxes paid	(23,73,90,843)	(34,55,03,303)
Net cash generated from operating activities	A 92,66,62,084	1,44,03,44,004
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible assets	(1,16,71,41,649)	(1,06,03,98,167)
Purchase of intangible assets	(2,49,59,654)	(4,32,61,829)
Proceeds from sale of tangible assets	1,73,56,896	-
Purchase of non-current investments	-	(2,55,035)
Proceeds from sale of current investments	2,56,28,313	1,50,00,151
Interest received	35,91,795	58,58,404
Dividends received	3,660	1,31,668
Increase in other bank balances	(19,80,265)	(63,01,349)
Net cash used in investing activities	B (1,14,75,00,904)	(1,08,92,26,157)

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31st March, 2015

(All amounts in ₹ unless otherwise stated)

	For the year ended 31 March, 2015	For the year ended 31 March, 2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of equity shares	-	1,08,52,80,000
(Repayment) / proceeds from long-term borrowings, net	1,48,12,302	(41,99,03,392)
(Repayment) / proceeds from short-term borrowings, net	69,91,23,308	(49,11,22,363)
Movement in minority interest	7,52,93,757	97,04,247
Interest paid	(29,91,50,179)	(34,31,31,346)
Dividends paid (including tax on distributed profits)	(19,93,29,249)	(19,34,85,693)
Net cash (used in) / from financing activities	C 29,07,49,939	(35,26,58,547)
Effect of currency translation adjustment	D (4,76,49,813)	41,77,923
Net increase in cash and cash equivalents (A+B+C+D)	2,22,61,306	26,37,223
Cash and cash equivalents as at the beginning of the year	10,21,55,082	9,95,17,859
Cash and cash equivalents as at the end of the year [Refer Note 1]	12,44,16,388	10,21,55,082

Note 1:

Cash and bank balances as per note 21	13,36,05,399	11,04,75,468
Less: Other bank balances	91,89,011	83,20,386
Cash and cash equivalents considered for cash flow statement	12,44,16,388	10,21,55,082

Note 2: Issue of equity shares including premium aggregating to ₹194,130,000 issued to erst while shareholders of Natco Organics Limited ('NOL') for swap of shares in NOL (Refer 3 (e) (i)) has been considered as non-cash item for the cash flow statement.

This is the Consolidated Cash Flow Statement referred to in our report of even date.

For **Walker Chandio & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place : Hyderabad
Date : 22 May 2015

For and on behalf of Board of Directors of
NATCO Pharma Limited

V C Nannapaneni
Chairman & Managing Director

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

Place : Hyderabad
Date : 22 May 2015

Rajeev Nannapaneni
Vice Chairman & CEO

SVN Appa Rao
Interim CFO

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Summary of significant accounting policies and other explanatory information

1. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of consolidation

The consolidated financial statements of NATCO Pharma Limited ("the Company") together with its subsidiaries (collectively referred as the 'Group' or the 'consolidating entities') are prepared under historical cost convention on accrual basis, in accordance with the generally accepted accounting principles in India ("Indian GAAP") and comply in all material respects with the mandatory Accounting Standards ("AS") notified under the Companies Act, 2013 read with the Rule 7 of the Companies (Accounts) Rules, 2014 (as amended), pronouncements of The Institute of Chartered Accountants of India ("ICAI"). The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible in the same manner as the Company's separate financial statements, except otherwise stated for like transactions in similar circumstances.

Investments in subsidiaries, except where the investments are acquired exclusively with a view to its subsequent disposal in the near future, are accounted in accordance with accounting principles as defined in the Accounting Standard ('AS') 21 'Consolidated Financial Statements', as prescribed under the Rules.

The standalone financial statements of the consolidating entities are added on a line-by-line basis and material inter-company balances and transactions including unrealized gain and loss from such transactions are eliminated upon consolidation. The following subsidiaries have been considered for the purpose preparation of consolidated financial statements:

Names of the consolidating entities	Country of Incorporation	Percentage holding /interest (%) As at 31 March	
		2015	2014
NATCO Pharma Inc.	United States of America	100.00	100.00
Time Cap Overseas Limited	Mauritius	83.78	73.00
NATCO Farma Do Brazil	Brazil	79.47	65.70
NATCO Organics Limited ("NOL")	India	100.00	51.00
NATCO Pharma (Canada), Inc.	Canada	99.34	97.82
Natco Pharma Asia Pte. Ltd.	Singapore	100.00	100.00
NATCO Pharma Australia PTY Ltd	Australia	80.00	NA

Note 1: Interest in NATCO Farma Do Brazil represent effective holding of the Company.

b. Use of estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the consolidated financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debtors and other receivables, provision for inventories, future obligations under employee retirement benefit plans, income taxes, useful lives of fixed assets and carrying value of intangible assets.

Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprise of purchase

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Summary of significant accounting policies and other explanatory information

price, freight, non-refundable duties, taxes and any other cost attributable to bringing the asset to its working condition for its intended use. Assets retired from active use and held for disposal are stated at their estimated net realisable values or net book values, whichever is lower.

Exchange rate variations relating to long-term foreign currency monetary items, which are utilized in acquisition of a depreciable capital assets are added to or deducted from the cost of the asset and depreciated over the remaining useful life of the asset.

d. Depreciation

Depreciation is provided on Straight Line Method based on the rates prescribed under Schedule II to the Act, except in respect of fixed assets of overseas subsidiaries, which are depreciated over the estimated useful lives, using the Straight Line Method.

Depreciation on sold/discarded fixed assets is provided for up to the date of sale /discarded as the case may be.

e. Borrowing costs

Borrowing costs that are attributable to the acquisition and construction of a qualifying asset are capitalised as a part of the cost of the asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

f. Intangible assets

Acquired intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets in the nature of software are amortized over a period of six years.

Goodwill

Goodwill represents the excess of purchase consideration over the net book value of net assets acquired. Goodwill is evaluated periodically for impairment and impairment losses are recognized where applicable.

g. Impairment of assets

The carrying amounts of assets, both tangible and intangible, are reviewed at each balance sheet date if there is any indication of impairment based on internal and/or external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use.

h. Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

i. Research and development

Expenditure incurred on research and development activities is expensed as and when incurred.

j. Inventories

Raw material, stock-in-trade, packaging material, stores and spare parts are carried at cost. Cost includes purchase price excluding taxes those are subsequently recoverable by the enterprise 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, except in the case of inventories held by

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Summary of significant accounting policies and other explanatory information

NATCO Pharma Inc., the cost is determined using first-in-first out method.

The carrying cost of raw materials, stock-in-trade, packaging materials and 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 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. Excise duty liability is included in the valuation of closing inventory of finished goods.

k. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue measured and collectability is reasonably assured.

Sale of goods:

Revenue from sale of goods is recognized on dispatch or on the date of the bill of lading or airway bill in respect of export sales and in case of pharmacy sale when items are sold, which coincides with transfer of significant risks and rewards to customer and is inclusive of excise duty and net of trade discounts, sales returns and sales tax, where applicable.

Sale of services:

Revenue from sale of services is recognized as per the terms of contracts with customers when the related services are performed or the agreed milestones are achieved and when the Company completes all its performance obligations.

Dividend income:

Dividend income is recognized when the right to receive the payment is established.

Interest income:

Income from interest on deposits is recognised on the time proportionate methods taking into account the amount outstanding and the interest rate applicable.

Export entitlements:

Export entitlements are recognized when the right to receive such entitlement as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding compliance with the terms and conditions of such scheme.

Profit sharing arrangements:

Revenue from profit sharing arrangements on sale of products is recognized based on terms and conditions of arrangements with respective customers.

Licensing and dossiers arrangements:

Revenue from licensing and dossiers arrangements is recognised in accordance with terms of the relevant agreement as accepted and agreed with the customers.

l. Taxes

Tax expense comprises of current and deferred tax. The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the entities in the Group.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income for

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Summary of significant accounting policies and other explanatory information

the period and reversal of timing differences of earlier periods. Deferred tax is measured based on the tax rates and the tax laws enacted or subsequently enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

In situations where the Group has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

Unrecognized deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain or virtually certain, as the case may be that future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets are reviewed at each balance sheet date.

The Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Group has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

Minimum Alternative Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the ICAI, the said asset is created by way of a credit to the Statement of Profit and Loss and shown as MAT credit entitlement.

m. Earnings per equity share

Basic earnings per equity share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. 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.

n. Foreign currency transactions

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported at year-end rates. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences

Exchange differences arising on the settlement of foreign currency monetary items or on reporting monetary items of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Summary of significant accounting policies and other explanatory information

the Company at rates different from those at which they were initially recorded during the year, or reported in previous consolidated financial statements, are recognized as income or as expense in the year in which they arise.

o. Foreign currency translation

Exchange difference relating to non-integral foreign operations is disclosed as 'foreign currency translation reserve account' in the consolidated balance sheet until the disposal of the net investment. On the disposal of a non-integral foreign operation, the cumulative amount of the exchange difference is recognized as income or expense in the period in which gain or loss on disposal is recognized. In accordance with the accounting principles prescribed under AS11 'The Effects of Changes in Foreign Exchange Rates' as notified by the Rules, the Group has designated all its foreign operations, as 'non-integral foreign operations'.

p. Employee benefits

Defined contribution plan

In respect of the Company and Indian subsidiary, retirement benefits in the form of contribution to provident fund scheme and employee state insurance scheme are charged to Statement of Profit and Loss of the year when the contribution to the respective fund is due. There are no other obligations other than the contribution payable to the respective fund.

In respect of overseas subsidiaries, retirement benefits such as 401(k) plan and others for eligible employees are charged to Statement of Profit and Loss of the year when the contribution to respective fund is due. Contributions by the consolidating entity are discretionary and there are no other obligations other than the contribution payable to the respective fund.

Defined benefit plan

Gratuity is a post-employment defined benefit plan. An independent actuary, using the projected unit credit method calculates the defined benefit obligation annually. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Statement of Profit and Loss in the period in which such gains or losses arises.

Compensated absences

As per the Company policy, eligible leaves can be accumulated by the employees and carried forward to future periods either to be utilized during the service, or encashed. Encashment can be made during service or on resignation, or retirement of the employee. The value of benefits is determined based on an independent actuarial valuation using the projected unit credit method as at the year end. Actuarial gains and losses are recognized immediately in the Statement of Profit and Loss.

q. Government grants

Government grants relating to specific fixed assets are adjusted against the cost of underlying fixed assets and revenue grants are credited to consolidated Statement of Profit and Loss on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate.

r. Leases

Where the lessor effectively retains all risk and benefits of ownership of the leased items, such leases are classified as operating lease. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight line basis.

s. Provisions and contingent liabilities

A provision is recognised when the Group has a present obligation as a result of past event i.e., it is probable that an

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Summary of significant accounting policies and other explanatory information

outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. A disclosure of the contingent liability is made when there is a possible or a present obligation that may, but probably will not, require an outflow of resources.

t. Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments.

u. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with original maturity of less than three months.

v. Segment reporting

The Company's management has identified the business segments viz. active pharmaceuticals ingredient, finished dosage formulations, job works, pharmacy and others. Segments have been identified and reported taking into account the differing risks and returns and the internal business reporting systems. Inter segment sales are generally accounted at fair values and the same have been eliminated in consolidation. The accounting policies of the segments are substantially the same as those described in the 'Summary of significant accounting policies' as above.

2. CHANGE IN ACCOUNTING ESTIMATE

Hitherto, depreciation on all tangible fixed assets was provided on straight line method over the estimated useful lives using the rates prescribed under erstwhile Schedule XIV of the Companies Act, 1956. Effective 1 April 2014, in accordance with the requirements to Schedule II of the Act, the Company has adopted the rates prescribed under Schedule II and accordingly, depreciation on the tangible fixed assets for the year ended 31 March 2015 is higher by ₹127,839,130 and further an amount of ₹63,251,616 has been charged to the opening balance of the general reserve in respect of the assets whose remaining useful life is nil as at 1 April 2014 in accordance with Schedule II of the Act.

	As at 31 March, 2015		As at 31 March, 2014	
	Number	Amount	Number	Amount
3. SHARE CAPITAL				
Authorized share capital				
Equity shares of ₹10 each	4,00,00,000	40,00,00,000	4,00,00,000	40,00,00,000
Issued, subscribed and fully paid up				
Equity shares of ₹10 each	3,32,34,849	33,23,48,490	3,30,73,074	33,07,30,740
	3,32,34,849	33,23,48,490	3,30,73,074	33,07,30,740

(a) Reconciliation of shares

	As at 31 March, 2015		As at 31 March, 2014	
	Number	Amount	Number	Amount
Equity shares of ₹10 each				
Balance at the beginning of the year	3,30,73,074	33,07,30,740	3,13,73,074	31,37,30,740
Add: Issued during the year	1,61,775	16,17,750	17,00,000	1,70,00,000
Balance at the end of the year	3,32,34,849	33,23,48,490	3,30,73,074	33,07,30,740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

(b) Terms and rights attached to equity shares

"The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors 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.

(c) Shareholders holding more than five percent shares in the Company

	As at 31 March, 2015		As at 31 March, 2014	
	Number	%	Number	%
Equity shares of ₹10 each				
V C Nannapaneni *	81,47,363	24.51%	80,23,838	24.26%
Time Cap Pharma Labs Limited	34,31,444	10.32%	34,12,694	10.32%
Natsoft Information Systems Private Limited	31,53,500	9.49%	31,53,500	9.53%
CX Securities Limited **	NA	NA	17,00,000	5.14%

* including shares held in the capacity of Karta of HUF aggregating to 10,88,009 (31 March 2014:1,088,009)

** shareholding of the investor as at 31 March 2015 is less than 5% and hence no disclosure is given.

(d) Employee stock option scheme ("ESOP")

(i) The Company had instituted NATCO Stock Option Plan 2010 ("ESOP 2010") as per the special resolution passed in the annual general meeting of the members held on 30 September 2010. The Scheme was formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI ESOP Guidelines") issued by the Securities and Exchange Board of India ("SEBI") and pursuant to the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956. Pursuant to such approval, the Board is authorized to issue employee stock options, that are exercisable into not more than 600,000 equity shares of the Company to eligible employees based on specific recommendations of the remuneration committee. Each option comprises of one underlying equity share of ₹10 each. 236,551 options were granted during August 2011 at an exercise price of ₹10 each and were accounted at an intrinsic value of ₹252.55 per share, being the difference between the market value, calculated in accordance with the valuation methods prescribed by the SEBI and the grant price and accounted as stock option compensation over the vesting period of twelve months from the date of the grant.

(ii) During the year ended 31 March 2015, the Company has not granted any options to the employees and no options were pending for vesting / exercise as at 31 March 2015.

(e) Details of shares issued pursuant to contract without payment being received in cash and brought back during the last 5 years, immediately preceding the balance sheet date:

	Number of shares	
	1 April 2010 to 31 March 2015	1 April 2009 to 31 March 2014
Aggregate number of equity shares allotted *	3,86,897	3,32,247

* Equity shares allotted pursuant to contracts without payment being received in cash comprise of:

(i) During the year ended 31 March 2015, the Company has issued 161,775 equity shares of ₹10 each, fully paid-up at a premium of ₹1,190 per equity share to the erstwhile shareholders of Natco Organics Limited ("NOL") in exchange of 19,310,000 equity shares of ₹10 each at face value held in NOL.

(ii) Balance equity shares comprising of 225,122 (31 March 2014: 332,247) were allotted during the period of five years, on exercise of the options granted under the employee stock option plan (ESOP) wherein part consideration was received in form of employee services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

	As at 31 March, 2015	As at 31 March, 2014
4. RESERVES AND SURPLUS		
Capital reserve	20,72,72,762	20,72,72,762
Capital redemption reserve	49,28,810	49,28,810
Securities premium reserve		
Balance at the beginning of the year	2,58,97,21,552	1,52,14,41,552
Add: Additions during the year	19,25,12,250	1,06,82,80,000
Balance at the end of the year	2,78,22,33,802	2,58,97,21,552
General reserve		
Balance at the beginning of the year	43,71,61,000	32,71,61,000
Add : Additions during the year	11,00,00,000	11,00,00,000
Less: Adjustment (Refer note: 2)	(6,32,51,616)	-
Balance at the end of the year	48,39,09,384	43,71,61,000
Foreign currency translation reserve		
Balance at the beginning of the year	5,09,10,475	4,67,32,552
Add : Adjustments during the year	(7,50,87,711)	41,77,923
Balance at the end of the year	(2,41,77,236)	5,09,10,475
Surplus in the statement of profit and loss		
Balance at the beginning of the year	3,63,80,35,031	2,91,41,61,368
Add : Profit for the year	1,34,61,57,749	1,02,73,42,878
Less: Interim dividend of ₹5 (31 March 2014: ₹5) per equity share	(16,61,74,245)	(16,53,65,370)
Less: Tax on distributed profits	(3,40,23,629)	(2,81,03,845)
Less: Transferred to general reserve	(11,00,00,000)	(11,00,00,000)
Balance at the end of the year	4,67,39,94,906	3,63,80,35,031
	8,12,81,62,428	6,92,80,29,630

	As at 31 March, 2015	As at 31 March, 2014
5. LONG-TERM BORROWINGS		
Secured		
Term loans from		
Banks	1,17,98,68,320	96,56,06,253
Other parties	22,32,35,295	41,97,05,883
	1,40,31,03,615	1,38,53,12,136
Unsecured		
From other parties	2,98,54,476	3,28,33,653
	1,43,29,58,091	1,41,81,45,789
Less: Current maturities of long-term borrowings (note 11)	(46,28,00,637)	(46,32,82,892)
	97,01,57,454	95,48,62,897

(a) Terms and conditions of secured long-term borrowings and nature of its security

- Term loans amounting to ₹623,235,295 (31 March 2014: ₹457,205,883) is secured by pari-passu first charge on the entire immovable properties and movable fixed assets both present and future of Mekaguda Unit and part of the loan is further secured by an exclusive charge on all the immovable properties and movable fixed assets of both the units (Plot No-19 and Plot NoA-3) at Dehradun and exclusive charge on the R&D equipment acquired from the loan amount.
- Term loans amounting to ₹122,086,614 (31 March 2014: ₹241,300,697) is secured by an exclusive charge over all

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

movable and immovable fixed assets of NATCO Research Center and a part of the loan is secured by first charge on the movable and immovable fixed assets of Mekaguda unit along with other lenders.

- (iii) Term loans amounting to ₹657,781,706 (31 March 2014: ₹686,805,556) is secured by pari-passu first charge on the entire fixed assets both present and future of Kothur Unit.

All the above loans are guaranteed by Mr. V.C Nannapaneni, Chairman and Managing Director and carry interest linked to the respective Bank's / Institution's prime / base lending rate, and range from 3.53% per annum to 12.75% per annum (31 March 2014: 3.53% per annum to 12.50% per annum).

- (b) Unsecured loans amounting to ₹29,854,476 (31 March 2014: ₹32,833,653) has been availed at an interest rate of 5% to 29.52% per annum (31 March 2014: 6.25% to 19.56% per annum).

(c) Details of repayment of long term borrowings

	As at 31 March, 2015	As at 31 March, 2014
Up to 1 year	46,28,00,637	46,32,82,892
From 1 to 3 years	88,86,81,305	77,19,18,452
3 years and above	8,14,76,149	18,29,44,445
	1,43,29,58,091	1,41,81,45,789

	As at 31 March, 2015	As at 31 March, 2014
6. DEFERRED TAX LIABILITIES (NET)		
On account of depreciation	13,10,41,663	47,13,19,608
On account of employee benefits and others	(1,21,47,535)	(4,07,54,019)
Net deferred tax liability	11,88,94,128	43,05,65,589

- (a) On the basis of management's assessment of its future business plan and impact thereof on its future taxable income, the management believes that the Company shall continue to pay tax on income under the Minimum Alternate Tax (MAT) provisions of the Income Tax Act, 1961 over the next several years. Thus, deferred tax liabilities (net) aggregating to ₹310,366,437 recognized in the earlier years on account of timing differences which will be reversed during the periods in which taxes are expected to be paid under MAT de-recognized in the current financial year in accordance with the provisions of Accounting Standard 22 – 'Accounting for Taxes on Income'.

	As at 31 March, 2015	As at 31 March, 2014
7. OTHER LONG-TERM LIABILITIES		
Deposits	82,57,334	1,03,99,407
	82,57,334	1,03,99,407

	As at 31 March, 2015	As at 31 March, 2014
8. LONG-TERM PROVISIONS		
Provision for gratuity	6,02,75,275	7,26,97,561
Provision for compensated absences	3,47,00,901	3,81,91,910
	9,49,76,176	11,08,89,471

In respect of NOL, provision for gratuity aggregating to ₹2,601,756 (31 March 2014: ₹2,053,297) has been made based on management estimate, as against the group accounting policy as mentioned in note 1(o).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

(All amounts in ₹ unless 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 or in the event of death in lump sum after deduction of necessary taxes upto a maximum limit of ₹1,000,000. 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.

	As at 31 March, 2015	As at 31 March, 2014
(i) Change in projected benefit obligation		
Projected benefit obligation at the beginning of the year	11,74,54,552	9,44,62,630
Service cost	94,15,272	75,57,010
Interest cost	93,96,364	67,04,247
Actuarial (gain) / loss	(88,15,079)	1,38,18,766
Benefits paid	(70,19,049)	(50,88,101)
Projected benefit obligation at the end of the year	12,04,32,060	11,74,54,552
(ii) Change in plan assets		
Fair value of plan assets at the beginning of the year	4,68,10,288	3,99,43,228
Expected return on plan assets	47,04,817	35,17,274
Employer contributions	99,66,090	84,37,887
Benefits paid	(70,19,049)	(50,88,101)
Fair value of plan assets at the end of the year	5,44,62,146	4,68,10,288
(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	12,04,32,060	11,74,54,552
Funded status of the plans	(5,44,62,146)	(4,68,10,288)
Net liability recognised in the balance sheet	6,59,69,914	7,06,44,264
(iv) Expense recognized in the statement of profit and loss		
Service cost	94,15,272	75,57,010
Interest cost	93,96,364	67,04,247
Expected returns on plan assets	(47,04,817)	(35,17,274)
Recognized net actuarial (gain)/ loss	(88,15,079)	1,38,18,766
Net gratuity costs	52,91,740	2,45,62,749
(v) Key actuarial assumptions		
Discount rate	8.00%	8.00%
Expected return on plan assets	9.00%	8.75%
Salary escalation rate	4.00%	4.00%

(vi) Amounts for the current and previous four periods are as follows:

Particulars	31.03.2015	31.03.2014	31.03.2013	31.03.2012	31.03.2011
Defined benefit obligation	120,432,060	117,454,552	94,462,630	73,162,037	58,231,217
Planned assets	54,462,146	46,810,288	39,943,228	27,293,852	26,078,468
Surplus / (deficit)	(65,969,914)	(70,644,264)	(54,519,402)	(45,868,185)	(32,152,749)
Experience adjustment to planned liabilities	(8,815,079)	13,818,766	13,154,950	7,133,657	(2,872,373)
Experience adjustment to planned assets	-	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

	As at 31 March, 2015	As at 31 March, 2014
9. SHORT-TERM BORROWINGS		
Loans repayable on demand		
Secured		
From banks	1,37,51,97,497	94,33,54,453
Unsecured		
From banks	31,02,38,280	4,29,58,016
	1,68,54,35,777	98,63,12,469
(a) Loans repayable on demand represents cash credit, overdraft, bills purchased and discounted with various banks and carry interest linked to the respective Bank's / Institution's prime / base lending rate, and range from 10% per annum to 14% per annum (31 March 2014: 5.75% per annum to 14% per annum).		
(b) Loans repayable on demand are secured by way of first charge on all the current assets of the Company. The collateral security is joint pari-passu first charge on the corporate Office and all fixed assets of Nagarjuna Sagar Unit apart from personal guarantees of Mr. V.C. Nannapaneni, Chairman and Managing Director, Ms. Durga Devi Nannapaneni, promoter and Dr. N. Ramakrishna Rao, relative of Chairman and Managing Director.		
(c) Unsecured loans are personally guaranteed by Mr. V.C. Nannapaneni, Chairman and Managing Director.		
10. TRADE PAYABLES		
Creditors for purchases and expenses	1,25,30,14,315	1,09,78,62,833
	1,25,30,14,315	1,09,78,62,833
11. OTHER CURRENT LIABILITIES		
Current maturities of long-term borrowings	46,28,00,637	46,32,82,892
Interest accrued but not due on long-term borrowings	1,37,58,895	99,81,713
Creditors for capital assets	26,50,81,581	20,67,24,892
Book overdraft	7,82,49,535	3,64,62,711
Employee related payables	10,74,63,380	9,88,17,800
Advance from customers	20,21,95,465	15,19,45,350
Unpaid dividends	91,89,011	83,20,386
Statutory liabilities	4,68,88,430	4,62,45,557
	1,18,56,26,934	1,02,17,81,301
12. SHORT-TERM PROVISIONS		
Provision for taxation [net of advance tax]	22,20,378	1,27,27,557
Provision for leave benefits	28,09,690	41,36,732
Provision for gratuity	82,96,395	-
	1,33,26,463	1,68,64,289

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

13. TANGIBLE ASSETS

Gross block	Freehold land	Leasehold land	Buildings	Plant and equipment	Office equipment	Furniture & fixtures	Vehicles	Computers	Total
Gross block									
Balance as at 1 April 2013	64,12,99,200	1,67,25,782	1,98,07,03,421	3,99,85,73,161	3,73,96,332	5,70,41,008	9,59,59,496	10,05,60,913	6,92,82,59,313
Additions	32,97,73,216	-	7,63,45,496	40,36,75,811	31,41,145	1,58,45,696	65,39,220	1,06,62,969	84,59,83,553
Disposals / adjustments	-	-	-	10,34,146	-	1,70,290	13,02,045	-	25,06,481
Foreign exchange adjustments	-	-	1,30,43,925	2,33,56,265	9,65,885	5,41,831	(18,343)	6,34,492	3,85,24,055
Balance as at 31 March 2014	97,10,72,416	1,67,25,782	2,07,00,92,842	4,42,45,71,091	4,15,03,362	7,32,58,245	10,11,78,328	11,18,58,374	7,81,02,60,440
Additions	12,23,08,886	11,30,26,354	33,96,39,322	42,36,40,051	82,66,602	2,78,16,448	1,47,51,747	81,81,287	1,05,76,30,697
Disposals / adjustments	1,07,65,000	-	-	18,650	80,567	-	14,71,770	-	1,23,35,987
Foreign exchange adjustments	-	-	-	-	4,04,375	2,29,858	(18,343)	4,09,746	10,25,636
Balance as at 31 March 2015	1,08,26,16,302	12,97,52,136	2,40,97,32,164	4,84,81,92,492	5,00,93,772	10,113,04,551	11,44,39,962	12,04,49,407	8,85,65,80,786
Accumulated depreciation									
Up to 1 April 2013	-	14,37,778	30,65,07,309	92,20,25,394	1,80,56,511	2,45,11,603	4,28,31,420	7,38,28,982	1,38,91,98,997
Depreciation charge	-	1,88,535	6,55,55,548	20,59,52,257	27,02,745	43,63,171	72,97,397	67,49,772	29,28,09,425
Reversal on disposal	-	-	-	1,29,870	-	38,450	7,88,238	-	9,56,558
Foreign exchange translation	-	-	-	-	8,01,275	4,94,057	(8,156)	5,40,986	18,28,162
Up to 31 March 2014	-	16,26,313	37,20,62,857	1,12,78,47,781	2,15,60,531	2,93,30,381	4,93,32,423	8,11,19,740	1,68,28,80,026
Depreciation charge	-	21,75,022	7,45,72,281	34,25,73,877	63,83,836	70,77,845	1,47,52,892	1,12,20,612	45,87,56,365
Adjustment (Refer note 2)	-	-	76,07,938	4,62,73,631	54,33,923	-	10,52,393	25,73,318	6,29,41,203
Reversal on disposal	-	-	-	-	-	-	14,60,821	-	14,60,821
Foreign exchange translation	-	35,49,670	-	-	9,68,374	77,03,989	4,12,968	5,85,504	1,32,20,505
Up to 31 March 2015	-	73,51,005	45,42,43,076	1,51,66,95,289	3,43,46,664	4,41,12,215	6,40,89,855	9,54,99,174	2,21,63,37,278
Net block									
Balance as at 31 March 2014	97,10,72,416	1,50,99,469	1,69,80,29,985	3,29,67,23,310	1,99,42,831	4,39,27,864	5,18,45,905	3,07,38,634	6,12,73,80,414
Balance as at 31 March 2015	1,08,26,16,302	12,24,01,131	1,95,54,89,088	3,33,14,97,203	1,57,47,108	5,71,92,336	5,03,50,107	2,49,50,233	6,64,02,43,508

(a) Leasehold land include land acquired from the State Industrial Development Corporation of Uttarakhnad Limited for a period of 90 years, Uttar Pradesh State Industrial Development Corporation Limited for a period of 87 years and from Ramky Pharma City (India) Limited for a period of 33 years which is renewable for a further period of 2 terms of 33 years each.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

	Computer Software	Goodwill	Total
14. INTANGIBLE ASSETS			
Gross block			
Balance as at 1 April 2013	6,62,04,022	27,51,92,942	34,13,96,964
Additions	2,61,51,798	-	2,61,51,798
Deletions/Adjustments	-	-	-
Foreign exchange adjustments	(43,070)	2,10,94,339	2,10,51,269
Balance as at 31 March 2014	9,23,12,750	29,62,87,281	38,86,00,031
Additions	50,08,364	16,37,29,095	16,87,37,459
Deletions/Adjustments	-	-	-
Foreign exchange adjustments	(62,59,080)	(78,31,651)	(1,40,90,731)
Balance as at 31 March 2015	9,10,62,034	45,21,84,725	54,32,46,759
Accumulated amortisation			
Up to 1 April 2013	1,65,17,183	-	1,65,17,183
Amortization charge	1,16,24,567	-	1,16,24,567
Foreign exchange translation	1,12,625	-	1,12,625
Up to 31 March 2014	2,82,54,375	-	2,82,54,375
Amortization charge	1,39,00,180	-	1,39,00,180
Adjustment	2,85,279	-	2,85,279
Foreign exchange translation	(5,76,060)	-	(5,76,060)
Up to 31 March 2015	4,18,63,774	-	4,18,63,774
Impairment loss			
Up to 1 April 2013	-	3,64,64,110	3,64,64,110
Foreign exchange adjustments	-	38,28,613	38,28,613
Up to 31 March 2014	-	4,02,92,723	4,02,92,723
Foreign exchange adjustments	-	16,29,141	16,29,141
Up to 31 March 2015	-	4,19,21,864	4,19,21,864
Net block			
Balance as at 31 March 2014	6,40,58,375	25,59,94,558	32,00,52,933
Balance as at 31 March 2015	4,91,98,260	41,02,62,861	45,94,61,121

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

	As at 31 March, 2015	As at 31 March, 2014
15. NON-CURRENT INVESTMENTS		
Investments in equity instruments, Trade, Unquoted		
<i>Others</i>		
Share application money in NATIVITA JLLC	2,55,035	2,55,035
750 (31 March 2014: 750) equity shares of ₹100 each, fully paid-up, in Jeedimetla Effluent Treatment Limited	75,000	75,000
34,400 (31 March 2014: 34,400) equity shares of ₹10 each, fully paid-up, in Pattancheru Enviro-Tech Limited	3,44,000	3,44,000
Total investments in equity instruments, Trade (A)	6,74,035	6,74,035
Investments in equity instruments, Others, Quoted		
27,000 (31 March 2014: 27,000) equity shares of ₹10 each, fully paid-up in Jayalakshi Spinning Mills Limited	2,70,000	2,70,000
Total investments in equity instruments, Others (B)	2,70,000	2,70,000
Other non-current investments, Others, Unquoted		
Investment in portfolio management services		
15,000,000 (31 March 2014: 15,000,000) compulsorily convertible preference shares of ₹1 each, fully paid-up in Ravindranath GE Medical Associates Private Limited	1,50,00,000	1,50,00,000
National savings certificates	3,910	3,910
Total investments in other non-current investments (C)	1,50,03,910	1,50,03,910
Total non-current investments (A+B+C)	1,59,47,945	1,59,47,945
Less: provision for diminution in value of investments	2,70,000	2,70,000
	1,56,77,945	1,56,77,945
Quoted investments	2,70,000	2,70,000
Market value of quoted investments	-	-
Unquoted investments [including share application money]	1,56,77,945	1,56,77,945
Provision for diminution in value of investments	2,70,000	2,70,000

Investment in portfolio management services

The Company has made an investment, aggregating to ₹15,000,000 in the private equity opportunities fund of Anand Rathi Financial Services Limited (ARFSL). By virtue of shareholders agreement and share subscription agreement, both dated 29 November 2010, ARFSL has invested, the Company's fund in the Compulsorily Convertible Preference Shares of Ravindranath GE Medical Associates Private Limited. The Company's investment in the private equity opportunities fund of ARFSL provides for a return of 20% in excess of 16% on a gross pre-tax IRR basis. In the absence of reasonable certainty of realization of return, no income was accrued on such investment for the year ended 31 March 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

	As at 31 March, 2015	As at 31 March, 2014
16. LOANS AND ADVANCES		
(Unsecured, considered good)		
Long-term		
Capital advances	38,73,16,135	27,13,54,640
Security deposits	4,34,46,298	3,39,08,779
Advance tax, net	4,31,92,485	16,74,81,890
Balances with government authorities	9,63,72,299	6,97,30,494
	57,03,27,217	54,24,75,803
Short-term		
Loans and advances to related parties	-	3,90,71,244
Prepaid expenses	3,81,73,371	1,86,74,873
Balances with government authorities	35,33,52,420	30,38,12,731
Advances for purchases and expenses	10,36,07,161	12,51,40,782
Other advances	5,63,49,867	5,65,42,276
	55,14,82,819	54,32,41,906
17. OTHER NON-CURRENT ASSETS		
(Unsecured, considered good)		
Deposit held with banks*	2,71,19,198	2,60,07,558
Interest accrued on fixed deposits	83,13,813	63,72,804
	3,54,33,011	3,23,80,362

*Bank deposits held with banks as margin money with a maturity period of more than 12 months.

18. CURRENT INVESTMENTS

Investments in equity instruments, Quoted, Non trade

15,000 (31 March 2014: 75,000) equity shares of ₹10 each, fully paid-up in Neuland Laboratories Limited	6,75,000	26,71,564
2,000 (31 March 2014: 2,000) equity shares of ₹10 each, fully paid-up in Sun Pharmaceuticals Industries Limited	5,07,970	5,07,970
	11,82,970	31,79,534

Aggregate amount of

Quoted investments	11,82,970	31,79,534
Market value of quoted investments	70,39,800	2,06,49,500
Unquoted investments	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

	As at 31 March, 2015	As at 31 March, 2014
19. INVENTORIES		
Raw materials [including goods-in-transit of ₹3,952,172 (31 March 2014: ₹4,851,836)]	58,55,72,442	42,45,30,989
Packing materials [including goods-in-transit of ₹Nil (31 March 2014: ₹18,479,433)]	22,62,42,498	21,31,18,475
Work-in-progress	75,02,76,075	66,36,46,801
Finished goods	24,67,38,453	20,48,30,894
Stores and spares [including goods-in-transit of ₹7,276,750 (31 March 2014: ₹4,833,231)]	27,24,91,924	16,15,61,868
Stock-in-trade	11,86,76,002	14,35,57,481
	2,19,99,97,394	1,81,12,46,508

20. TRADE RECEIVABLES

Due for a period exceeding six months		
Unsecured, considered good	20,50,72,653	19,66,79,936
Unsecured, considered doubtful	1,76,07,783	1,63,44,519
	22,26,80,436	21,30,24,455
Less: Provision for doubtful receivables	1,76,07,783	1,63,44,519
	20,50,72,653	19,66,79,936
Other debts		
Unsecured, considered good	1,71,92,14,533	99,13,18,822
	1,92,42,87,186	1,18,79,98,758

21. CASH AND BANK BALANCES

Cash and cash equivalents

Balances with banks		
- on current accounts	9,19,28,479	7,35,35,784
- on deposit accounts	-	20,00,000
Cash on hand	3,24,87,909	2,66,19,298
	12,44,16,388	10,21,55,082

Other bank balances

Unpaid dividend account	91,89,011	83,20,386
	91,89,011	83,20,386
	13,36,05,399	11,04,75,468

22. OTHER CURRENT ASSETS

(Unsecured, considered good)

Export incentives receivable	1,91,07,116	2,52,21,563
	1,91,07,116	2,52,21,563

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

	For the year ended 31 March, 2015	For the year ended 31 March, 2014
23. REVENUE FROM OPERATION		
Sale of products	7,77,62,71,838	6,71,61,64,751
Sale of services	11,28,77,714	22,55,91,510
Other operating revenues		
Job work charges	8,54,27,633	11,93,31,350
Export incentives	5,03,45,985	4,87,34,811
Trading Sales	13,73,06,131	1,30,48,723
Scrap sales	1,60,81,796	1,95,55,425
Income from profit sharing arrangements	20,39,43,751	30,47,54,882
	49,31,05,296	50,54,25,191
Total revenue from operations	8,38,22,54,848	7,44,71,81,452
24. OTHER INCOME		
Interest income from		
Fixed deposits	55,32,804	56,13,616
Income tax refund	10,26,337	1,94,07,066
Dividend income	3,660	1,31,668
Net gain on sale of current investments	2,36,31,749	1,00,58,159
Net gain on sale of fixed assets	65,80,947	-
Net gain on foreign currency transaction and translation	5,86,34,399	11,04,74,639
Provision no longer required, written back	3,87,66,503	67,53,572
Other non-operating income	1,48,95,024	1,46,39,110
	14,90,71,423	16,70,77,830
25. COST OF RAW MATERIALS CONSUMED (INCLUDING PACKING MATERIALS CONSUMED) #		
Opening stock	63,76,49,464	48,98,54,483
Add: Purchases during the year	1,84,67,89,273	1,74,87,66,606
Less: Closing stock	81,18,14,941	63,76,49,464
	1,67,26,23,796	1,60,09,71,625
# Disclosed based on derived figures, rather than actual records of issue.		
26. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE		
Opening stock		
- Finished goods	20,48,30,894	15,50,69,614
- Work-in-progress	66,36,46,801	54,41,28,311
- Stock-in-trade	14,35,57,481	14,28,07,763
	1,01,20,35,176	84,20,05,688
Closing stock		
- Finished goods	24,67,38,453	20,48,30,894
- Work-in-progress	75,02,76,075	66,36,46,801
- Stock-in-trade	11,86,76,002	14,35,57,481
	1,11,56,90,530	1,01,20,35,176
Currency translation adjustment	(1,19,77,731)	(1,23,14,608)
	(9,16,77,623)	(15,77,14,880)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

	For the year ended 31 March, 2015	For the year ended 31 March, 2014
27. EMPLOYEE BENEFITS EXPENSE		
Salaries and wages	1,20,00,49,804	95,39,90,035
Contribution to provident and other funds	8,23,52,615	7,47,39,189
Gratuity expense	53,12,718	2,45,38,447
Staff welfare expenses	8,14,47,015	7,44,62,058
	1,36,91,62,152	1,12,77,29,729

28. FINANCE COSTS

Interest expense	30,29,27,361	34,31,31,346
Other borrowing costs	1,38,36,232	2,30,57,331
	31,67,63,593	36,61,88,677

Interest expense is after capitalization of ₹11,022,070 (31 March 2014: ₹10,064,052) to qualifying fixed assets.

29. OTHER EXPENSES

Consumption of stores and spare parts	19,74,62,154	21,61,16,145
Power and fuel	43,23,75,630	44,76,62,890
Rent	2,91,87,398	2,53,65,567
Repairs and maintenance		
- Buildings	4,79,03,800	4,41,13,925
- Plant and equipment	11,00,23,333	12,22,52,435
- Others	3,76,28,674	3,08,95,070
Insurance	4,06,02,451	3,40,71,884
Rates and taxes	16,25,74,482	10,65,53,332
Factory maintenance expenses	13,91,21,473	14,83,65,091
Analysis charges	7,21,63,662	6,11,45,373
Carriage and freight outwards	9,78,51,937	8,51,48,396
Donations	3,03,03,272	4,27,65,409
CSR expenditure	2,55,42,579	-
Communication expenses	2,86,61,974	2,21,31,778
Office maintenance and other expenses	4,13,48,363	3,20,18,283
Travelling and conveyance	12,05,61,029	10,36,42,762
Legal and professional fees	16,94,84,467	20,82,10,805
Payment to auditors		
- As auditor	26,76,772	20,00,000
- For reimbursement of expenses	39,000	23,412
Inventory written-off	70,24,358	78,13,451
Bad debts	58,537	19,18,395
Directors sitting fee	4,80,000	2,65,000
Provision towards doubtful trade receivables	72,73,264	-
Sales promotion expenses including sales commission	27,57,29,906	17,64,55,556
Research and development expenses	12,60,84,969	14,28,51,578
Printing and stationery	4,10,10,710	2,78,42,839
Miscellaneous expenses	8,21,95,494	4,55,23,228
	2,32,53,69,688	2,13,51,52,604

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

30. EXCEPTIONAL ITEM

Exceptional item represents amount paid on settlement of pending legal dispute with M/s. SMS Pharmaceuticals Limited.

31. RELATED PARTY DISCLOSURES

(a) Names of the related parties and nature of relationship

Names of related parties	Nature of relationship
Time Cap Pharma Labs Limited	Entities in which Directors have control or have significant influence
NATCO Trust, Hyderabad	
NATCO Group Employees Welfare Trust	
Natsoft Information Systems Private Limited	
V C Nannapaneni	Key management personnel ("KMP")
Rajeev Nannapaneni	
A K S Bhujanga Rao	
P Bhaskara Narayana (till October 2014)	
Durga Devi Nannapaneni	Relative of KMP
Venkata Satya Swathi Kantamani	
Neelima Nannapaneni	
Dr. Ramakrishna Rao	

(b) Transactions with related parties

	For the year ended 31 March, 2015	For the year ended 31 March, 2014
Time Cap Pharma Labs Limited		
Income from Job work charges and sales	-	2,53,091
Commission and expenses reimbursement	42,43,323	68,83,562
Purchases	11,69,175	17,13,600
Rental expense	42,00,000	38,00,000
Advances given	-	35,00,000
Dividends paid	1,71,57,220	1,70,63,470
Natsoft Information Systems Private Limited		
Dividends paid	1,57,67,500	1,57,67,500
NATCO Trust		
Donations given	2,02,38,541	2,95,69,040
CSR activities	2,55,42,579	-
NATCO Group Employees Welfare Trust		
Dividends paid	-	2,73,785
Transactions with key management personnel		
V C Nannapaneni		
Managerial remuneration	1,50,00,000	1,39,38,000
Leave encashment paid	1,32,00,000	-
Rental expenses	18,00,000	18,00,000
Dividends paid	4,07,36,815	4,01,19,190
Rajeev Nannapaneni		
Managerial remuneration	1,24,98,000	1,11,48,000
Leave encashment paid	11,33,333	-
Rental expenses	9,60,000	9,60,000
Dividends paid	17,86,175	17,83,050

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

(b) Transactions with related parties (continued)

	For the year ended 31 March, 2015	For the year ended 31 March, 2014
A K S Bhujanga Rao		
Managerial remuneration	86,52,996	33,50,996
Dividends paid	43,500	43,500
Leave encashment paid	12,15,000	-
P Bhaskara Narayana		
Managerial remuneration, including final settlement pay-out	82,28,186	36,00,000
Dividends paid	-	18,500
Transactions with relatives of key management personnel		
Durga Devi Nannapaneni		
Dividends paid	41,39,100	41,39,100
Venkata Satya Swathi Kantamani		
Dividends paid	27,50,000	27,50,000
Neelima Nannapaneni		
Dividends paid	1,82,960	19,82,960
Dr. Ramakrishna Rao		
Dividends paid	7,06,610	7,04,910

(c) Balances receivable / (payable)

	As at 31 March, 2015	As at 31 March, 2014
Time Cap Pharma Labs Limited	(20,28,499)	(14,13,982)
NATCO Trust	-	86,68,747
V C Nannapaneni	(11,03,850)	(5,77,293)
Rajeev Nannapaneni	(4,92,087)	(4,99,087)
A K S Bhujanga Rao	(2,99,840)	(1,57,203)
P Bhaskara Narayana	-	(1,82,753)

Note:

- Mr. V C Nannapaneni has extended personal guarantees in connection with the loans availed by the Company. Refer note 5 & 9.
- Mrs. Durga Devi Nannapaneni and Dr. Ramakrishna Rao has extended personal guarantees in connection with the loans availed by the Company. Refer note 5.

	As at 31 March, 2015	As at 31 March, 2014
--	-------------------------	-------------------------

32. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	19,15,32,103	19,04,81,959
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(b) Contingent liabilities

Claims against the company not acknowledged as debt	-	20,42,27,280
Disputed sales tax liabilities	86,90,000	86,90,000
Disputed service tax liabilities	17,49,256	-
Disputed customs liability	20,00,000	-
Disputed income tax liabilities	6,56,957	2,99,52,680

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

31 March, 2015

33. EXPENDITURE ON CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

(a) Gross amount required to be spent by the company during the year	2,24,19,167
(b) Contribution to trusts controlled by the company NATCO Trust	2,55,42,579
(c) Provision towards CSR activities undertaken by entering into a contractual obligation and which have completed during the year	-

34. SEGMENT REPORTING

The primary and secondary reportable segments are business segments and geographical segments respectively. The Group's principal segments of business are active pharmaceutical ingredients ("API"), finished dosage formulations, job work charges and retail pharmacy. Segment's revenue, expense, assets and liabilities include amount of such items that can be allocated to the segment on a reasonable basis. Revenues, expenses, assets and liabilities which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis have been included under 'others'.

Business segment

For the year ended 31 March 2015

Particulars	API	Finished dosage formulations	Job works	Pharmacy	Others	Eliminations	Total
Revenue							
External sales	2,60,04,95,083	4,26,95,57,495	-	94,79,52,421	-	(2,39,65,417)	7,79,40,39,582
Inter-segment sales	51,38,07,684	-	-	-	-	(51,38,07,684)	-
	3,11,43,02,767	4,26,95,57,495	-	94,79,52,421	-	(53,77,73,101)	7,79,40,39,582
Less: Excise duty	7,11,91,765	5,83,02,642	-	-	-	-	12,94,94,407
Revenue [Net]	3,04,31,11,002	4,21,12,54,853	-	94,79,52,421	-	(53,77,73,101)	7,66,45,45,175
Sale of dossiers	-	-	-	-	11,28,77,714	-	11,28,77,714
Job work charges	-	-	8,54,27,633	-	-	(24,05,923)	8,30,21,710
Other operating income	2,63,28,045	22,89,17,094	-	-	13,73,06,131	(2,35,428)	39,23,15,842
Total segment revenue	3,06,94,39,047	4,44,01,71,947	8,54,27,633	94,79,52,421	25,01,83,845	(54,04,14,452)	8,25,27,60,441
Results							
Segment result	71,84,25,511	1,58,90,19,424	7,08,15,948	7,11,59,089	13,54,09,613	-	2,58,48,29,585
Unallocated corporate expenses	-	-	-	-	-	-	1,07,49,64,989
Finance cost	-	-	-	-	-	-	31,67,63,593
Other income	-	-	-	-	-	-	14,90,71,423
Profit before tax	-	-	-	-	-	-	1,34,21,72,426
Income tax [Including deferred tax]	-	-	-	-	-	-	3,95,01,608
Profit before minority interest	-	-	-	-	-	-	1,30,26,70,818
Minority interest	-	-	-	-	-	-	(4,34,86,931)
Net profit for the year							1,34,61,57,749

Other information as at 31 March 2015

Particulars	API	Finished dosage formulations	Job works	Pharmacy	Others	Eliminations	Total
Segment assets	6,73,16,31,884	5,40,69,56,775	2,27,29,345	27,48,97,512	7,96,81,265	-	12,51,58,96,782
Unallocated corporate assets	-	-	-	-	-	-	1,32,45,52,878
Total assets	6,73,16,31,884	5,40,69,56,775	2,27,29,345	27,48,97,512	7,96,81,265	-	13,84,04,49,660
Segment liabilities	79,27,26,428	85,89,76,349	-	4,85,25,093	-	-	1,70,02,27,869
Unallocated corporate liabilities	-	-	-	-	-	-	3,62,94,87,009
Minority Interest	-	5,02,23,864	-	-	-	-	5,02,23,864
Total liabilities	79,27,26,428	90,92,00,213	-	4,85,25,093	-	-	5,37,99,38,742
Capital expenditure	27,17,21,100	58,58,81,886	-	35,51,429	5,98,09,575	-	92,09,63,990
Depreciation and amortisation	27,38,46,284	16,25,87,938	-	16,46,005	3,45,76,318	-	47,26,56,545
Non cash expenses, other than depreciation	70,24,358	-	-	58,537	-	-	70,82,895

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

Business segment

For the year ended 31 March 2014

Particulars	API	Finished dosage formulations	Job works	Pharmacy	Others	Eliminations	Total
Revenue							
External sales	1,97,86,41,126	3,57,45,07,247	-	1,16,30,16,378	-	-	6,71,61,64,751
Inter-segment sales	21,48,34,025	-	-	-	-	(21,48,34,025)	-
	2,19,34,75,151	3,57,45,07,247	-	1,16,30,16,378	-	(21,48,34,025)	6,71,61,64,751
Less: Excise duty	2,58,56,044	3,23,99,915	-	-	-	-	5,82,55,959
Total Sales	2,16,76,19,107	3,54,21,07,332	-	1,16,30,16,378	-	(21,48,34,025)	6,65,79,08,792
Sale of dossiers	-	-	-	-	22,55,91,510	-	22,55,91,510
Job work charges	-	-	11,93,31,350	-	-	-	11,93,31,350
Other Income	4,18,73,572	33,11,71,546	-	-	1,30,48,723	-	38,60,93,841
Total segment revenue	2,20,94,92,679	3,87,32,78,878	11,93,31,350	1,16,30,16,378	23,86,40,233	(21,48,34,025)	7,38,89,25,493
Results							
Segment result	25,91,31,446	1,69,24,08,991	9,86,75,562	(3,78,49,757)	22,68,96,382	-	2,23,92,62,624
Unallocated corporate expenses							75,03,84,197
Finance cost							36,61,88,677
Other income							16,70,77,830
Extraordinary items							-
Profit before tax and minority interest							1,28,97,67,580
Income tax [Including deferred tax]							30,87,00,271
Profit before minority interest							98,10,67,309
Minority interest							(4,62,75,569)
Net profit for the year							1,02,73,42,878

Other information as at 31 March 2014

Particulars	API	Finished dosage formulations	Job works	Pharmacy	Others	Eliminations	Total
Other information							
Segment assets	5,65,92,81,907	4,53,71,96,951	1,64,60,710	31,59,34,061	13,34,18,062	-	10,66,22,91,691
Unallocated corporate assets							1,29,48,02,465
Total assets	5,65,92,81,907	4,53,71,96,951	1,64,60,710	31,59,34,061	13,34,18,062	-	11,95,70,94,156
Segment liabilities	63,66,90,750	75,28,24,902	-	13,06,74,568	-	-	1,52,01,90,220
Unallocated corporate liabilities							3,10,93,48,036
Total liabilities	63,66,90,750	75,28,24,902	-	13,06,74,568	-	-	4,62,95,38,256
Capital expenditure	41,46,10,703	53,17,52,083	-	76,35,954	7,46,83,687	-	1,02,86,82,427
Depreciation and amortisation	16,20,06,696	11,74,22,086	-	36,47,283	2,13,57,927	-	30,44,33,992
Other non-cash expenses	-	78,13,451	-	19,18,395	2,55,13,106	-	3,52,44,952

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

The Group's secondary segments are the geographic distribution of activities. Revenue and receivables are specified by location of customers and other information is specified by location of assets. The table below, present revenue, capital expenditure and asset information regarding the Group's secondary segment.

Particulars	For the year ended and as at 31 March 2015			For the year ended and as at 31 March 2014		
	Segment revenue	Segment assets	Capital expenditure	Segment revenue	Segment assets	Capital expenditure
India	3,89,68,34,268	11,67,01,21,386	88,79,16,654	3,41,78,46,574	10,87,58,46,950	1,02,10,46,474
America	2,77,52,01,858	1,12,64,62,146	3,03,70,044	2,54,32,08,764	82,81,00,425	76,35,953
Europe	1,39,37,10,265	88,18,16,563	-	1,10,95,66,426	17,75,19,543	-
Rest of the world	33,60,85,473	16,20,49,565	26,77,292	48,53,81,559	7,56,27,238	-
Total	8,40,18,31,864	13,84,04,49,660	92,09,63,990	7,55,60,03,323	11,95,70,94,156	1,02,86,82,427

35. Additional disclosure as required under paragraph 2 of 'General Instructions for the preparation of Consolidated Financial Statements' of the Schedule III to the Act

Name of the entity	Net assets		Share in profit or loss	
	As a % of consolidated net assets	Amount (₹)	As a % of consolidated profit or loss	Amount (₹)
Parent company				
NATCO Pharma Limited	80%	6,83,79,68,891	117%	1,52,92,55,356
Subsidiaries				
- Indian				
NATCO Organics Limited	16%	1,33,04,65,843	-6%	(7,30,69,924)
- Foreign				
NATCO Pharma Inc.	3%	26,25,96,423	4%	5,32,57,461
Time Cap Overseas Limited*	1%	7,82,86,672	-11%	(14,21,87,925)
NATCO Pharma (Canada), Inc.	0%	14,01,312	-4%	(4,68,81,419)
NATCO Pharma Asia Pte. Ltd.	0%	14,27,621	-1%	(1,13,14,526)
NATCO Pharma Australia PTY Ltd	0%	(13,85,683)	0%	(63,88,204)
Total		8,51,07,61,079		1,30,26,70,819
Minority interest in all subsidiaries				
Time Cap Overseas Limited*	1%	5,02,50,161	2%	2,41,79,139
Natco Pharma Australia PTY LTD	0%	-	0%	8,07,630
Natco Pharma (Canada) Inc	0%	-	0%	4,26,690
NATCO Organics Limited	0%	-	1%	1,80,73,472
Total		5,02,50,161		4,34,86,931

*Amount is after considering share of Time Cap Overseas Limited in NATCO Farma Do Brazil (step down subsidiary of NATCO Pharma Limited) in which it holds 95% of equity.

- (a) The disclosure requirement is applicable from current year onwards and hence comparative information for the year ended 31 March 2014 is not applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

(All amounts in ₹ unless otherwise stated)

36. COMPARATIVES

Previous year figures have been reclassified / regrouped wherever necessary, to confirm to current year presentation.

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place : Hyderabad
Date : 22 May 2015

For and on behalf of Board of Directors of
NATCO Pharma Limited

V C Nannapaneni
Chairman & Managing Director

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

Place : Hyderabad
Date : 22 May 2015

Rajeev Nannapaneni
Vice Chairman & CEO

SVVN Appa Rao
Interim CFO

Caution regarding forward-looking statements

This document contains statements about expected future events and financial and operating results of Orient Paper and Industries Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of the Natco Pharma Limited Annual Report 2014-15.



Natco Pharma Limited
Natco House, Road No. 2, Banjara Hills,
Hyderabad 500 034.
www.natcopharma.co.in
CIN: L24230TG1981PLC003201



NATCO Pharma Limited

Registered Office: NATCO House, Road # 2, Banjara Hills, Hyderabad-500 034, Telangana

Phone # 040-23547532, Fax No.23548243, website: www.natcopharma.co.in

Email: investors@natcopharma.co.in

CIN : L24230TG1981PLC003201

NOTICE TO MEMBERS

Notice is hereby given that the 32nd Annual General Meeting of the members of the Company will be held on Saturday, the 26th day of September, 2015 at Daspalla Hotel, Road No. 37, Jubilee Hills, Hyderabad 500 033, to transact the following businesses:

Ordinary Business:

1. To receive, consider and adopt the Standalone and Consolidated Balance Sheet as at 31st March, 2015, Statement of Profit & Loss for the year ended 31st March, 2015, Cash Flow Statement for the Financial Year ended 31st March, 2015 and Reports of Directors and Auditors thereon.

2. To confirm the already paid Interim Dividend on equity shares for the year 2014-2015 as final dividend

"RESOLVED THAT the Interim Dividend of Rs.5/- (Rupees five only) per share declared by the Board of Directors of the Company at their meeting held on 11th February, 2015 on 3,32,34,849 Equity Shares of Rs.10/- each absolving a sum of Rs.16,61,74,245 (Rupees Sixteen Crore Sixty one Lakhs Seventy four Thousand two Hundred and forty five only) be and is hereby approved as the Final Dividend for the year ended 31st March, 2015."

3. Re-appointment of Sri Vivek Chhachhi (Din No. 00496620) as a Director liable to retire by rotation

"RESOLVED THAT Sri Vivek Chhachhi who retires by rotation and being eligible offers himself for re-appointment, be and is hereby re-appointed as a Director of the Company, who shall be liable for retirement by rotation."

4. Appointment of Auditors for the Financial Year 2015-16.

"RESOLVED THAT pursuant to the provisions of Sections 139, 142 and all other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder

as amended, and pursuant to the recommendation of the Audit Committee of the Board and pursuant to the resolution passed by the Members at the Annual General Meeting held on 27/09/2014, the Members be and hereby ratify the Appointment of M/s. Walker, Chandiook & Co. LLP (Firm Registration No. 001076N), Hyderabad as Statutory Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting to be held in the calendar year 2016 with such remuneration as may be decided by the Board of Directors upon recommendation from the Audit Committee."

Special Business:

5. Reappointment of Sri V. C. Nannapaneni as Chairman and Managing Director of the Company

To consider and if thought fit to pass, with or without modifications, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 196, 197, 198 and Schedule V of the Companies Act, 2013 ('Act') and the rules made thereunder and all other applicable provisions of the Act, if any, as amended the members hereby approve the appointment of Sri V.C. Nannapaneni (Din No.00183315) as the Chairman and Managing Director of the Company for a period of two (2) years from 01-04-2015 to 31-03-2017 with the remuneration as detailed below:

- a. Salary not exceeding Rs. 1,60,00,000/- (Rupees One Crore and Sixty Lakhs only) per annum including dearness allowance and other allowances.
- b. Managerial Commission not exceeding 1% of the net profits calculated as per Section 198 of the Companies Act 2013.

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, and
- (iv) Encashment of leave as per Company Policy.

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 any financial year closing on and after 31st March, 2016, 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 Companies Act, 2013 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 as Vice Chairman and Chief Executive Officer of the Company

To consider and if thought fit to pass, with or without modifications, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 196, 197, 198 and Schedule V of the Companies Act, 2013 ('Act') and the rules made thereunder and all other applicable provisions of the Act, if any, as amended the members hereby approve the appointment of Sri Rajeev Nannapaneni (Din No.00183872) as the Vice

Chairman and Chief Executive Officer of the Company for a period of two (2) years from 01-04-2015 to 31-03-2017 with the remuneration as detailed below:

- a. Salary not exceeding Rs. 1,40,00,000/- (Rupees One Crore and Forty Lakhs Only) per annum including dearness allowance and 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, and
 - (iv) Encashment of leave as per Company Policy.

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 any financial year closing on and after 31st March, 2016, 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 Companies Act, 2013 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. Increase of Remuneration to Dr. A. K. S. Bhujanga Rao, President (R&D and Tech.)

To consider and if thought fit to pass, with or without modifications, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 197, 198, Schedule V and all other applicable provisions of the Companies Act, 2013 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), the consent of the Members is hereby accorded to increase the remuneration payable to Dr. A.K.S. Bhujanga Rao, President (R & D and Technical) of the Company for a period of one (1) year from 01-04-2015 to 31-03-2016 as detailed below:

- a. Salary not exceeding Rs. 1,10,00,000 (Rupees one crore and ten lakhs only) per annum including dearness allowance and 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, and
 - (iv) Encashment of leave as per Company Policy.

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.A.K.S.Bhujanga Rao.

RESOLVED FURTHER THAT notwithstanding as above in the current financial year closing on 31st March, 2016, if the Company has no profits or if its profits are inadequate, the Company shall pay to Dr.A.K.S.Bhujanga Rao the remuneration by way of salary, allowances and perks not exceeding the limits specified under Schedule V of the Companies Act, 2013 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. Appointment of Sri P.S.R.K Prasad as a Director and designating him as Director and Executive Vice President (Corporate Engineering Services)

To consider and if thought fit to pass, with or without modifications, the following Resolution as a Special Resolution:

"RESOLVED THAT, pursuant to the provisions of Section 152 or any other applicable provisions of the Companies Act, 2013 ('Act') and the Rules made thereunder, (including any statutory modifications or re-enactments thereof, for the time being in force) and the Articles of Association of the Company, Sri. P S R K Prasad (DIN: 07011140), who was appointed as an Additional Director of the Company at the Board Meeting held on 12th November, 2014 whose term of office expires at this Annual General Meeting 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 along with a deposit of requisite amount, and who has submitted a declaration to the effect that he is not disqualified to become a Director under the Act, be and is hereby appointed as Director of the Company whose office is liable to retire by rotation and be designated as Director & Executive Vice President (Corporate Engineering Services).

RESOLVED FURTHER THAT pursuant to the provisions of sections 197, 198, Schedule V and all other applicable provisions of the Companies Act, 2013 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), the consent of the members is hereby accorded for the remuneration payable to Sri. P.S.R.K. Prasad for a period of one (1) year from 01-04-2015 to 31-03-2016 as detailed below:

- a. Salary not exceeding Rs. 1,10,00,000 (Rupees one crore ten lakhs Only) per annum including dearness allowance and 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, and
 - (iii) Encashment of leave as per Company Policy.

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 current financial year closing on 31st March, 2016, 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 Companies Act, 2013 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 and necessary and to delegate all or any of its powers herein conferred to any of its Director(s) or any other Officer(s) of the Company to give effect to this resolution."

9. Appointment of Dr. D. Linga Rao as a Director and designating him as President (Technical Affairs)

To consider and if thought fit to pass, with or without modifications, the following Resolution as a Special Resolution:

"**RESOLVED THAT,** pursuant to the provisions of Section 152 or any other applicable provisions of the Companies Act, 2013 ('Act') and the Rules made thereunder, (including any statutory modifications or re-enactments thereof, for the time being in force) and the Articles of Association of the Company, Dr. D Linga Rao (DIN: 07088404), who was

appointed as an Additional Director of the Company at the Board Meeting held on 11th February, 2015 whose term of office expires at this Annual General Meeting, 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 along with a deposit of requisite amount, and who has submitted a declaration to the effect that he is not disqualified to become a Director under this Act, be and is hereby appointed as a Director of the Company whose office is liable to retire by rotation and be designated as Director & President(Technical Affairs).

RESOLVED FURTHER THAT pursuant to the provisions of sections 197, 198, Schedule V and all other applicable provisions of the Companies Act, 2013 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), the consent of the members is hereby accorded for the remuneration payable to Dr. D. Linga Rao for a period of one (1) year from 01-04-2015 to 31-03-2016 as detailed below:

- a. Salary not exceeding Rs. 1,10,00,000/- (Rupees one crore ten lakhs only) per annum including dearness allowance and 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, and
 - (iv) Encashment of leave as per Company Policy.

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 current financial year closing on 31st March, 2016, 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 Companies Act, 2013 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 and necessary and to delegate all or any of its powers herein conferred to any of its Director(s) or any other Officer(s) of the Company to give effect to this resolution.”

10. Appointment of Dr. M.U.R.Naidu as Independent Director

To consider and if thought fit to pass, with or without modifications, the following Resolution as an Ordinary Resolution:

“**RESOLVED THAT** pursuant to the provisions of Sections 149 and 152 read with Schedule IV and all other applicable provisions, if any, of the Companies Act, 2013 (‘Act’) 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 Clause 49 of the Listing Agreement, Dr. M.U.R.Naidu (DIN: 05111014), who was appointed as an Additional Director of the Company at the Board Meeting held on 11th February, 2015 whose term of office expires at this Annual General Meeting 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 along with a deposit of requisite amount, and who has submitted a declaration to the effect that he meets the criteria of independence as provided in Section 149(6) of the Act, be and is hereby appointed as an Independent Director of the Company to hold office for a term of 5(five) years up to the 37th Annual General Meeting of the Company to be held in the calendar year 2020.

RESOLVED FURTHER THAT Dr. M.U.R.Naidu shall receive remuneration by way of fees for attending meetings of the Board or Committee thereof, reimbursement of expenses for participation in the Board and other meetings and shall not be entitled to any stock option.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may deem fit and necessary and to delegate all or any of its powers herein conferred to any of its Director(s) or any other Officer(s) of the Company to give effect to this resolution.”

11. Ratification of Remuneration of Cost Auditors

To consider and if thought fit to pass, with or without modifications, the following Resolution as an Ordinary Resolution:

“**RESOLVED THAT** pursuant to the provisions of Section 148 and all other applicable provisions, if any, of the Companies Act, 2013 and Rules made thereunder as amended, the members be and hereby ratify the remuneration of Rs.1,00,000/- (Rupees One Lakh only) and taxes as applicable plus out of pocket expenses payable to M/s S.S.Zanwar & Associates, Cost Auditors appointed by the Board of Directors of the Company to conduct the Cost Audit for the financial year ending March 31, 2016.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

12. Sub-Division of 1 (One) Equity Share of face value of Rs.10/- each into 5 (Five) Equity Shares of Rs. 2/- Each.

To consider and if thought fit to pass, with or without modifications, the following Resolution as a Special Resolution:

“**RESOLVED THAT** pursuant to the provisions of Section 61, 64 and all other applicable provisions, if any, of the Companies Act, 2013, (including any statutory modification or re-enactment thereof for the time being in force) and in accordance with the provisions

of the Memorandum and Articles of Association of the Company and subject to such other approval(s), consent(s), permission(s) and sanction(s) as may be necessary from the concerned Statutory Authority(ies), the consent of the members is hereby accorded for sub-division of one equity share of the Company having a face value of Rs.10/- (Rupees ten only) each fully paid-up into 5 (five) equity shares of the face value of Rs.2/- (Rupees two only) each fully paid-up.

RESOLVED FURTHER THAT on sub-division, 5 (five) Equity Shares of face value of Rs.2/- each be allotted in lieu of existing 1 (one) Equity Share of Rs.10/- each subject to the terms of the Memorandum and Articles of Association of the Company and shall rank pari passu in all respects with the existing fully paid Equity Shares of Rs.10/- each of the Company and shall be entitled to participate in full in dividends to be declared after the sub- divided Equity Shares are allotted.

RESOLVED FURTHER THAT on sub-division of Equity Shares as aforesaid, the existing share certificate(s) in relation to the existing Equity Shares of the face value of Rs.10/- each held in physical form shall be deemed to have been automatically cancelled and be of no effect on and from the Record Date and the Company may, issue and dispatch the new share certificate(s) of the Company in lieu of such existing share certificate(s) after the surrender of the existing share certificate(s), subject to the provisions of the Companies (Share Capital and Debentures) Rules, 2014 and in the case of Equity Shares held in the dematerialised form, the number of sub-divided Equity Shares be credited to the respective beneficiary accounts of the Members with the depository participants, in lieu of the existing credits representing the Equity Shares of the Company before sub-division.

RESOLVED FURTHER THAT the Board of Directors of the Company (which expression shall also include a Committee thereof) be and is hereby authorized to make appropriate adjustments due to the sub-division of Equity Shares as aforesaid, to stock options which have been granted to employees of the Company under its Employee Stock Option Scheme pursuant to the Securities and Exchange Board of India (Share

Based Employee Benefits) Regulations, 2014 and any amendments thereto from time to time, such that the exercise price for all employee stock options which are outstanding as on the Record Date (vested and unvested options including lapsed and forfeited options available for reissue) shall be proportionately adjusted and the number of stock options which are available for grant and those already granted but not exercised as on Record Date shall be appropriately adjusted.

RESOLVED FURTHER THAT the Board of Directors of the Company (which expression shall also include a Committee thereof) be authorised to take such steps as may be necessary including the delegation of all or any of its powers herein conferred to any Director(s), the Company Secretary or any other officer(s) of the Company for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto, and to execute all deeds, applications, documents and writings that may be required, on behalf of the Company and generally to do all acts, deeds, matters and things that may be necessary, proper, expedient or incidental for the purpose of giving effect to this resolution."

13. Alteration of Capital Clause of Memorandum of Association

To consider and, if thought fit, to pass with or without modification the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 13 read with Section 61 and other applicable provisions of the Companies Act, 2013, and the rules made there under and subject to such other approval(s) from the concerned Statutory Authority(ies), Clause V of the Memorandum of Association of the Company be and is hereby substituted by the following clause:-

Clause V: "The Authorised Share Capital of the Company is Rs.40,00,00,000 (Rupees Forty Crores) divided into 20,00,00,000 (Twenty Crores) Equity Shares of Rs.2/- each of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized be authorised

to take such steps as may be necessary including the delegation of all or any of its powers herein conferred to any Director(s) or the Company Secretary of the Company for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to do all acts, deeds, matters and things that may be necessary, proper, expedient or incidental for the purpose of giving effect to this resolution.”

14. Enhancement of Borrowing Powers

To consider and if thought fit to pass with or without modifications, the following Resolution as a Special Resolution.

“**RESOLVED THAT** pursuant to the provisions of Section 180(1)(c), and all other applicable provisions, if any, of the Companies Act, 2013 and Rules made there under as may be amended, from time to time and Articles of Association of the Company and in supersession of the earlier resolution passed in this regard the consent of the Company be and is hereby accorded to the Board of Directors and/or any Committee thereof to borrow at its discretion, either from the Company’s Bank or any other Indian or Foreign Bank(s), Financial Institution(s) and / or any other Lending Institutions or persons from time to time such sum(s) of money(s) and the sum(s) to be borrowed for the purpose of Company’s business together with the money(s) already borrowed by the Company with or without security on such terms and conditions as they may think fit may exceed the aggregate of the paid-up capital and free reserves of the Company that is to say, reserves not set apart for any specific purpose provided that the total amount together with the money(s) already borrowed by the Board of Directors shall not exceed the sum up to an amount the aggregate outstanding of which should not exceed, at any given time, Rs.1000 crore (Rupees one Thousand Crores only) (apart from temporary loans obtained from the Company’s bankers / FIs in the ordinary course of business).

RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, Board be and is hereby authorised to negotiate and decide terms and conditions of such borrowings and to do all such acts, deeds and things, to execute all such documents, instruments and

writings as may be required and to delegate all or any of its powers herein conferred to a Committee constituted by the Board and/ or any member of such Committee with power(s) to the said Committee to sub-delegate its powers to any of its members.”

15. Creation of Security/ Charge on the Properties / Assets of the Company in favour of the lenders

To consider and if thought fit to pass with or without modifications, the following Resolution as a Special Resolution.

“**RESOLVED THAT** in supersession of the Resolution passed earlier and pursuant to the provisions of Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 and Rules made there under as may be amended, from time to time and Articles of Association of the Company, the consent of the Company be and is hereby accorded to the Board of Directors and/or any Committee thereof to create such charges, mortgages and hypothecations in addition to the existing charges, mortgages and hypothecations, if any, created by the Company, on such movable and immovable properties, both present and future, and in such manner as the Board may deem fit, in favour of Banks, Financial Institutions, other lending/ investing agencies or bodies/ trustees for holders of debentures/ bonds which may be issued to or subscribed to by all or any of the Banks, Financial Institutions, other lending/ investing agencies or any other person(s)/ bodies corporate by way of private placement or otherwise (hereinafter collectively referred to as ‘Lenders’), provided that the total amount of loans together with interest thereon, additional interest, compound interest, liquidated damages, commitment charges, premia on pre-payment or on redemption, costs, charges, expenses and all other moneys payable by the Company in respect of the said loans, for which such charges, mortgages or hypothecations are created, shall not, at any time exceed the limit of Rs.1,000 Crores (Rupees one Thousand Crores only) (apart from temporary loans obtained from the Company’s bankers / FIs in the ordinary course of business).

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things, to execute all such documents, instruments and writings

as may be required and to delegate all or any of its powers herein conferred to a Committee constituted by the Board and/ or any member of such Committee with power to the said Committee to sub-delegate its powers to any of its members."

Notes:

1. **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** on a poll and a proxy need not be a member of the Company. The instrument of proxy in order to be valid must be deposited at the Registered Office of the Company duly completed and signed, at least FORTY EIGHT (48) hours before the commencement of the meeting. A person shall not act as a Proxy for more than 50 (fifty) members and holding in the aggregate not more than 10 (ten) percent of the total voting share capital of the Company. However, a single person may act as a proxy for a member holding more than 10 (ten) percent of the total voting share capital of the Company provided that such person shall not act as a proxy for any other person.
2. An explanatory statement pursuant to Section 102(1) of the Companies Act, 2013 in respect of special businesses is annexed hereto.
3. Members holding shares in physical form are requested to notify any change in their address or bank mandates immediately to the Registrars and Transfer Agents M/s. Venture Capital and Corporate Investments Pvt Limited, 12-10-167, Bharat Nagar, Hyderabad – 500 018 and in case of 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.
4. The Members 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.
5. Corporate 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.
6. 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.
7. Members who have not registered their e-mail addresses so far are requested to register their e-mail addresses for receiving all communications including Annual Report, Notices, Circular, etc. from the Company in electronic mode.
8. In case of Joint Holders attending the Meeting, only such Joint Holder who is higher in the order of names will be entitled to vote.
9. The Register of Members and Share Transfer Books will remain closed for six (6) days i.e. from **21st September, 2015 to 26th September, 2015** (both days inclusive).
10. 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 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.
11. Members who wish to claim Dividends, which remain unclaimed, 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 (Venture Capital and Corporate Investments Private Limited). Members are requested to note that dividends not encashed or claimed within seven years and 30 days from the date of declaration of the Dividend, will, as per Section 205 A(5) read with Section 205 C of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund of Government of India. In view of this, members are advised to send all the un-encashed dividend warrants to the Company or our Registrars for revalidation and encash them before the due dates.

Financial year	Unclaimed amount as on 31-03-2015 (in Rs.)	Amount Deposited to Investor Education and Protection Fund	Due date/Date of transfer to Investor Education and Protection Fund
2007-2008		464065.25	24-11-2014
2008-2009	589336.75		24-06-2016
2009-2010	925196.00		25-02-2017
2010-2011	884078.00		16-02-2018
2011-2012	1199766.00		10-03-2019
2012-2013	1736144.00		15-03-2020
2013-2014	1573125.00		15-03-2021
2014-2015	2281365.00		15-03-2022
Total	9189010.75		

12. Voting through electronic means

In compliance with provisions of Section 108 of 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 32nd AGM by electronic means and the business may be transacted through e-Voting Services provided by Central Depository Services (India) Limited (CDSL).

It may be noted that this e-voting facility is optional.

Instructions for shareholders voting electronically are as under:

- (i) The voting period begins on 23rd September, 2015 at 9.00 a.m. and ends on 25th September, 2015 by 5.00 p.m. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 18th September, 2015, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iii) Click on Shareholders.
- (iv) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.

(vii) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form	
PAN	<p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field. In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.
DOB	<p>Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.</p>
Dividend Bank Details	<p>Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.</p> <ul style="list-style-type: none"> Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).

(viii) After entering these details appropriately, click on "SUBMIT" tab.

(ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

(x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

(xi) Click on the EVSN for the relevant <Natco Pharma Limited> on which you choose to vote.

(xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent

to the Resolution and option NO implies that you dissent to the Resolution.

(xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.

(xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

(xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

(xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.

(xvii) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

(xviii) Note for Non – Individual Shareholders and Custodians

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.

- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
- The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help Section or write an email to helpdesk.evoting@cdslindia.com.

- (ix) The members who have cast their vote by e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again.
13. a. Mrs. P. Renuka , Practicing Company Secretary (C.P.No.3460) has been appointed as Scrutinizer to scrutinize the voting process in a fair and transparent manner.
- b. The Scrutinizer shall immediately after the conclusion of voting at the AGM, first unblock the votes cast at the meeting, thereafter unblock the cast through e-voting 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.
- c. 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 within prescribed period.

14. Additional information pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges 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 / declarations for their appointment.

15. Re-appointment of Sri Vivek Chhachhi

Sri Vivek Chhachhi was appointed as Director by the Members of the Company at the 31st Annual General Meeting held on 27th September, 2014 in accordance with the provisions of the Companies Act, 2013 whose office is liable to retire by rotation.

Mr. Vivek was born on 5th January, 1971. He received an MBA from the University of Jamnalal Bajaj Institute, Mumbai (1993) and a B.Sc. (Computer Science) from St. Stephen's College, University of Delhi (1991). He was a Director with Citi Venture Capital International (CVCI) and was with Citi's private equity business for 14 years. During his tenure with CVCI, Vivek worked to identify & invest, manage and exit a large number of companies across a wide spectrum of industries including, amongst others, IT Enabled Services, Financial Services, Auto, Metals & Mining, Infrastructure, Pharma & Specialty Chemicals, Oil & Gas services, Media and Textiles. Vivek has worked in this capacity with several companies, such as Polaris Software, Daksh, I-Flex solutions, Jubilant Organosys, HT Media, Techno Electric, IVRCL Infrastructure, Himadri Chemicals, SEW Construction, Sasken Technologies, among others). Apart from our Company he is serving as a Director in M/s. CX Advisors LLP, M/s. Sutures India Private Limited and M/s. Security and Intelligence Services (India) Ltd.

Mr. Vivek Chhachhi, Director of the Company, who retires by rotation at the ensuing Annual General Meeting, being eligible, offers himself for reappointment.

Except Mr. Vivek Chhachhi, 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 resolution as set out in Item No. 3 of the Notice for approval of the members.

Explanatory Statement Pursuant to Section 102(1) of the Companies Act, 2013

Item No. 5

Reappointment of Sri V.C.Nannapaneni as Chairman and Managing Director of the Company

Sri V.C.Nannapaneni, Chairman and Managing Director is associated with the Company as founder/promoter since its inception in 1981 and driving the Company towards higher growth.

In his leadership the Company witnessed a tremendous increase in the turnover and growth both in Revenues as well as Profitability. The company is poised for next level of growth.

Services of Sri V. C. Nannapaneni is very much essential for the Company's future prospects and further growth of the Company.

In view of the above and his contribution to the Company, the Remuneration Committee recommended to the Board for reappointment of Sri V.C. Nannapaneni for a period of 2 years from 01-04-2015 to 31-03-2017 with such remuneration as stipulated in the Resolution.

Sri V.C. Nannapaneni (born on 30/11/1945) holds 24.26% of shares of the Company. Apart from Natco he holds Directorships in Natco Aqua Limited, NDL Infratech Private Limited and Natco Power Private Limited. During the year he attended 4 Board Meetings.

Except Sri V.C.Nannapaneni & 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 as Vice Chairman and Chief Executive Officer

Mr. Rajeev Nannapaneni, Vice Chairman & Chief Executive Officer is associated with the Company for the past 15 years and he is taking care of 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. He was first appointed on the Board on 30/11/2005.

The Remuneration Committee recommended to the Board for reappointment of Sri Rajeev Nannapaneni as Vice Chairman and Chief Executive Officer with such remuneration as stipulated in the Resolution.

Sri Rajeev Nannapaneni (born on 22/06/1977) holds 1.08 % of shares of the Company. Apart from Natco he holds Directorships in Natco Aqua Limited and NATSOFT Information Systems Pvt. Ltd. During the year he attended 4 Board Meetings.

Except Sri Rajeev Nannapaneni & Sri V.C.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. 6 of the Notice for approval of the members.

Item No. 7

Increase of Remuneration To Dr. A.K.S.Bhujanga Rao, President (R & D and Technical)

Dr. A.K.S. Bhujanga Rao, President (R&D and Technical) (born on 12/07/1952) is associated with the Company for almost 15 years. He takes care of all the R & D and technical areas. He also looks after the Patent related issues of the company. He holds 0.02% of shares of the Company. He was first appointed on the Board on 30/07/2009. During the year he attended 4 Board Meetings.

In view of the highly competitive employee market, inflationary trends, and taking into consideration industry standards and other relevant factors the Remuneration Committee at its meeting held on 12th August, 2015 recommended to the Board for increasing the remuneration from Rs. 1,00,00,000 (Rupees One Crore only) to Rs. 1,10,00,000 (Rupees one crore and ten lakh only) which is just and reasonable to Dr. A.K.S. Bhujanga Rao subject to the approval of members as contained in the resolution.

Except Dr. AKS Bhujanga Rao, 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.7 of the Notice for approval of the members.

Item No. 8

Appointment of Sri P.S.R.K Prasad

Sri P.S.R.K Prasad was appointed as an Additional Director of the Company in the meeting of the Board of Directors held on 12th November, 2014.

In accordance with the provisions of Section 161 of the Companies Act, 2013 ('Act') he holds office up to the date of this Annual General Meeting. In this regard the Company has received request in writing from a member of the company proposing his candidature for appointment as Director of the Company in accordance with the provisions of Section 160 of the Act. The Company has received a declaration from him to the effect that he is not disqualified to become a Director under the Act. He holds 0.02% of shares of the Company.

Sri P.S.R.K.Prasad (born on 15th January 1958) is working as Executive Vice President–Corporate Engineering Services and looking after the general administration, engineering, regulatory, training, environmental matters, safety, health, production and maintenance activities of the Company. He attended (2) Board Meetings which were held during his tenure as a Director.

Sri P.S.R.K.Prasad did his B.E. Mechanical Engineering from Andhra University, Visakhapatnam in 1981. He worked with Ahmedabad Textile Industries Research Association, Ahmedabad, Coromandel Fertilizers Ltd. Stiles India Ltd., Tirupati, Saudi Ceramic Co., Riyadh, K.S.A. before joining our Company. 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. Apart from our Company, he holds Directorship in NATCO Organics Limited.

In view of the job responsibilities taking into consideration the industry standards and other relevant factors the Remuneration Committee at its meeting held on 12th August, 2015 recommended the Board of Directors of the Company to pay the remuneration as contained in the resolution which is just and reasonable to Sri P.S.R.K. Prasad subject to the approval of members.

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 resolution as set out in Item No. 8 of the Notice for approval of the members.

Item No. 9

Appointment of Dr. D. Linga Rao

Dr. D Linga Rao was appointed as an Additional Director of the Company in the meeting of the Board of Directors held on 11th February, 2015.

In accordance with the provisions of Section 161 of the Companies Act, 2013 ('Act'), he holds office up to the date of this Annual General Meeting. In this regard the Company has received request in writing from a member of the company proposing his candidature for appointment as Director of the Company in accordance with the provisions of Section 160 of the Act. The Company has received a declaration from him to the effect that he is not disqualified to become a Director under the Act. He holds 0.03% of shares of the Company.

Mr. D. Linga Rao (born on 29th October 1952) is working as President–Technical Affairs of the Company. He has over 39 years of experience in the pharmaceutical industry and has been working with our Company for over 21 years. He has vast experience in various departments like R & D, Quality Control, Quality Assurance and Regulatory affairs. He has previously worked with M/s.Indian Drug & Pharmaceuticals Limited (IDPL) & M/s.Novochem Laboratories. He attended one (1) Board Meeting which were held during his tenure as a Director. He doesn't hold Directorship in any other Company.

His education background includes M.Sc. Applied Chemistry (Organic Chemistry) & Ph.D. in Chemistry from JNTU, Hyderabad. In addition he had undergone training on Applications of High Performance Liquid Chromatography at Singapore.

In view of the job responsibilities taking into consideration the industry standards and other relevant factors the Remuneration Committee at its meeting held on 12th August, 2015 recommended the Board of Directors of the Company to pay the remuneration as contained in the resolution which is just and reasonable to Dr. D. Linga Rao subject to the approval of members.

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 resolution as set out in Item No. 9 of the Notice for approval of the members.

Item No. 10

Appointment Of Dr.M.U.R.Naidu As An Independent Director

Dr.M.U.R.Naidu was appointed as an Additional Director of the Company in the meeting of the Board of Directors held on 11th February, 2015.

In accordance with the provisions of Section 161 of the Companies Act, 2013 ('Act'), he holds office up to the date of this Annual General Meeting. In this regard the Company has received request in writing from a member of the company proposing his candidature for appointment as Director of the Company in accordance with the provisions of Section 160 of the Companies Act, 2013. He holds 0.02% of the shares of the Company. The Company has received a declaration from him that he meets the criteria of independence as provided in Section 149(6) of the Act.

Dr. M.U.R.Naidu (born on 16th October, 1949) who worked with Nizam's Institute of Medical Sciences and retired as Dean, Faculty of Medicine and Head of Dept. of Clinical Pharmacology and Therapeutic. He completed his Medical post-graduation MD from Jabalpur Medical College in the year 1977. He received advanced professional training in clinical pharmacology in UK, Germany and USA. Dr. Naidu had received WHO Fellowship for advanced training on ADR Monitoring in Sweden. He is well known clinical pharmacologist with more than 40 years of teaching and research experience particularly in clinical research specially cardiovascular system and phase I clinical trials and instrumental in developing noninvasive methods in clinical pharmacology. He traveled extensively to many countries and was invited as guest speaker in many international conferences. He is guide for DM and Ph. D courses and is a member of many task force committees of Govt. of India. Like ICMR, AYUSH, DBT etc. He attended one (1) Board Meeting which were held during his tenure as a Director. He doesn't hold Directorship in any other Company.

He is a member of many national & international scientific bodies. He has received many prestigious awards, wrote a

book and published research papers in international and national journals.

In the opinion of the Board, Dr. M.U.R Naidu fulfills the conditions specified in the Act and the Rules made thereunder and under Clause 49 of the Listing Agreement for appointment as an Independent Director.

He shall receive remuneration by way of fees for attending meetings of the Board or Committee thereof, reimbursement of expenses for participation in the Board and other meetings and shall not be entitled to any stock option.

Except Dr. M.U.R Naidu, 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 resolution as set out in Item No. 10 of the Notice for approval of the members.

Item No. 11

Ratification of Remuneration of Cost Auditors

The Board, on the recommendation of the Audit Committee, has approved the appointment and remuneration of M/s S.S. Zanwar & Associates, Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending March 31, 2016.

In accordance with the provision of Section 148 of the Act 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 March 31, 2016.

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. 11 of the Notice for approval of the members.

Item No. 12 & 13

Sub-division of 1 (one) equity share of face value of rs.10/- each into 5 (five) equity shares of rs. 2/- each and consequentially to amend the capital clause of memorandum of association of the Company (MOA)

The Equity Shares of your Company are listed and actively traded on the National Stock Exchange of India Limited and the Bombay Stock Exchange. The share price has seen a 52 week high of Rs.2,700/- and a low of Rs.1,000/-. With a view to have much participation by the investors in the scrip of the Company, the Board of Directors at its Meeting held on 12/08/2015 considered and approved the sub-division of one Equity Share of the Company having a face value of Rs.10/- each into 5 Equity Shares of face value of Rs. 2/- each subject to approval of the Shareholders and any other statutory and regulatory approvals, as applicable.

The Record Date for the aforesaid sub-division of the Equity Shares will be fixed after approval of the Members is obtained.

Presently, the Authorised Share Capital of your Company is Rs.40 Crores (Rupees forty crores) divided into 4 Crore (four crore) equity Shares of Rs.10/- each. After sub division the Authorised Share Capital of your Company will be Rs.40 Crores (Rupees Forty crores) divided into 20 Crores (twenty crores) equity shares of Rs.2/- (two) each.

The sub-division as aforesaid would require consequential amendments to the existing Clause V of the Memorandum of Association of the Company as set out in Item No. 13 of the Notice to reflect the change in face value of each Equity Share from Rs.10/- each to Rs.2/- each.

The Directors recommend passing of the Resolutions set out at Item Nos. 12 and 13 of the Notice.

None of the Directors, Key Managerial Personnel and their relatives are in any way concerned or interested in the Resolution at Item Nos. 12 and 13 of the Notice except to the extent of their shareholding.

Item No. 14

Enhancement of Borrowing Powers

Under the provisions of Section 180(1) (c) of the Companies Act, 2013, the Board of Directors of a Company could, with the consent of the shareholders obtained by a Special Resolution borrow moneys, apart from temporary loans obtained from the Company's Bankers in the ordinary course of business, in

excess of the aggregate of paid-up capital and free reserves of the Company, that is to say, reserves not set apart for any specific purpose.

The Board is proposing enhancement of borrowing limits up to Rs. 1,000 Crores from the previous limit of Rs. 600 Crores keeping in view the present capital expenditure outflows, ongoing expansion plans, and modernization of its plant facilities to tap the emerging business opportunities.

None of the Directors and key managerial personnel of the Company or their respective relatives are 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.

Item No. 15

Creation of charge on the assets of the Company

Under the provisions of Section 180(1)(a) of the Companies Act, 2013, the Board of Directors of a Company could, with the consent of the shareholders obtained by a special resolution, create charge/ mortgage/ hypothecation on the Company's assets, both present and future, in favour of the lenders/ trustees for the holders of debentures/bonds, to secure the repayment of moneys borrowed by the Company (including temporary loans obtained from the Company's Bankers in the ordinary course of business).

As the documents to be executed between the Company and the lenders/ trustees for the holders of debentures/ bonds may contain the power to take over the management of the Company in certain events, it is necessary to obtain Members' approval under Section 180 (1) (a) of the Companies Act, 2013, by way of a Special Resolution.

None of the Directors and key managerial personnel of the Company or their respective relatives are concerned or interested in the said item of business.

The Board accordingly recommends the resolution as set out in Item No. 15 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)

Place: Hyderabad
Date: 12/08/2015



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

ATTENDANCE SLIP

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

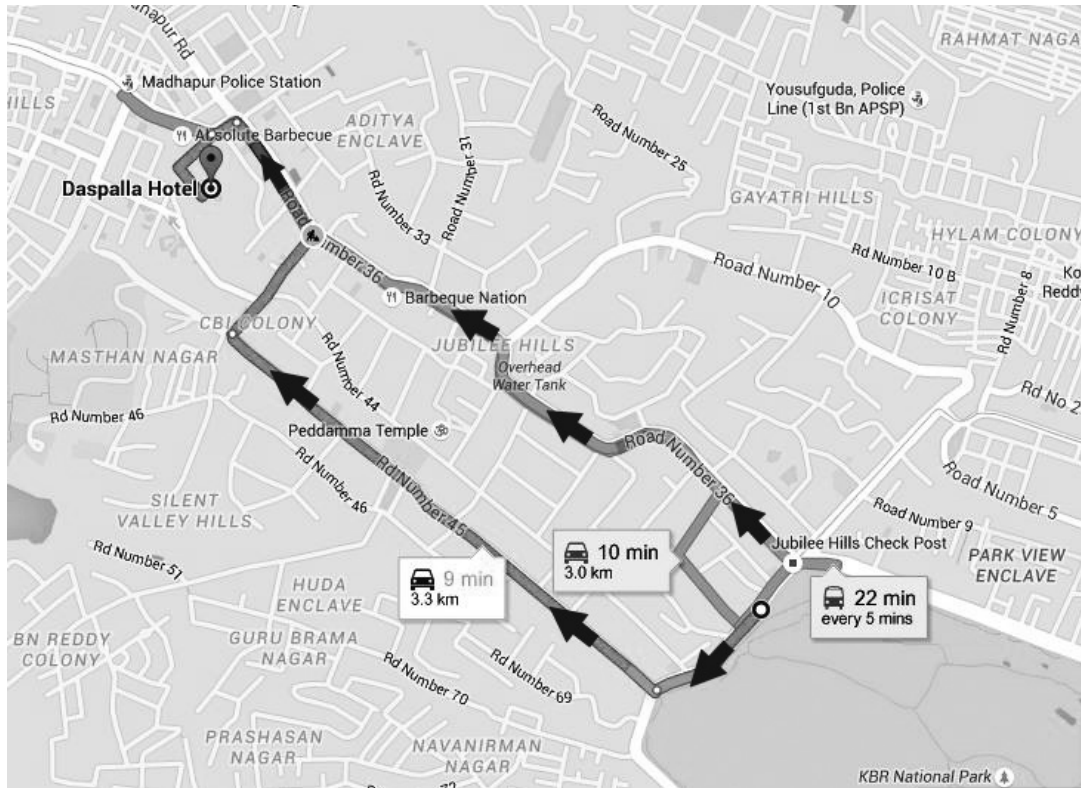
DP ID		Reg. Folio No.	
Client ID		No. of Shares	

NAME AND ADDRESS OF THE REGISTERED SHAREHOLDER

I/We hereby record my/our presence at the **32nd Annual General Meeting of the members of the Company will be held on Saturday, the 26th day of September, 2015 at Daspalla Hotel, Road No. 37, Jubilee Hills, Hyderabad 500 033, Telangana**

Signature of Shareholder/Proxy

ROUTE MAP TO THE VENUE



Venue

Daspalla Hotel, Road No. 37, Jubilee Hills, Hyderabad 500 033, Telangana

Prominent Land Mark

Near 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

PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

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 **32nd Annual General Meeting of the members of the Company will be held on Saturday, the 26th day of September, 2015 at Daspalla Hotel, Road No. 37, Jubilee Hills, Hyderabad 500 033, Telangana**, 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)
1	Consider and adopt the Standalone and Consolidated Balance Sheet as at 31 st March, 2015, Statement of Profit & Loss for the year ended 31 st March, 2015.		
2	Confirm the already paid interim Dividend on equity shares for the year 2014-2015 as final dividend		
3	Re-appointment of Sri Vivek Chhachhi (Din No. 00496620) as a Director liable to retire by rotation		
4	Appointment of Auditors for the Financial Year 2015-16.		
5	Reappointment of Sri V. C. Nannapaneni as Chairman and Managing Director of the Company		
6	Reappointment of Sri Rajeev Nannapaneni as Vice Chairman and Chief Executive Officer of the Company		
7	Increase of Remuneration to Dr. A. K. S. Bhujanga Rao, President (R&D and Tech.)		
8	Appointment of Sri P.S.R.K Prasad as a Director and designating him as Director and Executive Vice President (Corporate Engineering Services)		
9	Appointment of Dr. D. Linga Rao as a Director and designating him as President (Technical Affairs)		
10	Appointment of Dr. M.U.R.Naidu as Independent Director		
11	Ratification of Remuneration of Cost Auditors		
12	Sub-Division of 1 (One) Equity Share of face value of Rs.10/- each into 5 (Five) Equity Shares of Rs. 2/- Each.		
13	Alteration of Capital Clause of Memorandum of Association		
14	Enhancement of Borrowing Powers		
15	Creation of Security/ Charge on the Properties / Assets of the Company in favour of the lenders		

Signed this _____ day of _____ 2015.

Signature of shareholder: _____

Signature of Proxy holder(s): _____

Affix a
1 Rupee
Revenue
Stamp

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.