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

September 18, 2018

Corporate Relationship Department
M/s.BSE Limited
Dalal Street, Fort
Mumbai 400 001

Scrip Code: 524816

Dear Sir

Sub:- Annual Report for the year 2017-2018

Please find enclosing herewith 35th Annual Report for the financial year ended 31st March, 2018.

Thanking you,

Yours faithfully,
For NATCO Pharma Limited

MAnarayana

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

NATCO

SCIENCE.
SUCCESS.
STABILITY.

35th ANNUAL REPORT 2017-18

COMPLEX PRODUCTS. SIMPLE STRATEGY.

Index

Key highlights of FY 2017-18

Total revenue

₹22,424 million

7.9% growth

EBITDA

₹9,688 million

38.9% growth

PAT

₹6,962 million

43.2% growth

Basic EPS

₹39.26

Note: Growth figures on a year-on-year basis

Disclaimer

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

SCIENCE. SUCCESS. STABILITY.

Complex products. Simple strategy.

With evolving medical threats and increasing healthcare costs clouding the pharmaceutical sector, the lifesciences landscape is witnessing a significant transformation. For every new disease, however, awaits a solution at the horizon. One that can transform patients' lives. Moreover, for every high-cost medicine, there is an attempt to provide an affordable generic option.

NATCO Pharma (NATCO), an innovation-led generic pharma company with niche products that cater to specialty therapeutic segments, is a key contributor to the affordability aspect of this change. Over the years, we have leveraged our technological proficiency and in the process enhanced our manufacturing capabilities and profitability.

We have constantly evaluated opportunities across geographies to deliver unmet medical needs with affordable medicines.

Science is in the DNA of our organisation, fortifying our team's resolve to develop generic versions of high barrier-to-entry products. Our products have created sustained value for our stakeholders, and addressed affordability concerns of many.

This focus on complex products aided business growth in the year despite the global pharma industry witnessing pricing pressures and uncertainties. With the long-awaited blockbuster launch of the generic Glatiramer Acetate injection and the generic Liposomal Doxorubicin in the US, in addition to other niche and several first-to-launch products in India, **we have achieved our financial targets.** The wins of the fiscal have also made us confident to pursue more complex products with minimal competition.

With **its long-term business stability** and a differentiated and affordable product basket, NATCO remains optimistic about its progress in the future.

We are building capabilities and expertise to create solutions that enrich patients' lives. Through this course, we remain committed to our strategy. We will continue to invest in high value-added R&D programmes that will help build a niche pipeline and ensure long-term growth and stability.

About NATCO Pharma

Driven by science

NATCO Pharma Limited (NATCO) is an India-based, R&D focused, vertically integrated pharmaceutical company engaged in the development, manufacturing and marketing of Finished Dosage Formulations and Active Pharmaceutical Ingredients (APIs), including niche and technically complex molecules.

With an experienced management team, strong R&D force and products in multiple specialty therapeutic segments, our business operations are spread across the globe.

In FY 2017-18, our domestic (India) and export international formulations business accounted for 32% and 47% of revenue, respectively. We have a well-established presence in the domestic formulations market, particularly in the gastro hepatology and oncology therapeutic areas. In gastro hepatology, we have the leading market share in Hepatitis C drugs in India. We are also one of the leading pharmaceutical companies in oncology in the country. Further, we have diversified our product portfolio by launching products in cardiology and diabetology (CnD) therapeutic areas in 2017.

In the US, we are focused on complex generics and our high-barrier-to-entry products have helped us achieve notable presence in the market. We continue our expansion in this market through a longstanding track record of development, manufacturing and marketing alliances.

Our formulations business is spread across North America, select markets in Europe, Latin America and the Asia-Pacific region.

We manufacture APIs for captive consumption as well as sell them to customers in the domestic and various international markets such as Europe, Asia and South America. Our R&D efforts are focused across the value chain of generics API development and for simple as well as differentiated dosage forms such as modified release oral solids.

We have seven manufacturing facilities for formulations and APIs. Our business is supported by an employee strength of 4,831. Operating in an evolving industry, we are strategically repositioning ourselves to explore many opportunities of organic growth and simultaneously fortifying our manufacturing capabilities to reinforce our impact. At NATCO, we are constantly driven by our mission to 'make specialty medicines accessible to all'.

Business highlights*

Indian patents

200 Filed

86 Granted

International patents

199 Filed

142 Granted

42 USDMFs filed

46 ANDAs filed

7 Approved manufacturing facilities

2 Well-equipped research centres

*All figures are as of 31 March, 2018

Business overview

Our diverse portfolio

API

- 42 DMFs filed in the US
- Vertically integrated for most Finished Dosage Form (FDF) products
- Exports focused on Europe, Asia and South America
- Total revenue: ₹2,854 million

Manufacturing units

- Mekaguda facility, Telangana
- Chennai facility, Tamil Nadu

Domestic formulations

- Leading player in generic oncology
- Winning oncology brands: Geftinat, Erlonat, Veenat, Sorafenat and Bortenat
- Leading Hepatitis C portfolio of medicines with Hepcinat, Hepcinat LP, Natdac and Velpanat
- 350+ specialist sales force
- 400+ distributors
- Total revenue: ₹7,202 million

Manufacturing units

- Nagarjuna Sagar facility: Oncology, Antibiotics and Antiviral
- Dehradun Unit 6 facility: Oncology and Antiviral
- Dehradun Unit 7 facility: Oncology
- Guwahati facility: Gastroenterology

International formulations

- Significant major launches of gCopaxone and gLipoDox
- 46 niche ANDA filings in the US
- 29 approved ANDAs
- Emerging presence in Canada, Brazil and Asia
- Total revenue for export formulations: ₹10,418 million

Manufacturing units

- Kothur facility: Oncology, Gastroenterology, Central Nervous System (CNS) and Cardiology
- Visakhapatnam facility located in a Special Economic Zone (SEZ), to be commissioned shortly

All data as of 31 March, 2018

Our strengths

Vertical integration and strategic alliances for key formulation products

- ~60% ANDAs for the US backward integrated with our own API
- 10+ strategic partners for international marketing

Strong R&D capabilities with niche focus

- 271 scientists

Commitment to manufacturing excellence with a culture of quality and compliance

- 3 USFDA approved facilities: Kothur (formulations), Mekaguda and Chennai (APIs)

Expert management team with depth of experience

Strong balance sheet with low debt and balanced capital structure

- Deposits with banks and financial institutions - ₹7,941.9 million
- No term loans

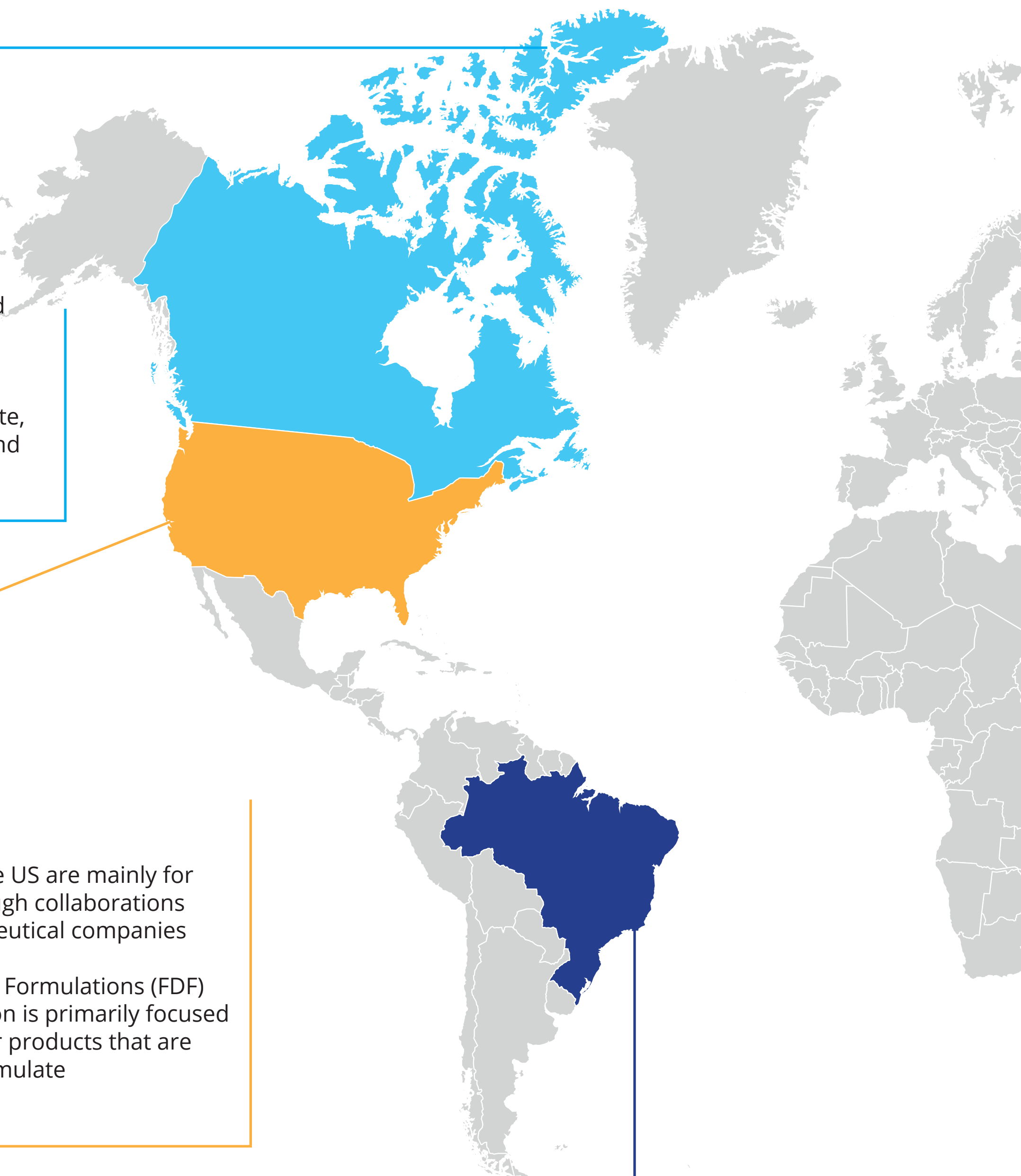
All data as of 31 March, 2018

Geographical reach

Our global footprint

NATCO Global

Apart from a strong foundational business in India, NATCO's global presence is led through well-known front-end partners in the USA and our own front-end in subsidiaries. We have well-staffed operations in Canada and Brazil, while we continue to strengthen our operations in other subsidiaries.



NATCO Pharma (Canada)

- 15 product approvals with a mix of in-house and a few in-licensed products
- Active products include generic versions of Oseltamivir Phosphate, Imatinib Mesylate, Citalopram and Ondansetron

USA

- NATCO's filings in the US are mainly for niche products through collaborations with global pharmaceutical companies
- The Finished Dosage Formulations (FDF) business in this region is primarily focused on high-entry-barrier products that are either difficult to formulate and/or manufacture

Note: Map not to scale

NATCO Pharma (Asia)

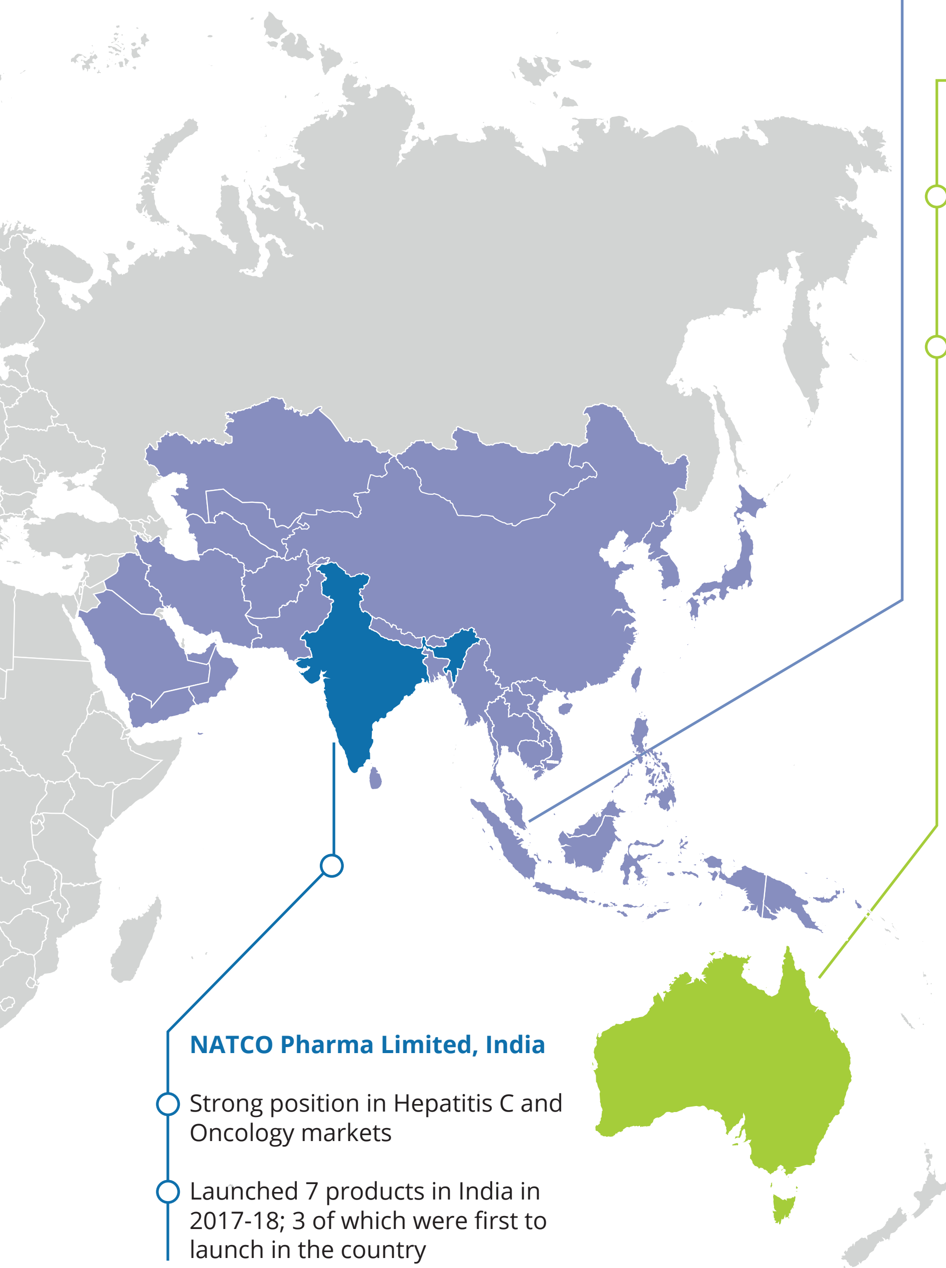
- Headquartered in Singapore, the subsidiary is involved in the registration and direct sales of NATCO's products in the Asian market
- Received approvals from Health Sciences Authority (HSA) for eight niche products

NATCO Pharma (Australia)

- This subsidiary is involved in the registration and out-licensing of NATCO's products in the markets of Australia and New Zealand
- Two of our key oncology products are under review by the Therapeutic Goods Administration (TGA)

Natcofarma do Brasil

- Backed by a strong portfolio of oncology products, we expect to file several products in the coming years, along with a value-driven specialty product pipeline for strong non-retail participation in local and major tenders
- Recently received first product approval for Letrozole

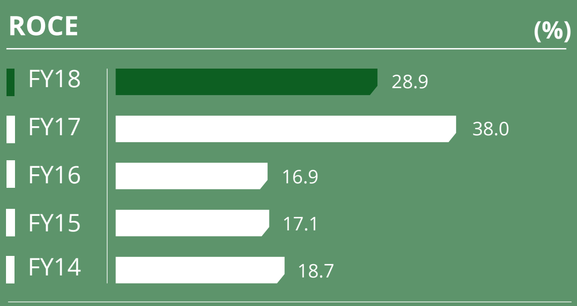


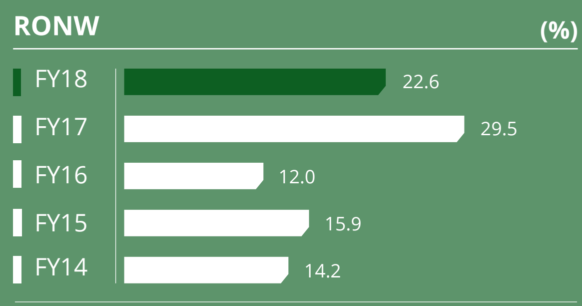
NATCO Pharma Limited, India

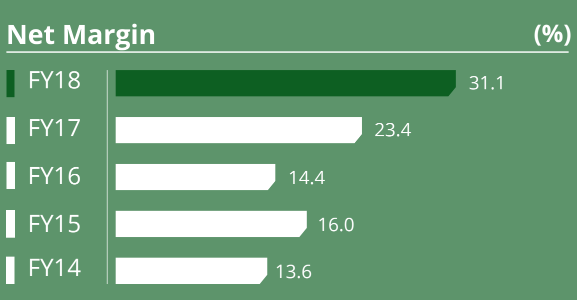
- Strong position in Hepatitis C and Oncology markets
- Launched 7 products in India in 2017-18; 3 of which were first to launch in the country

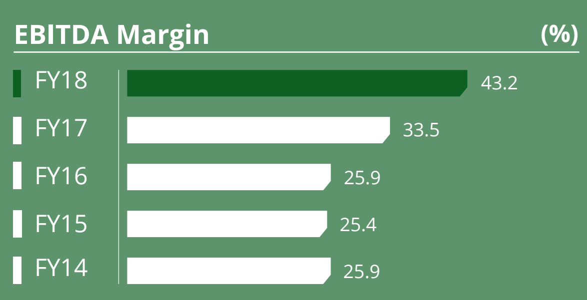
FY 2017-18 financial highlights

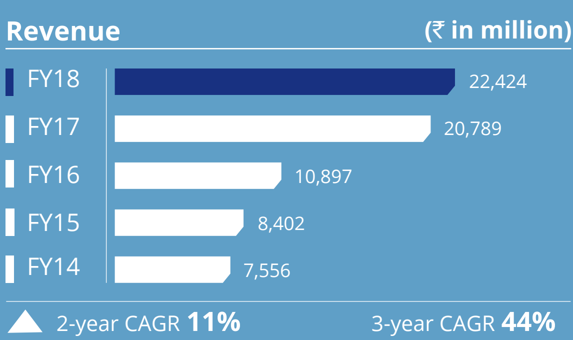
Our performance highlights

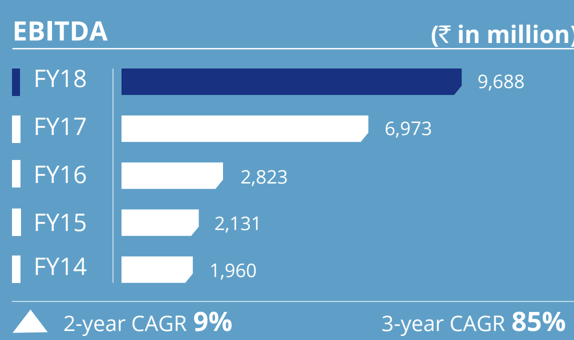


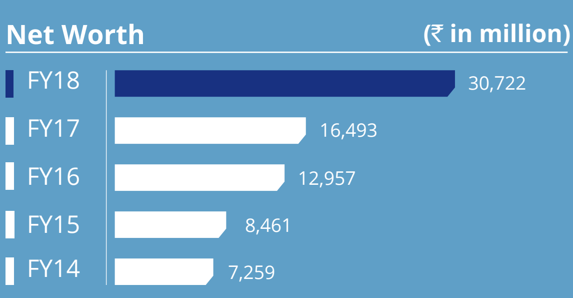


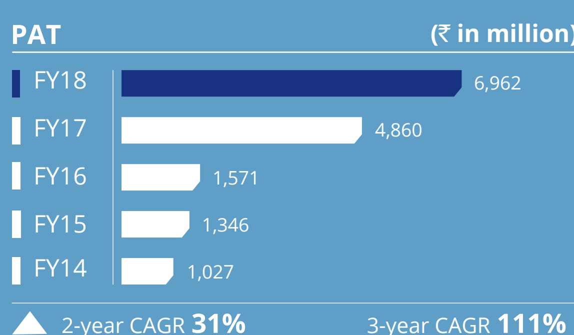





Revenue
(₹ in million)
FY18 22,424
FY17 20,789
FY16 10,897
FY15 8,402
FY14 7,556
2-year CAGR 11%
3-year CAGR 44%


EBITDA
(₹ in million)
FY18 9,688
FY17 6,973
FY16 2,823
FY15 2,131
FY14 1,960
2-year CAGR 9%
3-year CAGR 85%


Net Worth
(₹ in million)
FY18 30,722
FY17 16,493
FY16 12,957
FY15 8,461
FY14 7,259


PAT
(₹ in million)
FY18 6,962
FY17 4,860
FY16 1,571
FY15 1,346
FY14 1,027
2-year CAGR 31%
3-year CAGR 111%

Joint message from management

We are confident of the course we are defining for ourselves

It gives us immense pleasure to report another year of continued positive performance for NATCO, against a backdrop of wider industry slowdown. It has been a busy fiscal for the Company with industry-leading launches across all our key growth markets and a successful round of fundraising through our Qualified Institutional Placement (QIP) positioning us strongly for prudent capital allocation and sustained growth in future.

NATCO has been able to stay resilient through this course owing to its long-term strategy to focus on high-value niche products.

V. C. Nannapaneni
Chairman and Managing Director

Industry volatility

In 2017, the global economy witnessed signs of recovery which was reflected in the growth across major markets. The Indian economy continued its growth momentum, with the GDP expanding to 6.7% in FY 2017-18. The continued progress on economic and institutional reforms has been a guiding force in enhancing the economy's high growth potential.

However, the global pharma industry experienced some impediments owing to customer consolidation in the US, rising pricing pressures and increasing competition. Similarly, domestic companies have registered significantly lower growth over the past few years. These are signs of an industry facing headwinds owing to several macroeconomic factors. This to a large extent has posed a hindrance to the industry's capacity expansion and R&D plans.

Nevertheless, NATCO has been able to stay resilient through this course owing to its long-term strategy to

The fiscal was marked by launches in the US that validated our efforts to focus on complex products.

focus on high-value niche products. With key launches in the US and Indian markets, we continued to make progress and deliver strong results in the year under review.

Complex products, simple strategy

Since inception, we have tried to make our products accessible and affordable. In the last fiscal, we strengthened our R&D pipeline to develop generic drugs that meet the evolving medical threats affecting patients across the globe.

It was certainly a successful year in terms of financial results, and in laying the groundwork for our future pipeline. The year reinforced our vision to look for complex products that may involve long gestation periods but drive long-term growth. We are confident of the course we are defining for ourselves.

A year of many wins

NATCO made considerable progress during the year and registered a PAT of ₹6,962 million, an increase of 43.2% compared to the previous financial year. Most importantly, our total revenue exceeded our targets and came in at ₹22,424 million, posting a growth of 7.9% over FY 2016-17.

In formulations, overall revenue has improved from the prior year. This is notable given the pricing pressure and a volatile geo-political environment faced by pharmaceutical companies in the US during the year.

The fiscal was marked by launches in the US that validated our efforts to focus on complex products. After a decade of labour led by our robust R&D strengths and resourceful collaboration with our marketing partner, in FY 2017-18, we launched our first Glatiramer Acetate injection of 40 mg/mL and 20 mg/mL in the US. With this launch, we have been able to penetrate into the US market with more affordable pricing of this drug to the patient base suffering from a chronic inflammatory

Rajeev Nannapaneni
Vice Chairman and CEO

Our aim remains to stay sufficiently cash-rich to move forward with high-risk R&D.

disease of the central nervous system. We also received approval for another complex product, the anti-cancer drug Doxorubicin Hydrochloride Liposome injection. This approval is an extension of our commitment to bring generic versions of complex products to patients at large.

The RoW markets also supported our growth in the last fiscal. The subsidiaries generated a total revenue of ₹945.5 million (net). Amongst these, Canada was profitable with about ₹737 million in revenue, while our arm in Singapore had a fruitful year with eight product approvals.

Our domestic formulations business accounted for 32% of our revenue from operations for FY 2017-18. As one of the major pharmaceutical companies in oncology in India, we have strengthened our presence in the domestic market. The domestic oncology formulations business continued to be strong during the year in spite of temporary headwinds driven by policy reforms such as the Goods and Services Tax (GST). This was possible due to some first-to-launch generic domestic oncology products and the continued growth of our existing products.

Our specialty pharma segment witnessed some corrections owing to price erosion and thereby reduction in market size of our Hepatitis C product basket. However, as Hepatitis C cases are on the decline, we continue on our business goal to find cost-effective medicines for unmet patient needs.

Last year, we launched our new business vertical – Cardiology and Diabetology (CnD). In the year under review, we launched first-to-market niche products in this segment and we remain enthused about the growth opportunities the segment has to offer for specialised and niche molecules.

Following the well-defined path

We will continue to focus on high barrier-to-entry products as a core business strategy in order to create long-term growth opportunities. In FY 2017-18, we raised around ₹9,150 million via a Qualified Institutional Placement (QIP). This capital will be invested in organic growth and potential niche inorganic opportunities. Our aim remains to stay sufficiently cash-rich to move forward with high-risk R&D and build long-term business prospects.

At NATCO, we have relied on our robust R&D, manufacturing capabilities and strategic partners to drive growth through focus on exclusivity-driven, niche products, no matter how long the development period. We have carefully chosen to balance a long-gestation approach for the US market, with shorter gestation and high-growth opportunities in the Indian market. We remain focused on creating solutions designed to address the challenges of today and anticipate the needs of tomorrow.

Globally, we intend to focus on sales growth in existing geographies in Europe, Canada and Brazil and grow our market share in newer markets such as Australia and Philippines by increasing our product portfolio. We will continue to carefully select products of value for launch in Europe. We are in the process of marketing and distributing our products in South East Asia through our subsidiary in Singapore and other third-party distributors, with a similar strategy in Australia. In the future, we may either engage with companies with strong local presence or appoint local distributors through whom we can undertake our own sales and marketing, in Europe and the RoW.

Our strategy in the emerging markets will be to create strong local presence and expertise with required infrastructure and develop capabilities to exploit the growth potential offered by these markets. Further, it remains one of our core focus areas to improve the reach of the Hepatitis C generic in these markets.

Science. Success. Stability

One of our business strengths remains our knowledgeable R&D team and product development capabilities. We continue to sharpen our focus and drive efforts that involve identifying risks at the R&D stage to enable better and quicker decisions, and thereafter accelerate the pace at which we receive product approvals. We received six ANDA approvals from the USFDA in FY 2017-18. Our R&D spends for the fiscal stood at ₹1,665 million, 7.8% of the standalone revenue. We persist on driving our R&D team to identify unique pharmaceutical solutions that may have a life-changing impact on patients while creating enhanced value for our stakeholders.

Our R&D spends for the fiscal stood at ₹1,665 million, 7.8% of the standalone revenue.

Enabling inclusive growth

At NATCO, Corporate Social Responsibility (CSR) has been an integral part of the way we have been doing our business since inception. The Company's CSR initiatives provide vital support in the fields of healthcare, education and also provide livelihoods to the communities we serve and the society at large. We have also made steady progress towards reducing our environmental impact by enhancing the utilisation of renewable energy across our units and having a well-defined Environment, Health and Safety (EHS) policy in place. We endeavour to build a more sustainable future and accordingly enhance our business from financial, environmental and social perspectives.

Our skilled team

At NATCO, our team consistently strives to drive business potential and contribute to the global pharma landscape more impactfully. We continue to deep-dive into intellectual property aspects while developing technologies. We are thankful for the passion with which our teams collaborate and create limitless possibilities. This is driven by a goal to create solutions that help patients live longer and healthier lives.

We would like to applaud the commitment and determination of our employees and the esteemed Board. Their perseverance and trust has enabled our progress over the years. With an increased focus on strategy, execution and talent development, we are better organised to serve healthcare needs and enhance shareholder value.

V. C. Nannapaneni
Chairman and Managing Director

Rajeev Nannapaneni
Vice Chairman and CEO

Strategic review

Our priorities

Strategic Goals	Our Objectives
Grow domestic formulations business	• Consolidate our position in current therapeutic areas • Strengthen our leadership position in domestic segment • Create awareness of our products through our expert salesforce • Diversify our product basket
Expand product portfolio in the US	• Focus on complex and niche products • Fortify strategic alliances and continue with a de-risked approach
Strengthen presence in the RoW markets	• Increase the reach of our Hepatitis C generic in the emerging markets • Expand into the oncology and cardiology segments • Build strategic relations with local players
Expand our manufacturing and R&D capabilities	• Increase formulation manufacturing capacities • Improve production capability • Increase R&D expertise in niche products

Business Snapshot

During FY 2017-18

Domestic business accounted for **32%** of the overall revenue

Seven domestic launches

Oncology

Carfilnat (Carfilzomib)
Pomalid (Pomalidomide)
Alphalan (Melphalan injection)
(Note: All were first-to-market in India)

CnD

Arganat (Argatroban)
Dabigat (Dabigtran Etexilate)

Pharma Specialty

Velpanat (Sofosbuvir + Velpatasvir)
Tafnat (Tenofovir)

350+
Expert marketing professionals

400+
Distributors

Till date:

Para IV filings: **23**
ANDAs approved: **29**
Product pipeline: **16** Para IVs yet to be launched

10+ front-end marketing partners for the US market

During FY 2017-18

₹300.8 million revenue from RoW

Strong product pipeline across geographies

Facility in Visakhapatnam to commence operations shortly

Invest in optimising production at Kothur, Mekaguda and Manali facilities

R&D expenses at **7.8%** of standalone revenue, during FY 2017-18 vs **6%** in the previous fiscal

Business model

Our value creation model

OUR RESOURCES

- Capital from retained earnings and investors
- Insight and expertise about the business
- Financial resources to invest in R&D, production capacity and customer outreach
- Skilled and diverse workforce
- Expert research team and robust manufacturing facilities

OUR STRENGTHS

Robust balance sheet
Gearing ratio reduced from 0.64 in FY 2014-15 to 0.21 in FY 2017-18*

R&D enhancement
Total R&D investments made in FY 2017-18 was 7.8% of standalone revenues

Continued and focused investments in development of complex and differentiated products along with regular portfolio

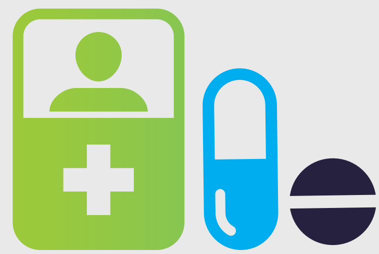
Approval Trajectory
(Formulations only)
In FY 2017-18, we received 21 product approvals across geographies

Focus on quality
Increased automation to further strengthen quality and efficiency and improve processes with skill training at all manufacturing locations

*The fiscal has zero term loans

CORE FOCUS

Making specialty medicines accessible to all



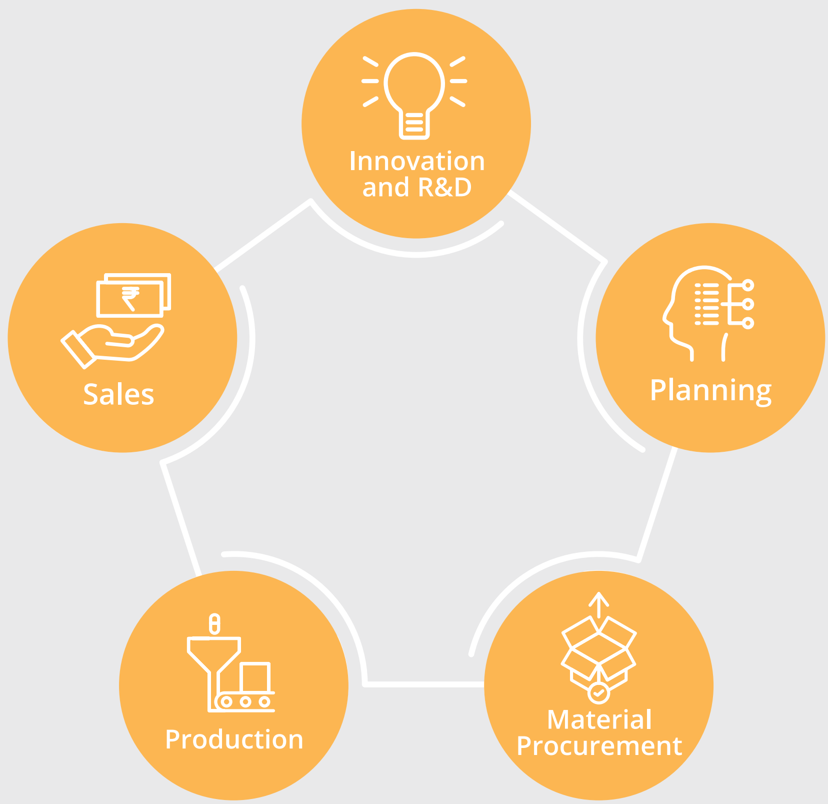
Our impact areas

- Gastro hepatology
- Cardiology & Diabetology
- Oncology
- Other therapeutic areas like multiple sclerosis involving complex generics

Our markets

- India
- USA
- Canada
- Brazil
- Europe
- Singapore
- Australia

HOW WE CREATE VALUE



VALUE GENERATED DURING FY 2017-18

People

400+

Jobs created in India

Government

₹2,202 Mn

Direct tax including dividend distribution tax

Shareholders

₹1,509 Mn

Dividend paid excluding dividend distribution tax

Social contribution

₹168 Mn

Includes CSR

Science that delivers results

NATCO has focused on complex and niche products that have helped us create sustained value over the long-term. In the last fiscal, our key launches in the US were a validation of this strategy. The launches and approvals we received are a testament to the scientific expertise of our R&D team, which has helped us build products with multiple technology barriers.

1st

Generic launch of 40 mg/mL Glatiramer Acetate in the US

A much-awaited launch

A resourceful collaboration with a partner resulted in USFDA approval for the generic version of the top-selling multiple sclerosis (MS) drug in 20 mg/mL and 40 mg/mL dosages. In the same month, through our marketing partner, we launched Glatiramer Acetate injection of 40 mg/mL (a 3-times-a-week injection) and 20 mg/mL (once-daily injection) in the US. The Glatiramer Acetate injection is a key launch for us as we have invested over a decade in seeing it fructify.

Copaxone®, the brand launched by Teva, is the most prescribed treatment for relapsing forms of MS in the US. With this launch, we have been able to fortify our market share in the US and reach out to a large patient base suffering from a chronic inflammatory disease of the central nervous system.

The launch reinforces our strong product development capabilities, as Glatiramer Acetate is considered to be highly complex and more difficult to replicate than most traditional generic drugs.

Delivering on our promises

This year, we received approval for another complex product, the anti-cancer drug Liposomal Doxorubicin hydrochloride injection. It is one of the most complex drugs to manufacture. We accomplished the development of the product in-house with guidance from our co-development partner.

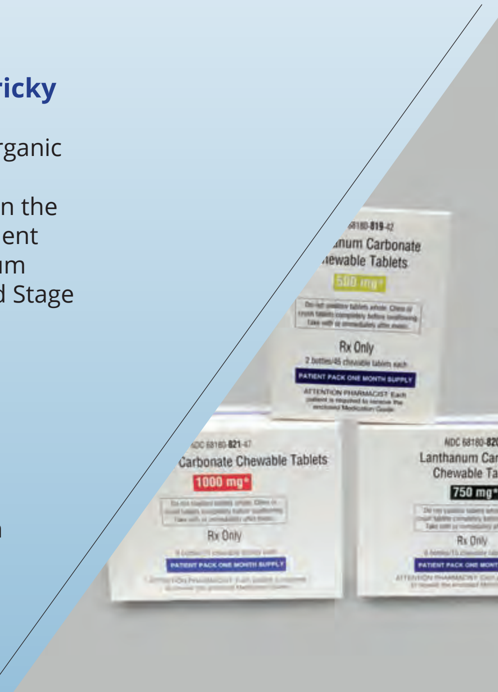
This approval is an extension of our commitment to launch affordable medicines for our patients. The approval validates our capabilities to develop difficult drug delivery systems.

Lanthanum Carbonate: Tricky inorganic compound

Lanthanum Carbonate, an inorganic compound with high quality standards, was also launched in the US market as a generic equivalent and is indicated to reduce serum phosphate in patients with End Stage Renal Disease (ESRD).

1st

Generic launch of Lanthanum Carbonate in the USA market



NATCO's

1st

Complex drug delivery system through launch of its generic Lipsomal Doxorubicin injection in US

Success that enables resilience

With deep experience in formulating innovative dosage forms, NATCO has consistently leveraged this expertise to global markets. In FY 2017-18, the international pharma industry witnessed headwinds due to customer consolidation in the US and uncertainties in the sector. However, our US revenues continued to grow with successful launches of first-time complex generics and the success of our blockbuster product, Oseltamivir Phosphate.

Key highlights

29
Approved ANDAs

16
Para IVs yet to be launched

US

Despite some challenges in the US pharma market, we had a productive fiscal on the back of our unique launches. Our US product portfolio is predominantly focused on high-barrier-to-entry products.

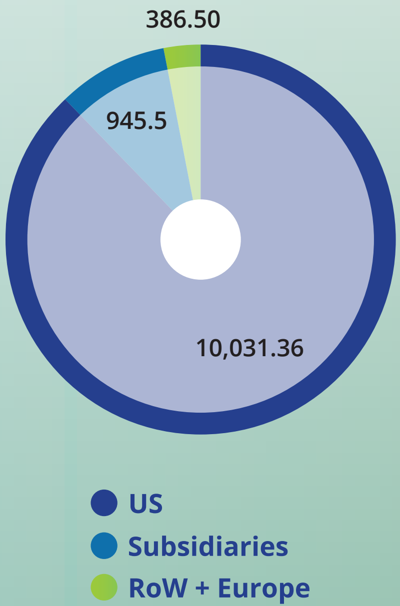
Our low-risk business model, built on partnerships with global pharmaceutical players, led to market-defining launches.

The growth in the US revenue was driven primarily by the formulations business that included niche generic product launches of Glatiramer Acetate, Liposomal Doxorubicin and Lanthanum Carbonate.

Additionally, the generic Oseltamivir sales in the US was a strong contributor for the Company for the second year in a row in spite of competition.

In FY 2017-18, the US exports formulation business grew to ₹10,031 million versus ₹7,697 million in FY 2016-17.

FY 2017-18 formulations exports (₹ in million)



Rest of the World (RoW)

Our presence in RoW markets was further strengthened in the last fiscal. With uncertain market dynamics plaguing the US, our subsidiaries in Canada, Brazil and Singapore supported international business growth.

In FY 2017-18, formulations exports to RoW markets, including Europe, contributed ₹386.50 million in revenue. The subsidiaries generated a total revenue of ₹945.5 million (net). Amongst our subsidiaries, Canada was profitable with almost ₹140 million, before tax. While our arm in Singapore has had a fruitful year with eight product approvals.

In Brazil, our subsidiary received one approval for Letrozole tablet and has a strong pipeline of filings. Our goal is to be the first generic in Brazil for certain items. We are ramping up our capabilities to achieve this. In Canada, we have our own front-end setup and are progressing towards steady growth.

As an important business strategy, we remain focused on consolidating our presence in RoW markets and potentially de-risk our global business from the unpredictability surrounding the US market.

Simple strategy for growth

- Focus on multiple geographies with equal emphasis on India and the US
- Increase the number of filings in India and RoW markets
- Increase focus on the value chain in terms of complex products

3

High-value product launches in the US

2nd

Year in a row for majority market share in Oseltamivir launch in the US

1st

Generic launch of Lanthanum Carbonate and 40 mg/mL Glatiramer Acetate in the US

Stability that fuels progress

Despite strong headwinds in the pharmaceutical sector during the past few years, NATCO has demonstrated stable growth in its business with market-leading brands in the domestic Oncology segment and niche launches in the US.

13

Formulation products in the Indian market have over ₹100 million sales

Leading brands in India and the long-term growth strategy

We have a well-established presence in the domestic formulations market, particularly in gastro hepatology and oncology therapeutic areas. Over the last fiscal, we launched seven products in the market. Our focus remains to be among the first companies to launch niche medicines in the domestic market at affordable prices and improve accessibility to them.

Oncology

As a major pharmaceutical company in the generic oncology space in India, we continue to strengthen our presence in the domestic market. Our six flagship brands — Geftinat, Erlonat, Veenat, Sorafenat, Lenalid and Bortenat — recorded annual sales of over ₹100 million each in FY 2017-18.

We periodically evaluate our product basket and focus on introducing new formulations in the oncology therapeutic area. As a result of our existing market position and unique product portfolio, we believe we are well-positioned to capitalise on the expected growth in oncology.

Pharma Specialties

Our pharma specialties division deals with products related to gastroenterology, orthopaedics and critical care. In gastroenterology, our generic Sofosbuvir and its combinations for the treatment of Hepatitis C in India under the brands Hepcinat, Hepcinat LP, Velpanat and Natdac continue to occupy the leading position. Our Hepatitis C product basket has witnessed some pricing pressures in the last fiscal as the total market size for the segment reduced. However, our products have been able to maintain a lead in market share despite a competitive pricing strategy.

Our Hepatitis B portfolio has grown by 50% in FY 2017-18. We were one of the first companies in India to launch a generic version of Tenofovir Alafenamide, under the brand name Tafnat. In the last fiscal, our market share substantially improved in this portfolio.

Going forward, we intend to stabilise our market share for the Hepatitis C portfolio, grow our share in Hepatitis B and launch new products under the neurology and HIV portfolios.

Cardiology and Diabetology (CnD)

In FY 2016-17, we diversified our CnD segment. In the year under review, we launched two niche products in this segment, Arganat and Dabigat, which are first-time launches in the Indian market.

Our expert salesforce

Our marketing and distribution network in India comprises a specialised field force of ~350 marketing personnel and over 400 distributors, which enables us to increase the reach of our products to the relevant doctors in the domestic market. In addition, we also market our products directly to hospitals, which continue to be an important channel of distribution in India, especially for oncology products. We believe that our extensive distribution network enables us to increase our market share across key therapeutic areas and sustain our leadership position.

Board of Directors

Seated (L to R): G. S. Murthy, V. C. Nannapaneni, D. G. Prasad
Standing (L to R): Dr. D. Linga Rao, P. S. R. K. Prasad, Sridhar Sankararaman, Rajeev Nannapaneni, Dr. M. U. R. Naidu, Vivek Chhachhi

1 **V. C. Nannapaneni**
Chairman & Managing Director

2 **T. V. Rao** (not in picture)
Director

3 **G. S. Murthy**
Director – Independent

4 **Rajeev Nannapaneni**
Vice Chairman & CEO

5 **Vivek Chhachhi***
Director – Non Executive & Non Independent

6 **D. G. Prasad**
Director – Independent

7 **Dr. Leela Digumarti** (not in picture)
Director – Independent

8 **P. S. R. K. Prasad**
Director & Executive Vice President – Corp Engineering Services

9 **Dr. M. U. R. Naidu**
Director – Independent

10 **Dr. D. Linga Rao**
Director & President – Technical Affairs

11 **Sridhar Sankararaman****
Additional Director

Note:
*Vivek Chhachhi, Director - Non Executive & Non Independent, resigned w.e.f. 23 May, 2018.
**Sridhar Sankararaman joined the Board as an Additional Director w.e.f. 23 May, 2018.
Dr. B. S. Bajaj and Dr. A. K. S. Bhujanga Rao resigned w.e.f. 7 August, 2017.

Management Team

V. C. Nannapaneni
Chairman & Managing Director

Dr. Gopalakrishnan Vaidyanathan
Vice President – Analytical R&D

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

Rajeev Nannapaneni
Vice Chairman & CEO

Lakshminarayana A.
Vice President – HR & OD

Srivatsava K.
Vice President – Marketing & Sales, Domestic

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

Dr. Pavan Bhat
Executive Vice President – Technical Operations

Subba Rao M.
Vice President – Global Generics

Dr. Linga Rao Donthineni
Director & President – Technical Affairs

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

Sunil Kotaru
Vice President – Supply Chain Management

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

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

Suresh Prabhakar Kamath
Vice President – Operations (Visakhapatnam Unit)

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

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

Venkat Rao Tummala
Vice President – Manufacturing, Chemical Division

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

Dr. Rami Reddy B.
Director – Formulations

Srinivas Ch
Vice President – Demand and Supply Planning

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

Dr. Satyanarayana K.
Vice President – R&D, Peptide Chemistry

Our risk mitigation strategy

RISK	REGULATORY RISK	BUSINESS PORTFOLIO RISK	CURRENCY VOLATILITY RISK	GEOGRAPHICAL RISK
NATURE OF RISK	An unfavourable facility inspection from the USFDA or other major regulatory body, leading to significant delay of product exports.	NATCO is exposed to the risk of revenue generation from limited therapeutic segments. This could have an impact on the financial viability of the Company.	Fluctuations in foreign currency could result in variations in margins for the Company.	Being excessively dependent on the domestic and the US market could affect sustainability in the long run.
CONTROL AND ACTIONS	The Company has rigorous training programmes for all employees in the manufacturing facilities and detailed internal processes and quality monitoring systems to ensure full compliance.	In addition to the therapeutic segments of oncology and hepatology, the Company has aggressive plans to expand into cardiology and diabetes and other potential segments. For the US market, the Company has filed several ANDAs which are not just limited to oncology and hepatology.	The Company is naturally hedged for imports. With the expected depreciation in rupee, the Company stands to gain on exports.	Today, India and the US are the largest markets. We conduct regular evaluation of market conditions and de-risk geographically, to minimise business impact. As part of de-risking, the Company has set up subsidiaries in several emerging markets such as Canada, Brazil, Singapore, etc.

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

Corporate social responsibility

Empowering our communities

At NATCO, we endeavour to make a positive contribution to the underprivileged by supporting a wide range of socio-economic demand-driven programmes and community-based initiatives to promote healthy and happy living.

Our CSR arm, the NATCO Trust, is credited for providing basic amenities like water, sanitation and electricity, for the growth and development of our communities. The core areas of our social interventions include education, health and livelihoods.

Emphasis is laid on the holistic development of an individual, starting from birth, their journey into childhood, adolescence, adulthood and in the later years of their life. This ensures their inclusion in the socio-economic fabric of the society and guarantees physical, mental, ecological and spiritual well-being of our beneficiaries.

Areas of operation

The NATCO Trust operates nationwide with current focus in eight districts, namely Ranga Reddy, Nalgonda, Hyderabad, Siddipet, Guntur, Prakasam, Vizianagaram and Visakhapatnam in the states of Telangana and Andhra Pradesh and also some parts of Maharashtra and Tamil Nadu.

Education

At NATCO, we believe education not only empowers young minds of our country, but also prepares them for the future. Under education, we have two layers of intervention – NATCO nurtured institutions and the support provided to Government schools.

NATCO High School

NATCO High School at Kothur, Ranga Reddy district, Telangana, was established in 1995. The school provides education to the surrounding villages and also to the employees' children. It started with 77 students, 10 classrooms and 10 staff, and now has grown to 67 classrooms, 1,611 students and 106 staff members.

NATCO School of Learning

The NATCO Trust established the NATCO School of Learning at Gollamudipadu village, Ponnur Mandal of Guntur district, Andhra Pradesh in 2011, with an objective of providing quality education to the local communities. The school commenced with 156 students, 25 staff members and 30 classrooms. Currently, the institute has 829 students, 81 staff members and 64 classrooms. It is located in a serene environment of nine acres of land with state-of-the-art facilities, trained teachers, XSEED – iDiscoveri methodology of teaching, well-equipped computer lab, library, science laboratory and sports facility.

Support to Government schools and Anganwadis

At NATCO, we are committed to creating an enabling environment for children through education initiatives and emphasis is laid on access, equity and quality of education. We extend need-based support through infrastructure, skilled teachers and innovative teaching methodology. This helps in retaining the eligible school-going children and impart qualitative education.

The NATCO Trust supports 43 Government schools, of which 13 are high schools and 30 are primary schools in five districts of Telangana and Andhra Pradesh.

Health

The Trust is committed to enhancing the healthcare infrastructure available to our communities. We aim to improve the health-seeking behaviour of the communities by educating them and increasing their awareness about nutritious food, mother and child health, non-communicable diseases and preventive mechanisms through community-based healthcare services.

Mobile clinics

The physical well-being of the communities is taken care of through Mobile clinics, which are miniature comprehensive mobile healthcare units. They travel the length and breadth of 28 villages at Kothur and Nagarjuna Sagar mandals to provide basic healthcare services along with health education.

Total beneficiaries

35,000+

Patients

NATCO Digital Primary Health Centre

NATCO Digital Primary Health Centre is a standalone satellite healthcare unit initiated in November 2017 at Mekaguda village, Telangana. This Centre offers basic healthcare services to the community along with investigations, referral services and free medicines.

Comprehensive Cancer Care Unit, Guntur

NATCO Trust is building a 77,000 square feet state-of-the-art Cancer Care block at Guntur General Hospital, Andhra Pradesh. This LINAC facility would be spread over five floors, will house 100 beds and will be the first of its kind among Government hospitals in Andhra Pradesh. It will serve patients from five districts and is scheduled for inauguration in November 2018.

L V Prasad - NATCO Eye Centre

The Trust aided in the construction of this rural eyecare centre that caters to patients from several villages around Kothur.

Total beneficiaries

~7,000

Patients

LV Prasad NATCO Eye Centre, Kothur

Women's Health: Nutritional Centres and Kitchen Gardens

- Over 700 mothers benefitted from nutritional centres in 23 villages and one urban slum
- 100% institutional deliveries at Kothur and Hyderabad and 95% at Nagarjuna Sagar
- 2017-18 reported zero Infant Mortality Rate (IMR) and Maternal Mortality Rate (MMR) at Kothur and Hyderabad
- About 300 mothers underwent family planning
- 300+ families benefitted from nutritional backyard kitchen gardens

700+

Benefited from nutritional centres

Potable water plants

To prevent waterborne diseases and to provide potable water to the community, we initiated the establishment of potable water plants for the communities in 20+ gram panchayats at Nalagonda, Ranga Reddy, Hyderabad, Telangana and Guntur, Prakasam, Vizianagaram and Srikakulam districts, Andhra Pradesh and BC welfare schools. 18 potable water plants benefited over 30,000 villagers.

18
Potable water plants

Livelihoods

The Trust has initiated skill centres at Hyderabad, Ranga Reddy, Nalgonda, in Telangana and Guntur districts, Andhra Pradesh. The objective is to create skills, that enable income generation and self-employment through farming and non-farming livelihoods.

- Supported 42 farmers to promote organic cultivation with buy-back facility and cultivation extended to 39 acres of land
- Four-channel vocational training offered to over 500 beneficiaries of which approximately 50% people got wage and self-employment

Environment, health & safety

Ensuring a better tomorrow

NATCO has a well-defined Environment, Health & Safety (EHS) Policy and has over the years built a framework to motivate our employees to achieve 'Goal Zero' — zero incidents, zero harm to people and zero damage to the environment. As an early adopter of green practices, we have endured to make continuous improvement on our EHS performance.

Quality assurance

Our API manufacturing facilities are certified with ISO 14001-2015 and OHSAS 18001-2007 standards, the internationally recognised standard for environmental and occupational health and safety management systems. We have strengthened our EHS teams across all our facilities.

R&D is critical on the path to sustainability. It is involved in designing sustainability and EHS concepts into the processes. To integrate the process safety into our product development, we have established a process safety lab at our Research Centre, Hyderabad.

Energy efficiency

We made steady progress towards reducing our environmental impact by enhancing the utilisation of renewable energy across our units. Apart from the implementation of energy-efficiency initiatives, we have also increased the share of renewable energy.

- **Mekaguda facility:** Solar power plant of 1 MW commissioned, in addition to the existing 1 MW plant; ~37.5% of plant power demand met from renewable energy sources (including in-house and third party PPA generation).
- **Nagarjuna Sagar facility:** 1.15 MW solar power plant
- **Chennai facility:** 80% of the plant's power demand is met from the 2.1 MW wind energy power plant
- **Visakhapatnam facility:** To install a 2.1 MW windmill at Anantapur, for captive power use in Visakahapatnam

Waste management

It has been our constant endeavour to effectively manage the waste generated from all our facilities and convert it to wealth. A number of initiatives have been undertaken to achieve this;

- Installed organic waste converters at our Mekaguda and Kothur facilities for converting canteen waste to organic compost
- Installed a waste-to-energy plant to produce steam from hazardous and non-hazardous wastes at the Mekaguda facility

A number of programmes and initiatives have instilled a sense of deep ownership across all levels to build an organisational attitude that places a high priority on EHS, NATCO endeavours to have zero tolerance towards violations and has policies to drive awareness at the shop floor. These initiatives are not just limited to our operations, but also extend to the communities around us.

Management Discussion and Analysis

Economic review

Global economy

The global economy posted a strong growth in 2017. According to the International Monetary Fund (IMF), the upward trend has been the biggest growth upsurge witnessed ever since 2010. Improved investments and manufacturing output contributed to the growth of developed economies. Similarly, key emerging markets and developing economies, including China and India, posted strong momentum.

The US economy expanded at a strong rate in Q1, led by robust export and investment growth. Subsequently, from the next quarter onwards, the upsurge was further fortified by recovery in household spending, healthy labour market and tax cuts. Given the strong recovery in 2017, the IMF has revised its growth forecast for the US. The US economy is expected to gain from higher external demand and the macroeconomic impact of the tax reform.

The UK has experienced some weakening due to lower-than-expected growth in the first two quarters. The same is reflected in its growth projections; IMF estimated 1.8% decline in 2017. The slowdown is driven by softer growth in private consumption, currency depreciation and the looming uncertainty over its new economic relationship with the European Union (EU).

China, meanwhile, continues to defy any sign of an economic slowdown, as household spending remains strong and factories benefit from robust global demand. China is steadily progressing and transitioning towards a more sustainable economic model, with services and private consumption taking the helm of economic growth.

The growth forecast for advanced economies in 2018 and 2019 has also been revised by the IMF. The US growth forecast has been raised from 2.3% to 2.7% in 2018 and from 1.9% to 2.5% in 2019. In emerging and developing Europe, activity in 2018 and 2019 is projected to remain stronger than previously anticipated. Moreover, the advanced Asian economies are particularly expected to deliver stronger. Emerging and developing Asia is expected to grow at around 6.5% in 2018–19, broadly at the same pace as in 2017.

Global growth pattern (%)

	2017	2018 (P)	2019 (P)
World Output	3.8	3.9	3.9
Advanced Economies	2.3	2.5	2.5
United States	2.3	2.9	2.7
Euro Area	2.3	2.4	2.0
Japan	1.7	1.2	0.9
United Kingdom	1.8	1.6	1.5
Other Advanced Economies*	2.7	2.7	2.6
Emerging and Developing Economies	4.8	4.9	5.1
China	6.9	6.6	6.4
Brazil	1.0	2.3	2.5

P: Projections *(Excludes the G7 – Canada, France, Germany, Italy, Japan, United Kingdom, United States and euro area countries)
(Source: International Monetary Fund)

Indian economy

India's economy picked up pace in FY 2017-18 and the gross domestic product growth stood at 6.7%. Transformational policies like Goods and Services Tax (GST) and structural decisions like demonetisation have improved investments and supported economic growth.

With an improving business ecosystem, stable macro-economic indicators and liberal FDI regime, foreign capital inflow has provided impetus to the domestic economy. According to World Bank's Global Economic Prospects Report, India's GDP is expected to rise to 7.4% in 2018-19 and 7.8% in 2019-20.

Key contributors to India's growth story

Long-term growth through structural changes

The Government has undertaken several reforms for promoting inclusive growth, improving business climate, widening the tax base and addressing indigenous challenges for the Indian economy.

Ease of doing business

India undertook more than 7,000 steps at the Centre and State-level, to simplify business regime and attract foreign investments. India jumped a record 30 places in World Bank's Ease of Doing Business Report, 2018 to achieve the 100th rank. The country was one of the top performers in the report for the year 2017 and was credited with registering the highest ever jump.

Growing impetus to manufacturing

With a vision to increase manufacturing output's share in GDP to 25% by 2025, the 'Make in India' programme was launched by the Indian Government. Under the programme, 25 sectors have been identified, which could help in propelling India's manufacturing industry.

Opening avenues for foreign investments

In 2016, the Indian Government liberalised FDI policies across defence, pharmaceuticals, civil aviation, food trading, broadcasting services, etc. In addition, in the 2017 Union Budget, the Government announced plans to abolish the Foreign Investment Promotion Board (FIPB), to further simplify the bureaucratic processes for foreign investors.

Global pharmaceutical industry

Global healthcare spending is projected to increase at an annual rate of 4.1% in 2017-2021, up from just 1.3% in 2012-2016.

Combined healthcare spending in the world's major regions is expected to reach $8.7 trillion by 2020, up from $7 trillion in 2015. Ageing and increasing populations, developing market expansion, advances in medical treatments and rising labour costs will drive spending growth. (Source: 2018 Global health care outlook: The evolution of smart health care by Deloitte)

Global market review

US

The US pharma market reported pharmaceutical sales of about $453 billion. In other words, the industry witnessed a slight growth of 2.2% over the last year, despite continuing public scrutiny of drug pricing.

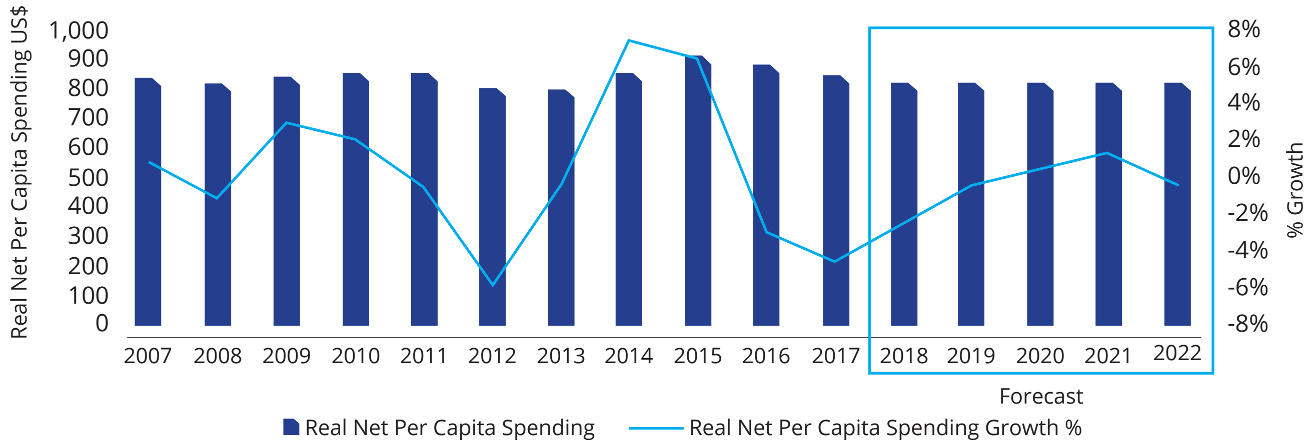
In the US, there is significant pricing pressure driven by payer consolidation, restrictive reimbursement policies and cost control tools such as exclusionary formularies and price protection clauses. In addition, patients are seeing changes in the design of their health plan benefits and may experience variation, including increases, in both premiums and out-of-pocket payments for their branded medications.

Outlook

According to IQVIA Market Prognosis, real net per capita spending on medicines in the US will decline in 2018 and continue almost unchanged at almost $800 per person through 2022.

The combination of rising off-invoice discounts and rebates, slowing overall medicine spending growth and a strong economy resulted in the aggregate adjustment of normalised medicine spending to decline in three successive years following the peak in 2015 and this is estimated to continue unchanged upto 2022.

US real net per capita drug spending and growth



Note: Real medicine spending reflected in 2009 US$.
Source: IQVIA Market Prognosis Sep 2017; US Census Bureau; US Bureau of Economic Analysis (BEA), Dec 2017; IQVIA Institute, Feb 2018

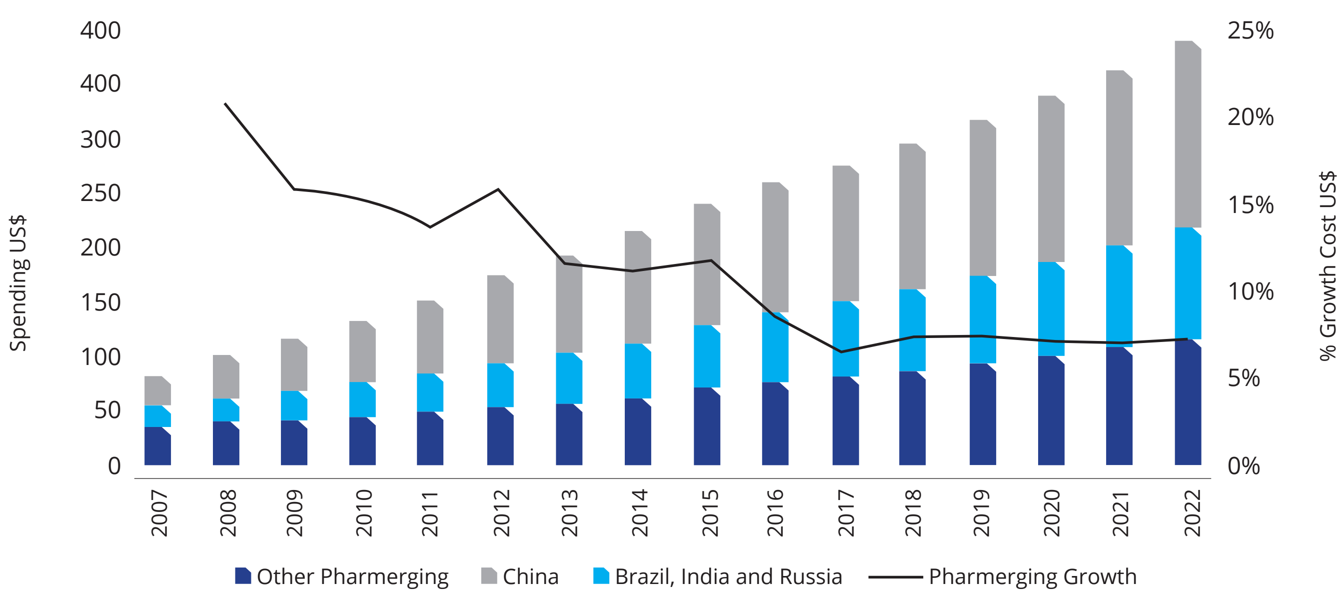
Pharmerging markets

Pharmerging markets' contribution to the share of global medicine spending has risen from 13% in 2007 to 24% in 2017. In other words, it has increased from $81 billion in 2007 to $270 billion in 2017, with an average rate of 12.8%, more than twice the rate of global growth.

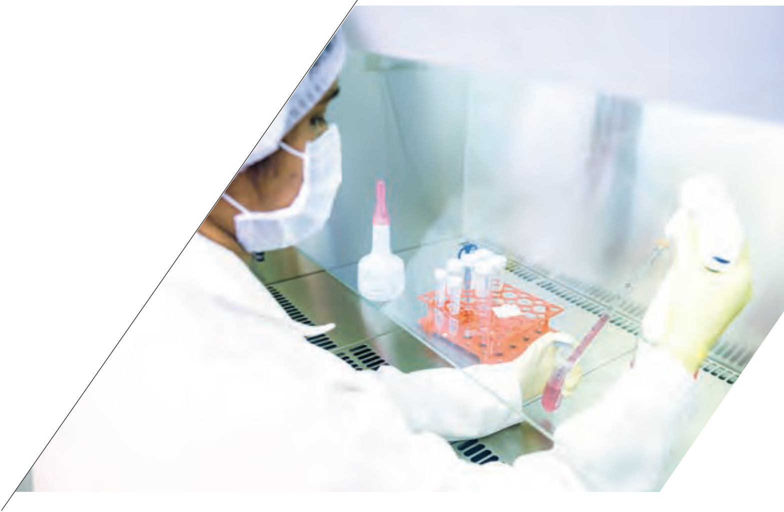
This growth has been driven both by governments' efforts to expand access to healthcare for their people and by the investments of multinational manufacturers who expanded operations, acquired or partnered with local companies and significantly expanded their revenues from these countries.

The majority of medicine use and spending in these countries continues to be for generic medicines and payment continues to be predominately out of pocket for consumers, ultimately tying medicine spending growth to economic growth of their overall economies.

Pharmerging spending and growth



Source: IQVIA Market Prognosis, Sep 2017



Outlook

Pharmerging markets will be driven by volume changes and the use of generics and will grow by 7-8% in 2018, down from the 9.7% CAGR over the prior five years and marking the third year that growth will be less than 10%.

The pharmerging markets are projected to grow by 6-9% to $345-375 billion by 2022. China is the largest pharmerging country but will grow by only 5-8% over the next five years to reach $145-175 billion in 2022.

India

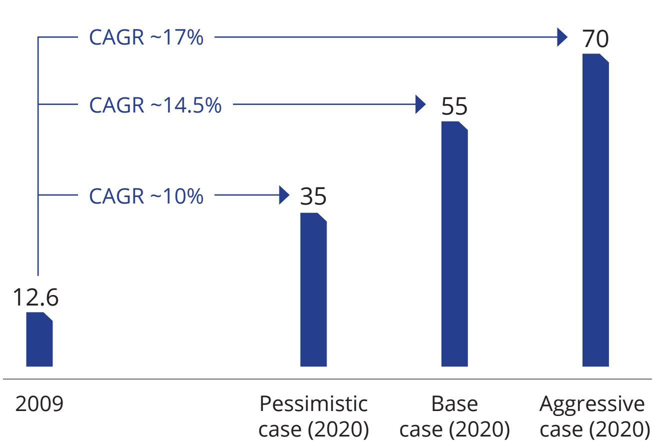
During the year, India saw a record FDI of $747 million in the healthcare sector. However, new drugs under Drug Price Control Order (DPCO), a price cap on stents and implants, and the procedure and cases of licenses being cancelled adversely affected the sector.

Moreover, India continues to face the challenge of a low spend on healthcare (around 4.5% of the country's GDP vis-a-vis the world average of around 9%), around 62% of which is still funded out of pocket.

According to IQVIA Institute, medicine spending in India is expected to grow by 9-12% in the next five years compared to China's 5-8%. Spending in India will continue to grow enough to have it rise into the top 10 countries in 2018 and to the ninth largest in 2019 through 2022.

The domestic industry contributes to 20% of global generics exports, making India the largest provider of generic medicines, globally. By 2020, the overall industry revenue is expected to reach $55 billion.

Projected size of the Indian pharma market ($ in billion)



Source: India Pharma 2020: Propelling access and acceptance by McKinsey

The Government has been actively focusing on policies to provide impetus to the sector. In the Budget 2018-19, the Finance Minister announced the launch of a flagship National Health Protection Scheme (NHPS) to cover over 10 crore poor and vulnerable families. The centre intends to provide coverage of upto ₹5 lakh per family per year for secondary and tertiary care hospitalisation.

Business overview

NATCO Pharma (NATCO) is an India-based vertically integrated pharmaceutical company with a presence in multiple specialty therapeutic segments. Over the years, NATCO has developed an innate ability to deliver molecules, mostly with limited competition when launched. The Company manufactures specialty medicines and niche pharmaceutical products.

In the pharmaceutical value chain, our business operations are classified into two categories: Formulations and API. Our formulations business is categorised into a) domestic business; and b) export business, primarily to the US, Canada and RoW. We manufacture and use own APIs at our facilities as well as sell APIs to domestic and international markets.

According to IQVIA Institute, medicine spending in India is expected to grow by 9-12% in the next five years and will continue to grow to become the ninth largest spending country in the world.

Domestic formulations

India is a key market and we derived ₹7,202 million in FY 2017-18 from our domestic formulations business. In India, our products are primarily focused on the oncology and gastro hepatology therapeutic areas. We also develop, market and sell products in areas such as orthopaedics, gastroenterology, critical care, central nervous system and Cardiology and Diabetology therapeutic areas.

Oncology

We are one of the major pharmaceutical companies in the domestic oncology segment. As of 31 March, 2018, we had a portfolio of 30 products catering to various oncology diseases, including breast, brain, bone, lung and ovarian cancer. Our oncology product portfolio in India has six key brands, i.e. Veenat, Lenalid, Erlonat, Geftinat, Sorafenat and Bortenat, each of which has annual sales value of more than ₹100 million for FY 2017-18. We have increased our product range, starting from six products in 2004 to 30 active products as of 31 March, 2018.

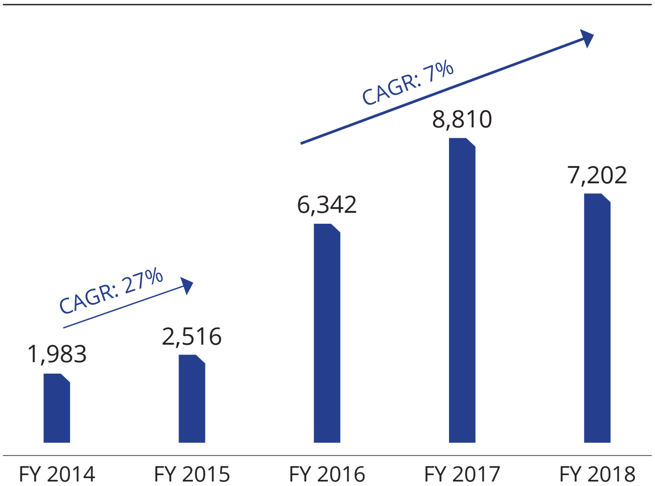
Pharma specialties

Our pharma specialties division deals with products related to gastroenterology, orthopaedics and critical care. The orthopaedics range covers all the important bisphosphonates, including the oral and injectable drugs. In gastro hepatology therapeutic area, we have the leading market share in Hepatitis C drugs in India.

Cardiology and Diabetology

We have diversified our product portfolio by launching products in cardiology and diabetology (CnD) therapeutic areas in 2017. In this division, our focus is to launch niche products with high entry barriers. We recently launched generic Argatroban and Dabigatran to cater to patients with thrombosis syndrome.

Domestic formulation sales* (₹ in million)



*Includes third-party sales

International formulations

We manufacture generic formulation products for sale outside India as well. This comprises exports plus formulation sales generated out of our subsidiaries. Our primary markets are (a) the US; (b) RoW, including Asia and Europe. Our focus is primarily on niche therapeutic areas and complex products in these markets. Our core strength lies in developing and manufacturing pharmaceutical products in-house, which we primarily commercialise either through our relationships with multi-national pharmaceutical companies or through our distribution network.

US formulation exports business

We aim to handle differentiated products and focus our pipeline on molecules with complex chemistry, which would have fewer players to compete against. We seek to leverage our experience and R&D capabilities to assist in regulatory filings and approvals. As of 31 March, 2018,

we had 29 approved ANDAs and 16 Para IVs yet to be approved and launched. During FY 2017-18, we launched some high-value products such as Glatiramer Acetate, Liposomal Doxorubicin and Lanthanum Carbonate. Some of the key products in our pipeline as of March 31, 2018 are:

	Key Brand	Molecule	Therapeutic Segment/ Indication	Para IV
To Be Launched	Gilenya	Fingolimod	Multiple Sclerosis	✓
	Treanda	Bendamustine	Cancer, CLL	✓
	Nexavar	Sorafenib	Liver, Kidney Cancer	✓
	Tracleer	Bosentan	Hypertension	Para III
	Revlimid[1]	Lenalidomide	Multiple Myeloma	✓
	Afinitor	Everolimus (higher strength)	Kidney Cancer	✓
	Zytiga	Abiraterone	Prostate Cancer	✓
	Tarceva	Erlotinib	NSCLC, Pancreatic Cancer	✓
	Kyprolis	Carfilzomib	Multiple Myeloma	✓
	Aubagio	Teriflunomide	Multiple Sclerosis	✓
	Eliquis	Apixaban	Anticoagulant	✓
	Pomalyst	Pomalidomide	Multiple Myeloma	✓
	Sovaldi	Sofosbuvir	Anti-Viral / Hep C	✓

RoW exports

We are focused on growing the reach of our Hepatitis C generic in the Asia-Pacific region by leveraging our existing relationships. Our agreement with Gilead Sciences Inc., Medicines Patent Pool and Bristol Myers Squibb allows us to expand access of our Hepatitis portfolio in 112 developing countries. We also intend to expand into the oncology segment by selling certain products that we develop for India, the US and other regulated markets.

Business in our subsidiaries has grown well in the past fiscal year and we intend to establish our subsidiaries as cornerstones for the Company. We have subsidiaries in:

Canada

We market and distribute our products in Canada through our subsidiary, Natco Pharma Canada Inc. Our facility at Kothur, Telangana has been approved by Health Canada regulator. We have obtained approval for 13 products in Canada from Health Canada and marketing these products.

Brazil

We distribute our products in Brazil through our subsidiary, NATCO farma do Brazil. Our facility at Kothur, Telangana has been approved by ANVISA regulator, Brazil. We are in the process of registering some of our existing products, particularly in the oncology therapeutic area to grow our Brazilian operations. We have also received our first product approval for Letrozole in Brazil.

Singapore and Australia

We are in the process of marketing and distributing our products in Singapore and Australia through our subsidiaries, NATCO Pharma Asia Pte. Ltd. & NATCO Pharma Australia Pty. Ltd. which are in the initial stages of growth. We have obtained eight approvals for our products from Health Sciences Authority in Singapore.

PAT

₹6,962 million

43.2% growth

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

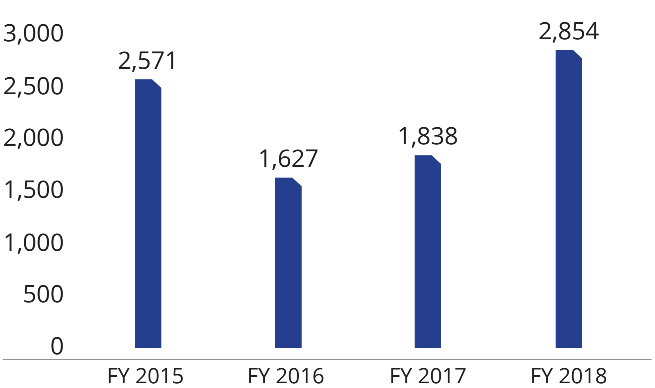
Year	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Export sales to US, including profit share	1,103.6	922.5	1,125.6	7,696.8	10,031.4
Export sales to RoW (all non-US)	829.8	846.3	1,168.2	673.2	386.5
Sales from subsidiaries (net)	1,175.6	1,115.8	1,194.4	630.0	945.5

Active pharmaceutical ingredients (API)

Our API business is strategically important since it allows us to backward integrate our operations. We manufacture API products that are primarily used for captive consumption and are also sold to customers for various international markets such as Canada, Europe and certain countries in the Middle East. In the API area, we have capabilities to develop and manufacture products with multi-step synthesis, semi-synthetic fusion technologies, high-potency APIs and peptides. As of 31 March, 2018, we have filed 42 active DMFs with the USFDA for our API products in therapeutic areas such as oncology, central nervous system, anti-asthmatic, anti-depressant and gastrointestinal disorders.

Our backward integration of the formulations business ensures steady supply of APIs at an equitable cost, minimising any market fluctuations. In the US formulations portfolio, a majority of our products are backward integrated. Our vertical integration model of business helps us reduce cost and increase revenue margin and timely delivery of raw materials of the desired quality and quantity. It further protects us from relying on external sources for our raw materials, thereby reducing risk of unfavourable terms of supply such as high pricing and long timeline for delivery.

Gross API revenue (₹ in million)



Financial overview

In FY 2017-18, NATCO's revenue from operations on a consolidated basis amounted to ₹22,424 million vis à-vis ₹20,789 million in FY 2016-17, recording a 44% CAGR over the last three years.

The PAT was recorded as ₹6,962 million compared to ₹4,860 million in the previous year. It has grown at a CAGR of 110% in the last three years.

EBITDA has grown at a CAGR of 85% over the last three years and was recorded at ₹9,688 million vis-à-vis ₹6,973 million in FY 2016-17.

Average return on equity was 22.6% in the current year compared to 29.5% in the previous year.

The Company's market capitalisation as on 31 March, 2018 stood at ₹138 billion.

No material changes and commitments occurred after the close of the year, till the date of this Report, which could affect the financial position of the Company.

Threats, risks and concerns

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

Environment, health & safety

NATCO has always been committed to environmental care across the value chain. Thus, the Company integrates energy and environmental considerations across all its facilities by reducing carbon footprint and increasing renewable energy measures. NATCO – Mekaguda facility is accredited with ISO 14001- 2015 Environment Management Systems (EMS) and OHSAS 18001-2007 Occupational Health and Safety Management Systems.

Besides, NATCO has also won the prestigious Golden Peacock award for Occupational Health and Safety in 2017 and 2014 and for Environmental Management in 2016.

Board's Report

Your Board takes pleasure in presenting the 35th Annual Report of the Company along with the audited financial statements and other reports for the year ended 31 March 2018.

Company Overview

NATCO Pharma (NATCO) is an Indian based vertically integrated pharmaceutical company having presence in multiple speciality therapeutic segments. Over the years, NATCO has developed an innate ability to deliver molecules, which tend to have limited competition upon launch. The Company has manufactured speciality medicines and niche pharmaceutical products.

NATCO is driven by its commitment to improve patient care with its nuclei of focus on innovation and differentiation. Its products are now available to patients across geographies at affordable prices. With an emphasis on innovation ingrained in NATCO's philosophy, the speciality product range is constantly expanded through tenacity in selective research programmes.

NATCO is constantly driven by its mission to 'make specialty medicines accessible to all'. Operating in an evolving industry scenario, the Company is also strategically repositioning itself to explore many opportunities of organic growth and at the same time fortifying its manufacturing capabilities to reinforce its impact.

Financial Summary

(₹ in million)

Standalone Financials for Year ended 31 March			Consolidated Financials for Year ended 31 March	
2017	2018		2017	2018
20028	21,085	Revenue from operations	20,650	22,020
6341	8,876	Profit before tax	6,244	8,872
4948	6,982	Profit for the year	4,849	6,952
(22)	(47)	Other comprehensive Income for the year (not to be reclassified to P&L)	(22)	(44)
6012	9,544	Surplus brought forward from last balance sheet	5,650	9,094
4948	6,982	Profit available for appropriation	4,860	6,962
		Appropriations:		
(1176)	(1,509)	Dividend	(1,176)	(1,509)
(240)	(308)	Tax on dividend	(240)	(308)
9544	14,709	Surplus carried forward	9,094	14,239

The details of the Company's operations have been further discussed in detail in the Management Discussion and Analysis Report.

Dividend

The Company declared two interim dividends for the FY 2017-18, the details of which are as follows:

S. No.	Date of Board Meeting	Date of payment	Interim dividend declared per equity share of face value of ₹2/- each (in ₹)
1.	7 August 2017	23 August 2017	1.25
2.	6 February 2018	22 February 2018	7.00
Total			**8.25**

The total dividend pay-out amounted to ₹1,509.34 million (excluding dividend distribution tax) resulting in a pay-out of 21.62% of the standalone profit after tax of the Company.

The two Interim Dividends have been paid to all eligible shareholders and no further dividends are proposed/ recommended by the Board. Accordingly your Directors recommend that the above two interim dividend amounts be treated as the final dividend of the Company for the Financial Year 2017-18. The Company's Dividend Distribution Policy is attached as **"Annexure VIII"** to this Board's Report.

Transfer to Reserves

The Company has not transferred any amount to the general reserve for the financial year ended 31 March 2018.

Share Capital

During the year under review, 1,00,00,000 equity shares were issued and allotted under Qualified Institutional Placement (QIP) and 1,85,600 equity shares were issued and allotted under Employee Stock Option Schemes

(ESOP–NATSOP 2015 & NATSOP 2016). Accordingly, the issued and subscribed share capital of the Company as on 31 March 2018 stood at ₹369 million divided into 18,44,93,400 equity shares of ₹2/- each as against ₹349 million divided into 17,43,07,800 equity shares of ₹ 2/- each as on 31 March 2017.

Deposits
During FY 2017-18, the Company did not accept any fixed deposit within the meaning of sections 73 and 74 of the Companies Act, 2013 read together with the Companies (Acceptance of Deposits) Rules, 2014 and therefore no amount of principal or interest was outstanding, as on the date of balance sheet.

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

Subsidiaries
The Company has five (5) international subsidiaries (excluding one (1) step down subsidiary) as on 31 March 2018. The consolidated financial statement of the Company and all its subsidiaries prepared under Indian Accounting Standards (Ind AS) specified under Section 133 of the Companies Act, 2013 form part of this 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, Telangana.

Particulars of Loans, Guarantees and Investments
The Company provides investments, loans and guarantees to its subsidiaries for their business purpose. Details of loans, guarantees and investments 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
Pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), a detailed report on the corporate governance systems and practices of the Company is given under Corporate Governance Report which is part of this Annual Report. Similarly, other detailed information for shareholders is provided in the chapter Additional Shareholders' Information.

A certificate from CS P Renuka, Company Secretary in Practice (C.P.No. 3460) on the compliance with the conditions of corporate governance is attached to this Annual Report.

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

Board of Directors
In accordance with the provisions of the Companies Act, 2013, Dr. D.Linga Rao (DIN: 07088404) is liable to retire by rotation and being eligible offers himself for reappointment at the ensuing Annual General Meeting of the Company.

Mr. Vivek Chhachhi (DIN: 00496620) resigned as a Non-Executive and Non-Independent Director w.e.f. 23 May 2018 due to professional obligations and other pre-occupations. Board had accepted his resignation.

Mr. Sridhar Sankararaman (DIN: 06794418) was appointed as a Non-Independent and Non-Executive Additional Director by the Board of Directors of the Company w.e.f. 23 May 2018 in accordance with the provisions of the Companies Act, 2013 who holds office up to the date of this Annual General Meeting. He was also inducted as a member of Audit Committee and Nomination and Remuneration Committee of your Company.

Board Evaluation
As per provisions of the Companies Act, 2013 and the Listing Regulations, an evaluation of the performance of the Board was undertaken. The contribution and impact of individual Directors were reviewed through a peer evaluation on parameters such as level of engagement and participation, flow of information, independence of judgement, 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 were 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 independent Board member is also assessed on the basis of independence criteria defined in Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of the Listing Regulations.

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

Declaration by Independent Directors

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

Committees of Board, Number of Meetings of the Board and Board Committees

The Board currently has six committees, namely, Audit Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee, Compensation Committee, Allotment Committee and Corporate Social Responsibility Committee. All the recommendations made by the Committees of Board including the Audit Committee were accepted by the Board. During the year the Board constituted a Committee of Directors for the purpose of Qualified Institutional Placement (QIP).

A detailed update on the Board, its composition, detailed charter including terms of reference of various Board Committees, number of Board and Committee meetings held during FY 2017-18 and attendance of the Directors at each meeting is provided in the Report on Corporate Governance, which forms part of this Annual Report.

Business Risk Management

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

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

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

Business Responsibility Report

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

Internal Financial Controls

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

Insurance

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

Directors Responsibility Statement

Pursuant to Section 134(3)(c) of the Companies Act, 2013 in relation to financial statements of the Company for the year ended 31 March 2018, the Board of Directors state that:-

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

b) Reasonable and prudent accounting policies have been used in preparation of the financial statements and that they have been consistently applied and that reasonable and prudent judgements and estimates have been made in respect of items not concluded by the year end, so as to give a true and fair view of the state of affairs of the Company as at 31 March 2018 and of the profit for the year ended on that date.

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

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

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

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

Related Party Transactions

In accordance with Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014, the particulars of contract 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"** to this Board's Report.

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

Vigil Mechanism/Whistle Blower Policy

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

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

Internal Complaints Committee

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

Green Initiative

To preserve environment, the Company has undertaken number of green initiatives which not only reduced burden on environment but also ensures secured dissemination of information. Such initiatives include energy saving, water conservation and usage of electronic mode in internal processes and control, statutory and other requirements.

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 Chandiok & Co LLP, Chartered Accountants (Firm Registration No.: 001076N/N500013), as statutory auditors of the Company, to hold office from the conclusion of the 31st AGM up to the conclusion of the 36th AGM to be held for the financial year 2018-2019.

Secretarial Auditor

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

The Board has re-appointed CS Balachandra Sunku (CP No. 12745), a Practicing Company Secretary, as secretarial auditor of the Company for FY 2019.

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 as specified by the Central Government in respect of its pharmaceutical business. The Board has, on the recommendation of the Audit Committee, appointed M/s. S.S. Zanwar & Associates (Firm Registration No.:100283) as cost auditors of the Company for FY 2018. The provisions also require that the remuneration of the cost auditors be ratified by the shareholders and accordingly the same is put forward to the shareholders in the ensuing AGM for their ratification. The cost audit report for the FY 2018 will be filed with the Central Government within the stipulated timeline and the relevant cost audit reports for FY 2017 were filed within the due date to the Central Government.

Significant and Material Orders Passed by the Courts/Regulators

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

Corporate Social Responsibility Initiatives

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

The details about the CSR initiatives taken during the FY 2018 are discussed in a separate chapter "Empowering our Communities" which forms a part of this Annual Report.

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

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

Pursuant to the provisions of Section 124(5) of the Companies Act, 2013, the declared dividends and shares 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 125 of the said Act the details of which are disclosed in the notice of ensuing Annual General Meeting of the Company.

Employees Stock Option Scheme

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

Credit Rating

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

Particulars of Employees

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013, read with Rule 5(1), 5(2) & 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are attached as **"Annexure V"** to this Board's Report.

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

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

Extract of Annual Return

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

Acknowledgements

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

For and on behalf of the Board of Directors

V. C. Nannapaneni
Chairman and Managing Director

Place: Hyderabad
Date: 8 August 2018

Annexure-I

FORM NO. AOC-1

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

For the financial year ended 2017-2018

(₹ in million)

	NATCO Pharma INC	NATCO Pharma (Canada) Inc.	Time Cap Overseas Limited	NATCO Farma Do Brasil	NATCO Pharma Asia PTE LTD	NATCO Pharma Australia PTY LTD
Share Capital	42	142	766	613	58	42
Reserves & Surplus	213	71	(35)	(459)	(56)	(42)
Total Assets	260	549	114	263	7	1
Total Liabilities	5	337	79	110	4	0
Investments	NIL	NIL	695	NIL	NIL	NIL
Turnover	-	737	-	320	2	NIL
Profit before taxation	(1)	140	(0)	(126)	(17)	(2)
Provision for taxation	-	26	NIL	NIL	NIL	NIL
Profit after taxation	(1)	114	(0)	(126)	(17)	(2)
Proposed Divided	NIL	NIL	NIL	NIL	NIL	NIL
Report Currency	USD	CAD	USD	BRL	SGD	AUD
Closing exchange rate	64.82	50.23	64.82	19.60	49.38	49.77
Average exchange rate	64.39	50.21	64.39	20.01	47.46	49.81
% of Shareholding	100%	99.04%	89.81%	81.07%	100%	100%

For and on behalf of the Board of Directors

V. C. Nannapaneni
Chairman and Managing Director

Place: Hyderabad
Date: 8 August 2018

Annexure-II

FORM NO. AOC-2

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

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

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

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

Sl. No.	Name(s) of the related party and nature of relationship	Nature of Contract / arrangements / transaction	Duration of the contracts / arrangements/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any:	Date(s) of approval by the Board if any:	Amount paid as advances, if any:
1.	Mr. V.C. Nannapaneni, Chairman & Managing Director	Renewal of Lease Agreement	2 years	To locate western India Marketing Office and accommodation to Senior Executives visiting Mumbai – Rent payable - ₹21,00,000/- p.a.	6 February 2018	Nil
2.	Mr. Rajeev Nannapaneni, Vice Chairman & CEO	Renewal of Lease Agreement	2 years	To locate Chennai Marketing Office and Guest House- Rent payable - ₹12,00,000/- p.a.	6 February 2018	NIL
3.	Mr. Rajeev Nannapaneni, Vice Chairman & CEO	Renewal of Lease Agreement	2 years	To locate Chemical Division, Chennai City office Rent payable - ₹1,20,000/-p.a.	6 February 2018	NIL
4.	M/s. Time Cap Pharma Labs Ltd Shareholding of Mr. V. C. Nannapaneni	Renewal of Lease Agreement	2 years	To locate Delhi Office and Guest House- Rent payable - ₹21,00,000/-p.a.	6 February 2018	Nil
5.	M/s. Time Cap Pharma Labs Ltd Shareholding of Mr. V. C. Nannapaneni	Renewal of Lease Agreement	2 years	To locate godown at Kothur, Rangareddy Dist. Rent payable - ₹12,00,000/-p.a.	23 May 2018	Nil
6.	M/s. Time Cap Pharma Labs Ltd Shareholding of Mr. V. C. Nannapaneni	Renewal of Lease Agreement	2 years	To locate Company's Solar Panel Production at Kothur, Rangareddy Dist. Rent payable - ₹12,00,000/-p.a.	23 May 2018	Nil
7.	M/s. Time Cap Pharma Labs Ltd. Shareholding of Mr. V.C. Nannapaneni	Lease Agreement	2 years	To locate Time Cap's C & F office at Sanathnagar Rent receivable - ₹2,40,000/- p.a.	23 May 2018	Nil
8.	M/s. Time Cap Pharma Labs Ltd. Shareholding of Mr. V.C. Nannapaneni	Commission and expenses reimbursement	1 year	To pay commission and reimburse expenses related to C&F services provided by M/s. Time Cap Pharma Labs Ltd.	6 February 2018	Nil
9.	M/s. Time Cap Pharma Labs Ltd. Shareholding of Mr. V.C. Nannapaneni	Purchase of raw-materials	1 year	To purchase raw material from Time Cap Pharma Labs Ltd.	6 February 2018	Nil
10.	Natco Pharma (Canada) Inc.	Sales	1 year	To sell finished goods to Natco Pharma (Canada) Inc.	6 February 2018	Nil
11.	Natco Pharma Asia Pte Ltd. Subsidiary	Sales	1 year	To sell finished goods to Natco Pharma Asia Pte Ltd.	6 February 2018	Nil
12.	Natco Farma Do Brasil Step-down Subsidiary	Commission	1 year	Export Commission	6 February 2018	Nil

For and on behalf of the Board of Directors

V. C. Nannapaneni
Chairman and Managing Director

Place: Hyderabad
Date: 8 August 2018

Annexure-III

Form MR-3

Secretarial Audit Report

(For the financial year ended 31 March 2018)

[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
Natco Pharma Limited
Natco House, Road No. 2,
Banjara hills, Hyderabad.
Telangana – 500034.

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

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31 March 2018, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 March 2018 according to the provisions of:

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

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

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

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

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

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

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

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

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

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

(f) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and amendments thereto; and

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

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

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

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

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

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

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

(g) The Environment Protection Act, 1986.

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

(vii) Labour Laws applicable to the Company:

(a) The Factories Act, 1948

(b) The Payment of Wages Act, 1936

(c) The Payment of Gratuity Act, 1972

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

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

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

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

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

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

(j) AP Shops and Establishment Act, 1988.

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

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

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

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

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

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

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

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

b) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

I hereby report that:

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

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

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

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

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

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

I further report that:

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

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

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

I further report that:

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

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

(c) Decisions at the Board Meetings, as represented by the management, were taken unanimously and no dissenting views have been recorded.

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

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

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

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

Based on the information received and records maintained, there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period:

i) The Board of Directors at its meeting held on 30 May 2017, approved the enhancement of Investment Limits in Natco Pharma Australia Pty. Ltd. Australia from AUD 1,000,000 to AUD 2,000,000 as equity capital, loans or advances as may deem fit.

ii) The Board of Directors at its meeting held on 7 August 2017, approved Investment in wholly owned subsidiary (WOS) to be incorporated in name & style Natco Lifesciences (Philippines) Inc. in the form of equity capital by way of subscription, purchase or otherwise of the securities of the Company, give loans, or advances up to an aggregate amount not exceeding USD 200,000.

iii) The Board of Directors at its meeting held on 7 August 2017 recommended payment of interim dividend of ₹1.25/-(Rupee one and Twenty Five paise only) per equity share of ₹2/-(Rupees Two only) each aggregating to ₹21,78,84,750/- (Rupees Twenty One Crores Seventy Eight Lakhs Eighty Four Thousand Seven Hundred and Fifty only) for the year 2017-18.

iv) The Board of Directors at its meeting held on 7 August 2017 proposes to implement the proposed NATCO Employees Stock Options Scheme 2017 ("NATSOP 2017") and to issue and allot in one or more tranches 6,00,000 options excisable into 6,00,000 Equity Shares of Face Value of ₹ 2/- each. The said resolution was also approved by the Shareholders of the Company at the 34th Annual General Meeting of the Company (Through e-voting and Postal Ballot) meeting held on 28 September 2017.

v) The Board of Directors at its meeting held on 2 Nov 2017 approved to Raise funds through further issue of shares or convertible securities of any nature through one or more modes, incl. but not limited to a further public or private offerings, rights issue, Qualified Institutional Placement (QIP), American Depository Receipts (ADRs) or Global Depository Receipts (GDRs) subject to such approvals as may be required up to an amount not exceeding ₹15,000 million.

vi) The Board of Directors at its meeting held on 2 November 2017 approved to enhance the investment limit in Natco Lifesciences Phillippines Inc. (NLPI) from USD 200,000 (US Dollars Two Hundred Thousand only) to USD 250,000 (US Dollars Two Hundred and Fifty Thousand only)

vii) The Board of Directors at its meeting held on 2 Nov 2017 approved Equity participation not exceeding an amount of ₹ 7,50,00,000/- (Seven Crores Fifty Lakhs only) in M/s. OMRV Hospitals Pvt. Ltd. (Pace Hospitals), Hyderabad. By way of Private Placement 1,09, 569 Equity Shares at a price of ₹ 684.50/- (Rupees Six Hundred and Eighty Four and Fifty Paise only) per share including a premium of ₹674.50/- (Rupees Six Hundred and Seventy Four and Fifty Paise only) per share.

viii) The Board of Directors at its meeting held on 2 Nov 2017 approved to acquire 1,48, 972 (One Lakh Forty Eight Thousand Nine Hundred and Seventy Two) equity shares in Natco Pharma Australia Pty. Ltd. held by Mr. Sanjiv Puri, R/o. 15, Pleasant Avenue, KEW, Victoria 3101, Australia for a consideration of 1 AUD per equity share thereby making it Wholly owned Subsidiary of the Company.

ix) The Board of Directors at its meeting held on 2 November 2017 decided to transfer 6,25,801 (Six Lakh Twenty Five Thousand Eight Hundred and One only) equity shares, in respect of which dividend has remained unclaimed/unpaid for seven or more consecutive years, to Investor Education and Protection Fund (IEPF).

x) The members of the Company at their Extraordinary General Meeting held on meeting held on 29 November 2017 approved to Raise funds through further issue of shares or convertible securities of any nature through one or more modes, incl. but not limited to a further public or private offerings, rights issue, QIP, ADR or GDRs subject to such approvals as may be required up to an amount not exceeding ₹ 15,000 million.

(a) The said approval enables the Board to issue Securities for an aggregate amount not exceeding ₹ 15,000 million.

(b) Consequent thereto the Committee of Directors at their meeting held on 15 December 2017 allotted 1,00,00,000 (One crore only) Equity Shares of ₹2/- each to 36 Qualified Institutional Buyers (QIBs) at a price of ₹915/- per Equity Share (including Share premium of ₹913/- per Equity Share) aggregating to ₹9,150 million under QIP.

xi) The Board of Directors at its meeting held on 6 February 2018 recommended payment of second interim dividend of ₹7/- (Rupees Seven only) on each equity share of ₹2/- each for the year 2017-18 aggregating to ₹1,29,14,53,800/- (Rupees One Twenty Nine Crore Fourteen Lakhs Fifty Three Thousand Eight Hundred only).

xii) The Board of Directors at its meeting held on 6th Feb, 2018 decided to transfer the unpaid dividend amount of ₹ 7,80,368 (Rupees Seven Lakh Eighty Thousand Three Hundred and Sixty Eight only) for the financial year 2010-11 lying in current account in the name of "Unpaid Interim Dividend A/c of Natco Pharma Limited for the year 2010-11" to Investor Education and Protection Fund (IEPF).

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

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

Place: Hyderabad
Date: 28 July 2018

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

Annexure to Form MR-3

(For the financial year ended 31 March 2018)

To,
The Members
NATCO PHARMA LIMITED

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

1. Maintenance of Secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. We believe that the process and practices, we followed provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

4. Wherever required, we have obtained the Management Representation Letter about the Compliance of laws, rules and regulations and happening of events etc.

5. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure on test basis.

6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

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

Place: Hyderabad
Date: 28 July 2018

Annexure-IV

Annual Report on Corporate Social Responsibility (CSR) activities for the financial year ended 31 March 2018

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

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

2. The Composition of CSR Committee:

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

3. Average net profits of the Company for last three financial years: ₹3,408.04 million.

4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above): ₹68.16 million.

5. Details of CSR spent during the financial year:

   a) Total amount to be spent for the financial year 2017-18: ₹69.02 million

   b) Amount unspent, if any: Not Applicable

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

(₹ in million)

	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, Nandigam Mandal, Ranga Reddy District, Telangana	22.00	Natco Trust
	b. Natco School of Learning	Education	Gollamudipadu Village, Ponnuru Mandal, Guntur District, A.P.	13.05	Natco Trust
2	Sports for Development Project	Education	Kothur Mandal, Ranga Reddy District, Telangana	1.40	Natco Trust
3	After School Tuition Centre in Mandal Parishad Primary Schools and Zilla Parishad High Schools	Education	Pedavoora Mandal, Nalgonda District, Borabanda, Hyderabad District, Kothur and Nandigam Mandals, Ranga Reddy District, Telangana. Ponnuru Mandal, Guntur District, Andhra Pradesh.	1.75	Natco Trust
4	Natco Mobile Health Clinics	Health	Ranga Reddy and Nalgonda District, Telangana	3.60	Natco Trust

(₹ in million)

	CSR Project / Activity	Sector	Location of the project /Programme	Amount spent on the projects / programs	Amount spent direct / implementing agency
5	Nutrition Centre	Health	Ranga Reddy and Nalgonda District, Telangana	1.65	Natco Trust
6	Patient Counselling	Health	Hyderabad & Rangareddy District, Telangana	2.10	Natco Trust
7	Construction and Renovation of Paediatric ward at Govt General Hospital	Health	Guntur district. A.P.	13.05	Natco Trust
8	Adolescent Health project	Health	Nalgonda and Ranga Reddy Districts, Telangana.	0.60	Natco Trust
9	Natco Career Counselling and Guidance Centre	Livelihood	Ranga Reddy, Nalgonda District, Telangana, Guntur District, A.P.	1.50	Natco Trust
10	Medical Equipments support to GGH, Guntur	Health	Guntur District, A.P.	2.72	Natco Trust
11	Digital PHC	Health	Mekaguda Village, Ranga Reddy District, Telangana.	2.40	Natco Trust
	Total (A)			**65.82**	
B.	**Administrative expenses**				
1	Implementing expenses	Education		1.95	Natco Trust
2	Implementing expenses	Health		0.95	Natco Trust
3	Implementing expenses	Livelihoods		0.30	Natco Trust
	Total (B)			**3.20**	
	Total (A+B)			**69.02**	

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

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

   "The Board's Report that your Company has compiled with its CSR Policy along with the provisions of the Companies Act, 2013 and rules made there under and the implementation and monitoring of CSR Policy is in compliance with the CSR objectives and Policy of the Company".

For and on behalf of the Board of Directors

V. C. Nannapaneni
Chairman and Managing Director

Place: Hyderabad
Date: 8 August 2018

Annexure-V

Information 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

(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, CS and CFO, for FY2018 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 FY2018
Mr.V. C. Nannapaneni	Chairman and Managing Director	61	13
Mr. Rajeev Nannapaneni	Vice Chairman and CEO	56	20
Mr. P. S. R. K. Prasad	Whole Time Director	44	16
Dr. D. Linga Rao	Whole time Director	44	16
Mr. M. Adinarayana	Company Secretary	13	15
Mr. S. V. V. N. Apparao	Chief Financial Officer	16	24

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

In the above table, the component of incentive / commission has not been considered to make it comparable.

(ii) The median remuneration of employees increased by 17.35% in FY 2018.

(iii) The number of permanent employees on the rolls of Company as on 31 March 2018 is 4,831.

The average increase in remuneration paid to employees is 15.35% for FY 2018 as compared to FY 2017. Compared to FY 2017, the standalone revenue in FY 2018 grew by 6.54% and profit before tax grew by 39.98%.

(iv) It is hereby affirmed that the remuneration paid during FY 2018 is as per the remuneration policy of the Company.

Statement required under Rule 5 (2) 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
Shri V. C. Nannapaneni	72	CMD	222.67*	Regular	MS (Pharmaceutical Administration)	49	03.10.1981	Time cap Labs Ltd.
Dr. Pavan Bhat Ganapati	51	E V P - TECHNICAL OPERATIONS	209.91	Regular	Ph.D. in Pharmaceuticals	21	01.09.2016	Sr.VP- Regional Operations at Mylan Laboratories Ltd.
Shri Rajeev Nannapaneni	41	VC & CEO	205.91	Regular	B. A. in Quantitative Economics & B. A. in History, Tufts University, USA	19	03.07.2000	Merrill Lynch and Natco Systems LLC.
Mr. Subba Rao M.	46	VP – IBD	172.42	Regular	M. Pharmacy	21	11.04.1997	-
Dr. D Linga Rao	65	Director & President – Technical Affairs	164.29	Regular	Ph.D. in Chemistry	43	11.02.1993	Sr. QC Executive at IDPL
Mr. P. S. R. K. Prasad	60	Director & EVP - CES	164.29	Regular	B. E. Mechanical Engineering	35	23.05.1995	Engineering Manager at B. Dawood
Dr. M. Pulla Reddy	61	EVP – R&D	143.29	Regular	Ph.D. in Synthetic Organic Chemistry	24	01.04.1994	-
Dr. B. R. Reddy	65	Director - Formulations	143.29	Regular	Ph.D. in Pharmaceuticals	33	29.01.2007	Director – Operations at Granules
Dr. K. Satyanarayana	57	VP – R&D	98.17	Regular	Ph.D. in Medicinal Chemistry	31	08.05.2003	Group Leader- R&D at Divis Laboratories
Dr. Ramesh Dandala**	57	Executive VP-TT, IPR &RA(API)	86.21	Regular	Ph.D. in Organic Chemistry	21	02.08.2017	Head – Process Development at Mylan Laboratories Ltd.

* Excludes ₹70 million provision towards commission on net profits

**Employed for part of the financial year

Note:

1. Remuneration includes salary, incentives and allowances, commission, where applicable, Company's contribution of Provident Fund, Group Gratuity and money value of perquisites calculated in accordance with the Income Tax Act /Rules.
2. None of the employees are related to the Directors except Mr. Rajeev Nannapaneni who is the son of Mr. V. C. Nannapaneni.

For and on behalf of the Board of Directors

V. C. Nannapaneni
Chairman and Managing Director

Place: Hyderabad
Date: 8 August 2018

Annexure-VI

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

Conservation of Energy, Technology Absorption

A) Conservation of Energy –

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

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

    a) Installed new high efficiency utility equipment that achieved significant savings in various utility areas.

    b) Conversion of CFL based lighting to LED lighting has been taken up during FY 2017-18 and being implemented in phased manner across all units.

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

    a) Installed 1 MW Solar plant at Chemical Division, Mekaguda, in addition to the existing 1 MW plant and 1.15 MW Solar plant at Nagarjuna Sagar which led to significant savings.

    b) Installed solar parabolic dish concentrator for boiler feed water for energy saving and achieved significant savings annually.

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

    a) Propose to install 5 MW Solar plant at Chemical Division, Mekaguda, Expected to give significant savings in power cost.

    b) Propose to install 2.1 MW wind mill at Anantapur for captive power use for Vizag plant.

    c) Feasibility studies for Wind Power generation for captive power utilisation at Chemical Division, Mekaguda has been completed and the data evaluation is in progress by third party consultant for generating Wind power at Chemical Division, Mekaguda.

Disclosure of particulars with respect to conservation of energy.

A: POWER AND FUEL CONSUMPTION	For the year ended 31.03.2018	For the year ended 31.03.2017
1. Electricity		
a) Purchased Units	61998529	51275626
Total amount (₹ million)	**361.89**	**339.12**
Rate / Unit (₹)	5.84	6.61
b) Own Generation:		
i) Through Diesel		
Generator Units	1463650	1398416
Units / ltr. Of Diesel Oil	3.52	3.53
Cost / Unit (₹)	17.77	16.11
ii) Through Windmill		
Generator Units	3605733	-
Total Cost Per Year (₹ million)	**7.04**	**-**
Cost / per Unit (₹)	1.95	-
iii) Through Solar		
Generator Units	1559907	-
Total Cost Per Year (₹ million)	**7.62**	**-**
Cost / per Unit (₹)	4.88	-
2. Coal D/C grade		
Quantity (Tonnes)	5511	4821
Total amount (₹ million)	**49.46**	**34.84**
Average rate per tonne (₹)	8975	7227
3. Furnace Oil		
Quantity (Ltr)	726798	664734
Total amount (₹ million)	**20.35**	**16.78**
Average rate per Ltr (₹)	27.99	25.24

(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 both in terms of time and productivity of products.

(₹ in million)

(C) Expenditure on R&D	For the year ended 31.03.2018	For the year ended 31.03.2017
a) R&D Expenditure	1665	1216
b) Total R&D Expenditure as percentage of Net Revenue from Operations (Including capital expenditure)	7.75	6.03

(D) Foreign Exchange Earnings and Outgo

The Company earned foreign exchange amounting to ₹10,321.75 million and used foreign exchange amounting to ₹2,978.44 million during the year ended 31 March 2018

For and on behalf of the Board of Directors

V. C. Nannapaneni
Chairman and Managing Director

Place: Hyderabad
Date: 8 August 2018

Annexure-VII

Form No. MGT-9

as on Financial year ended on 31.03.2018

[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

CIN	L24230TG1981PLC003201
Registration Date	19 September 1981
Name of the Company	NATCO Pharma Limited
Category / Sub-category of the Company	Company Limited by Shares / Public Company
Address of the Registered Office & Contact details	NATCO House, Road # 2, Banjara Hills Hyderabad 500 034 Tel: 040-23547532
Whether Listed Company	Yes
Name, Address & Contact details of the Registrars and Share Transfer Agents	Venture Capital and Corporate Investments Pvt. Ltd. 12-10-167 Bharat Nagar Hyderabad 500018 Phone: 040-23818475/23818476/23868023 Fax: 040-23868024 Email: info@vccilindia.com

II. Principal Business Activities of the Company

Sl. No.	Name and Description of Main Products / Services	NIC Code of the Product / Service	% of Total Turnover of the Company
1	Pharmaceuticals	210	100%

III. Particulars of Holding, Subsidiary and Associate Companies

Sl. No.	Name and address of the Company	CIN/GLN	Holding / Subsidiary/ Associate	% of shares held	Applicable Section
1	Natco Pharma Inc.	SRV060928109-4232479	Subsidiary	100.00	2(87)
2	Time Cap Overseas Limited	9889-C2/GBL	Subsidiary	89.81	2(87)
3	Natco Pharma (Canada) Inc.	834474-4	Subsidiary	99.04	2(87)
4	Natco Pharma Asia Pte Ltd	201230076Z	Subsidiary	100.00	2(87)
5	Natco Pharma Australia Pty Ltd	601572301	Subsidiary	100.00	2(87)
6	Natcofarma Do Brasil Ltda	08.157.293/0001-27	Step down Subsidiary	81.07	2(87)

IV. Shareholding Pattern

(i) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the Financial year (1 April 2017)				No. of Shares held at the end of the Financial year (31 March 2018)				% of Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1)Indian									
a) Individual / HUF	4,91,66,560	0	4,91,66,560	28.21	4,90,93,560	0	4,90,93,560	26.61	-1.60
b) Central Govt.	0	0	0	0.00	0	0	0	0.00	0.00
c) State Govt.(s)	0	0	0	0.00		0	0	0.00	0.00
d) Bodies Corporate	3,77,17,220	0	3,77,17,220	21.64	3,30,34,470	0	3,30,34,470	17.91	-3.73
e) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
f) Trust	0	0	0	0.00	46,82,750	0	46,82,750	2.54	2.54
Sub-Total (A)(1):	**8,68,83,780**	**0**	**8,68,83,780**	**49.85**	**8,68,10,780**	**0**	**8,68,10,780**	**47.05**	**-2.79**
(2)Foreign									
a) NRIs – Individuals	24,38,540	0	24,38,540	1.40	24,38,540	0	24,38,540	1.32	-0.08
b) Other – Individuals	0	0	0	0.00	0	0	0	0.00	0.00
c) Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
d) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
e) Any Other	0	0	0	0.00	0	0	0	0.00	0.00
Sub-Total (A)(2):	**24,38,540**	**0**	**24,38,540**	**1.40**	**24,38,540**	**0.00**	**24,38,540**	**1.32**	**-0.08**
Total Shareholding of Promoters (A) = (A) (1)+(A)(2)	**8,93,22,320**	**0.00**	**8,93,22,320**	**51.24**	**8,92,49,320**	**0.00**	**8,92,49,320**	**48.38**	**-2.87**
B. Public									
(1)Institutions									
a) Mutual Funds / UTI	87,35,689	3,500	87,39,189	5.01	1,04,53,487	500	1,04,53,987	5.67	0.65
b) Alternate Investment funds	2,33,101	0	2,33,101	0.13	4,54,344	0	4,54,344	0.25	0.11
c) Banks / FI	2,69,876	1,000	2,70,876	0.16	7,35,641	1,000	7,36,641	0.40	0.24
d) Central Govt	0	0	0	0.00	0	0	0	0.00	0.00
e) State Govt	0	0	0	0.00	0	0		0.00	0.00
f) Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
g) Insurance Companies	0	0	0	0.00	0	0	0	0.00	0.00
h) FII	34,64,131	0	34,64,131	1.99	0	0	0	0.00	-1.99
i) Foreign Portfolio Iinvestors – Corporate (FPI)	3,38,37,560	0	3,38,37,560	19.41	4,42,03,975	0	4,42,03,975	23.96	4.55
j) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
k) Foreign National	125	0	125	0.00	0	0	0	0.00	0.00
Sub-Total (B)(1):	**4,65,40,482**	**4,500**	**4,65,44,982**	**26.70**	**5,58,47,447**	**1,500**	**5,58,48,947**	**30.27**	**3.57**
(2)Non-Institutions									
a) Bodies Corporate									
i) Indian	44,67,377	25,800	44,93,177	2.58	44,53,565	17,400	44,70,965	2.42	-0.15
ii) Overseas	0	0	0	0.00	0	0	0	0.00	0
b) Individuals	`	0	0	0.00	0	0	0	0.00	0
i) Individual Shareholders holding nominal share capital upto ₹ 1 lakh	1,72,64,644	17,46,690	1,90,11,334	10.91	1,84,22,613	11,63,030	1,95,85,643	10.62	-0.66
ii) Individual Shareholders holding nominal share capital in excess of ₹ 1 lakh	1,35,31,972	0	1,35,31,972	7.76	1,31,74,401	0	1,31,74,401	7.14	-0.2
c) Others (specify)									
i) Non-Resident Indians	6,80,558	3,24,000	10,04,558	0.58	10,23,790	45,900	10,69,690	0.58	0
ii) Clearing Members	2,79,112	0	2,79,112	0.16	3,77,796	0	3,77,796	0.20	0.04
iii)Trusts	1,20,345	0	1,20,345	0.07	90,837	0	90,837	0.05	-0.02
iv) Investor Education Protection Fund	0	0	0	0.00	6,25,801	0	6,25,801	0.34	0.34
Sub-Total (B)(2):	**3,63,44,008**	**20,96,490**	**3,84,40,498**	**22.05**	**3,81,68,803**	**12,26,330**	**3,93,95,133**	**21.35**	**-0.65**
Total Public Shareholding (B)=(B)(1)+(B)(2)	**8,28,84,490**	**21,00,990**	**8,49,85,480**	**48.76**	**9,40,16,250**	**12,27,830**	**9,52,44,080**	**51.62**	**2.92**
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	**17,22,06,810**	**21,00,990**	**17,43,07,800**	**100.00**	**18,32,65,570**	**12,27,830.00**	**18,44,93,400**	**100.00**	**0.05**

(ii) Shareholding of Promoters:

Sl. No.	Name of the Promoter	No. of Shares held at the beginning of the Financial year (1 April, 2017)			No. of Shares held at the end of the Financial year (31 March 2018)			% of change in shareholding during the year
		No of Shares	% of total Shares	% shares Pledged / encumbered to total shares	No of Shares	% of total Shares	% shares Pledged / encumbered to total shares	
A	**Promoter**							
1	V. C. NANNAPANENI	3,52,96,770	20.25	Nil	3,53,11,270	19.14	Nil	(1.11)
2	VENKAIAH CHOWDARY NANNAPANENI HUF	54,40,045	3.12	Nil	54,40,045	2.95	Nil	(0.17)
3	DURGA DEVI NANNAPANENI	3539100	2.03	Nil	35,39,100	1.92	Nil	(0.11)
4	IL AND FS TRUST COMPANY LTD A/c DURGA DEVI TRUST	6,00,000	0.34	Nil	6,00,000	0.33	Nil	(0.01)
5	RAJEEV NANNAPANENI	16,76,175	0.96	Nil	11,26,175	0.61	Nil	(0.35)
6	NEELIMA SITA NANNAPANENI	1,82,960	0.10	Nil	1,82,960	0.10	Nil	0.00
7	VISTARA ITC INDIA LTD A/c NEELIMA NANNAPANENI TRUST	40,82,750	2.34	Nil	40,82,750	2.21	Nil	(0.13)
B	**Promoter Group**							
1	N. RAMAKRISHNA RAO	7,46,410	0.43	Nil	7,46,410	0.40	Nil	(0.03)
2	T. ANILA	6,29,920	0.36	Nil	6,29,920	0.34	Nil	(0.02)
3	T. ANANDA BABU	4,73,205	0.27	Nil	4,73,205	0.26	Nil	(0.01)
4	VIDYADHARI TUMMALA	4,42,200	0.25	Nil	4,42,200	0.24	Nil	(0.01)
5	JHANSI TUMMALA	2,47,100	0.14	Nil	2,47,100	0.13	Nil	(0.01)
6	ALAPATI BAPANNA	18,300	0.01	Nil	18,300	0.01	Nil	0.00
7	DEVENDRNTH ALAPATI	15,000	0.01	Nil	15,000	0.01	Nil	0.00
8	VENKTA SATYA SWATHI KANTAMANI	28,60,000	1.64	Nil	32,60,000	1.77	Nil	(0.13)
9	T. BAPINEEDU	415	0.00	Nil	415	0.00	Nil	0.00
10	KANTAMANI RATNAKUMAR	37,500	0.02	Nil	100,000	0.05	Nil	0.03
11	VISTARA ITC INDIA LTD A/c NEELIMA NANNAPANENI TRUST	40,82,750	2.34	Nil	40,82,750	2.21	Nil	(0.13)
12	TIME CAP PHARMA LABS LTD	1,71,57,220	9.84	Nil	1,71,57,220	9.30	Nil	0.54
13	NATSOFT INFORMATION SYSTEMS PVT LTD	1,57,67,500	9.05	Nil	1,57,67,500	8.55	Nil	0.50
14	NATCO AQUA LTD	16,000	0.01	Nil	16,000	0.01	Nil	0.00
15	NDL INFRA TECH PVT LTD	93,750	0.05	Nil	93,750	0.05	Nil	0.00
	Total	**8,93,22,320**	**51.24**	**Nil**	**8,92,49,320**	**48.38**	**Nil**	**(2.86)**

(iii) Change in Promoters' shareholding: There is no change in the Promoters Shareholding

Sl. No.	Name of the Promoter	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of Total Share of the Company	No. of Shares	% of Total Share of the Company
1	At the beginning of the year	8,93,22,320	51.24	0	0
	Add: Bought by V. C. Nannapaneni (on 11 August 2017)	14,500	0.00	8,93,36,820	48.42
	Less: Off Market Donation by Rajeev Nannapaneni On 22 June 2017	1,50,000	0.08	8,91,86,820	48.34
	Add: Bought by K. R. Kumar On 10 & 11 August, 17 and 12 February 2018	62,500	0.03	8,92,49,320	48.38
2	At the ending of the year	8,92,49,320	48.38		

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

Sl. No.	Name of the Promoter	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of Total Share of the Company	No. of Shares	% of Total Share of the Company
1	**DILIP S. SHANGHVI**				
	At the beginning of the Year	57,50,000	3.30	-	-
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons of increase/decrease (i.e. allotment / transfer / bonus / sweat equity etc.)				
	Due to increase of paid up capital (% decreased)	-	0.18	57,50,000	3.12
	At the End of the year	57,50,000	3.12	-	
2	**CX SECURITIES LIMITED**			-	-
	At the beginning of the Year	59,94,975	3.44		
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons of increase/decrease (i.e. allotment / transfer / bonus / sweat equity etc)				
	Less: Sale as per beneficiary position 23/6/2017	1,51,000	0.08	58,43,975	3.35
	Less: Sale as per beneficiary position 30/6/2017	13,49,000	0.77	44,94,975	2.58
	Due to increase of paid up capital (% decreased)	-	0.14	44,94,975	2.44
	At the End of the year (due to increase of Paid up Capital)	44,94,975	2.44	-	
3	**NOMURA INDIA INVESTMENT FUND MOTHER FUND**				
	At the beginning of the Year	22,81,593	1.31		
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons of increase/decrease (i.e. allotment / transfer / bonus / sweat equity etc.)				
	Less: Sale as per beneficiary position 21/4/2017	18,863	0.01	22,62,730	1.30
	Add: Purchase as per beneficiary positions 12/5/2017	1,00,000	0.06	23,62,730	1.36
	Add: Purchase as per beneficiary positions 2/6/2017	45,000	0.03	24,07,730	1.38
	Add: Purchase as per beneficiary positions 16/6/2017	53,663	0.03	24,61,393	1.41
	Add: Purchase as per beneficiary positions 30/6/2017	6,81,639	0.39	31,43,032	1.80
	Add: Purchase as per beneficiary positions 18/8/2017	3,60,000	0.21	35,03,032	2.01
	Add: Purchase as per beneficiary positions 25/8/2017	1,50,000	0.09	36,53,032	2.10
	Add: Purchase as per beneficiary positions 1/9/2017	1,63,447	0.09	38,16,479	2.19
	Add: Purchase as per beneficiary positions 15/9/2017	1,00,000	0.06	39,16,479	2.25
	Less: Sale as per beneficiary position 6/10/2017	1,00,000	0.06	38,16,479	2.19
	Add: QIP allotment 15/12/2017	6,48,221	0.35	44,64,700	2.54
	Due to increase of paid up capital (% decreased)	-	0.12	44,64,700	2.42
	Less: sale as per beneficiary positions 22/11/2017	1,30,000	0.07	43,34,700	2.35
	Less: Sale as per beneficiary positions 19/1/2018	50,000	0.03	42,84,700	2.32
	At the End of the year	42,84,700	2.32		

Sl. No.	Name of the Promoter	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of Total Share of the Company	No. of Shares	% of Total Share of the Company
4	**PLENTY PRIVTE EQUITY FII I LIMITED**				
	At the beginning of the Year	-	-	-	-
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons of increase/decrease (i.e. allotment / transfer / bonus / sweat equity etc.)				
	Add: QIP Allotment	-		31,66,178	1.72
	At the End of the year	31,66,178	1.72	-	-
5	**STEADVIEW CAPITAL MAURITIUS LIMITED**				
	At the beginning of the Year	14,97,611	0.86		
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons of increase/decrease (i.e. allotment / transfer / bonus / sweat equity etc.)				
	Add: Purchase as per beneficiary positions 18/8/2017	1,00,000	0.06	16,97,611	0.92
	Add: Purchase as per beneficiary positions 8/9/2017	70,752	0.04	16,68,363	0.96
	Add: Purchase as per beneficiary positions 15/9/2017	3,01,218	0.17	19,69,681	1.13
	Due to increase of paid up capital (% decreased)	-	0.06	19,69,681	1.07
	Add: QIP Allotment 15/12/2017	6,56,000	0.35	26,25,681	1.42
	At the End of the year	26,25,681	1.42		
6	**ADITYA BIRLA SUN LIFE TRUSTEE PRIVATE LTD A/C ADITYA BIRLA SUNLIFE EQUITY ADVANTAGE FUND**				
	At the beginning of the Year	11,14,699	0.64		
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons of increase/decrease (i.e. allotment / transfer / bonus / sweat equity etc.)				
	Add: Purchase as per beneficiary positions 7/4/2017	1,698	0.00	11,16,397	0.64
	Add: Purchase as per beneficiary positions 14/4/2017	2,40,000	0.13	13,56,397	0.77
	Add: Purchase as per beneficiary positions 7/7/2017	2,00,000	0.12	15,56,397	0.89
	Add: Purchase as per beneficiary positions 18/8/2017	1,40,000	0.08	16,96,397	0.97
	Due to increase of paid up capital (% decreased)	-	0.06	16,96,397	0.91
	Add: Purchase as per beneficiary positions 26/1/2018	81,800	0.04	17,78,197	0.96
	Add: Purchase as per beneficiary positions 2/2/2018	1,00,000	0.05	18,78,197	1.01
	Add: Purchase as per beneficiary positions 9/2/2018	2,50,000	0.14	21,28,197	1.15
	Add: Purchase as per beneficiary positions 9/3/18	2,82,000	0.15	24,10,197	1.30
	Add: Purchase as per beneficiary positions 23/3/18	20,000	0.01	24,30,197	1.32
	At the End of the year	24,30,197	1.32		
7	**STICHTING DEPOSITARY APG EMERGING MARKETS EQUITY POOL**				
	At the beginning of the Year	16,83,993	0.97		
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons of increase/decrease (i.e. allotment / transfer / bonus / sweat equity etc.)				
	Due to increase of paid up capital (% decreased)	-	0.06	16,83,993	0.91
	Add: QIP Allotment	2,40,112	0.13	19,24,105	1.04
	At the End of the year	19,24,105	1.04		
8	**NOMURA SINGAPORE LIMITED**				
	At the beginning of the Year	18,09 ,000	1.04		
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons of increase/decrease (i.e. allotment / transfer / bonus / sweat equity etc.)				
	Less: Sale as per beneficiary positions 16/6/2017	21,500	0.01	17,87,500	1.03
	Add: Purchase as per beneficiary positions 14/4/2017	33,345	0.02	18,20,845	1.01
	Less: Sale as per beneficiary positions 11/08/2017	33,345	0.02	17,87,500	1.03
	Due to increase of paid up capital (% decreased)	-	0.06	17,87,500	0.97
	At the End of the year	17,87,500	0.97		

Sl. No.	Name of the Promoter	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of Total Share of the Company	No. of Shares	% of Total Share of the Company
9	**NATIONAL WESTMINSTER BANK PLC A/c TRUSTEE OF THE JUPITER INDIA FUND**				
	At the beginning of the Year	11,57,636	0.66		
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons of increase/decrease (i.e. allotment / transfer / bonus / sweat equity etc.)				
	Add: Purchase as per beneficiary positions 7/4/2017	1,63,.514	0.09	13,21,150	0.75
	Add: Purchase as per beneficiary positions 30/6/2017	80,064	0.05	14,01,214	0.80
	Add: Purchase as per beneficiary positions 18/8/2017	1,51,169	0.09	15,52,383	0.89
	Due to increase of paid up capital (% decreased)	-	0.04	15,52,383	0.85
	Add: Purchase as per beneficiary positions 9/2/2018	13,937	0.01	15,66,320	0.85
	At the End of the year	15,66,320	0.85	-	-
10	**HYPNOS FUND LIMITED**				
	At the beginning of the Year	16,70,119	0.96		
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons of increase/decrease (i.e. allotment / transfer / bonus / sweat equity etc.)				
	Less: sale as per beneficiary positions 7/4/2017	19,619	0.01	16,50,500	0.95
	Less: sale as per beneficiary positions 21/4/2017	1,00,500	0.05	15,50,000	0.90
	Less: sale as per beneficiary positions 16/6/2017	50,000	0.02	15,00,000	0.88
	Less: sale as per beneficiary positions 11/8/2017	4,316	0.00	14,95,684	0.88
	Less: sale as per beneficiary positions 21/9/2017	17,660	0.01	14,78,024	0.87
	Less: sale as per beneficiary positions 22/9/2017	78,024	0.04	14,00,000	0.83
	Due to increase of paid up capital (% decreased)	-	0.07	14,00,000	0.76
	Less: sale as per beneficiary positions 26/1/2018	4,563	0.00	13,95,437	0.76
	Less: sale as per beneficiary positions 2/2/2018	45,437	0.02	13,50,000	0.74
	Add: Purchase as per beneficiary positions 16/3/2018	1,92,658	0.10	15,42,658	0.85
	At the End of the year	15,42,658	0.85		
11	**EM RESURGENT FUND**				
	At the beginning of the Year	20,53,593	1.18		
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons of increase/decrease (i.e. allotment / transfer / bonus / sweat equity etc.)				
	Less: sale as per beneficiary positions 9/6/2017	2,793	0.00	20,50,800	1.18
	Less: sale as per beneficiary positions 11/8/2017	50,800	0.03	20,00,000	1.15
	Less: sale as per beneficiary positions 15/12/2017	1,00,000	0.06	19,00,000	1.09
	Due to increase of paid up capital (% decreased)	-	0.07	19,00,000	1.02
	Less: sale as per beneficiary positions 12/1/2018	1,98,000	0.11	17,02,000	0.91
	Less: sale as per beneficiary positions 19/1/2018	1,16,912	0.06	15,85,088	0.85
	Less: sale as per beneficiary positions 26/1/2018	83,088	0.04	15,02,000	0.81
	Less: sale as per beneficiary positions 16/3/2018	52,000	0.03	14,50,000	0.78
	Less: sale as per beneficiary positions 23/3/2018	50,000	0.03	14,00,000	0.75
	Less: sale as per beneficiary positions 30/3/2018	94,212	0.04	13,05,788	0.71
	At the End of the year	13,05,788	0.71		
12	**GOLDMAN SACHS INDIA LIMITED**				
	At the beginning of the Year	11,81,815	0.67		
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons of increase/decrease (i.e. allotment / transfer / bonus / sweat equity etc.)				
	Due to increase of paid up capital (% decreased)	-	0.03	11,81,815	0.64
	Less: sale as per beneficiary positions 9/2/2018	84,000	0.05	10,97,815	0.59
	Less: sale as per beneficiary positions 16/2/2018	62,873	0.03	10,34,942	0.56
	Less: sale as per beneficiary positions 23/2/2018	4,44,192	0.24	5,90,750	0.32
	Less: sale as per beneficiary positions 2/3/2018	95,598	0.05	4,95,152	0.27
	Less: sale as per beneficiary positions 9/3/2018	4,95,152	0.27	-	-
	At the End of the year	-	-	-	-

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	Name of the Promoter	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of Total Share of the Company	No. of Shares	% of Total Share of the Company
1.	**V. C. Nannapaneni (including HUF)**				
	At the beginning of the year	4,07,36,815	23.38		
	At the end of the year			4,07,51,315	22.09
2.	**Rajeev Nannapaneni (including NRI)**				
	At the beginning of the year	16,76,175	0.96		
	At the end of the year			11,26,175	0.61
3.	**Dr. A. K. S. Bhujanga Rao***				
	At the beginning of the year	43,500	0.03		
	At the end of the year (till 7/8/2017)			43,500	0.03
4.	**P. S. R. K. Prasad**				
	At the beginning of the year	46,950	0.02		
	At the end of the year			47,150	0.03
5.	**D. Linga Rao**				
	At the beginning of the year	61,655	0.03		
	At the end of the year			56,655	0.03
6.	**Dr. M. U. R. Naidu**				
	At the beginning of the year	15,000	0.01		
	At the end of the year			15,000	0.01

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

Sl. No.	Name of the Promoter	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of Total Share of the Company	No. of Shares	% of Total Share of the Company
1.	**M. Adinarayana**				
	At the beginning of the year	31,500	0.02		
	At the end of the year			32,450	0.02
2.	**S. V. V. N. Appa Rao**				
	At the beginning of the year	1,750	0.001		
	At the end of the year			1,750	0.001

V. Indebtedness:

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

(₹ In Lakhs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	14,459.79	7,599.57	0	22,059.36
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	4.84	16.49	0	21.33
Total (i+ii+iii)	**14,464.63**	**7,616.06**	**0**	**22,080.69**
Change in Indebtedness during the financial year				
Addition	0	0	0	0
Reduction	(4,606.78)	(176.03)	0	(4,782.81)
Net Change	(4,606.78)	(176.03)	0	(4,782.81)
Indebtedness at the end of the financial year				
i) Principal Amount	9,857.85	7,440.03	0.00	17,297.88
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	0	0	0	0
Total (i+ii+iii)	**9,857.85**	**7,440.03**	**0.00**	**17,297.88**

VI. Remuneration of Directors and Managerial Personnel

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

(₹ In Lakhs)

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager					Total Amount
		Mr. V. C. Nannapaneni	Mr. Rajeev Nannapaneni	*Dr. A. K. S. Bhujanga Rao	Mr. P. S. R. K. Prasad	Dr. D. Linga Rao	
1	Gross Salary	174.96	159.96	37.91	123.99	123.99	620.81
	a. Salary as per provisions contained in Section 17(1) of the IT Act, 1961	-	-	-	-	-	-
	b. Value of Perquisites U/s 17(2) of IT Act, 1961	-	-	-	-	-	-
	c. Profits in lieu of Salary under section 17(3) of It Act, 1961	-	-	-	-	-	-
2	Stock Options	-	-	-	-	-	-
3	Sweat Equity	-	-	-	-	-	-
4	Commission**	698.00	-	-	-	-	698.00
5	Others, Please Specify	20.16	18.22	2.89	16.01	16.01	73.29
6	Arrears	6.25	8.33	-	5.49	5.49	25.56
7	Incentive	12.9	11.81	-	15.55	15.55	55.81
8	Earned Leave Encashment	8.4	7.59	-	3.25	3.25	22.49
	Total (A)	**920.67**	**205.91**	**40.8**	**164.29**	**164.29**	**1495.96**
	Ceiling as per the Act	₹89,27,64,657/- (being 10% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013)					

*Mr. A. K. S. Bhujanga Rao resigned w.e.f. 7 August 2017

** Provision made as on 31 March 2018

B. Remuneration to other Directors:

(₹)

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager						Total Amount
		Mr. G. S. Murthy	Dr. B. S. Bajaj**	Mr. T. V. Rao	Mr. D. G. Prasad	Dr. Mrs. Leela Digumarti	Dr. M. U. R. Naidu	
1	Fee for attending Board / Committee Meeting	2,75,000	40,000	1,70,000	1,70,000	70,000	2,05,000	9,30,000
2	Commission	-	-	-	-	-	-	-
3	Other, please specify (Incidental fees)	-	-	-	-	-	-	-
	Total (B)	**2,75,000**	**40,000**	**1,70,000**	**1,70,000**	**70,000**	**2,05,000**	**9,30,000**
	Ceiling as per the Act	(being 1% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013)						8,92,76,466
	Total Managerial Remuneration* (A+B)							
	Overall Ceiling as per the Act	(being 11% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013)						98,20,41,123

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

** Mr. B. S. Bajaj resigned w.e.f. 7 August 2018

Note: Mr. Vivek Chhachhi, Non-Executive and Non-Independent Director is not taking any Sitting fees and he resigned w.e.f. 23 May 2018.

C. Remuneration to Key Managerial Personnel

(₹ In Lakhs)

Sl. No.	Particulars of Remuneration	Name of KMP		Total Amount
		Mr. M. Adinarayana	Mr. S. V. V. N. Appa Rao	
1	Gross Salary	37.17	47.69	84.86
	a. Salary as per provisions contained in Section 17(1) of the IT Act, 1961	-	-	-
	b. Value of Perquisites U/s 17(2) of IT Act, 1961	-	-	-
	c. Profits in lieu of Salary under Section 17(3) of It Act, 1961	-	-	-
2	Stock Options	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
5	Others, Please Specify	4.83	6.31	11.14
6	Arrears	0.37	0.73	1.1
7	Incentive	7.87	13.67	21.54
8	Earned Leave Encashment	0.96	1.26	2.22
	Total (C)	**51.2**	**69.66**	**120.86**

VII. Penalties / Punishment / Compounding of Offences:

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority	Appeal made, if any
A. Company					
Penalty					
Punishment			None		
Compounding					
B. Directors					
Penalty					
Punishment			None		
Compounding					
C. Other Officers in Default					
Penalty					
Punishment			None		
Compounding					

Annexure-VIII

Natco Dividend Distribution Policy

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

Effective Date

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

Purpose

To help the investors in taking well informed investment decisions.

Definitions

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

Statutory Provisions:

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

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

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

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

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

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

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

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

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

B. Other Financial Parameters

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

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

C. Interim/Final Dividend Payout

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

D. Classes of Shares

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

E. Disclosures

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

F. Amendment

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

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

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

H. Limitations

The Policy shall not apply to:

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

Corporate Governance Report

Philosophy on Corporate Governance

NATCO Pharma Limited believes that transparency in the form of disclosures, presence of strong Board with adequate composition of independent Directors, 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 create enduring value for all. We have strengthened governance practices which define the way business is conducted and value is generated. Stakeholders' interest is taken into account before taking 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 responsible corporate citizen.

We believe, to achieve success in the business, 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 path to consistent, competitive, profitable and responsible growth which creates a long term value to our shareholders/stakeholders.

Board of Directors

The Board of Natco is a combination of ten (10) eminent personnel from varied fields having immense knowledge in the subjects of their interest. We at Natco always believed that the Board plays a fiduciary capacity role in protecting the interests of the stakeholders and at enhancing the shareholder value. The Board provides strategic guidance to the Company in arriving at commensurate decisions by exercising independent judgement.

(a) Meetings

Correct decision-making is vital for the success of any Company. Natco believes that the Board Meetings are of high significance when it comes to decision making. There are several items of business which are to be particularly reviewed and approved by the Board which include the financial performance of the Company, corporate actions undertaken by the Company, several policies etc. In addition to this the Board also 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 and such other matters as recommended by the management of your Company. All these decisions are taken by the Board with due care, caution and diligence.

(i) Dates of the Board Meetings

The following table depicts the dates on which the Meetings of the Board were held:

Quarter	Date of the Meeting held
April – June, 2017	30 May 2017
July – September, 2017	7 August 2017
October – December, 2017	2 November 2017
January – March, 2018	6 February 2018

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 Committee Meetings were held on the same day. However, proper care is being taken to see that adequate time is provided for both the meetings for thorough discussions for arriving at consensus in better decision making.

(ii) Prior Intimation of Board Meeting

Prior to every Board Meeting of the Company which considers financial results, intimation is given to both the stock exchanges (NSE and BSE) where your Company's shares are listed and the same is published in national daily newspaper in English and in one regional daily newspaper published in Telugu mentioning the date of the meeting and the main items of business to be considered at that particular meeting.

(iii) Disclosure to Stock Exchanges after the Board Meeting

Immediately after the conclusion of the meeting the updates of the same are disclosed to both the stock exchanges. However, when the meeting is held to consider financial results of the Company, such results are uploaded in the online portal of the stock exchanges within thirty (30) minutes from the conclusion of the meeting in compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations').

(b) Composition

The Composition of the Board is made keeping in view the growth of the Company and compliance with the statutory requirement under the Companies Act, 2013 ('Act') and the rules made thereunder and the Listing Regulations.

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

- 5 Independent Directors (including one woman Director)
- 4 Executive Directors
- 1 Non-Independent and Non-Executive Director

Sl. No.	Name	Category	Number of meetings of the Board of Directors during the FY 2017-18		Attendance at the last AGM Held on 28 September 2017	Relationship inter-se directors	Directorships in other public companies (Listed/ Unlisted)
			Held	Attended			
1.	Mr. V. C. Nannapaneni	Executive Director	4	4	Yes	Father of Mr. Rajeev Nannapaneni	1
2.	Mr. T. V. Rao	Independent Director	4	4	No	NA	7
3.	Mr. G. S. Murthy	Independent Director	4	4	Yes	NA	NIL
4.	*Dr. B. S. Bajaj	Independent Director	4	1	NA	NA	NA
5.	Mr. Rajeev Nannapaneni	Executive Director	4	4	Yes	Son of Mr. V.C. Nannapaneni	1
6	*Dr. A. K. S. Bhujanga Rao	Executive Director	4	1	NA	NA	NA
7.	**Mr. Vivek Chhachhi	Non-Executive and Non-Independent Director	4	4	No	NA	--
8.	Mr. D. G. Prasad	Independent Director	4	4	Yes	NA	2
9.	Dr. Leela Digumarti	Independent Director	4	2	No	NA	NIL
10.	Mr. P. S. R. K. Prasad	Executive Director	4	4	Yes	NA	Nil
11.	Dr. MUR Naidu	Independent Director	4	3	No	NA	nil
12.	Dr. D. Linga Rao	Executive Director	4	4	Yes	NA	nil
13.	**Mr. Sridhar Sankararaman	Non-executive and Non-independent Director	4	NA	NA	NA	1

Note: Every Director intimates the Company of his shareholding in the Company as well as directorships in other Companies in the prescribed forms on an annual basis and also on subsequent changes, if any.

* Dr. B. S. Bajaj and Dr. A. K. S. Bhujanga Rao resigned w.e.f. 7 August 2017.

** Mr. Vivek Chhachhi resigned w.e.f. 23 May 2018 and Mr. Sridhar Sankararaman joined the Board as an Additional Director w.e.f. 23 May 2018.

(c) Independent Directors

Natco is always of the belief that an independent eye makes difference to the way the Board functions. The presence of Independent Directors on the Board ensures that decision making of the Board is unbiased and the interests of the stakeholders are best safeguarded. The Act and Listing Regulations prescribe several conditions in respect of Independent Directors and your company is in strict compliance of the same.

Half of your Company's Board consists of Independent Directors who have submitted declaration to the effect that they meet the criteria of independence as provided under the Act and Listing Regulations. They are well qualified in the fields of science, finance, law and administration.

(i) Meeting of Independent Directors

The Independent Directors of your Company met on 6 February 2018 and considered those items of business as required under Schedule IV to the Act as well as the Listing Regulations. The Company Secretary of your Company facilitated the convening and holding of the meeting of Independent Directors.

(ii) Familiarisation Programme for Independent Directors

The Company has organised Familiarisation Programmes for the Independent Directors of the Company on every Board Meeting date 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 on the Company's website.

(d) 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 evaluation techniques are used to assess the performance of the Directors. All the Directors have participated in this evaluation process. The Independent Directors in their separate meeting have also evaluated the performance of the Chairman of the Company, Non-Independent Directors and the Board as a whole.

(e) Attendance and Sitting Fees

The Meetings of the Board are usually convened on such dates as agreed for by majority of the Directors. However due to certain emergencies or for any other pre-occupations Directors are granted leave of absence at the beginning of the meeting. The details of attendance of the Directors and the sitting fees paid for the financial year 2017-18 are as below:

Sl. No.	Name of the Director	Category	Date of Board Meetings, attendance and Sitting fees				Total Sitting Fees paid (₹)
			30 May 2017	7 August 2017	2 November 2017	6 February 2018	
1.	Mr. V. C. Nannapaneni	Executive Director	Y NIL	Y NIL	Y NIL	Y NIL	NIL
2.	Mr. T. V. Rao	Independent Director	Y 30,000	Y 30,000	Y 40,000	Y 40,000	1,40,000
3.	Mr. G. S. Murthy	Independent Director	Y 30,000	Y 30,000	Y 40,000	Y 40,000	1,40,000
4.	*Dr. B. S. Bajaj	Independent Director	Y 30,000	NA	NA	NA	30,000
5.	Mr. Rajeev Nannapaneni	Executive Director	Y NIL	Y NIL	Y NIL	Y NIL	NIL
6.	*Dr. A. K. S. Bhujanga Rao	Executive Director	Y NIL	NA	NA	NA	NIL
7.	Mr. Vivek Chhachhi**	Non-Executive and non-independent Director	Y NIL	Y NIL	Y NIL	Y NIL	NIL
8.	Mr. D. G. Prasad	Independent Director	Y 30,000	Y 30,000	Y 40,000	Y 40,000	1,40,000
9.	Dr. Leela Digumarti	Independent Director	N NIL	Y 30,000	N NIL	Y 40,000	70,000
10.	Mr. P. S .R. K. Prasad	Executive Director	Y NIL	Y NIL	Y NIL	Y NIL	NIL
11.	Dr. M. U. R. Naidu	Independent Director	Y 30,000	N NIL	Y 40,000	Y 40,000	1,10,000
12.	Dr. D. Linga Rao	Executive Director	Y NIL	Y NIL	Y NIL	Y NIL	NIL
	Total						**6,30,000**

Y – Present; N - Leave of Absence, NA- Not Applicable

* Dr. B. S. Bajaj and Dr. A. K. S. Bhujanga Rao resigned w.e.f. 7 August 2017.

** Mr. Vivek Chhachhi, Non-Executive and Non-Independent Director, is voluntarily not taking any sitting fee and he resigned w.e.f. 23 May 2018.

*** None of the Executive Directors are paid sitting fee.

Committees

(i) Committees of Board

In order to take decisions effectively and for better Corporate Governance the Board of your Company had constituted six committees viz. Audit Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee, Compensation Committee, Allotment Committee and Corporate Social Responsibility Committee. The membership in committees is decided based on the traits of the Directors keeping in view the statutory requirement of composition of Directors in the committees. The brief description of terms of reference, composition, meetings and attendance during the financial year 2017-18 are provided below:

(a) Audit Committee

The Audit Committee of the Company comprises of six (6) Directors of which four are Independent Directors (including the Chairman of the Committee), one Non-Executive and Non-Independent Director and one Executive Director (Chairman of the Board) majority of whom are financially literate and have accounting and related financial management expertise. The quorum for the meetings and the frequency of meetings are in strict compliance with the statutory requirements. The details regarding the dates of the meetings, attendance during the meetings and the sitting fee paid for the financial year 2017-18 are depicted in the table below:

Sl. No.	Name of the Director	Category	Date of Audit Committee Meetings, attendance and Sitting fees				Total Sitting Fees paid (₹)
			30 May 2017	7 August 2017	2 November 2017	6 February 2018	
1.	Mr. G. S. Murthy (Chairman)	Independent Director	Y 5,000	Y 5,000	Y 10,000	Y 10,000	30,000
2.	*Dr. B. S. Bajaj	Independent Director	Y 5,000	N NIL	NA	NA	5,000
3	Mr. T. V. Rao	Independent Director	Y 5,000	Y 5,000	Y 10,000	Y 10,000	30,000
4	Mr. D. G. Prasad	Independent Director	Y 5,000	Y 5,000	Y 10,000	Y 10,000	30,000
5	Mr. V. C. Nannapaneni	Executive Director	Y NIL	Y NIL	Y NIL	Y NIL	NIL
6	**Mr. Vivek Chhachhi	Non-Executive and Non-Independent Director	Y NIL	Y NIL	Y NIL	Y NIL	NIL
7	*Dr. M. U. R. Naidu	Independent Director	NA	NA	Y 10,000	Y 10,000	20,000
	Total						**1,15,000**

Y – Present; N – Leave of Absence, NA- Not applicable

* Dr. B. S. Bajaj resigned w.e.f. 7 August 2017 and Dr. M. U. R. Naidu was appointed as member of Audit Committee by the Board w.e.f. 7 August 2017.

** Mr. Vivek Chhachhi, Non-Executive and Non-Independent Director, is voluntarily not taking any sitting fee and he resigned w.e.f. 23 May 2018.

Terms of Reference:

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

1. Oversight of the listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

2. Recommendation for appointment, remuneration and terms of appointment of auditors of the listed entity;

3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;

4. 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 judgement 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. modified opinion(s) in the draft audit report;

5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;

6. 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;

7. Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;

8. Approval or any subsequent modification of transactions of the listed entity with related parties;

9. Scrutiny of inter-corporate loans and investments;

10. Valuation of undertakings or assets of the listed entity, wherever it is necessary;

11. Evaluation of internal financial controls and risk management systems;

12. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;

13. 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;

14. Discussion with internal auditors of any significant findings and follow up there on;

15. 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;

16. 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;

17. 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;

18. To review the functioning of the whistle blower mechanism;

19. Approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;

20. Review of management discussion and analysis of financial condition and results of operations;

21. Reviewing the statement of significant related party transactions (as defined by the audit committee), submitted by management;

22. To Review management letters / letters of internal control weaknesses issued by the statutory auditors;

23. Review of internal audit reports relating to internal control weaknesses; and

24. Appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.

25. Reviewing the statement of deviations:

    a. Quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).

    b. Annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

(b) Stakeholders' Relationship Committee

The Stakeholders' Relationship Committee of the Company comprises of four (4) Directors of which two are Independent Directors (including the Chairman of the Committee) and two Executive Directors. The details regarding the dates of the meetings, attendance during the meeting and the sitting fee paid to members of Stakeholders' Relationship Committee during the financial year 2017-18 are depicted in the table below:

Name of the Director	Category	Date of Stakeholders' Relationship Committee Meeting, attendance and Sitting fees		Total Sitting Fees paid (₹)
		30 May 2017	2 November 2017	
Mr. G. S. Murthy (Chairman)	Independent Director	Y 5,000	Y 10,000	15,000
Mr. V. C. Nannapaneni	Executive Director	Y NIL	Y NIL	NIL
Mr. Rajeev Nannapaneni	Executive Director	Y NIL	Y NIL	NIL
Dr. M. U. R. Naidu	Independent Director	Y 5,000	Y 10,000	15,000
Total				**30,000**

Y – Present; N – Leave of Absence

Terms of reference:

1. To consider and resolve the grievances of the security holders of the listed entity including complaints related to transfer of shares, non-receipt of annual report and non- receipt of declared dividends.

2. To specifically look into the mechanism of redressal of grievances of shareholders, debenture holders and other security holders, if any, of the Company.

(c) Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Company comprises of four (4) Directors of which two are Independent Directors (including the Chairman of the Committee), one Non-executive and Non-independent Director and one Executive Director (Chairman of the Board). The details regarding the dates of the meetings, attendance during the meeting and the sitting fee paid to members of Nomination and Remuneration Committee during the financial year 2017-18 are depicted in the table below:

Name of the Director	Category	Date of Nomination and Remuneration Committee Meeting, attendance and Sitting fees			Total Sitting Fees paid (₹)
		30 May 2017	7 August 2017	6 February 2018	
Mr. G. S. Murthy (Chairman)	Independent Director	Y 5,000	Y 5,000	Y 10,000	20,000
*Dr. B. S. Bajaj	Independent Director	Y 5,000	N NIL	NA NIL	5,000
**Mr. Vivek Chhachhi	Non-Executive and Non-Independent Director	Y NIL	Y NIL	Y NIL	NIL
Mr. V. C. Nannapaneni	Executive Director (Chairman of the Board)	Y NIL	Y NIL	Y NIL	NIL
*Dr. M. U. R. Naidu	Independent Director	NA	NA	Y 10,000	10,000
Total					**35,000**

Y – Present; N – Leave of Absence, NA – Not applicable

* Dr. B. S. Bajaj resigned w.e.f. 7 August 2017 and Dr. M.U.R. Naidu was appointed as member of Nomination and Remuneration Committee by the Board w.e.f. 7 August 2017.

** Mr. Vivek Chhachhi, Non-Executive and Non-Independent Director, is voluntarily not taking any sitting fee and he resigned w.e.f. 23 May 2018.

Terms of reference:

1. Formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board of Directors a policy relating to, the remuneration of the Directors, key managerial personnel and other employees;

2. Formulation of criteria for evaluation of performance of Independent Directors and the Board of Directors;

3. Devising a policy on diversity of Board of Directors;

4. 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 of Directors their appointment and removal.

5. Whether to extend or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of Independent Director.

(d) Compensation Committee

The Compensation Committee of the Company comprises of four (4) Directors of which two are Independent Directors and two are Executive Directors. During the financial year 2017-18 the Compensation Committee recommended the Natco Employee Stock Option Scheme, 2017 (NATSOP 2017) to the Board which was subsequently approved by the members of the Company after which the Committee granted employee stock options to the eligible employees as per the NATSOP 2017. The details regarding the dates of the meetings, attendance during the meeting and the sitting fee paid to members of Compensation Committee during the financial year 2017-18 are depicted in the table below:

Name of the Director	Category	Date of Compensation Committee Meeting, attendance and Sitting fees			Total Sitting Fees paid (₹)
		7 August 2017	2 November 2017	22 January 2018	
Mr. G. S. Murthy	Independent Director	Y 5,000	Y 10,000	Y 10,000	25,000
Mr. V. C. Nannapaneni	Executive Director	Y NIL	Y NIL	Y NIL	NIL
Mr. Rajeev Nannapaneni	Executive Director	Y NIL	Y NIL	Y NIL	NIL
Dr. B. S. Bajaj*	Independent Director	N NIL	NA	NA	NIL
Dr. M. U. R. Naidu*	Independent Director	NA	Y 10,000	Y 10,000	20,000
Total					**45,000**

Y – Present; N – Leave of Absence, NA – Not Applicable

*Dr. B. S. Bajaj resigned w.e.f. 7 August 2017 and Dr. M. U. R. Naidu was appointed as member of Compensation Committee by the Board w.e.f. 7 August 2017.

Terms of Reference

1. To formulate the detailed terms and conditions for the administration and interpretation of any Employee Stock Option Plans of the Company and recommend the same to the Board.

2. To amend and rescind any rules and regulations relating to Employee Stock Option Plans in tune with recommendations / approvals / regulatory rules of SEBI or any other authority or otherwise and to make any other determinations that it deems fit or necessary or desirable for the administration and implementation of the Plan.

3. To grant options issued pursuant to the Employee Stock Option Plans to the employees of the Company.

4. To recommend closure of any scheme to the Board.

5. To frame suitable policies and procedures to ensure that there is no violation of securities laws, as amended from time to time, including Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003 by the Company and its employees.

(e) Allotment Committee

The Allotment Committee comprises of four (4) Directors of which two are independent directors and the other two are Executive Directors. There was no Allotment Committee meeting held during the financial year 2017-18 as there was no need to hold. Mr. V. C. Nannapaneni, Mr. G. S. Murthy, Dr. M. U. R. Naidu and Mr. Rajeev Nannapaneni are the members of the Allotment Committee.

Terms of reference

1. To administer, control and implement the preferential issue of the Company.

2. To negotiate and finalise the terms of the said issue, including the amount, the conversion price, the rate of interest etc.

3. To Allot the bonds / shares consequent upon exercise of right of conversion to the applicants;

4. To File all necessary papers and documents with the Stock Exchanges in India and abroad as may be necessary or authorise any officer of the Company to file the same;

5. To appoint Legal advisors, Paying and Conversion Agents, Listing Agents, Registrars to the issue, Brokers to the issue, Process Agents, Bankers to the issue and any other intermediaries etc. required in connection with the said issue; and

6. To do all such things that are necessary and incidental thereto.

(f) Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee of the Company comprises of three (3) Directors of which one is an Independent Director and two are Executive Directors. The details regarding the dates of the meetings, attendance during the meeting and the sitting fee paid to members of Corporate Social Responsibility Committee during the financial year 2017-18 are depicted in the table below:

Name of the Director	Category	Date of Corporate Social Responsibility Committee Meeting, attendance and Sitting fees		Total Sitting Fees paid (₹)
		30 May 2017	2 November 2017	
Mr. G. S. Murthy	Independent Director	Y 5,000	Y 10,000	15,000
Mr. V. C. Nannapaneni	Executive Director	Y NIL	Y NIL	NIL
Mr. Rajeev Nannapaneni	Executive Director	Y NIL	Y NIL	NIL
Total				**15,000**

Y – Present; N – Leave of Absence; NA- Not Applicable

Terms of Reference

1. 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 to the Companies Act, 2013;

2. To recommend the amount of expenditure to be incurred on the activities referred to in clause (1);

3. To monitor the Corporate Social Responsibility Policy of the Company from time to time;

(g) Committee of Directors

The Board constituted a Committee of Directors for dealing with Qualified Institutional Placement (QIP) for the purpose of framing up, administer, control, finalise the terms and conditions for the issue, its opening and closing and allotment of shares to Qualified Institutional Buyers (QIBs) which comprised of four (4) Directors of whom two are Independent Directors. The details regarding the dates of the meetings, attendance during the meeting and the sitting fee paid to members of Committee of Directors during the financial year 2017-18 are depicted in the table below:

Name of the Director	Category	Dates of Committee of Directors Meetings, Attendance and Sitting Fees			Total Sitting Fees paid (₹)
		11 December 2017	14 December 2017	15 December 2017	
Mr. G. S. Murthy	Independent Director	Y 10,000	Y 10,000	Y 10,000	30,000
Mr. V. C. Nannapaneni	Executive Director	Y NIL	N NIL	Y NIL	NIL
Mr. Rajeev Nannapaneni	Executive Director	Y NIL	Y NIL	Y NIL	NIL
Dr. M. U. R. Naidu	Independent Director	Y 10,000	Y 10,000	Y 10,000	30,000
Total					**60,000**

Y – Present; N – Leave of Absence; NA- Not Applicable

(ii) Other Committees

(a) Share Transfer Committee

The transfer/transmission of equity shares of the Company are approved by the Share Transfer Committee, the power of which has been delegated to the Share Transfer Agents/Registrars of the Company. The Company Secretary approves share transfers/ transmissions and related matters.

Physical shares lodged for transfer either at Company's Registered Office or at the Company's Registrars are processed within 15 days from the date of lodgement, if the documents are valid in all respects. All requests for dematerialisation of shares are processed and the confirmation(s) thereto are given to depositories within 15 days.

During the financial year 2017-18, 1902 (Nineteen Hundred and Two only) instruments of transfer for 5,21,550 (Five Lakh Twenty One Thousand Five Hundred and Fifty only) equity shares and 19 (nineteen) instruments of transmission for 5,600 (Five Thousand Six Hundred only) equity shares were received and the same were effected.

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

Your Company has in place Internal Complaints Committee at each of its offices and factories to resolve any issues related to sexual harassment of women at workplace. The composition of the Committees is strictly as per the statutory requirement in the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. During the Calendar Year 2017 there were no complaints received.

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

General Meetings

(a) Annual General Meetings

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

Financial Year	Date of the AGM	Venue	Time	Special Resolution(s) passed, if any
2016-17	28 September 2017	Daspalla Hotel, Road No.37, Jubilee Hills, Hyderabad - 500 033	10.30 a.m.	7
2015-16	30 September 2016	Daspalla Hotel, Road No.37, Jubilee Hills, Hyderabad - 500 033	10.00 a.m.	5
2014-15	26 September 2015	Daspalla Hotel, Road No.37, Jubilee Hills, Hyderabad - 500 033	10.30 a.m.	9

(b) Extraordinary General Meeting

Financial Year	Date of the AGM	Venue	Time	Special Resolution(s) passed, if any
2017-18	29 November 2017	NATCO House, Road No. 2, Banjara Hills, Hyderabad, 500 034	11.00 a.m.	1

(c) Postal ballot

No resolution was passed through postal ballot for the financial year 2017-18.

Remuneration of Directors

Executive Directors

The remuneration of Executive Directors of the Company is fixed based on the remuneration policy of the Company and as recommended by the Nomination and Remuneration Committee (NRC) and the remuneration paid to them for the financial year 2017-18 is as below:

S. No.	Name	Designation	Total amount (₹ in Lakhs per annum)
1.	Mr. V. C. Nannapaneni	Chairman & Managing Director	222.67 **
2.	Mr. Rajeev Nannapaneni	Vice Chairman & CEO	205.91
3.	Dr. A. K. S. Bhujanga Rao*	Director & President (R&D and Technical)	40.80
4.	Mr. P. S. R. K. Prasad	Director & Executive Vice President (Corp. Engg. Services)	164.29
5.	Dr. D. Linga Rao	Director & President (Tech. Affairs)	164.29
TOTAL			**797.96**

* Dr. A.K.S. Bhujanga Rao resigned w.e.f. 7 August 2017.

** Excludes ₹70 million provision towards commission on net profits.

Non-Executive Directors

Sitting fees for attending the Board Meeting is increased from ₹30,000/- (Rupees Thirty Thousand only) to ₹40,000/- (Rupees forty thousand) at the Board Meeting held on 7 August 2017 and the sitting fees for attending Committee

Meeting is increased from ₹ 5,000/- (Rupees five thousand) to ₹ 10,000/- (Rupees ten thousand only) at the Board meeting held on 7 August 2017 in addition to reimbursement of out of pocket expenses. The amount is paid within the ceiling limits under Companies Act, 2013 and the Articles of Association of the Company. The details of the sitting fees paid to Non-Executive Directors for each meeting is already mentioned at the respective places. Total sitting fee paid for the financial year 2017-2018 is given below:

S. No.	Name	Designation	Total (in ₹)
1.	Mr. G. S. Murthy	Independent Director	2,75,000
2.	*Dr. B. S.Bajaj	Independent Director	40,000
3.	Mr. T. V. Rao	Independent Director	1,70,000
4.	Mr. D. G. Prasad	Independent Director	1,70,000
5.	Dr. Leela Digumarti	Independent Director	70,000
6.	Dr. M. U. R. Naidu	Independent Director	2,05,000
Total			**9,30,000**

* Dr.B. S. Bajaj resigned w.e.f. 7 August 2017

Shareholding of Non-Executive Directors

Shareholding of Non-Executive Directors is provided in Annexure-IV to the Board's Report i.e. Extract of Annual Report in Form No. MGT-9 which forms part of this Annual Report.

Prevention of Insider Trading

Your Company has in place Code of Internal Procedures and Conduct to Regulate, Monitor and Report Trading by insiders as defined in the Securities of the Company ('The Code') which is in adherence to the SEBI (Prohibition of Insider Trading) Regulations, 2015. The disclosures received pursuant to this code and the regulations are disseminated to the Stock Exchanges within the prescribed time limit. Report of compliance officer was duly placed before the respective Board Meetings. The Code is available on the Company's website at the following link:

http://natcopharma.co.in/wp-content/uploads/2015/07/Code-of-Conduct-PIT-2015-Natco.pdf

Compliances

Quarterly Reconciliation of Share Capital Audit Report

A thorough audit is conducted on a quarterly basis by Mrs. P. Renuka, Practising Company Secretary (ACS No. 11963; CP No. 3460), in terms of regulation 55 A of SEBI (Depositories and 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. A copy of the report is uploaded by the respective Stock Exchanges in the online portal of both the stock exchanges (NSE and BSE) on a quarterly basis within the prescribed time limit and the same is also placed before the Board.

Compliance report on Corporate Governance

Your Company submits compliance report on Corporate Governance to both the stock exchanges (NSE and BSE) on quarterly, half-yearly and annual basis within the prescribed time-limits. These reports are also placed before the respective Board Meetings.

Secretarial Standards

The Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI) initially came into force from 1 July 2015 and later were revised w.e.f. 1 October 2017. Your Company's practices and procedures meet with these standards. So far only two secretarial standards for Board Meetings and for General Meetings are in place.

Legal Compliance

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

Whistle Blower Policy

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

Environmental Policy

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 pollution, by conserving raw materials, natural resources such as water, diesel, coal & electricity by creating an environmental awareness among employees & suppliers and by providing a framework for setting and reviewing of environmental objectives and targets. All plant locations of your Company are zero pollution discharging ones.

Non-Mandatory Requirements

- Separate posts of Chairperson and Chief Executive Officer

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

Related Party Transactions

All related party transactions with related parties during the financial year 2017-18 were done in accordance with the provisions of the Companies Act, 2013 and Regulation 23 of the Listing Regulations. No materially significant transactions with related parties were entered during the financial year which was in conflict with the interest of the Company. None of the Non-Executive Directors have any pecuniary material relationship or material transactions with the Company for the year ended 31 March 2018. The Company had formulated a Related Party Transactions Policy which is available on the Company's Website at the following link:

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

Employee Stock Option Schemes

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

Scheme	Particulars	No. of Options
NATSOP2015	Opening Balance as on 1 April 2017	6,16,445
	Options vested and Exercised on 2 November 2017	1,77,500
	Closing Balance of Options as 31 March 2018	4,38,945
NATSOP2016	Opening Balance as on 1 April, 2017	1,74,330
	Options vested and Exercised on 22 January 2018	8,100
	Closing Balance of Options as on 31 March 2018	1,66,230
NATSOP2017	Options approved by Shareholders in their Annual General Meeting held on 28 September 2017	6,00,000
	Options granted by the Compensation Committee in its meeting held on 2 November 2017	6,00,000
	Closing balance of Options as on 31 March 2018	6,00,000

Unclaimed Dividend

Section 124 of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (“the Rules”), mandates that companies transfer dividend that has remained unclaimed for a period of seven years from the unpaid dividend account to the Investor Education and Protection Fund (IEPF).

The following table provides list of years for which unclaimed dividends and their corresponding shares would become eligible to be transferred to the IEPF on the dates mentioned below:

Year	Type of Dividend	Dividend per share(₹)	Date of declaration	Due date of transfer	Amount (₹)
2011-12	Interim	3.00	9 February 2012	15 March 2019	10,72,583.00
2012-13	Interim	4.00	13 February 2013	22 March 2020	15,62,000.00
2013-14	Interim	5.00	13 February 2014	22 March 2021	13,30,505.00
2014-15	Interim	5.00	11 February 2015	20 March 2022	12,22,310.00
2015-16	Interim	1.25*	11 February 2016	19 March 2023	13,41,617.50
2016-17	1st Interim	0.75*	9 August 2016	15 September 2023	9,26,594.50
	2nd Interim	6.00*	14 February 2017	23 March 2024	56,95,218.00
2017-18	1st Interim	1.25*	7 August 2017	13 September 2024	15,44,746.25
	2nd Interim	7.00*	6 February2018	15 March 2025	48,32,709.00

*On Each Equity of ₹ 2/- each

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

Dividend Remitted to IEPF during the last five years

Year	Dividend declared on	Amount transferred to IEPF (₹)	Date of transfer
2005-2006	24 October 2005	5,83,442.00	26 November 2012
2006-2007	26 October 2006	5,46,992.00	22 November 2013
2007-2008	25 October 2007	4,64,065.00	19 November 2014
2008-2009	25 May 2009	5,79,399.00	21 June 2016
2009-2010	27 January 2010	9,18,554.00	22 February 2017
2010-2011	14 February 2011	7,80,368.00	12 March 2018

Transfer of Shares to IEPF

The Ministry of Corporate Affairs issued notification for commencement of the provisions of Section 124(6) whereby all shares in respect of which dividend has not been paid or claimed for seven consecutive years or more shall be transferred by the Company in the name of Investor Education and Protection Fund. The rules pertaining to the same have been notified and your Company had duly complied with the same. During the year the Company transferred 6,25,801 (six lakh twenty five thousand eight hundred and one only) equity shares to IEPF. The shares transferred were on account of dividends unclaimed for seven consecutive years.

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 of the Company both on stand-alone and consolidated basis are made available in the Public Domain of both the Stock Exchanges (NSE and BSE) soon after the conclusion of the Board Meeting in which the above-said results were considered/ approved by the Board and the same are published in both Vernacular and National newspapers in compliance with legal provisions in this regard. Presentations on Financial Results made to Institutional investors / analysts are uploaded in the Company's Website as well as submitted to both the Stock Exchanges (NSE and BSE). 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. are promptly intimated to the Stock Exchanges and updated on the Company's website (www.natcopharma.co.in) as well as made part of press releases. Transparency of the affairs of the Company is always given significance keeping in view the confidentiality required for maintaining the integrity of the business. Any price sensitive information is brought to the notice of both the Stock Exchanges (NSE and BSE), Press and Electronic Media in order to avoid any possible insider trading practices with such information.

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

Quarter ended	Board meeting held on	Date of publication	Name of the English Daily	Name of the Regional Daily
30 June 2017	7 August 2017	8 August 2017	o Business Line	o Eenadu
30 September 2017	2 November 2017	3 November 2017	o Financial Express	o Eenadu o Mana Telangana
31 December 2017	6 February2018	7 February 2018	o Business Standard	o Eenadu
31 March 2018	23 May 2018	24 May 2018	o Business Standard o Business Line o Financial Express	o Eenadu

General Shareholder Information

(a) Details regarding Annual General Meeting

Date	15 September 2018
Time	10.30 a.m.
Venue	Daspalla Hotel, Road No.37, Jubilee Hills, Hyderabad - 500 033
Book Closure Dates	12 September 2018 to 15 September 2018 (both days inclusive)

(b) Financial Year

The Company adopted the financial year beginning on 1 April of every year and ending on 31 March of the following year. Accordingly all the quarterly, half yearly and annual compliance are taken care of in accordance with the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable acts, rules and regulations.

(c) Listing on Stock Exchanges

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

Name of the Stock Exchange	Address	Scrip Code
BSE Limited	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001	524816
National Stock Exchange of India Limited	Exchange Plaza, C-1, Block G, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051	NATCOPHARM

The Company confirms that it has duly paid the annual listing fee for the year 2017-18 to the above mentioned Stock Exchanges and the custodial fee for the year 2017-18 to both the Depositories, namely National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL).

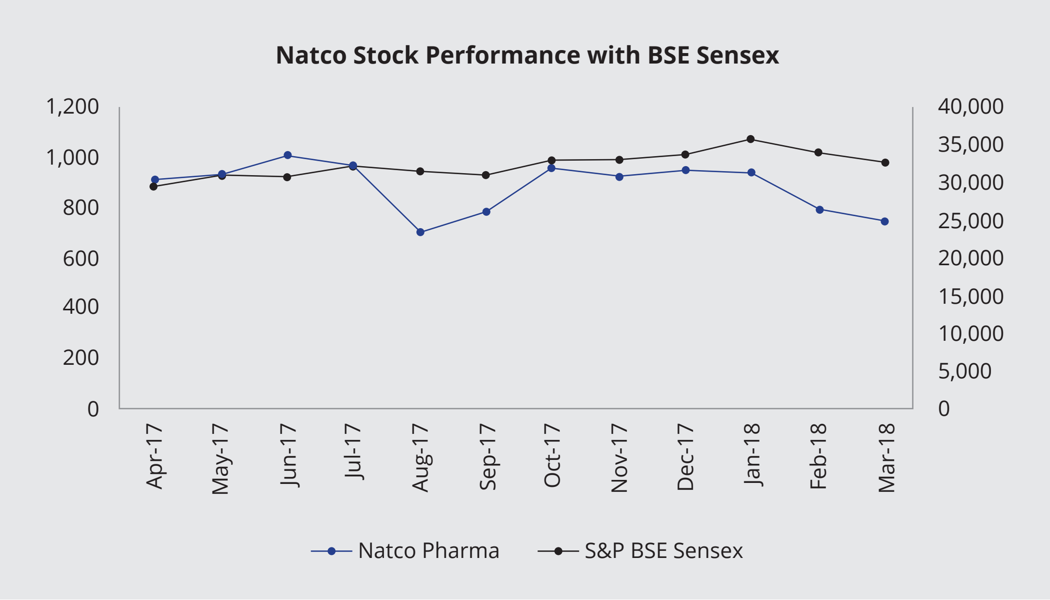
(d) Market Price Data

The market price data (high and low closing prices during each month) for the financial year 2017-18 is as below:

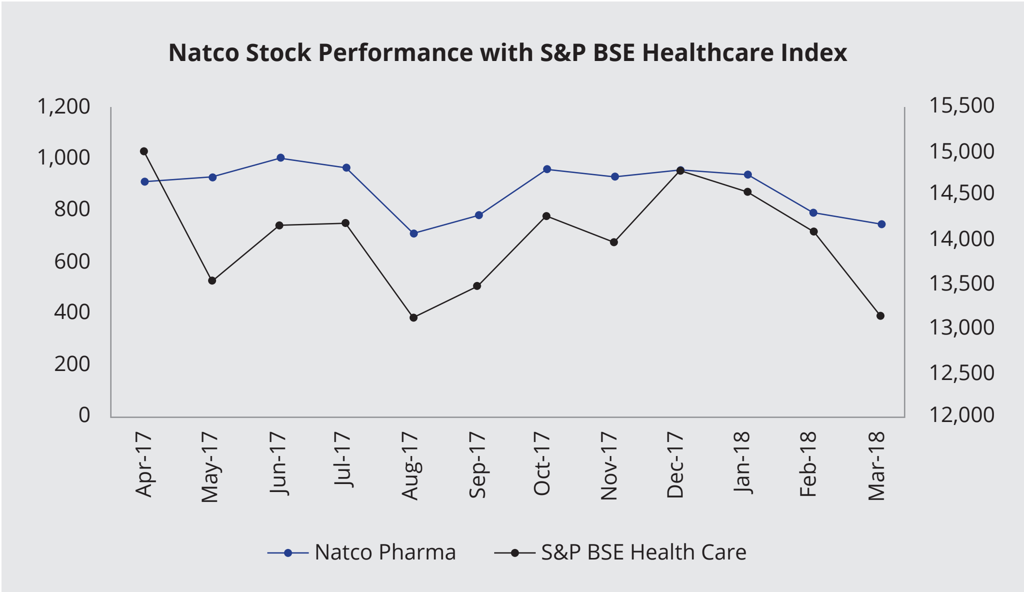
Month	Bombay Stock Exchange		National Stock Exchange	
	High ₹	Low ₹	High ₹	Low ₹
April 2017	1,015.00	843.50	1,015.95	845.95
May 2017	967.00	875.00	968.00	884.10
June 2017	1,080.00	928.60	1,090.00	934.95
July 2017	1,040.00	969.00	1,038.35	971.00
August 2017	986.55	671.25	985.00	715.20
September 2017	826.70	695.45	829.00	696.00
October 2017	1,049.75	780.10	1,050.00	788.25
November 2017	1,010.00	891.10	1,010.00	895.25
December 2017	1,061.95	927.00	1,050.00	928.45
January 2018	1,047.00	930.75	1,046.95	928.00
February 2018	973.00	757.00	974.00	765.00
March 2018	798.00	698.85	798.80	697.60

(e) Performance in comparison to broad-based indices

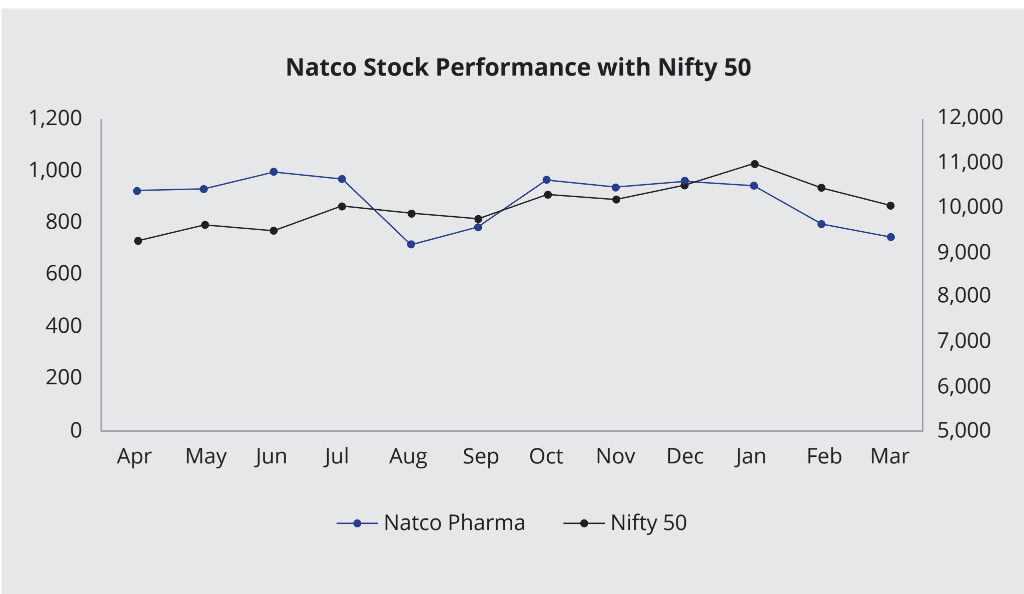
(i) Compared to BSE Sensex



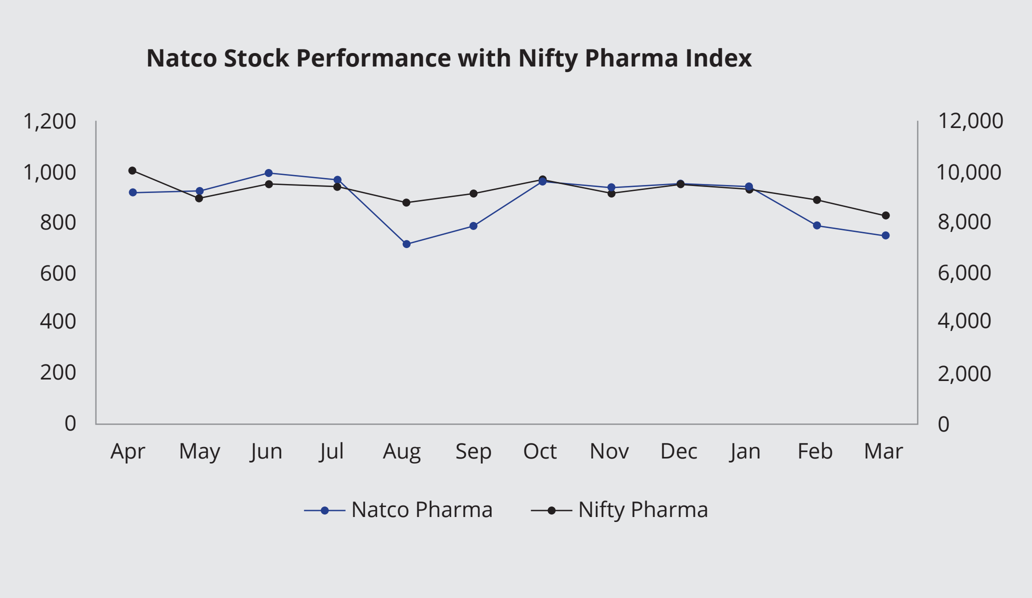
(ii) Compared to S&P BSE HEALTHCARE INDEX



(iii) Compared to Nifty 50



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



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

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

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

(g) Dematerialization of shares and liquidity

As on 31 March 2018, 99.33% of the shares of your Company is dematerialised. As the trading of your Company's shares is being conducted only in electronic form all other members holding physical shares are requested to convert their share holdings to electronic form at the earliest.

(h) Distribution of Shareholding

Nominal Value ₹	Shareholders		Amount ₹	
	Number	% To Total	In ₹	% To Total
Upto – 5000	54,909	96.91	2,05,74,968	5.58
5001 – 10000	786	1.39	59,92,006	1.62
10001 – 20000	401	0.71	59,23,446	1.61
20001 – 30000	137	0.24	33,69,874	0.91
30001 – 40000	64	0.11	22,63,278	0.61
40001 – 50000	56	0.10	25,71,680	0.70
50001 – 100000	115	0.20	83,77,226	2.27
100001 and above	190	0.34	31,99,14,322	86.70
Total	**56,658**	**100.00**	**36,89,86,800**	**100.00**

(i) Unclaimed Shares

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

Particulars	No. of Shareholders	No. of Shares
Aggregate number of shareholders and outstanding shares held in the Unclaimed Suspense Account as on 1 April, 2018	3,500	4,32,600
Number of shareholder and shares transferred to IEPF	1,617	1,85,300
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 2017-18	92	10,200
Aggregate number of shareholders and outstanding shares held in the Unclaimed Suspense Account as on 31 March 2018	1,798	2,54,200

(k) Plant Locations

Pharma Division Kothur Post & Mandal, Rangareddy District -509 228 Telangana, India	**Pharma Division - Parenterals** Vijayapuri North, Nagarjunasagar, Peddavura Mandal, Nalgonda Dist.-508 202 Telangana, India
Chemical Division Mekaguda, Nandigama Mandal Rangareddy District - 509 228 Telangana, India	**R & D Division (Natco Research Centre)** B-11, B-13 & B-14, Industrial Estate, Sanathnagar, Hyderabad - 500 018, Telangana, India.
Formulations Division Plot No.19, Pharma City Selaqui Industrial Area Vikas Nagar, Dehradun 248 197 Uttarakhand, India	**Formulations Division** Plot No.A3, UPSIDC, Selaqui Industrial Area Dehradun 248 197. Uttarakhand, India
Chemical Division, Chennai No.74/7B, Vaikkadu TPP Salai, Manali Chennai - 600 103, Tamilnadu, India.	**Pharma Division** DAG No.749, 750 Kokjhar Village, Revenue Circle - Mirza Kamrup (Rural) Guwahati Dist. 781 125, Assam, India
Unit under Construction – Formulations Division UNIT-10, Parawada, JNPC, Ramky SEZ Visakapatnam-531 019, Andhra Pradesh, India	

(l) Compliance Officer

CS M.Adinarayana
Company Secretary &
Vice President (Legal & Corp. Affairs)
Email: man@natcopharma.co.in

(m) Address for correspondence

Registered Office:
Mr. S. Dasaradhi, Sr. Manager – Legal & Secretarial
NATCO House, Road No. 2, Banjara Hills,
Hyderabad - 500034, Telangana
Tel. No.: 040-23547532, Fax No.: 040-23548243
Email: investors@natcopharma.co.in / dasaradhi@natcopharma.co.in
Website: www.natcopharma.co.in

Certificate on Compliance with code of conduct

The Members of
NATCO Pharma Limited

As required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, I hereby confirm that the Company has adopted a code of conduct for all Board Members and Senior Management and the same has been placed on the Company's Website. All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct in respect of the Financial Year ended 31 March 2018.

For NATCO Pharma Limited

V. C. Nannapaneni
Chairman & Managing Director

Place: Hyderabad
Date: 23 May 2018

CEO / CFO Certification to the Board

(as per 17(8) of Listing Regulations)

The Board of Directors,
NATCO Pharma Limited

A. We have reviewed financial statements and the cash flow statement for the year ended 31 March 2018 and that to the best of our knowledge and belief:

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

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

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

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

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

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

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

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

Place: Hyderabad
Date: 23 May 2018

Rajeev Nannapaneni
Vice Chairman & CEO

S. V. V. N. Appa Rao
CFO

Certificate of Compliance

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 31 March 2018 as per the relevant provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations').

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

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

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

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

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

Place: Hyderabad
Date: 30 July, 2018

Business Responsibility Report

Section – A: General Information about the Company

1.	Corporate Identity Number (CIN) of the Company	L24230TG1981PLC003201
2.	Name of the Company	NATCO Pharma Limited
3.	Registered Address	NATCO House Road # 2, Banjara Hills, Hyderabad 500034 India
4.	Website	www.natcopharma.co.in
5.	E-mail ID	ir@natcopharma.co.in
6.	Financial Year Reported	1 April 2017 to 31 March 2018
7.	Sector(s) that the Company is engaged in (industrial activity code-wise)	NIC Code of product/service: 210 Description: Pharmaceuticals
8.	List three key products/services that the Company manufactures/provides (as in balance sheet)	Imatinib, Oseltamivir, Glatiramer Acetate
9.	Total number of locations, where business activity is undertaken by the Company	Our business activity spreads over 40 countries through either sales or alliances. Our major products include Finished Dosage Formulations (FDF) and Active Pharmaceutical Ingredients (API). Number of locations in India (National) - seven manufacturing units (plus one under construction), two R&D centres in addition to several distribution/warehouse locations across India. International locations - The Company has 5 subsidiaries and one step-down subsidiary
10.	Markets served by the Company – Local/ State/ National/ International	The Company sells its products in India, USA, Europe and several other emerging countries, totalling over 40 countries.

Section – B: Financial Details of the Company

1.	Paid-up Capital (INR)	₹ 368.99 million (As on 31 March 2018).
2.	Total Turnover (INR)	Gross turnover of ₹ 22,424 million on a consolidated basis (As on 31 March 2018).
3.	Total profit after Taxes (INR)	₹ 6,962 million on a consolidated basis (As on 31 March 2018).
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	Total percentage on CSR as a percentage of Profit after Tax of FY 2017-2018 is 0.99%. The Company spent over 2% of its average Profit before Tax of preceding 3 financial years. Additionally, the Company also made donations for CSR activities.
5.	List of activities in which the above expenditure has been incurred	The Company has undertaken several CSR Projects / Programmes during FY 2016-17: majority of the focus being in Education and Healthcare sectors. The detailed list of activities where the CSR expenditure was incurred is included in the Directors' Report which forms a part of this Annual Report.

Section – C: Other Details

1. **Does the Company have any Subsidiary Company/ Companies?**
   Yes, the Company has five subsidiaries and one step-down subsidiary, all located overseas.

2. **Does the Subsidiary Company/ Companies participate in the BR initiatives if the parent Company? If yes, then indicate the number of such subsidiary Company(s):**
   The parent company undertakes majority of the BR initiatives.

3. **Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30%-60%, More than 60%]:**
   Entities like suppliers, distributors did not participate in the Company BR initiatives in the reporting period.

Section – D: Business Responsibility Information

1. **Details of Director/Directors responsible for BR**

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

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

(b) **Details of the BR Head**

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

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

Principle 1

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

Principle 2

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

Principle 3

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

Principle 4

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

Principle 5

Human Rights
Businesses should respect and promote human rights

Principle 6

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

Principle 7

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

Principle 8

Equitable Development
Businesses should support inclusive growth and equitable development

Principle 9

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

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

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

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

3. Governance related to BR

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

- **Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?**
  The Company's Annual Report includes a Business Responsibility Report. The copy of the same is available on the website of the Company at www.natcopharma.co.in

Section – E: Principle-wise Performance

Principle 1 Ethics, Transparency and Accountability

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

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

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

The Company encourages all its stakeholders to freely share their concerns and grievances. The Company has received 17 complaints from various stakeholders during FY 2017-18, which were promptly resolved.

Principle 2 Products Life Cycle Sustainability

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

a. Doxorubicin

b. Lanthanum Carbonate

c. Sorafenib

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

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

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

The Company strives to improve the energy and water footprints by reducing the power and fuel consumption.

1. CFL lights were replaced with LED lights to reduce power consumption.

2. Reverse Osmosis reject water from purified water plant is used for garden and washrooms.

3. Street lights were provided with timer based ON/OFF system to save unnecessary usage.

4. The Air handling units are judiciously used based on process requirement

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

(i) If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.

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

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

The Company consciously endeavours to source its procurement of goods and services from medium and small vendors from local areas where feasible and if it meets the quality standards of the Company. For example, milk, eggs and vegetables required for the canteen are procured from local producers. Most of the workmen employed in the plant are from nearby villages. Laundry and tailoring services are also provided by locals.

4. Does the Company have a mechanism to recycle products and wastes? If yes, what is the percentage of recycling the products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.

The Company executed several programs to recycle products and waste. Some of which include,

1. Equipment washing and domestic waste water is treated using in -house effluent treatment plant and the treated water is used to maintain available trees and the green belt.

2. Generated steam condensate is reused for boiler.

3. Non-Hazardous waste is sent to authorized co-processing / pre-processing unit for shredding. This shredded waste is used as raw material, or as a source of energy, or both to replace natural mineral resources and fossil fuels such as coal, petroleum and gas, in industrial processes, mainly in energy intensive industries (EII) such as cement, lime, steel, glass and power generation.

4. Waste paper is sent to an authorized recycling agency.

Principle 3 Employee Well-Being

1. Please indicate the total number of employees.

The total number of employees is 4831 as on 31 March 2018.

2. Please indicate the total number of employees hired on temporary/contractual/casual basis.

The total number of employees hired on temporary/ contractual/casual basis is 145 as on 31 March 2018.

3. Please indicate the number of permanent women employees.
The total number of permanent women employees is 573 as on 31 March 2018.

4. Please indicate the number of permanent employees with disabilities.
The total number of permanent employees with disabilities is 5 as on 31 March 2018.

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

6. What percentage of your permanent employees are members of this recognised employee association?
11.74% of permanent employees at our manufacturing locations are members of employee associations.

7. Please indicate the number of complaints relating to child labor, forced labor, involuntary labor, sexual harassment in the last financial year and pending, as on the end of the financial year.
The Company does not employ any child labour. No case of sexual harassment at work place was reported during the year 2017-18 and we have an Internal Complaints Committee at all our locations under SHWW Act, 2013.

8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?
We continue to devote resources and efforts to continuously upgrade the skills of employees and they are given regular safety training and over 90% of our permanent and contractual employees are given regular safety training, CGMP and Behavioural training.

Principle 4 Stakeholder Management

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

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

3. Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.
Various initiatives have been taken by the Company to engage with marginalised stakeholders at locations in and around its operations in the areas of: Community Health Care, Sanitationand Hygiene, Education and Knowledge Enhancement. For details of projects undertaken during the FY 2017-18, please refer the 'Annual Report on CSR Activities' titled "Empowering our Communities".

Principle 5 Human Rights

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

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?
No complaints were received during the year in this regard.

Principle 6 Environment

1. Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others.
The Company's policy is extended only to the Group. Site specific EHS policies are in place.

2. Does the Company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc.
Yes. The Company has recognized global environmental issues and is committed towards contributing to manage climate change. It has initiated the following initiatives to address the same:

- Initiated to switch over to use the renewable energy sources for captive power consumption

- Onsite Solar & wind power generation systems
- Solar power purchase agreements with renewal energy generators
- Installation of "waste to energy" plant in progress to generate the steam by utilizing hazardous & non- hazardous wastes.
- Ensuring greenbelt cover in all our plant premises.
- Rain water harvesting systems
- Conserving natural resources, especially water by implementing water conservation measures and wastewater recycling systems.

The Company has also taken up several other steps directed towards conservation of energy. Please refer to Annexure VI to the Board's Report.

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

As a policy, the Company designs its processes in an environment friendly manner by assessing the potential environmental risks and avoid / limit the usage of toxic and hazardous substances.

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

Yes. The Company is actively pursuing renewable energy for power generation through solar, wind and biomass sources.

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

Natco Pharma adopts waste minimization hierarchy rather than focusing on end of the pipe technologies. With our continuous efforts, the following cleaner production practices are being implemented:

1. Installation of Energy efficient equipment & optimization of processes consuming energy by:
   a) Installing new high efficiency Utility equipment
   b) Conversion of CFL based lighting to LED lighting and implementing in phased manner across all units.
2. Identifying cheaper power sources both in-house and external and utilizing alternate sources of energy:
   a) Installed 1 MW Solar plant at Chemical Division, Mekaguda, and 1.15 MW Solar plant at Nagarjuna Sagar
   b) Installed solar parabolic dish concentrator for boiler feed water during the last fiscal year for energy saving and achieved significant saving annually.
3. Steps in progress for increasing the utilization of alternate renewable sources of energy:
   a) Propose to install 5 MW Solar plant at Chemical Division, Mekaguda.
   b) Propose to install 2.1 MW wind mill at Anantapur, for captive power use for Vizag plant.
   c) Feasibility studies for Wind Power Generation for captive power utilization at Chemical Division, Mekaguda have been completed and data evaluation is in progress for generating Wind power.

6. Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?

Yes. All emissions & wastes are within the permissible limits.

7. Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.

The Company has not received any such notices from CPCB/SPCB during FY 2017-18.

Principle 7 Policy Advocacy

1. Is your Company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:

Yes. The Company is a member of various trade/ Industry associations like Federation of Indian Chambers of Commerce & Industry (FICCI), Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry (FTAPCI), Bulk Drug Manufacturers Association (India) BDMA, Indian Pharmaceutical Alliance (IPA), Indian Drug Manufacturing Association (IDMA), Pharmexcil, Confederation of Indian Industry (CII) etc.

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

Principle 8 Equitable Development

1. **Does the Company have specified programmes/ initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.**
Yes, the Company has identified specified programmes / projects in the pursuit of the policy related to Principle 8. For details of projects undertaken during the FY 2017-18, please refer the 'Annual Report on CSR Activities' under "Empowering our Communities".

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

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

4. **What is your Company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken?**
During the year under review the Company had contributed ₹69.02 million to various community development programmes / projects as part of its CSR initiatives. The details of projects undertaken are mentioned in the Annexure IV of the Board's Report.

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

Principle 9 Customer Value

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

2. **Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A./Remarks (additional information).**
The Company displays all the product information on the product label, which is mandatory.

Besides, the Company also displays general information for patients in order to guide them with respect to usage of the certain products.

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

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

Standalone & Consolidated 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 2018, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the 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 including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards ('Ind AS') specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the 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 these 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 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. 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 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 these 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 including Ind AS specified under Section 133 of the Act, of the state of affairs of the Company as at 31 March 2018, and its profit (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central

Government of India in terms of Section 143(11) of the Act, we give in the Annexure A a statement on the matters specified in paragraphs 3 and 4 of the Order.

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

    (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

    (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

    (c) the standalone financial statements dealt with by this report are in agreement with the books of account;

    (d) in our opinion, the aforesaid standalone financial statements comply with Ind AS specified under Section 133 of the Act;

    (e) on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164(2) of the Act;

    (f) we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as on 31 March 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date and our report as per Annexure B expressed an unqualified opinion;

    (g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:

        i. the Company, as detailed in Note 38 (b) to the standalone financial statements, has disclosed the impact of pending litigations on its financial position;

        ii. the Company 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 Company;

        iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016 which are not relevant to these standalone financial statements. Hence, reporting under this clause is not applicable.

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

Adi P. Sethna
Partner
Membership No. 108840

Place: Hyderabad
Date: 23 May 2018

Annexure A to the Independent Auditor's Report of even date to the members of NATCO Pharma Limited, on the standalone financial statements for the year ended 31 March 2018

Annexure A

Based on the audit procedures performed for the purpose of reporting a true and fair view on the standalone financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular program of physical verification of its fixed assets under which fixed assets are verified in a phased manner over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this program, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification.

(c) The title deeds of all the immovable properties (which are included under the head 'Property, plant and equipment') are held in the name of the Company except for the following properties which according to the information and explanation given to us, are under dispute pending with Senior Civil Judge, Shadnagar as to the ownership of the property, as stated in note 6 to the standalone statements:

Nature of property	Total Number of Cases	Whether leasehold / freehold	Gross block as on 31 March 2018 (₹) in millions	Net block on 31 March 2018 (₹) in millions
Land	One	Freehold	4	4

(ii) In our opinion, the management has conducted physical verification of inventory at reasonable intervals during the year, except for goods-in-transit and stocks lying with third parties. For stocks lying with third parties at the year-end, written confirmations have been obtained by the management. No material discrepancies were noticed on the aforesaid verification.

(iii) The Company has granted unsecured loans to parties (foreign subsidiaries) covered in the register maintained under Section 189 of the Act; and with respect to the same:

(a) in our opinion the terms and conditions of grant of such loans are not, prima facie, prejudicial to the company's interest;

(b) the schedule of repayment of principal and payment of interest has been stipulated and the principal and interest amount is not due;

(c) there is no overdue amount in respect of loans granted to such party.

(iv) In our opinion, the Company has complied with the provisions of Section 186 in respect of investments and loans. Further, in our opinion, the Company has not entered into any transaction covered under Section 185 and Section 186 of the Act in respect of guarantees and security.

(v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub-section (1) of Section 148 of the Act in respect of Company's products and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, goods and service tax, service tax, duty of customs, duty of excise, 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 sales-tax, service-tax, duty of customs, on account of disputes, are as follows:

Name of the statute	Nature of dues	Amount (₹ in millions)		Period to which the amount relates	Forum where dispute is pending
		Total Claim	Amount paid under protest		
The Central Sales Tax, 1956	Central Sales Tax	9	3	FY 1997-98	High Court of Judicature at Hyderabad
The Customs Act, 1962	Customs Duty	2	-	July 2006 to 2010	CESTAT
The Finance Act, 1994	Service Tax	2	1	FY 2011-12	CESTAT

There were no disputed dues in respect of income tax duty of excise and value added tax.

(viii) The Company has not defaulted in repayment of loans or borrowings to any bank during the year. The Company has no loans or borrowings payable to financial institutions or government and does not have any outstanding debentures during the year.

(ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments) and did not have any term loans outstanding during the year. Accordingly, the provisions of clause 3(ix) of the Order are not applicable.

(x) No fraud by the Company or on the company by its officers or employees has been noticed or reported during the period covered by our audit.

(xi) Managerial remuneration has been paid / provided by the company in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.

(xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.

(xiii) In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the standalone statements etc., as required by the applicable Ind AS.

(xiv) During the year, the company has made private placement of shares. In respect of the same, in our opinion, the company has complied with the requirement of Section 42 of the Act and the Rules framed thereunder. Further, in our opinion, the amounts so raised were applied for the purposes for which these securities were issued, though idle funds which were not required for immediate utilisation have been invested in liquid investments, payable on demand. During the year, the company did not make preferential allotment/private placement of fully/ partly convertible debentures.

(xv) In our opinion, the company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act. Accordingly, the provisions of Clause 3 (xv) of the order are not applicable.

(xvi) The company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

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

Adi P. Sethna
Partner
Membership No. 108840

Place: Hyderabad
Date: 23 May 2018

Annexure B to the Independent Auditor's Report of even date to the members of NATCO Pharma Limited on the standalone financial statements for the year ended 31 March 2018

Independent Auditor's Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the standalone financial statements of NATCO Pharma Limited ('the Company') as at and for the year ended 31 March 2018, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Company as at that date.

Management's Responsibility for Internal Financial Controls

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('the Guidance Note'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Company's business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India ('ICAI') and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR includes obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's IFCoFR.

Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's IFCoFR include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

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

Adi P. Sethna
Partner
Membership No. 108840

Place: Hyderabad
Date: 23 May 2018

Balance Sheet
as at 31 March 2018

(All amounts in ₹ millions, except share data and where otherwise stated)

	Notes	31 March 2018	31 March 2017
Assets			
Non-current assets			
(a) Property, plant and equipment	6	10,096	8,234
(b) Capital work-in-progress		4,800	3,362
(c) Intangible assets	7	57	56
(d) Financial assets			
Investments	8	1,013	859
Loans	9	78	-
Other financial assets	10	149	131
(e) Current-tax assets (net)		18	-
(f) Other non-current assets	11	609	478
		16,820	**13,120**
Current assets			
(a) Inventories	12	4,258	3,369
(b) Financial Assets			
Investments	8	483	89
Trade receivables	13	6,060	4,689
Cash and cash equivalents	14	101	128
Bank balances other than cash and cash equivalents	15	1,620	123
Loans	9	46	66
Other financial assets	10	6,140	734
(c) Other current assets	11	1,834	1,153
		20,542	**10,351**
Total assets		**37,362**	**23,471**
Equity and Liabilities			
Equity			
(a) Equity share capital	16	369	349
(b) Other equity	17	30,885	16,648
Total of equity		**31,254**	**16,997**
Liabilities			
Non-current liabilities			
(a) Financial liabilities			
Other financial liabilities	19	8	8
(b) Provision for employee benefits	20	324	219
(c) Deferred tax liabilities (net)	21	138	150
		470	**377**
Current liabilities			
(a) Financial liabilities			
Borrowings	18	1,730	2,206
Trade payables	23	2,454	2,514
Other financial liabilities	19	1,009	974
(b) Other current liabilities	22	308	254
(c) Provision for employee benefits	20	137	18
(d) Current tax liabilities (net)		-	131
		5,638	**6,097**
Total equity and liabilities		**37,362**	**23,471**

The accompanying notes form an integral part of the financial statements.
This is the Balance Sheet referred to in our report of even date.

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

Adi P. Sethna
Partner
Membership No. 108840

Place: Hyderabad
Date: 23 May 2018

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

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

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

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

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

Place: Hyderabad
Date: 23 May 2018

Statement of Profit and Loss
for the year ended 31 March 2018

(All amounts in ₹ millions, except share data and where otherwise stated)

	Notes	31 March 2018	31 March 2017
Revenue			
Revenue from operations	24	21,085	20,028
Other income	25	394	132
Total revenues		**21,479**	**20,160**
Expenses			
Cost of materials consumed	26	3,905	5,208
Excise duty		172	448
Purchases of stock-in-trade		227	687
Changes in inventories of finished goods, stock-in -trade and work-in-progress	27	(247)	(167)
Employee benefits expenses	28	3,122	2,321
Finance costs	29	147	175
Depreciation and amortisation expense	6 & 7	655	536
Other expenses	30	4,622	4,611
Total expenses		**12,603**	**13,819**
Profit before tax		8,876	6,341
Tax expense	31		
Current tax		2,173	1,353
Minimum alternative tax credit		(279)	-
Tax for earlier years		-	40
Profit for the year		**6,982**	**4,948**
Other comprehensive income (net of taxes)			
Items that will not be reclassified to profit or loss			
Re-measurement gains/(losses) on defined benefit plans		(42)	(50)
Net (loss)/gain on FVTOCI equity securities		(5)	28
Total comprehensive income for the year		**6,935**	**4,926**
Earnings per equity share (₹) (Nominal value per share ₹ 2)	32		
Basic		39.38	28.27
Diluted		39.24	28.24

The accompanying notes form an integral part of the financial statements.
This is the Statement of Profit and Loss referred to in our report of even date.

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

Adi P. Sethna
Partner
Membership No. 108840

Place: Hyderabad
Date: 23 May 2018

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

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

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

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

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

Place: Hyderabad
Date: 23 May 2018

Cash Flow Statement

for the year ended 31 March 2018

(All amounts in ₹ millions, except share data and where otherwise stated)

	31 March 2018	31 March 2017
Cash flows from operating activities		
Profit before tax	8,876	6,341
Adjustments :		
Depreciation and amortisation expense	655	536
Finance cost	147	153
Employee share-based payment expense	180	123
Unrealised foreign exchange loss / (gain), net	(13)	0
Interest income	(248)	(76)
Bad debts written - off	133	238
Dividend income	(2)	-
Liabilities no longer required, written back	(5)	-
Assets written - off	-	24
(Gain) / loss on sale of asset	(103)	0
Operating profit before working capital changes	**9,620**	**7,339**
Changes in trade payables	(60)	(187)
Changes in employee benefit obligations	171	47
Changes in other financial liabilities	25	141
Changes in other liabilities	59	(72)
Changes in other financial assets	(25)	4
Changes in loans	(11)	(6)
Changes in other assets	(591)	(525)
Changes in inventories	(889)	150
Changes in trade receivables	(1,491)	(2,369)
Cash generated from operating activities	**6,808**	**4,522**
Income taxes paid, net	(2,044)	(1,224)
Net cash generated from operating activities (A)	**4,764**	**3,298**
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,224)	(2,752)
Proceeds from sale of property, plant and equipment	177	0
Purchase of intangible assets	(18)	(18)
Investments in subsidiaries	(74)	(142)
Loans given to subsidiary companies, net	(46)	(32)
Payments for purchase of investments other than subsidiaries	(481)	-
Proceeds from sale of investments	-	160
Interest received	98	84
Movement in other bank balances, net	(1,496)	87
Deposits with financial institutions	(5,249)	(293)
Dividend received	2	-
Net cash used in investing activities (B)	**(11,311)**	**(2,906)**

Cash Flow Statement
for the year ended 31 March 2018

(All amounts in ₹ millions, except share data and where otherwise stated)

	31 March 2018	31 March 2017
Cash flows from financing activities		
Proceeds from issue of shares, net of share issue expenses	8,959	1
Repayment of non-current borrowings	-	(142)
(Repayments) / proceeds from current borrowings, net	(476)	1,246
Dividends paid to Company's shareholders	(1,814)	(1,410)
Interest paid	(149)	(151)
Net cash (used in) / from financing activities (C)	**6,520**	**(456)**
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(27)	(64)
Cash and cash equivalents as at the beginning of the year	128	192
Cash and cash equivalents as at the end of the year (Note 14)	**101**	**128**

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

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

Adi P. Sethna
Partner
Membership No. 108840

Place: Hyderabad
Date: 23 May 2018

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

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

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

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

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

Place: Hyderabad
Date: 23 May 2018

Statement of changes in equity

for the year ended 31 March 2018

(All amounts in ₹ millions, except share data and where otherwise stated)

A Equity Share Capital

	Notes	Number of shares	Amount
As at 1 April 2016		17,41,74,245	348
Changes in equity share capital	16	1,33,555	1
As at 31 March 2017		17,43,07,800	349
Changes in equity share capital	16	1,01,85,600	20
As at 31 March 2018		18,44,93,400	369

B Other Equity

	Reserves and Surplus						Other reserves		
	Securities premium reserve	Capital reserve	Capital redemption reserve	General reserve	Share options outstanding account	Retained earnings	Gain/(loss) on FVTOCI Equity securities	Remeasurement of defined benefit obligations	Total
Balance as at 31 March 2016	6,112	207	5	595	97	6,012	14	(27)	13,015
Profit for the year	-	-	-	-	-	4,948	-	-	4,948
Other comprehensive income (net of taxes)	-	-	-	-	-	-	28	(50)	(22)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**4,948**	**28**	**(50)**	**4,926**
Transactions with owners in their capacity as owners:									
Employee stock option expense	-	-	-	-	123	-			123
Dividend paid	-	-	-	-	-	(1,176)	-	-	(1,176)
Tax on distributed profits	-	-	-	-	-	(240)	-	-	(240)
Share options exercised	66	-	-	-	(66)	-	-	-	-
Balance as at 31 March 2017	**6,178**	**207**	**5**	**595**	**154**	**9,544**	**42**	**(77)**	**16,648**
Profit for the year	-	-	-	-	-	6,982	-	-	6,982
Other comprehensive income (net of taxes)	-	-	-	-	-	-	(5)	(42)	(47)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**6,982**	**(5)**	**(42)**	**6,935**

Statement of changes in equity

for the year ended 31 March 2018

(All amounts in ₹ millions, except share data and where otherwise stated)

	Reserves and Surplus						Other reserves		
	Securities premium reserve	Capital reserve	Capital redemption reserve	General reserve	Share options outstanding account	Retained earnings	Gain/(loss) on FVTOCI Equity securities	Remeasurement of defined benefit obligations	Total
Transactions with owners in their capacity as owners:									
Issue of equity shares	9,130	-	-	-	-	-	-	-	9,130
Share issue expenses	(191)	-	-	-	-	-	-	-	(191)
Employee stock option expense	-	-	-	-	180	-	-	-	180
Dividend paid	-	-	-	-	-	(1,509)	-	-	(1,509)
Tax on distributed profits	-	-	-	-	-	(308)	-	-	(308)
Share options exercised	92	-	-	-	(92)	-	-	-	-
Balance as at 31 March 2018	**15,209**	**207**	**5**	**595**	**242**	**14,709**	**37**	**(119)**	**30,885**

This is the Statement of Changes in Equity referred to in our report of even date.

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

Adi P. Sethna
Partner
Membership No. 108840

Place: Hyderabad
Date: 23 May 2018

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

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

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

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

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

Place: Hyderabad
Date: 23 May 2018

Notes

Summary of significant accounting policies and other explanatory information

1. General information

NATCO Pharma Limited ("the Company") is a public limited company domiciled and incorporated in India in accordance with the provisions of the Companies Act, 1956. The registered office of the Company is at NATCO House, Road No. 2, Banjara Hills, Hyderabad – 500034. The equity shares of the Company are listed on the National Stock Exchange and Bombay Stock Exchange.

The Company is engaged in the business of pharmaceuticals which comprises research and development, manufacturing and selling of bulk drugs and finished dosage formulations. The Company has manufacturing facilities in India which caters to both domestic and international markets including regulated markets like United States of America and Europe.

These financial statements for the year ended 31 March 2018 were authorised and approved for issue by the Board of Directors on 23 May 2018.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards as notified under Section 133 of the Companies Act, 2013 ("the Act") read with the Companies (Indian Accounting Standards) Rules 2015 issued by Ministry of Corporate Affairs ('MCA'). The Company has uniformly applied the accounting policies during the periods presented.

Transactions and balances with values below the rounding off norm adopted by the Company have been reflected as "0" in the relevant notes in these financial statements.

The financial statements have been prepared on going concern basis under the historical cost basis except for the following –

- Certain financial assets and liabilities which are measured at fair value;
- Share based payments which are measured at fair value of the options; and
- Contingent consideration

3. Standards, not yet effective and have not been adopted early by the Company

a. Appendix B to Ind AS 21, Foreign currency transactions and advance consideration:

On 28 March 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

The amendment will come into force from 1 April 2018. The Company has evaluated the effect of this on the financial statements and the impact is not expected to be material.

b. Ind AS 115 - Revenue from Contract with Customers:

Applicable from 1 April 2018. The Core principle of the new standard is that revenue should be recognized when (or as) an entity transfers control of goods or services to a customer at an amount to which the entity expects to be entitled. To achieve the core principle the new standard establishes a five step model that entities would need to apply to determine when to recognise revenue, and at what amount. Applying this core principle involves the 5 steps approach.

i. The standard requires to identify contract with customer as a first step.

ii. Having identified a contract, the entity next identifies the performance obligations within that contract. A performance obligation is a promise in a contract with a customer to transfer either a good or service or bundle of goods or services, that are 'distinct'.

iii. Third step in the model is to determine the transaction price and then as a fourth step, such transaction price needs to be allocated to the performance obligation identified in step ii.

Notes

Summary of significant accounting policies and other explanatory information

iv. In accordance with this Standard, entity is required to recognise revenue when the entity satisfies the performance obligations.

The Standard requires extensive disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The effect on adoption of Ind AS 115 is not expected to be significant.

4. Summary of significant accounting policies

The financial statements have been prepared using the accounting policies and measurement basis summarized below.

a. Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/non-current classification.

An asset is classified as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is classified as current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

b. Foreign currency

Functional and presentation currency

The financial statements are presented in Indian Rupee ('INR' or '₹') which is also the functional and presentation currency of the Company.

Transactions and balances

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

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

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the statement of profit and loss in the year in which they arise.

c. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

Excise duty is a liability of the Company as a manufacturer, which forms part of the cost of production, irrespective of whether the goods are sold or not. Therefore, the recovery of excise

Notes

Summary of significant accounting policies and other explanatory information

duty flows to the Company on its own account and hence revenue includes excise duty.

Sales tax/ Value Added Tax [VAT] is not received by the Company on its own account. Rather, it is tax collected on value added to the Goods by the Company on behalf of the government. Accordingly, it is excluded from revenue.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Service Revenue
Service income is recognised as per the terms of contracts with the customers when the related services are performed or the agreed milestones are achieved and are net of service tax, wherever applicable.

Interest Income
Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable. For all debt instruments measured at amortised cost, interest income is recorded using the Effective Interest Rate (EIR) method.

Dividend income
Dividend income is recognised at the time when right to receive the payment is established, which is generally when the shareholders approve the dividend.

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 long term supply arrangements:
Revenue from licensing and long term supply arrangements is recognised in the period in which the Company completes all its performance obligations.

d. Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Statement of Profit and Loss as incurred.

e. Property, Plant and Equipment (PPE)
Recognition and initial measurement
Property, plant and equipment are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company. All other repair and maintenance costs are recognised in statement of profit or loss as incurred.

Subsequent measurement (depreciation and useful lives)
Depreciation on property, plant and equipment is provided on the straight-line method, computed on the basis of useful lives as estimated by management which coincides with rates prescribed in Schedule II to the Companies Act, 2013.

Cost of the leasehold land is amortized on a straight-line basis over the term of the lease.

The residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Notes

Summary of significant accounting policies and other explanatory information

De-recognition
An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

Transition to Ind AS
On transition to Ind AS, the Company has elected to continue with the carrying value of all its property, plant and equipment recognised as at 1 April 2015 measured as per the provisions of Previous GAAP and use that carrying value as the deemed cost of property, plant and equipment.

f. Intangible assets

Recognition and initial measurement
Intangible assets (software) are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Subsequent measurement (amortisation)
The cost of capitalized software is amortized over a period of 6 years, on a straight line basis.

Transition to Ind AS
On transition to Ind AS, the Company has elected to continue with the carrying value of all its intangible assets recognised as at 1 April 2015 measured as per the provisions of Previous GAAP and use that carrying value as the deemed cost of intangible assets.

g. Operating leases
Where the lessor effectively retains all risk and benefits of ownership of the leased items, such leases are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of profit and loss on a straight-line basis.

h. Impairment of non-financial assets
At each reporting date, the Company assesses whether there is any indication that an asset may be impaired, based on internal or external factors. If any such indication exists, the Company estimates the recoverable amount of the asset or the cash generating unit. If such recoverable amount of the asset or cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. Impairment losses previously recognized are accordingly reversed in the statement of profit and loss.

Financial instruments

Financial assets

Initial recognition and measurement
All financial assets are recognised initially at fair value and transaction cost that is attributable to the acquisition of the financial asset is also adjusted.

Subsequent measurement

i. **Debt instruments at amortised cost –** A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method.

ii. **Equity investments –** All equity investments in scope of Ind-AS 109 are measured at fair

Notes

Summary of significant accounting policies and other explanatory information

value. Equity instruments which are held for trading are generally classified as at fair value through profit and loss (FVTPL). For all other equity instruments, the Company decides to classify the same either as at fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL). The Company makes such election on an instrument by instrument basis. The classification is made on initial recognition and is irrevocable.

iii. **Mutual funds –** All mutual funds in scope of Ind-AS 109 are measured at fair value through profit and loss (FVTPL).

De-recognition of financial assets

A financial asset is primarily de-recognised when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and transaction cost that is attributable to the acquisition of the financial liabilities is also adjusted. These liabilities are classified as amortised cost.

Subsequent measurement

These liabilities include borrowings and deposits. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

De-recognition of financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified party fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of expected loss allowance determined as per impairment requirements of Ind-AS 109 and the amount recognised less cumulative amortisation.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

i. **Investment in instruments of consolidated entities**

The Company's investment in equity and optionally convertible instruments in subsidiaries and fellow subsidiaries (direct subsidiaries of Parent Company) are accounted for at cost.

j. **Impairment of financial assets**

In accordance with Ind-AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss for financial assets.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive. When estimating the cash flows, the Company is required to consider –

- All contractual terms of the financial assets (including prepayment and extension) over the expected life of the assets.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Notes

Summary of significant accounting policies and other explanatory information

Trade receivables

The Company applies approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of receivables.

Other financial assets

For recognition of impairment loss on other financial assets and risk exposure, the Company determines whether there has been a significant increase in the credit risk since initial recognition and if credit risk has increased significantly, impairment loss is provided.

k. Inventories

Raw material, packaging material, stores and spare parts are carried at cost or net realisable value, whichever is lower. Cost includes purchase price excluding taxes those are subsequently recoverable by the Company from the concerned authorities, freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. Cost of inventories is determined using the weighted average cost method.

The carrying cost of raw materials, packing materials, stores and spare parts are appropriately written down when there is a decline in replacement cost of such materials and finished products in which they will be incorporated are expected to be sold below cost.

Finished goods and work in progress are valued at the lower of cost and net realizable value. Cost of work in progress and manufactured finished goods is determined on weighted average basis and comprises cost of direct material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition. Cost of traded goods is determined on weighted average basis. Excise duty liability is included in the valuation of closing inventory of finished goods.

l. Income taxes

Tax expense recognized in statement of profit or loss comprises the sum of deferred tax and current tax except the ones recognized in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted for the reporting period. Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity).

m. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, other short-term highly liquid investments (original maturity of 3 months or less) that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes

Summary of significant accounting policies and other explanatory information

n. Post-employment, long-term and short-term employee benefits

Defined contribution plan

The Company's contribution to provident fund and employee state insurance schemes is charged to the statement of profit and loss. The Company's contributions towards Provident Fund are deposited with the Regional Provident Fund Commissioner under a defined contribution plan.

Defined benefit plan

The Company has gratuity as defined benefit plan where the amount that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The liability recognised in the balance sheet for defined benefit plans is the present value of the Defined Benefit Obligation (DBO) at the reporting date net of fair value of plan assets. Management estimates the DBO annually with the assistance of independent actuaries, by adopting the projected unit credit method. Actuarial gains and losses resulting from re-measurements of the liability are included in other comprehensive income.

The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC). Under the said policy, the eligible employees are entitled for gratuity upon their resignation, retirement or in the event of death in lumpsum after deduction of necessary taxes upto a maximum limit of ₹2 Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Company makes contributions to the Gratuity Fund.

Other long-term employee benefits

The Company also provides benefit of compensated absences to its employees which are in the nature of long -term benefit plan. Liability in respect of compensated absences becoming due and expected to be availed more than one year after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method as on the reporting date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded in the statement of profit and loss in the year in which such gains or losses arise.

Short-term employee benefits

Short-term employee benefits comprise of employee costs such as salaries, bonus etc. is recognized on the basis of the amount paid or payable for the period during which services are rendered by the employee.

o. Share based payments

The employee benefits expense is measured using the fair value of the employee stock options and is recognised over vesting period with a corresponding increase in equity. The vesting period is the period over which all the specified vesting conditions are to be satisfied.

Transition to Ind AS

On transition to Ind AS, the Company has elected to not consider the charge related to employee stock options for which the vesting period is already over.

p. Provisions, contingent liabilities and contingent assets

Provisions are recognized only when there is a present obligation, as a result of past events, and when a reliable estimate of the amount of obligation can be made at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. Provisions are discounted to their present values, where the time value of money is material.

Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Company or

- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are neither recognized nor disclosed. However, when realization of income is virtually certain, related asset is recognized.

Notes

Summary of significant accounting policies and other explanatory information

q. **Earnings per share**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

r. **Share issue expense**

Share issue expenses are charged first against balance available in the securities premium.

5. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company.

Recognition of deferred tax assets: The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions (see note 20).

Recognition of deferred tax liability on undistributed profits: The extent to which the Company can control the timing of reversal of deferred tax liability on undistributed profits of its subsidiaries requires judgement.

Evaluation of indicators for impairment of assets: The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

Recoverability of advances/receivables: At each balance sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding receivables and advances.

Useful lives of depreciable/amortisable assets: Management reviews its estimate of the useful lives of depreciable/amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain software, customer relationships, IT equipment and other plant and equipment.

Defined Benefit Obligation (DBO): Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, medical cost trends, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

Fair value measurements: Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Provisions: At each balance sheet date basis the management judgment, changes in facts and legal aspects, the Company assesses the requirement of provisions against the outstanding warranties and guarantees. However, the actual future outcome may be different from this judgement.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

6. Property, plant and equipment

	Free hold land#	Lease hold land	Buildings	Plant equipment	Office equipment	Furniture	Vehicles	Computers	Total
Gross carrying amount									
At 1 April 2016	1,226	118	2,609	5,308	31	91	143	123	9,649
Additions	230	144	416	921	1	23	40	16	1,791
Disposals/retirement	-	-	38	7	-	-	13	-	58
Balance as at 31 March 2017	**1,456**	**262**	**2,987**	**6,222**	**32**	**114**	**170**	**139**	**11,382**
Additions	376	-	596	1,510	3	36	33	21	2,575
Disposals/retirement	63	-	-	40	-	-	4	-	107
Balance as at 31 March 2018	**1,769**	**262**	**3,583**	**7,692**	**35**	**150**	**199**	**160**	**13,850**
Accumulated depreciation									
Up to April 2016	-	3	536	1,878	26	34	72	97	2,646
Charge for the year	-	2	88	395	1	7	15	13	521
Adjustments for disposals/retirement	-	-	10	2	-	-	7	-	19
Up to 31 March 2017	**-**	**5**	**614**	**2,271**	**27**	**41**	**80**	**110**	**3,148**
Charge for the year	-	3	109	473	2	11	22	18	638
Adjustments for disposals/retirement	-	-	-	29	-	-	3	-	32
Up to 31 March 2018	**-**	**8**	**723**	**2,715**	**29**	**52**	**99**	**128**	**3,754**
Net book value as at 31 March 2017	**1,456**	**257**	**2,373**	**3,951**	**5**	**73**	**90**	**29**	**8,234**
Net book value as at 31 March 2018	**1,769**	**254**	**2,860**	**4,977**	**6**	**98**	**100**	**32**	**10,096**

(i) Contractual obligations

Refer to note 38 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

(ii) Leasehold land includes land acquired from the State Industrial Development Corporation of Uttarakhand Limited, Uttar Pradesh State Industrial Development Corporation Limited for a period of 90 years and 87 years respectively. Further the Company has also acquired land from Ramky Pharma City (India) Limited under a lease arrangement for a period of 33 years which is renewable for a further period of 2 terms of 33 years each.

Land parcels with an aggregate carrying amount of ₹4 (31 March 2017: ₹4) are under dispute pending in a court as to the ownership of the property. The management, based on available information and advice of legal counsel, is confident of favorable outcome in this case and hence, no adjustments are made in these financial statements.

(iii) Capital work-in-progress*

31 March 2018	4,800
31 March 2017	3,362

*Capital work-in-progress mainly relates to expansion projects on-going at Company's existing facilities and new projects under implementation

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

7. Other intangible assets

	Computer Software	Total
Gross carrying amount		
As at 1 April 2016	110	110
Additions	18	18
As at 31 March 2017	**128**	**128**
Additions	18	18
As at 31 March 2018	**146**	**146**
Accumulated amortization		
Up to 1 April 2016	57	57
Charge for the year	15	15
Up to 31 March 2017	**72**	**72**
Charge for the year	17	17
Up to 31 March 2018	**89**	**89**
Net carrying amount		
As at 31 March 2017	56	56
As at 31 March 2018	**57**	**57**

8. Investments

	31 March 2018	31 March 2017
Non-current		
Investments in equity instruments		
Unquoted		
Investments in subsidiaries		
1,000 (31 March 2017: 1,000) fully paid-up, common shares of US$1,000 each in Natco Pharma Inc., Delaware, United States of America	42	42
1,061,612 (31 March 2017: 1,019,012) equity shares of US$10 each, fully paid-up in Time Cap Overseas Limited, Mauritius	638	610
2,783,813 (31 March 2017: 2,783,813) equity shares of Canadian Dollar 1 each, fully paid-up in NATCO Pharma (Canada) Inc., Canada	145	145
1,370,000 (31 March 2017: 915,000) equity shares of Singapore Dollar 1 each, fully paid-up in NATCO Pharma Asia PTE Ltd, Singapore	65	43
853,572 (31 March 2017: 347,600) equity shares of Australian Dollar 1 each, fully paid-up in NATCO Pharma Australia PTY Ltd, Australia	42	18
Total investments in subsidiaries	**932**	**858**
Others		
4,054 (31 March 2017: 4,054) shares of NATIVITA Joint Limited Liability Company	0	0
750 (31 March 2017: 750) equity shares of ₹100 each, fully paid-up, in Jeedimetla Effluent Treatment Limited	0	0
109,569 (31 March 2017: Nil) equity shares of ₹10 each, fully paid-up in OMRV Hospital Limited	74	-
588 (31 March 2017: Nil) equity shares of ₹10,000 each, fully paid-up in Endiya Trust	6	-
34,400 (31 March 2017: 34,400) equity shares of ₹10 each, fully paid-up, in Pattancheru Enviro-Tech Limited	0	0
Total investments in other	**81**	**1**
Total investments in equity instruments, Trade (A)	**1,013**	**859**
Unquoted		
27,000 (31 March 2017: 27,000) equity shares of ₹10 each, fully paid-up in Jayalakshmi Spinning Mills Limited	0	0

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

	31 March 2018	31 March 2017
Total investments in equity instruments, Others (B)	**0**	**0**
Other investments, unquoted		
National savings certificates	0	0
Total investments in other non-current investments (C)	**0**	**0**
Total non-current investments (A+B+C)	**1,013**	**859**
Less: Provision for diminution in value of investments	0	0
	1,013	**859**
Aggregate book value of unquoted investments	1,013	859
Aggregate market value of unquoted investments	81	-
Aggregate amount of impairment in the value of investments	0	0
Investments carried at cost	932	859
Investments carried at amortised cost	0	0
Investments carried at fair value through other comprehensive income	81	1
Current		
Investments in equity instruments, Quoted, Non trade		
10,000 (31 March 2017: 10,000) equity shares of ₹10 each, fully paid-up in Neuland Laboratories Limited	7	15
5,500 (31 March 2017: 5,500) equity shares of ₹1 each, fully paid-up in Sun Pharmaceuticals Industries Limited	3	4
778 (31 March 2017: 778) equity shares of ₹2 each, fully paid-up in Alkem Laboratories Limited	2	2
15,000 (31 March 2017: 15,000) equity shares of ₹1 each, fully paid-up in Cadila Healthcare Limited	6	7
100,000 (31 March 2017: 100,000) equity shares of ₹10 each, fully paid-up in Laurus Labs Limited	50	52
150,000 (31 March 2017: 150,000) equity shares of ₹1 each, fully paid-up in Lanco Infratech Limited	0	0
22,700 (31 March 2017: 22,700) equity shares of ₹1 each, fully paid-up in GMR Infrastructure Limited	0	0
50,400 (31 March 2017: 50,400) equity shares of ₹1 each, fully paid-up in GVK Power & Infrastructure Limited	1	0
50,000 (31 March 2017: 50,000) equity shares of ₹1 each, fully paid-up in Panacea Biotech Limited	13	8
3,176 (31 March 2017: 3,176) equity shares of ₹10 each, fully paid-up in ICICI Prudential Life Insurance Company Limited	1	1
Investments in Debentures, unquoted, Non trade		
200 (31 March 2017: Nil) non-convertible debentures of ₹10,00,000 each in Citicorp Finance India Limited	200	-
2,000 (31 March 2017: Nil) non-convertible debentures of ₹1,00,000 each in Citicorp Finance India Limited	200	-
Total current investments	**483**	**89**
Aggregate book value of unquoted investments	400	-
Aggregate book value of quoted investments	83	89
Aggregate market value of quoted investments	83	89
Aggregate amount of impairment in the value of investments	-	-
Investments carried at amortised cost	400	-
Investments carried at fair value through other comprehensive income	83	89
Investments carried at fair value through profit or loss	-	-

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

9. Loans

(Unsecured, considered good)

	31 March 2018	31 March 2017
Non-current		
Loans to related parties	78	-
Total non-current loans	**78**	**-**
Current		
Loans to employees	46	34
Loans to related parties	-	32
Total current loans	**46**	**66**

10. Other financial assets

	31 March 2018	31 March 2017
Non-current		
Restricted deposits*	57	55
Security deposits	87	71
Interest accrued on deposits	5	5
	149	**131**
*Given against bank guarantees/performance guarantees		
Current		
Deposits with financial institutions	5,942	693
Interest accrued on fixed deposits	179	29
Insurance claim receivable	-	7
Other advances	19	5
	6,140	**734**

11. Other assets

	31 March 2018	31 March 2017
Non-current		
Capital advances	575	353
Prepaid leasehold	18	-
Balances with statutory authorities	16	125
	609	**478**
Current		
Advances to material/service providers	193	201
Prepaid expenses	125	74
Export incentives receivable	228	147
Balances with statutory authorities	1,288	731
	1,834	**1,153**

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

12. Inventories

(at lower of cost and net realisable value)

	31 March 2018	31 March 2017
Raw materials [including goods-in-transit of ₹16 (31 March 2017: ₹14)]	1,587	1,123
Work-in-progress	1,239	1,021
Finished goods	621	613
Stores and spares [including goods-in-transit of ₹26 (31 March 2017: ₹20)]	580	350
Packing materials [including goods-in-transit of ₹0 (31 March 2017: ₹1)]	193	245
Stock-in-trade (in respect of goods acquried for trading)	38	17
	4,258	**3,369**

i) During the year, ₹87 (31 March 2017: ₹44) was recognised as an expense for the inventories at net realisable value.

13. Trade receivables

(Unsecured)

	31 March 2018	31 March 2017
Trade receivables, gross		
- Considered good	6,060	4,689
- Considered doubtful	-	-
	6,060	**4,689**
Less: Allowance for doubtful debts	-	-
	6,060	**4,689**

14. Cash and cash equivalents

	31 March 2018	31 March 2017
Balances with banks in current accounts	86	122
Cash on hand	15	6
	101	**128**

There are no repatriation restrictions with regard to cash and cash equivalents as at the end of the reporting period.

15. Bank balances other than cash and cash equivalents

	31 March 2018	31 March 2017
Bank deposits		
With maturity of more than three months and upto twelve months	1,600	106
In unclaimed dividend accounts	20	17
	1,620	**123**

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

16. Equity share capital

i. Authorised share capital

	31 March 2018		31 March 2017	
	Number	Amount	Number	Amount
Equity shares of ₹2 each	20,00,00,000	400	20,00,00,000	400

ii. Issued, subscribed and fully paid up

	31 March 2018		31 March 2017	
	Number	Amount	Number	Amount
Equity shares of ₹2 each	18,44,93,400	369	17,43,07,800	349
	18,44,93,400	369	17,43,07,800	349

iii. Reconciliation of number of equity shares outstanding at the beginning and at the end of the year

	31 March 2018		31 March 2017	
	Number	Amount	Number	Amount
Equity shares				
Balance at the beginning of the year	17,43,07,800	349	17,41,74,245	348
Add: Issued during the year*	1,01,85,600	20	1,33,555	1
Balance at the end of the year	**18,44,93,400**	**369**	**17,43,07,800**	**349**

*In accordance with provisions of Chapter VIII of the Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended and pursuant to the approval accorded by the shareholders in the Extra-Ordinary General Meeting on 29 November 2017, the Company has raised a sum of ₹ 9,150 million during the current year by allotment of 10,000,000 equity shares of ₹ 2 each at a premium of ₹ 913 per share through Qualified Institutional Placement.

iv. Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares having a par value of ₹2 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors (except interim dividend) is subject to the approval of the shareholders in the ensuing general meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts in proportion of their shareholding.

v. The Board of Directors have recommended two interim dividends of ₹1.25 and ₹7 during the current financial year.

vi. Details of shareholder holding more than 5% share capital

	31 March 2018		31 March 2017	
	Number	% holding	Number	% holding
Name of the equity shareholder				
V C Nannapaneni*	4,07,51,315	22.09%	4,07,36,815	23.37%
Time Cap Pharma Labs Limited	1,71,57,220	9.30%	1,71,57,220	9.84%
Natsoft Information Systems Private Limited	1,57,67,500	8.55%	1,57,67,500	9.05%

*including shares held in the capacity of Karta of HUF aggregating to 5,440,045 (31 March 2017: 5,440,045)

vii. Shares reserved for issue under options

(a) The Company has instituted the NATCO Employee Stock Option Plan 'ESOP-2015', NATCO Employee Stock Option Plan 'ESOP-2016' and the NATCO Employee Stock Option Plan 'ESOP-2017' ("the Schemes"). The Schemes were formulated in accordance with the Securities Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 issued by the Securities and Exchange Board of India ("SEBI"). Pursuant to the terms of the Scheme, the Board of the Directors of the Company have granted 750,000 options (post split),

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

174,330 (post split) and 600,000 (post split) to eligible employees on 12 August 2015, 11 November 2016 and 02 November 2017 respectively. The terms of the Scheme provide that each option entitles the holder to one equity share of ₹2 each (post split) and that the options can be settled only by way of issue of equity shares. The options vest on an annual basis over a period ranging from 4 to 5 years from the date of grant and the options are entirely time-based with no performance conditions.

(b) During the year ended 31 March 2018, the Company had incurred stock compensation cost of ₹180 (31 March 2017: ₹123) in respect of ESOP 2015, ESOP 2016 and ESOP 2017 schemes.

The details of options are as follows :

	31 March 2018		31 March 2017	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at the beginning of the year	7,90,775	2	7,50,000	2
Granted during the year	6,00,000	2	1,74,330	2
Forfeited during the year	-	-	-	-
Exercised during the year	1,85,600	2	1,33,555	2
Expired during the year	60,795	-	-	-
Outstanding at the end of the year	11,44,380	2	7,90,775	2
Exercisable at the end of the year	-	-	-	-

The weighted average exercise price at the date of exercise for stock options exercised during the year was ₹2 post split (31 March 2017: ₹2 post split). The stock options outstanding as at 31 March 2018 had a weighted average exercise price of ₹2 post split (31 March 2017: ₹2 post split), and the weighted average remaining contractual life of unvested options is 22.98 months (31 March 2017: 29.41 months).

The fair value of options was estimated at the date of grant using the Black-Scholes-Merton formula with the following assumptions:

	ESOP 2017	ESOP 2016	ESOP 2015
Risk-free interest rate	6.14% - 6.61%	6.82% - 8.05%	7.14% - 8.18%
Expected life	1-4 years	1-5 years	1-5 years
Expected volatility	39.82%-43.28%	37.28%-43.76%	40.59%- 49.91%
Expected dividend yield	0.75%	0.20%	0.20%

viii. Details of shares issued pursuant to contract without payment being received in cash during the last 5 years, immediately preceding the balance sheet date:

	Number of shares	
	1 April 2013 to 31 March 2018	1 April 2012 to 31 March 2017
Aggregate number of equity shares allotted*	11,28,030	20,68,040

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

(a) During the year ended 31 March 2015, the Company has issued 808,875 equity shares (post split) of ₹2 each, fully paid-up at a premium of ₹238 per equity share (post split) to the erstwhile shareholders of Natco Organic Limited ('NOL') in exchange of 19,310,000 equity shares of ₹10 each at face value held in NOL.

(b) Balance equity shares comprising of 319,155 (31 March 2017: 1,259,165) (post split) were allotted during the period of five years, on exercise of the options granted under the employee stock option plan wherein part consideration was received in the form of employee services.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

17. Other equity

	31 March 2018	31 March 2017
Reserve and surplus		
Securities premium reserve	15,209	6,178
Capital reserve	207	207
Capital redemption reserve	5	5
General reserve	595	595
Share options outstanding account	242	154
Retained earnings	14,709	9,544
Total reserves and surplus	**30,967**	**16,683**
Other reserves		
Gain/(loss) on FVTOCI equity securities	37	42
Remeasurement of defined benefit plans	(119)	(77)
	(82)	**(35)**
	30,885	**16,648**

(i) Nature and purpose of other reserves

Securities premium reserve

Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with provisions of the Act.

Capital reserve

Capital reserve was created on amalgamation of certain entities into the Company in the earlier years. The Company uses capital reserve for transactions in accordance with the provisions of the Act.

Capital redemption reserve

In accordance with the requirements of the Companies Act, 1956, the Company has created capital redemption reserve on buyback of shares. The Company uses capital redemption reserve for transactions in accordance with the provisions of the Act.

General reserve

The Company generally appropriates a portion of its earnings to the general reserve to be used for contingencies. These reserves are freely available for use by the Company.

Share options outstanding account

The reserve represents the excess of the fair value of the options on the grant date over the exercise price which is accumulated by the Company in respect of all options that have been granted. The Company transfers the proportionate amounts, outstanding in this account, in relation to options exercised to securities premium account on the date of exercise of such options.

Gain/(loss) on FVTOCI equity securities

The Company has elected to recognise the change in fair value of certain investments in equity shares in other comprehensive income. These changes are accumulated within the FVOCI equity instruments reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity instruments are derecognised.

Remeasurement of defined benefit obligation

The reserve represents the remeasurement gains/(losses) arising from the actuarial valuation of the defined benefit obligations of the Company. The remeasurement gains/(losses) are recognized in other comprehensive income and accumulated under this reserve within equity. The amounts recognized under this reserve are not reclassified to profit or loss.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

18. Borrowings

	31 March 2018	31 March 2017
Current		
Loans repayable on demand		
Working capital loans (secured)	986	1,446
Working capital loans (unsecured)	744	760
	1,730	**2,206**

(i) Working capital loans represents cash credit, overdraft, commercial paper, bills purchased and discounted with various banks and carry interest linked to the respective Bank's base lending rate/marginal cost of lending rate and range from 1.50% per annum to 10.05% per annum (31 March 2017: 1.00% per annum to 12.70% per annum).

(ii) Working capital loans 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 and Dr. N. Ramakrishna Rao, relatives of Chairman and Managing Director.

(iii) A portion of the unsecured loans is personally guaranteed by Mr. V. C. Nannapaneni, Chairman and Managing Director.

19. Other financial liabilities

	31 March 2018	31 March 2017
Non-current		
Security deposits from customers	8	8
	8	**8**
Current		
Interest accrued but not due on borrowings	-	2
Capital creditors	666	658
Unpaid dividend on equity shares	20	17
Employee related payables	321	295
Other payables	2	2
	1,009	**974**

20. Provision for employee benefits

	31 March 2018	31 March 2017
Non-current		
Gratuity	229	139
Compensated absences	95	80
	324	**219**
Current		
Gratuity	58	15
Compensated absences	79	3
	137	**18**

(a) Gratuity

The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC). Under the said policy, the eligible employees are entitled for gratuity upon their resignation, retirement or in the event of death in lumpsum after deduction of necessary taxes upto a maximum limit of ₹2 (31 March 2017: ₹1). Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Company makes contributions to the Gratuity Fund.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

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 2018	31 March 2017
(i)	**Change in projected benefit obligation**		
	Projected benefit obligation at the beginning of the year	213	157
	Past service cost	60	-
	Service cost	38	16
	Interest cost	17	13
	Actuarial (gain) / loss	51	41
	Benefits paid	(9)	(14)
	Projected benefit obligation at the end of the year	**370**	**213**
(ii)	**Change in plan assets**		
	Fair value of plan assets at the beginning of the year	61	63
	Expected return on plan assets	5	5
	Employer contributions	26	7
	Benefits paid	(9)	(14)
	Fair value of plan assets at the end of the year	**83**	**61**
(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	370	213
	Funded status of the plans	(83)	(61)
	Net liability recognised in the balance sheet	**287**	**152**
(iv)	**Expense recognized in the statement of profit and loss**		
	Service cost	38	16
	Past service cost	60	-
	Interest cost	17	13
	Expected returns on plan assets	(5)	(5)
	Premium expenses	-	0
	Net gratuity costs in statement of profit and loss	**110**	**24**
(v)	**Expense recognized in other comprehensive reserves**		
	Recognized net actuarial (gain)/ loss	51	41
	Return on Plan Assets (gain)/ loss	1	1
		52	42
(vi)	**Key actuarial assumptions**		
	Discount rate	8.00%	8.00%
	Expected return on plan assets	8.00%	8.25%
	Salary escalation rate	10.00%	8.00%

Assumptions regarding future mortality experience are set in accordance with the published statistics by the Life Insurance Corporation of India.

Plan assets does not comprise any of the Company's own financial instruments or any assets used by the Company. The Company has the plan covered under a policy with the Life Insurance Corporation of India Limited.

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the salary growth rate and the average life expectancy. The calculation of the net defined benefit liability is sensitive to these assumptions. However, the impact of these changes is not ascertained to be material by the management.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

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

	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014
Defined benefit obligation	370	213	157	120	117
Planned Assets	83	61	63	54	47
Surplus/(deficit)	(287)	(152)	(94)	(66)	(71)
Experience adjustment to planned liabilities	51	41	31	(9)	(14)
Experience adjustment to planned assets	-	-	-	-	-

(vii) Sensitivity analysis:

	31 March 2018
Defined benefit obligation without effect of projected salary growth	370
Salary escalation up by 1%	25
Salary escalation down by 1%	(23)
Withdrawal rate up by 1%	0
Withdrawal rate down by 1%	0
Discount rate up by 1%	(23)
Discount rate down by 1%	26

21. Deferred tax liabilities (net)

	31 March 2018	31 March 2017
Deferred tax liabilities arising on account of :		
Property, plant and equipment	144	144
Provision for employee benefits	3	13
Deferred tax assets arising on account of :		
Investments	9	7
	138	**150**

(a) The Company has not recognized deferred tax assets in respect of unused tax credits (minimum alternate tax credits) of ₹1,737 (31 March 2017: ₹2,016). The above MAT credit expire at various dates ranging from 2023 through 2032.

(b) Movement in deferred tax liabilities (net)

	As at 31 March 2017	Statement of profit and loss	Other equity	As at 31 March 2018
Property, plant and equipment	144	-	-	144
Provision for employee benefits	13	-	(10)	3
Investments	(7)	-	(2)	(9)
	150	**-**	**(12)**	**138**

	As at 31 March 2016	Statement of profit and loss	Other equity	As at 31 March 2017
Property, plant and equipment	144	-	-	144
Provision for employee benefits	5	-	8	13
Investments	(3)	-	(4)	(7)
	146	**-**	**4**	**150**

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

22. Other liabilities

	31 March 2018	31 March 2017
Current		
Payable to statutory authorities	124	109
Advance from customers	184	145
	308	**254**

23. Trade payables

	31 March 2018	31 March 2017
Due to micro and small enterprises*	41	15
Due to related parties	7	8
Due to others	2,406	2,491
	2,454	**2,514**

* Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006 ("MSMED Act, 2006") as at 31 March 2018 and 31 March 2017:

Particulars	31 March 2018	31 March 2017
i) the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	41	15
ii) the amount of interest paid by the buyer in terms of section 16, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year;	-	-
iii) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;	-	-
iv) the amount of interest accrued and remaining unpaid at the end of each accounting year; and	0	1
v) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.	-	-

The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.

24. Revenue from operations

	For the year ended 31 March 2018	For the year ended 31 March 2017
Sale of products*	20,675	19,795
Sale of services	66	69
	20,741	**19,864**
Less: Refund of service income received in earlier years	-	(158)
	20,741	**19,706**
Other operating revenues		
Job work charges	62	71
Export incentives & Budgetary support	263	232
Scrap sales	19	19
	21,085	**20,028**

* Excise duty on sales was included under "Revenue from operations" and disclosed separately under Expenses upto introduction of the Goods and Services Tax (GST) with effect from 1 July 2017. Post implementation of GST, revenue from operations is reported net of GST and hence to that extent is not comparable with the previous financial year.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

25. Other income

	For the year ended 31 March 2018	For the year ended 31 March 2017
Dividend income from investments designated at FVOCI	2	-
Liabilities no longer required, written back	5	-
Interest income from fixed deposits	248	76
Profit on sale of property, plant and equipment	103	-
Profit on sale of investment	0	-
Foreign exchange - gain (net)	33	50
Other non-operating income	3	6
	394	**132**

26. Cost of raw materials consumed (including packing materials consumed)

Raw material and packing material at the beginning of the year	1,368	1,686
Add: Purchases during the year	4,317	4,890
Less: Raw material and packing material at the end of the year	1,780	1,368
	3,905	**5,208**

27. Changes in inventories of finished goods, Stock-in -trade and work-in-progress

Opening balance		
- Finished goods	613	492
- Work-in-progress	1,021	986
- Stock-in-trade	17	6
	1,651	**1,484**
Closing balance		
- Finished goods	621	613
- Work-in-progress	1,239	1,021
- Stock-in-trade	38	17
	1,898	**1,651**
	(247)	**(167)**

28. Employee benefits expenses

Salaries, wages and bonus	2,525	1,937
Contribution to provident fund and other funds	172	132
Gratuity expense	110	13
Employee stock compensation expenses	180	123
Staff welfare expenses	135	116
	3,122	**2,321**

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

29. Finance costs

	For the year ended 31 March 2018	For the year ended 31 March 2017
Interest on borrowings	126	134
Interest - others	-	22
Other borrowing costs	21	19
	147	**175**

30. Other expenses

Consumption of stores and spares	383	325
Power and fuel	561	505
Rental charges	12	12
Repairs and maintenance		
- Buildings	78	67
- Plant and equipment	256	186
- Others	52	35
Insurance	97	77
Rates and taxes	208	126
Factory maintenance expenses	251	213
Analysis charges	122	126
Carriage and freight outwards	56	80
Donations	99	48
Corporate social responsibility (CSR) expenses	69	36
Communication expenses	59	46
Office maintenance and other expenses	60	59
Travelling and conveyance	248	180
Legal and professional fees	192	230
Payment to auditors		
- As auditor*	3	3
- For reimbursement of expenses	-	0
Directors sitting fee	1	1
Bad debts (net of related liabilities) written off	133	238
Assets written off	-	24
Royalty expense	222	285
Sales promotion expenses including sales commission	924	1,208
Research and development expenses	387	390
Printing and stationery	80	49
Miscellaneous expenses	69	62
	4,622	**4,611**

*Excludes ₹5 (31 March 2017: ₹Nil) charged to securities premium reserve in respect of share issue expenses incurred for shares issued through Qualified Institutional Placement.

(i) Details of CSR expenditure :

(a) Gross amount required to be spent by the Company during the year	68	35
(b) Amount spent on eligible activities	69	36

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

31. Income tax

	31 March 2018	31 March 2017
Tax expense comprises of:		
Current income tax	1,894	1,353
Tax for earlier years	-	40
Income tax expense reported in the statement of profit or loss	**1,894**	**1,393**

The major components of income tax expense and the reconciliation of expected tax expense based on the domestic effective tax rate of the Company at 34.608% and the reported tax expense in profit or loss are as follows:

	31 March 2018	31 March 2017
Reconciliation of tax expense and the accounting profit multiplied by India's tax rate		
Profit before tax	8,876	6,341
Tax at the Indian tax rate (34.608%)	3,072	2,194
Adjustments:		
CSR expense	40	21
Weighted deduction on research and development expense	(288)	(528)
Deferred taxes not recognized in the books	(175)	485
Tax incentives	(457)	(819)
Capital gain tax	(19)	-
MAT credit utilisation	(279)	-
Tax for earlier years	-	40
Others	-	0
Income tax expense	**1,894**	**1,393**

32. Earnings Per Share (EPS)

The following reflects the income and share data used in the basic and diluted EPS computations:

	31 March 2018	31 March 2017
Profit attributable to equity shareholders	6,982	4,948
Weighted average number of equity shares outstanding during the year	17,73,13,783	17,42,25,837
Effect of dilution:		
Employee stock options	6,28,391	1,83,863
Weighted average number of equity shares adjusted for the effect of dilution	17,79,42,175	17,44,09,700
Earnings per equity share:		
Basic	39.38	28.27
Diluted	39.24	28.24
Nominal Value per share equity share	₹2	₹2

33. Fair value measurements

(i) Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) in active markets for financial instruments.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data rely as little as possible on entity specific estimates.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(ii) Financial assets and financial liabilities measured at fair value

	31 March 2018		31 March 2017	
	Level 1	Level 3	Level 1	Level 3
Financials assets				
Equity instruments (other than subsidiaries)	83	81	89	1

Financial instruments by category

For amortised cost instruments, carrying value represents the best estimate of fair value.

	31 March 2018			31 March 2017		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial assets						
Investments						
- Equity instruments	-	164	1	-	90	1
- Debentures	-	-	400	-	-	-
- Other investments	-	-	0	-	-	-
Trade receivables	-	-	6,060	-	-	4,689
Loans	-	-	124	-	-	66
Cash and cash equivalents	-	-	101	-	-	128
Bank balances other than cash and cash equivalents	-	-	1,620	-	-	123
Other financial assets	-	-	6,289	-		865
Total financial assets	**-**	**164**	**14,595**	**-**	**90**	**5,872**

	31 March 2018			31 March 2017		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial liabilities						
Borrowings	-	-	1,730	-	-	2,206
Trade payables	-	-	2,454	-	-	2,514
Other financial liabilities	-	-	1,017	-	-	982
Total financial liabilities	**-**	**-**	**5,201**	**-**	**-**	**5,702**

The Company's principal financial liabilities comprise of borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations. The Company also holds FVOCI investments and investment in it's subsidiaries.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's Board of Directors oversees the management of these risks. The Company's Board of Directors is supported by the senior management that advises on financial risks and the appropriate financial risk governance framework for the Company. The senior management provides assurance to the Company's board of directors that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

The carrying amounts reported in the statement of financial position for cash and cash equivalents, trade and other receivables, trade and other payables and other liabilities approximate their respective fair values due to their short maturity.

34. Financial instruments risk management

A. Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, FVOCI investments, trade receivables and other financial instruments.

The sensitivity analysis in the following sections relate to the position as at 31 March 2018 and 31 March 2017. The analysis exclude the impact of movements in market variables on: the carrying values of gratuity and other post retirement obligations; provisions; and the non-financial assets and liabilities.

i. Interest rate risk:

The Company's entire borrowings are carried at amortised cost are variable rate instruments and are subject to fluctuation because of a change in market interest rates. The Company considers the impact of fair value interest rate risk on variable rate borrowings as not material.

The Company's variable rate borrowing is subject to interest rate risk. Below is the details of exposure to fixed rate and variable rate instruments:

Particulars	31 March 2018	31 March 2017
Fixed rate instruments		
Financial assets	7,999	748
Financial liabilities	-	-
Variable rate instruments		
Financial assets	-	-
Financial liabilities	1,730	2,206

ii. Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency).

Notes
Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

The Company's exposure to foreign currency financial assets and financial liabilities are as follows:

Financial assets

	31 March 2018		31 March 2017	
	Trade receivables	Loans	Trade receivables	Loans
- USD	3,759	78	2,665	-
- EUR	79	-	60	-
- CAD	135	-	76	32
- AUD	-	-	-	-
- SGD	1	-	0	-

Financial liabilities

	31 March 2018		31 March 2017	
	Borrowings	Trade payables	Borrowings	Trade payables
- USD		135	-	251
- EUR	-	47	-	41
- CAD	-	1	-	15
- AUD	-	1	-	-
- SGD	-	2	-	-

Foreign currency sensitivity
The following table demonstrates the sensitivity to a reasonably possible change in USD. The Company's exposure to foreign currency changes for all other currencies is not material.

Particulars	Impact on profit after tax	
	31 March 2018	31 March 2017
USD sensitivity		
₹/USD - Increase by 2%	74	48
₹/USD - Decrease by 2%	(74)	(48)

iii. Equity price risk:
The Company's exposure to equity securities price risk arises from investments held by the Company and classified in the balance sheet as FVOCI (Note 8).

To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set up by the Company.

The majority of the Company's equity investments are publicly traded and are listed on the National Stock Exchange (NSE).

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Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

The table below summarises the impact of increase/decrease of the index on the Company's equity and profit for the period. The analysis is based on the assumption that the equity index had increased/decreased by 10% with all other variables held constant, and that off the Company's equity instruments moved in line with the index.

Particulars	Impact on other components of equity	
	31 March 2018	31 March 2017
NSE Nifty 50 - Increase by 10%	16	9
NSE Nifty 50 - Decrease by 10%	(16)	(9)

B. Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company, leading to a financial loss. The Company is mainly exposed to the risk of its balances with the bankers and trade and other receivables.

Ageing of receivable is as follows:

	31 March 2018	31 March 2017
Neither past due nor impaired	5,499	3,684
Past due not impaired:		
0-30 days	325	844
31-60 days	76	99
61-90 days	25	19
91-180 days	84	32
Greater than 180 days	51	11
	6,060	**4,689**

C. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the nature of the business, the Company maintains flexibility in funding by maintaining availability under committed facilities.

Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company takes into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The Company's principal sources of liquidity are the cash flows generated from operations. The Company has no long term borrowings and believes that the working capital is sufficient for its current requirments. Accordingly, no liquidity risk is perceived.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is insignificant.

31 March 2018	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Non-derivatives				
Borrowings	1,730	-	-	1,730
Trade and other payables	2,454	-	-	2,454
Other financial liabilities	1,009	8	-	1,017
Total	**5,193**	**8**	**-**	**5,201**

31 March 2017	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Non-derivatives				
Borrowings	2,206	-	-	2,206
Trade payable	2,514	-	-	2,514
Other financial liabilities	974	8	-	982
Total	**5,694**	**8**	**-**	**5,702**

35. Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for stakeholders. The Company also proposes to maintain an optimal capital structure to reduce the cost of capital. Hence, the Company may adjust any dividend payments, return capital to shareholders or issue new shares. Total capital is the equity as shown in the statement of financial position. Currently, the Company primarily monitors its capital structure on the basis of gearing ratio. Management is continuously evolving strategies to optimize the returns and reduce the risks. It includes plans to optimize the financial leverage of the Company.

The capital for the reporting year under review is summarized as follows:

	31 March 2018	31 March 2017
Total borrowings (note 18)	1,730	2,206
Less: Cash and cash equivalents (note 14)	(101)	(128)
Net debt	**1,629**	**2,078**
Total equity	31,254	16,997
Total capital	**32,883**	**19,075**
Net debt to equity ratio (%)	5%	11%

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

36. Related party disclosures, as per Ind AS 24

(a) Names of the related parties and nature of relationship (to the extent transactions have taken place during the year, except for control relationships, where all names are disclosed)

Names of related parties	Nature of relationship
NATCO Pharma Inc., United States of America Time cap Overseas Limited, Mauritius NATCO Pharma (Canada) Inc., Canada NATCO Pharma Asia PTE Ltd., Singapore NATCO Pharma Australia PTY Ltd., Australia	Subsidiary company
NATCO Farma Do Brazil Ltda., Brazil	Step-down subsidiary company
Time Cap Pharma Labs Limited NATCO Trust	Entities in which KMP have control or have significant influence
V. C. Nannapaneni Rajeev Nannapaneni	Key management personnel ("KMP")
Durga Devi Nannapaneni Dr. Ramakrishna Rao	Relative of KMP

(b) Transactions with related parties

	For the year ended	
	31 March 2018	31 March 2017
Time Cap Overseas Limited		
Investment in equity shares	28	106
Loan given	77	-
Interest on loan	1	-
NATCO Pharma (Canada) Inc.		
Investment in equity shares	-	12
Sales	118	85
Loan given	-	39
Loan repaid	32	-
NATCO Pharma Asia PTE Ltd		
Investment in equity shares	22	11
Loan given	-	80
Loan repaid	80	0
Sales	4	0
NATCO Farma Do Brazil Ltd		
Commission on sales	4	4
NATCO Pharma Australia PTY Ltd		
Investment in equity shares	17	13
Time Cap Pharma Labs Limited		
Sales promotion expenses	7	13
Purchase of raw-materials	-	0
Rental expense	5	5
NATCO Trust		
Donations	82	25
CSR contribution	69	36
V. C. Nannapaneni		
Short-term employee benefits	19	16
Leave encashment paid	1	1
Rental expenses	2	2
Commission on profits	70	49
Rajeev Nannapaneni		
Short-term employee benefits	17	14
Leave encashment paid	1	1
Rental expenses	1	1

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

(c) Balances receivable / (payable)

	As at	
	31 March 2018	31 March 2017
Time Cap Pharma Labs Limited	(3)	(5)
Time Cap Overseas Limited	78	-
NATCO Pharma (Canada) Inc.	109	106
NATCO Farma Do Brazil Ltda.,	-	(2)
V. C. Nannapaneni	(71)	(50)
Rajeev Nannapaneni	(1)	(1)
NATCO Pharma Asia PTE Ltd.	0	-

Note:

(i) Mr. V. C. Nannapaneni has extended personal guarantees in connection with the loans availed by the Company. Refer note 18.

(ii) Mrs. Durga Devi Nannapaneni and Dr. Ramakrishna Rao has extended personal guarantees in connection with the loans availed by the Company. Refer note 18.

(d) Disclosure pursuant to Regulation 34(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Loans and Advances in the nature of loans, including interest accrued to subsidiaries and to companies in which directors are interested. None of subsidiaries hold shares in the Company at any point of time.

	31 March 2018	31 March 2017
Outstanding balance		
NATCO Pharma (Canada) Inc.	-	32
Time Cap Overseas Limited	78	-
Maximum balance outstanding at any time during the year		
NATCO Pharma Asia PTE Ltd	-	80
Time Cap Overseas Limited	78	-
NATCO Pharma (Canada) Inc.	32	32

The above loans have been given to the subsidiaries solely in connection with the business operations.

(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 2018. In opinion of the management, the same would not have an impact on these financial statements. Accordingly, these financial statements do not include the effect of the transfer pricing implications, if any.

37. Segment reporting

In accordance with Ind AS 108 - 'Operating segments', segment information has been given in the consolidated financial statements of the Company and therefore no separate disclosure on segment information is given in these standalone financial statements.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

38. Contingent liabilities and commitments

	31 March 2018	31 March 2017
(a) Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	1,067	619

During the year, the Company has agreed to provide necessary financial support for the continuing operations of it's subsidiaries as to enable them to meet their liabilities as they fall due and carry on its business over the next 12 months from the balance sheet date.

	31 March 2018	31 March 2017
(b) Contingent liabilities		
(i) Matters under appeal with tax authorities:		
Disputed sales tax liabilities	9	9
Disputed service tax liabilities	2	2
Disputed customs liability	2	2

(ii) The Company is contesting certain patent infringement cases filed against it by the innovators. A few of these cases pertain to products already launched by the Company in the market. These cases are pending before different authorities / courts and the outcome cannot be ascertained with reasonable certainty. Accordingly, a reliable estimate of the liability towards damages/penalties, if any, cannot be made at present. These amounts will be recognised during the periods in which such liabilities can be reasonably measured. Further, at present, the management does not expect such liabilities to be significant.

39. Amounts incurred on research and development expenses

	31 March 2018	31 March 2017
Salaries and wages	462	271
Consumption of materials, spares	278	228
Power and fuel	26	19
Other research and development expenses	513	392
Capital equipments	386	306
	1,665	**1,216**

The aforementioned expenditure, other than capital equipments, are included under the respective heads of the Statement of Profit and Loss.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

40. Net debt reconciliation

The following table sets out an analysis of the movements in net debt for the year:

	Current borrowings	Interest accrued	Cash and cash equivalents	Net debt
Net debt as at 31 March 2017	2,206	2	128	2,080
Cash flows	(476)	-	(27)	(449)
Finance cost	-	147	-	147
Interest paid	-	(149)	-	(149)
Net debt as at 31 March 2018	**1,730**	**-**	**101**	**1,629**

41. Corresponding previous period's figures have been regrouped/reclassified wherever necessary.

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

Adi P. Sethna
Partner
Membership No. 108840

Place: Hyderabad
Date: 23 May 2018

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

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

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

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

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

Place: Hyderabad
Date: 23 May 2018

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 2018, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of 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 including other comprehensive income, consolidated cash flows and consolidated changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act. 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 of the provisions of the Act, the respective Board of Directors/management of the companies included in the Group covered under the Act are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

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 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 these 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. 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 paragraph 9 under the Other Matters paragraph below is sufficient and appropriate to provide a basis for our audit opinion on these 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 separate financial statements and on the other financial information of the subsidiaries 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 31March 2018, and their consolidated profit including other comprehensive income, their consolidated cash flows and consolidated changes in equity for the year ended on that date.

Other Matters

9. We did not audit the financial statements of six subsidiaries, whose financial statements reflect total assets of ₹1,133 million and net assets of ₹663 million as at 31 March 2018, total revenues of ₹1,068 million and net cash outflow amounting to ₹2 million for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries is based solely on the reports of the other auditors.

   Further all of these subsidiaries are located outside India and their financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us.

   Our opinion above on the consolidated financial statements, and our report on other legal and regulatory requirements below, are not modified in respect of the above matters with respect to our reliance on the work done by and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

10. As required by Section 143(3) of the Act, based on our audit and on the consideration of the reports of the other auditors on separate financial statements and other financial information of the subsidiaries we report, to the extent applicable, that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;

b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;

c) The consolidated financial statements dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

d) in our opinion, the aforesaid consolidated financial statements comply with Ind AS specified under Section 133 of the Act;

e) On the basis of the written representations received from the directors of the Holding Company and taken on record by the Board of Directors of the Holding

Company, none of the directors of the Holding Company, covered under the Act, are disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164(2) of the Act;

f) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company and the operating effectiveness of such controls, refer to our separate report in 'Annexure A';

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries:

(i) the consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group as detailed in Note 38 (b) to the consolidated financial statements.

(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;

(iv) the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016 which are not relevant to these consolidated financial statements. Hence, reporting under this clause is not applicable.

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

Adi P. Sethna
Partner
Membership No. 108840

Place: Hyderabad
Date: 23 May 2018

Annexure A to the Independent Auditor's Report of even date to the members of NATCO Pharma Limited on the consolidated financial statements for the year ended 31 March 2018

Independent Auditor's Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the consolidated financial statements of NATCO Pharma Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group'), as at and for the year ended 31 March 2018, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Holding Company as at that date. Further, as all the subsidiaries of the Holding Company are located outside India, the provisions of clause (i) of sub-section 3 of Section 143 of the Act are not applicable to them.

Management's Responsibility for Internal Financial Controls

2. The Board of Directors of the Holding Company are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('the Guidance Note'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the company's business, including adherence to the company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

3. Our responsibility is to express an opinion on the IFCoFR of the Holding Company based on our audit. We conducted our audit in accordance with the

Standards on Auditing issued by the Institute of Chartered Accountants of India ('ICAI') and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR includes obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the IFCoFR of the Holding Company.

Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's IFCoFR include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion the Holding Company, has in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

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

Adi P. Sethna
Partner
Membership No. 108840

Place: Hyderabad
Date: 23 May 2018

Consolidated Balance Sheet

as at 31 March 2018

(All amounts in ₹ millions, except share data and where otherwise stated)

		Notes	31 March 2018	31 March 2017
Assets				
Non-current assets				
(a)	Property, plant and equipment	6	10,127	8,272
(b)	Capital work-in-progress		4,800	3,363
(c)	Intangible assets	7	59	58
(d)	Financial assets			
	Investments	8	81	1
	Other financial assets	10	150	131
(e)	Current-tax assets (net)		18	-
(f)	Other non-current assets	11	609	478
			15,844	**12,303**
Current assets				
(a)	Inventories	12	4,384	3,489
(b)	Financial Assets			
	Investments	8	684	321
	Trade receivables	13	6,375	4,752
	Cash and cash equivalents	14	217	235
	Bank balances other than cash and cash equivalents	15	1,620	123
	Loans	9	45	35
	Other financial assets	10	6,142	752
(c)	Other current assets	11	1,840	1,166
			21,307	**10,873**
Total assets			**37,151**	**23,176**
Equity and Liabilities				
Equity				
(a)	Equity share capital	16	369	349
(b)	Other equity	17	30,353	16,144
Equity attributable to owners			**30,722**	**16,493**
Non-controlling interest			38	41
Total of Equity			**30,760**	**16,534**
Liabilities				
Non-current liabilities				
(a)	Financial liabilities			
	Other financial liabilities	19	8	8
(b)	Provision for employee benefits	20	324	219
(c)	Deferred tax liabilities (net)	21	139	150
			471	**377**
Current liabilities				
(a)	Financial liabilities			
	Borrowings	18	1,732	2,216
	Trade payables	23	2,691	2,627
	Other financial liabilities	19	1,024	1,014
(b)	Other current liabilities	22	310	257
(c)	Provision for employee benefits	20	137	18
(d)	Current-tax liabilities (net)		26	133
			5,920	**6,265**
Total equity and liabilities			**37,151**	**23,176**

The accompanying notes form an integral part of the financial statements.
This is the Balance Sheet referred to in our report of even date.

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

Adi P. Sethna
Partner
Membership No. 108840

Place: Hyderabad
Date: 23 May 2018

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

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

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

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

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

Place: Hyderabad
Date: 23 May 2018

Consolidated Statement of Profit and Loss
for the year ended 31 March 2018

(All amounts in ₹ millions, except share data and where otherwise stated)

	Notes	31 March 2018	31 March 2017
Revenue			
Revenue from operations	24	22,020	20,650
Other income	25	404	139
Total revenues		**22,424**	**20,789**
Expenses			
Cost of materials consumed	26	3,905	5,208
Excise Duty		172	448
Purchases of stock-in-trade		459	971
Changes in inventories of finished goods, stock-in -trade and work-in-progress	27	(253)	(188)
Employee benefits expense	28	3,256	2,432
Finance costs	29	154	185
Depreciation and amortisation expense	6 & 7	662	544
Other expenses	30	5,197	4,945
Total expenses		**13,552**	**14,545**
Profit before tax		**8,872**	**6,244**
Tax expense	31		
Current tax		2,199	1,354
Deferred tax		-	1
MAT Credit		(279)	-
Tax for earlier years		-	40
Profit after tax		**6,952**	**4,849**
Other comprehensive income (net of taxes)			
Items that will not be reclassified to profit or loss			
Re-measurement gains (losses) on defined benefit plans		(42)	(50)
Net (loss)/gain on FVTOCI equity securities		(2)	28
Items that will be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(8)	(12)
Total comprehensive income for the year		**6,900**	**4,815**
Profit for the year attributable to:			
Owners of the parent		6,962	4,860
Non-controlling interests		(10)	(11)
Total comprehensive income for the year attributable to:			
Owners of the parent		6,910	4,826
Non-controlling interests		(10)	(11)
Earnings per equity share (₹) (Nominal value per share ₹ 2)	32		
Basic in (₹)		39.26	27.89
Diluted in (₹)		39.13	27.87

The accompanying notes form an integral part of the financial statements.
This is the Statement of Profit and Loss referred to in our report of even date.

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

Adi P. Sethna
Partner
Membership No. 108840

Place: Hyderabad
Date: 23 May 2018

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

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

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

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

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

Place: Hyderabad
Date: 23 May 2018

Consolidated Cash Flow Statement

for the year ended 31 March 2018

(All amounts in ₹ millions, except share data and where otherwise stated)

		31 March 2018	31 March 2017
Cash flows from operating activities			
Profit before tax		8,872	6,244
Adjustments :			
Depreciation and amortisation expense		662	544
Finance cost		154	163
Employee share-based payment expense		180	123
Interest income		(249)	(79)
Bad debts written - off		133	239
Dividend income		(2)	-
Liabilities no longer required written back		(5)	-
Assets written - off		-	24
(Gain) / loss on sale of asset		(103)	-
Unrealised foreign exchange loss / (gain), net		(14)	(12)
Operating profit before working capital changes		**9,628**	**7,246**
Changes in trade payables		64	(129)
Changes in employee benefit obligations		171	47
Changes in other financial liabilities		6	162
Changes in other liabilities		53	(71)
Changes in other financial assets		(10)	286
Changes in loans		(10)	(7)
Changes in other assets		(583)	(528)
Changes in inventories		(895)	84
Changes in trade receivables		(1,742)	(2,374)
Cash generated from operating activities		**6,681**	**4,716**
Income taxes paid		(2,045)	(1,258)
Net cash generated from operating activities	**A**	**4,636**	**3,458**
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,225)	(2,792)
Proceeds from sale of property, plant and equipment		178	0
Purchase of intangible assets		(18)	(3)
Payments for purchase of investments		(445)	(286)
Proceeds from sale of investments		-	214
Increase in other bank balances		(1,497)	(113)
Interest received		99	80
Deposits with financial institutions		(5,249)	(293)
Withdrawal of fixed deposits		-	199
Dividend received		2	-
Net cash used in investing activities	**B**	**(11,155)**	**(2,994)**

Consolidated Cash Flow Statement

for the year ended 31 March 2018

(All amounts in ₹ millions, except share data and where otherwise stated)

		31 March 2018	31 March 2017
Cash flows from financing activities			
Proceeds from issue of shares		8,956	-
Repayment of non-current borrowings		-	(142)
Movement in minority interest		7	3
(Repayments) / proceeds from current borrowings, net		(484)	1,232
Dividends paid to Company's shareholders		(1,814)	(1,409)
Interest paid		(156)	(161)
Net cash (used in) / from financing activities	**C**	**6,509**	**(477)**
Effect of currency translation adjustment	**D**	**(8)**	**6**
Net increase / (decrease) in cash and cash equivalents (A+B+C+D)		(18)	(7)
Cash and cash equivalents as at the beginning of the year		235	242
Cash and cash equivalents as at the end of the year (Refer Note 14)		**217**	**235**

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

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

Adi P. Sethna
Partner
Membership No. 108840

Place: Hyderabad
Date: 23 May 2018

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

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

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

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

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

Place: Hyderabad
Date: 23 May 2018

Consolidated Statement of changes in equity
for the year ended 31 March 2018

(All amounts in ₹ millions, except share data and where otherwise stated)

A Equity Share Capital

	Notes	Number of shares	Amount
As at 1 April 2016		17,41,74,245	348
Changes in equity share capital	16	1,33,555	1
As at 31 March 2017		17,43,07,800	349
Changes in equity share capital	16	1,01,85,600	20
As at 31 March 2018		18,44,93,400	369

B Other Equity

	Reserves and Surplus						Other reserves				
	Securities premium reserve	Capital reserve	Capital redemption reserve	General reserve	Share options outstanding account	Retained earnings	Gain/(loss) on Equity instruments through FVOCI	Foreign currency translation reserve	Defined benefit obligations	Non-controlling interest	Total
Balance as at 31 March 2016	6,112	207	5	595	97	5,650	14	(44)	(27)	49	12,658
Profit/(loss) for the year	-	-	-	-	-	4,860	-	-	-	(10)	4,850
Other comprehensive income (net of taxes)	-	-	-	-	-	-	28	(12)	(50)	-	(34)
Others	-	-	-	-	-	-	-	2	-	2	4
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**4,860**	**28**	**(10)**	**(50)**	**(8)**	**4,820**
Transactions with owners in their capacity as owners:											
Employee stock option expense	-	-	-	-	123	-	-	-	-	-	123
Dividend paid	-	-	-	-	-	(1,176)	-	-	-	-	(1,176)
Tax on distributed profits	-	-	-	-	-	(240)	-	-	-	-	(240)
Share options exercised	66	-	-	-	(66)	-	-	-	-	-	-
Balance as at 31 March 2017	**6,178**	**207**	**5**	**595**	**154**	**9,094**	**42**	**(54)**	**(77)**	**41**	**16,185**

Consolidated Statement of changes in equity

for the year ended 31 March 2018

(All amounts in ₹ millions, except share data and where otherwise stated)

	Reserves and Surplus						Other reserves				
	Securities premium reserve	Capital reserve	Capital redemption reserve	General reserve	Share options outstanding account	Retained earnings	Gain/(loss) on Equity instruments through FVOCI	Foreign currency translation reserve	Defined benefit obligations	Non-controlling interest	Total
Profit for the year	-	-	-	-	-	6,962	-	-	-	(10)	6,952
Other comprehensive income (net of taxes)	-	-	-	-	-	-	(2)	(8)	(42)	-	(52)
Changes in controlling interest	-	-	-	-	-	-	-	-	-	7	7
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**6,962**	**(2)**	**(8)**	**(42)**	**(3)**	**6,907**
Transactions with owners in their capacity as owners:											
Issue of equity shares	9,130	-	-	-	-	-	-	-	-	-	9,130
Share issue expenses	(194)	-	-	-	-	-	-	-	-	-	(191)
Employee stock option expense	-	-	-	-	180	-	-	-	-	-	180
Dividend paid	-	-	-	-	-	(1,509)	-	-	-	-	(1,509)
Tax on distributed profits	-	-	-	-	-	(308)	-	-	-	-	(311)
Share options exercised	92	-	-	-	(92)	-	-	-	-	-	-
Balance as at 31 March 2018	**15,206**	**207**	**5**	**595**	**242**	**14,239**	**40**	**(62)**	**(119)**	**38**	**30,391**

This is the Statement of Changes in Equity referred to in our report of even date.

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

Adi P. Sethna
Partner
Membership No. 108840

Place: Hyderabad
Date: 23 May 2018

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

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

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

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

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

Place: Hyderabad
Date: 23 May 2018

Notes

Summary of significant accounting policies and other explanatory information

1. General information

NATCO Pharma Limited ("the Company" or "the Parent") is a public limited company domiciled and incorporated in India in accordance with the provisions of the Companies Act, 1956. The registered office of the Company is at NATCO House, Road No. 2, Banjara Hills, Hyderabad – 500034. The equity shares of the Company are listed on the National Stock Exchange and Bombay Stock Exchange.

The Company along with its subsidiaries ("the Group") is engaged in the business of pharmaceuticals which comprises research and development, manufacturing and selling of bulk drugs and finished dosage formulations. The Group has manufacturing facilities in India which caters to both domestic and international markets including regulated markets like United States of America and Europe.

These consolidated financial statements for the year ended 31 March 2018 were authorised and approved for issue by the Board of Directors on 23 May 2018.

2. Basis of preparation

(i) Compliance with Ind AS

The consolidated financial statements of the Group have been prepared in accordance with the Indian Accounting Standards as notified under section 133 of the Companies Act 2013 ("the Act") read with the Companies (Indian Accounting Standards) Rules 2015 issued by Ministry of Corporate Affairs ('MCA'). The Group has uniformly applied the accounting policies during the periods presented.

Transactions and balances with values below the rounding off norm adopted by the Group have been reflected as "0" in the relevant notes in these consolidated financial statements.

The consolidated financial statements have been prepared on going concern basis under the historical cost basis except for the following –

- Certain financial assets and liabilities which are measured at fair value;
- Share bases payments which are measured at fair value of the options; and
- Contingent consideration

(ii) Principles of consolidation

a. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

The Group combines the separate financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, contingent liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary and practicable to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and balance sheet, respectively.

The financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting other than those adopted in the financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Group member's separate financial statements in preparing the financial statements to ensure conformity with the Group's accounting policies, wherever necessary and practicable.

Notes

Summary of significant accounting policies and other explanatory information

Notes to the financial statements represent notes involving items which are considered material and are accordingly disclosed. Materiality for the purpose is assessed in relation to the information contained in the consolidated financial statements.

The following subsidiaries have been considered for the purpose of preparation of the consolidated financial statements:

Name of the subsidiaries	Country of Incorporation	Percentage holding/interest (%) As at 31 March	
		2018	2017
NATCO Pharma, Inc.,	United States of America	100.00	100.00
Time Cap Overseas Limited	Mauritius	89.81	89.43
NATCO Farma Do Brazil	Brazil	88.30	86.91
NATCO Pharma (Canada), Inc.	Canada	99.04	99.71
Natco Pharma Asia Pte. Ltd.	Singapore	100.00	100.00
NATCO Pharma Australia PTY Ltd.	Australia	100.00	93.76

Note 1: Interest in NATCO Farma Do Brazil represent effective holding of the Company.
Note 2: Principal activity of all subsidiaries except Time Cap Overseas Limited is marketing of pharmaceutical products. Time Cap Overseas Limited is an intermediate investment holding company of Natco Farma do Brazil.

b. Change in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity.

3. Standards, not yet effective and have not been adopted early by the Group

Information on new standards, amendments and interpretations that are expected to be relevant to the consolidated financial statements is provided below.

a. Ind AS 115 'Revenue from Contracts with Customers' (Ind AS 115)

Applicable from 1 April 2018. The Core principle of the new standard is that revenue should be recognized when (or as) an entity transfers control of goods or services to a customer at an amount to which the entity expects to be entitled. To achieve the core principle the new standard establishes a five step model that entities would need to apply to determine when to recognise revenue, and at what amount. Applying this core principle involves the 5 steps approach.

i. The standard requires to identify the contract with customer as a first step.

ii. Having identified a contract, the entity next identifies the performance obligations within that contract. A performance obligation is a promise in a contract with a customer to transfer either a good or service or bundle of goods or services, that are 'distinct'.

iii. Third step in the model is to determine the transaction price and then as a fourth step, such transaction price needs to be allocated to the performance obligation identified in step ii.

iv. In accordance with this Standard, entity is required to recognise revenue when the entity satisfies the performance obligations.

The Standard requires extensive disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The effect on adoption of Ind AS 115 is not expected to be significant

Notes

Summary of significant accounting policies and other explanatory information

b. Appendix B to Ind AS 21, Foreign currency transactions and advance consideration:
On 28 March 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

The amendment will come into force from 1 April 2018. The Group has evaluated the effect of this on the financial statements and the impact is not expected to be material.

4. Summary of significant accounting policies

The consolidated financial statements have been prepared using the accounting policies and measurement basis summarized below.

a. Current versus non-current classification
The Group presents assets and liabilities in the balance sheet based on current/ non-current classification.

An asset is classified as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is classified as current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

b. Foreign currency

Functional and presentation currency
The consolidated financial statements are presented in Indian Rupee ('INR' or '₹') which is also the functional and presentation currency of the Group.

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

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

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the statement of profit and loss in the year in which they arise.

Group companies
The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the

Notes

Summary of significant accounting policies and other explanatory information

presentation currency are translated into the presentation currency as follows:

1. assets and liabilities are translated at the closing rate at the date of the balance sheet

2. income, expenses and cash flow items are translated at average exchange rates for the respective periods; and

3. All resulting exchange differences are recognised in OCI.

When a subsidiary is disposed off, in full, the relevant amount is transferred to the Statement of Profit and Loss. However, when change in the parent's ownership does not result in loss of control of a subsidiary, such changes are recorded through equity. On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and borrowings and other financial instrument designated as hedges of such investment, are recognised in OCI. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing exchange rate.

c. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

Excise duty is a liability of the Group as a manufacturer, which forms part of the cost of production, irrespective of whether the goods are sold or not. Therefore, the recovery of excise duty flows to the Group on its own account and hence revenue includes excise duty.

Sales tax/ Value Added Tax [VAT]/ Goods and Service Tax [GST] is not received by the Group on its own account. Rather, it is tax collected on value added to the Goods by the Group on behalf of the government. Accordingly, it is excluded from revenue.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Service Revenue

Service income is recognised as per the terms of contracts with the customers when the related services are performed or the agreed milestones are achieved and are net of service tax, wherever applicable.

Interest Income

Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable. For all debt instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR) method.

Dividend income

Dividend income is recognised at the time when right to receive the payment is established, which is generally when the shareholders approve the dividend.

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 long term supply arrangements:

Revenue from licensing and long term supply

Notes

Summary of significant accounting policies and other explanatory information

arrangements is recognised in the period in which the Group completes all its performance obligations.

d. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Statement of Profit and Loss as incurred.

e. Property, Plant and Equipment (PPE)

Recognition and initial measurement

Property, plant and equipment are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group. All other repair and maintenance costs are recognised in statement of profit or loss as incurred.

Subsequent measurement (depreciation and useful lives)

Depreciation on property, plant and equipment is provided on the straight-line method, computed on the basis of useful lives as estimated by management which coincides with rates prescribed in Schedule II to the Companies Act, 2013.

Cost of leasehold land is amortized on a straight-line basis over the term of the lease.

The residual values, useful lives and method of depreciation of are reviewed at each financial year end and adjusted prospectively, if appropriate.

De-recognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

f. Intangible assets

Recognition and initial measurement

Intangible assets (software) are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Subsequent measurement (amortisation)

The cost of capitalized software is amortized over a period of 6 years, on a straight line basis.

g. Operating leases

Where the lessor effectively retains all risk and benefits of ownership of the leased items, such leases are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of profit and loss on a straight line basis.

h. Impairment of non-financial assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired, based on internal or external factors. If any such indication exists, the Group estimates the recoverable amount of the asset or the cash generating unit. If such recoverable amount of the asset or cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists,

Notes

Summary of significant accounting policies and other explanatory information

the recoverable amount is reassessed and the asset is reflected at the recoverable amount. Impairment losses previously recognized are accordingly reversed in the statement of profit and loss.

Financial instruments

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value and transaction cost that is attributable to the acquisition of the financial asset is also adjusted.

Subsequent measurement

i. **Debt instruments at amortised cost –** A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

   o The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

   o Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

   After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method.

ii. **Equity investments –** All equity investments in scope of Ind-AS 109 are measured at fair value. Equity instruments which are held for trading are generally classified as at fair value through profit and loss (FVTPL). For all other equity instruments, the Group decides to classify the same either as at fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL). The Group makes such election on an instrument by instrument basis. The classification is made on initial recognition and is irrevocable.

iii. **Mutual funds –** All mutual funds in scope of Ind-AS 109 are measured at fair value through profit and loss (FVTPL).

De-recognition of financial assets

A financial asset is primarily de-recognised when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and transaction cost that is attributable to the acquisition of the financial liabilities is also adjusted. These liabilities are classified as amortised cost.

Subsequent measurement

These liabilities include are borrowings and deposits. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

De-recognition of financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified party fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of expected loss allowance

Notes

Summary of significant accounting policies and other explanatory information

determined as per impairment requirements of Ind-AS 109 and the amount recognised less cumulative amortisation.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

i. Investment in instruments of consolidated entities

The Company's investment in equity and optionally convertible instruments in subsidiaries and fellow subsidiaries (direct subsidiaries of Parent Company) are accounted for at cost.

j. Impairment of financial assets

In accordance with Ind-AS 109, the Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss for financial assets.

ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. When estimating the cash flows, the Group is required to consider –

- All contractual terms of the financial assets (including prepayment and extension) over the expected life of the assets.

- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Trade receivables

The Group applies approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of receivables.

Other financial assets

For recognition of impairment loss on other financial assets and risk exposure, the Group determines whether there has been a significant increase in the credit risk since initial recognition and if credit risk has increased significantly, impairment loss is provided.

k. Inventories

Raw material, packaging material, stores and spare parts are carried at cost or NRV whichever is lower. Cost includes purchase price excluding taxes those are subsequently recoverable by the Group from the concerned authorities, freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. Cost of inventories is determined using the weighted average cost method.

The carrying cost of raw materials, packing materials, stores and spare parts are appropriately written down when there is a decline in replacement cost of such materials and finished products in which they will be incorporated are expected to be sold below cost.

Finished goods and work in progress are valued at the lower of cost and net realizable value. Cost of work in progress and manufactured finished goods is determined on weighted average basis and comprises cost of direct material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition. Cost of traded goods is determined on weighted average basis. Excise duty liability is included in the valuation of closing inventory of finished goods.

l. Income taxes

Tax expense recognized in statement of profit or loss comprises the sum of deferred tax and current tax except the ones recognized in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted for the reporting period. Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Notes

Summary of significant accounting policies and other explanatory information

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity).

m. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, other short-term highly liquid investments (original maturity of 3 months or less) that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

n. Post-employment, long term and short term employee benefits

Defined contribution plan

The Group's contribution to provident fund and employee state insurance schemes is charged to the statement of profit and loss. The Group's contributions towards Provident Fund are deposited with the Regional Provident Fund Commissioner under a defined contribution plan.

Defined benefit plan

The Group has gratuity as defined benefit plan where the amount that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The liability recognised in the balance sheet for defined benefit plans is the present value of the Defined Benefit Obligation (DBO) at the reporting date net of fair value of plan assets. Management estimates the DBO annually with the assistance of independent actuaries, by adopting the projected unit credit method. Actuarial gains and losses resulting from re-measurements of the liability are included in other comprehensive income.

The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC). Under the said policy, the eligible employees are entitled for gratuity upon their resignation, retirement or in the event of death in lumpsum after deduction of necessary taxes upto a maximum limit of ₹1 Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Company makes contributions to the Gratuity Fund.

Other long-term employee benefits

The Group also provides benefit of compensated absences to its employees which are in the nature of long-term benefit plan. Liability in respect of compensated absences becoming due and expected to be availed more than one year after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method as on the reporting date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded in the statement of profit and loss in the year in which such gains or losses arise.

Short-term employee benefits

Short-term employee benefits comprise of employee costs such as salaries, bonus etc. is recognized on the basis of the amount paid or payable for the period during which services are rendered by the employee.

Notes

Summary of significant accounting policies and other explanatory information

o. Share based payments

The employee benefits expense is measured using the fair value of the employee stock options and is recognised over vesting period with a corresponding increase in equity. The vesting period is the period over which all the specified vesting conditions are to be satisfied.

Transition to Ind AS

On transition to Ind AS, the Company has elected to not consider the charge related to employee stock options for which the vesting period is already over.

p. Provisions, contingent liabilities and contingent assets

Provisions are recognized only when there is a present obligation, as a result of past events, and when a reliable estimate of the amount of obligation can be made at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. Provisions are discounted to their present values, where the time value of money is material.

Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Group or
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are neither recognized nor disclosed. However, when realization of income is virtually certain, related asset is recognized.

q. Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

r. Share issue expenses

Share issue expenses are charged first against balance available in securities premium.

5. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group.

Recognition of deferred tax assets: The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions (see note 20).

Recognition of deferred tax liability on undistributed profits: The extent to which the Group can control the timing of reversal of deferred tax liability on undistributed profits of its subsidiaries requires judgement.

Notes

Summary of significant accounting policies and other explanatory information

Evaluation of indicators for impairment of assets: The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

Recoverability of advances/receivables: At each balance sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding receivables and advances.

Useful lives of depreciable/amortisable assets: Management reviews its estimate of the useful lives of depreciable/amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain software, customer relationships, IT equipment and other plant and equipment.

Defined benefit obligation (DBO): Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, medical cost trends, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

Fair value measurements: Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Provisions: At each balance sheet date basis the management judgment, changes in facts and legal aspects, the Group assesses the requirement of provisions against the outstanding warranties and guarantees. However, the actual future outcome may be different from this judgement.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

6. Property, plant and equipment

	Freehold land#	Leasehold Land	Buildings	Plant and equipment	Office equipment	Furniture	Vehicles	Computers	Total
Gross carrying amount									
As at 1 April 2016	1,226	131	2,609	5,317	53	114	144	127	9,721
Additions	230	144	416	922	3	24	40	16	1,795
Disposals/assets written off	-	-	46	7	-	-	13	-	66
Foreign exchange adjustments	-	2	-	-	2	2	-	-	6
Balance as at 31 March 2017	**1,456**	**277**	**2,979**	**6,232**	**58**	**140**	**171**	**143**	**11,456**
Additions	376	-	596	1,509	4	36	33	21	2,575
Disposals/assets written off	63	-	-	40	-	-	4	-	107
Foreign exchange adjustments	-	1	-	-	1	1	-	-	3
Balance as at 31 March 2018	**1,769**	**278**	**3,575**	**7,701**	**63**	**177**	**200**	**164**	**13,927**
Accumulated depreciation									
Upto 1 April 2016	-	10	536	1,883	27	47	74	98	2,675
Charge for the year	-	4	88	394	4	9	15	13	527
Adjustments for disposals	-	-	10	2	-	-	7	-	19
Foreign exchange translation	-	1	-	-	-	-	-	-	1
Up to 31 March 2017	**-**	**15**	**614**	**2,275**	**31**	**56**	**82**	**111**	**3,184**
Charge for the year	-	5	109	473	5	12	23	18	645
Adjustments for disposals	-	-	-	29	-	-	3	-	32
Foreign exchange translation	-	1	-	-	1	1	-	-	3
Up to 31 March 2018	**-**	**21**	**723**	**2,719**	**37**	**69**	**102**	**129**	**3,800**
Net book value as at 31 March 2017	**1,456**	**262**	**2,365**	**3,957**	**27**	**84**	**89**	**32**	**8,272**
Net book value as at 31 March 2018	**1,769**	**257**	**2,852**	**4,982**	**26**	**108**	**98**	**35**	**10,127**

(i) Contractual obligations

Refer to note 38 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

(ii) Leasehold land includes land acquired from the State Industrial Development Corporation of Uttarakhand Limited, Uttar Pradesh State Industrial Development Corporation Limited for a period of 90 years and 87 years respectively. Further the Company has also acquired land from Ramky Pharma City (India) Limited under a lease arrangement for a period of 33 years which is renewable for a further period of 2 terms of 33 years each.

(iii) Capital work-in progress

31 March 2018	4,800
31 March 2017	3,363

Capital work-in progress relates to expansion projects on-going at Company's existing facilities and new projects under implementation.

Land parcels with an aggregate carrying amount of ₹4 (31 March 2017: ₹4) are under dispute pending in a court as to the ownership of the property. The management, based on available information and advice of legal counsel, is confident of favorable outcome in this case and hence, no adjustments are made in these financial statements.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

7. Other intangible assets

	Computer Software	Total
Gross carrying amount		
As at 1 April 2016	112	112
Additions	19	19
As at 31 March 2017	**131**	**131**
Additions	18	18
As at 31 March 2018	**149**	**149**
Accumulated amortization		
Up to 1 April 2016	57	57
Charge for the year	17	17
Foreign exchange adjustment	(1)	(1)
Up to 31 March 2017	**73**	**73**
Charge for the year	17	17
Foreign exchange adjustment	(0)	(0)
Up to 31 March 2018	**90**	**90**
Net carrying amount		
As at 31 March 2017	58	58
As at 31 March 2018	**59**	**59**

8. Investments

	31 March 2018	31 March 2017
Non-current		
Investment in equity instruments		
Unquoted		
4,054 (31 March 2017: 4,054) shares of NATIVITA Joint Limited Liability Company	0	0
750 (31 March 2017: 750) equity shares of ₹100 each, fully paid-up, in Jeedimetla Effluent Treatment Limited	0	0
109,569 (31 March 2017: Nil) equity shares of ₹10 each, fully paid-up in OMRV Hospital Limited	74	-
588 (31 March 2017: Nil) equity shares of ₹10,000 each, fully paid-up in Endiya Trust	6	-
34,400 (31 March 2017: 34,400) equity shares of ₹10 each, fully paid-up, in Pattancheru Enviro-Tech Limited	0	0
Total investments in equity instruments	81	1
Total non-current investments	**81**	**1**
Less: provision for diminution in value of investments	0	0
	81	**1**
Aggregate book value of unquoted investments	81	1
Aggregate market value of unquoted investments	81	-
Aggregate amount of impairment in the value of investments	0	0
Investments carried at amortised cost	81	1
Investments carried at fair value through profit or loss	-	-
Current		
Quoted, Non-trade		
At fair value through OCI		
10,000 (31 March 2017: 10,000) equity shares of ₹10 each, fully paid-up in Neuland Laboratories Limited	7	15
5,500 (31 March 2017: 5,500) equity shares of ₹1 each, fully paid-up in Sun Pharmaceuticals Industries Limited	3	4

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

	31 March 2018	31 March 2017
778 (31 March 2017: 778) equity shares of ₹2 each, fully paid-up in Alkem Laboratories Limited	2	2
15,000 (31 March 2017: 15,000) equity shares of ₹1 each, fully paid-up in Cadila Healthcare Limited	6	7
100,000 (31 March 2017: 100,000) equity shares of ₹10 each, fully paid-up in Laurus Labs Limited	50	52
150,000 (31 March 2017: 150,000) equity shares of ₹1 each, fully paid-up in Lanco Infratech Limited	0	0
22,700 (31 March 2017: 22,700) equity shares of ₹1 each, fully paid-up in GMR Infrastructure Limited	0	0
50,400 (31 March 2017: 50,400) equity shares of ₹1 each, fully paid-up in GVK Power & Infrastructure Limited	1	0
50,000 (31 March 2017: 50,000) equity shares of ₹1 each, fully paid-up in Panacea Biotech Limited	13	8
3,176 (31 March 2017: 3,176) equity shares of ₹10 each, fully paid-up in ICICI Prudential Life Insurance Company Limited	1	1
Unquoted, Non trade		
Investments in Debentures	400	-
Investments in Global Dynamic Opportunities Fund Limited	201	200
Investments in equity instruments	-	31
Total current investments	**684**	**321**
Aggregate book value of unquoted investments	601	231
Aggregate cost of quoted investments	83	90
Aggregate market value of quoted investments	83	90
Aggregate amount of impairment in the value of investments	-	-
Investments carried at amortised cost	400	200
Investments carried at fair value through other comprehensive income	284	121
Investments carried at fair value through profit or loss	**-**	**-**

9. Loans

(Unsecured, considered good)

	31 March 2018	31 March 2017
Current		
Loans to employees	45	35
Total current loans	**45**	**35**

10. Other financial assets

	31 March 2018	31 March 2017
Non-current		
Restricted deposits*	58	55
Security deposits	87	71
Interest accrued on deposits	5	5
	150	**131**
*Given against bank guarantees/performance guarantees		
Current		
Deposits with financial institution	5,942	693
Interest accrued on fixed deposits	179	29
Insurance claim receivable	-	8
Other advances	21	22
	6,142	**752**

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

11. Other assets

	31 March 2018	31 March 2017
Non-current		
Capital advances	575	353
Prepaid leasehold	18	-
Balances with government authorities	16	125
	609	**478**
Current		
Advance to material/service providers	193	206
Prepaid expenses	125	74
Export incentives receivable	228	147
Balances with statutory authorities	1,294	739
	1,840	**1,166**

12. Inventories

(at lower of cost and net realisable value)

	31 March 2018	31 March 2017
Raw materials (at cost) [including goods-in-transit of ₹16 (31 March 2017: ₹14)]	1,587	1,123
Work-in-progress (at cost)	1,239	1,021
Finished goods (at lower of cost and net realisable value)	621	613
Stores and spares (at cost) [including goods-in-transit of ₹26 (31 March 2017: ₹20)]	580	350
Packing materials (at cost) [including goods-in-transit of ₹0 (31 March 2017: ₹1)]	193	245
Stock-in-trade (in respect of goods acquried for trading)	164	137
	4,384	**3,489**

i) During the year, ₹87 (31 March 2017: ₹44) was recognised as an expense for the inventories at net realisable value.

13. Trade receivables

(Unsecured)

	31 March 2018	31 March 2017
Trade receivables, gross		
- Considered good	6,375	4,752
- Considered doubtful	-	-
	6,375	**4,752**
Less: Allowance for doubtful debts	-	-
	6,375	**4,752**

14. Cash and cash equivalents

	31 March 2018	31 March 2017
Balances with banks on current accounts	202	228
Cash on hand	15	7
	217	**235**

There are no repatriation restrictions with regard to cash and cash equivalents as at the end of the reporting period and prior periods.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

15. Bank balances other than cash and cash equivalents

	31 March 2018	31 March 2017
Bank deposits		
With maturity of more than three months and upto twelve months	1,600	106
In unclaimed dividend accounts	20	17
	1,620	**123**

16. Equity share capital

i. Authorised share capital

	31 March 2018		31 March 2017	
	Number	Amount	Number	Amount
Equity shares of ₹2 each	20,00,00,000	400	20,00,00,000	400

ii. Issued, subscribed and fully paid up

	31 March 2018		31 March 2017	
	Number	Amount	Number	Amount
Equity shares of ₹2 each	18,44,93,400	369	17,43,07,800	349
	18,44,93,400	369	17,43,07,800	349

iii. Reconciliation of number of equity shares outstanding at the beginning and at the end of the year

	31 March 2018		31 March 2017	
	Number	Amount	Number	Amount
Equity shares				
Balance at the beginning of the year	17,43,07,800	349	17,41,74,245	348
Add: Issued during the year	1,01,85,600	20	1,33,555	1
Balance at the end of the year	**18,44,93,400**	**369**	**17,43,07,800**	**349**

In accordance with provisions of Chapter VIII of the Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended and pursuant to the approval accorded by the shareholders in the Extra-Ordinary General Meeting on 29 November 2017, the Company has raised a sum of ₹9,150 million during the current year by allotment of 10,000,000 equity shares of ₹ 2 each at a premium of ₹913 per share through Qualified Institutional Placement.

iv. Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares having a par value of ₹2 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors (except interim dividend) is subject to the approval of the shareholders in the ensuing general meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts in proportion of their shareholding.

v. The Board of Directors have recommended two interim dividends of ₹1.25 and ₹7 during the current financial year.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

vi. Details of shareholder holding more than 5% share capital

	31 March 2018		31 March 2017	
	Number	% holding	Number	% holding
V. C. Nannapaneni *	4,07,51,315	22.09%	4,07,36,815	23.37%
Time Cap Pharma Labs Limited	1,71,57,220	9.30%	1,71,57,220	9.84%
Natsoft Information Systems Private Limited	1,57,67,500	8.55%	1,57,67,500	9.05%

*including shares held in the capacity of Karta of HUF aggregating to 5,440,045 (31 March 2017: 5,440,045)

vii. Shares reserved for issue under options

(a) The Company has instituted the NATCO Employee Stock Option Plan 'ESOP-2015', NATCO Employee Stock Option Plan 'ESOP-2016' and the NATCO Employee Stock Option Plan 'ESOP-2017' ("the Schemes"). The Schemes were formulated in accordance with the Securities Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 issued by the Securities and Exchange Board of India ("SEBI"). Pursuant to the terms of the Scheme, the Board of the Directors of the Company have granted 750,000 options (post split), 174,330 (post split) and 600,000 (post split) to eligible employees on 12 August 2015, 11 November 2016 and 02 November 2017 respectively. The terms of the Scheme provide that each option entitles the holder to one equity share of ₹2 each (post split) and that the options can be settled only by way of issue of equity shares. The options vest on an annual basis over a period ranging from 4 to 5 years from the date of grant and the options are entirely time-based with no performance conditions.

(b) During the year ended 31 March 2018, the Company had incurred stock compensation cost of ₹180 (31 March 2017: ₹123) in respect of ESOP 2015, ESOP 2016 and ESOP 2017 schemes.

The details of options are as follows :

	31 March 2018		31 March 2017	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at the beginning of the year	7,90,775	2	7,50,000	2
Granted during the year	6,00,000	2	1,74,330	2
Forfeited during the year	-	-	-	-
Exercised during the year	1,85,600	2	1,33,555	2
Expired during the year	60,795	2	-	-
Outstanding at the end of the year	11,44,380	2	7,90,775	2
Exercisable at the end of the year	-	-	-	-

The weighted average exercise price at the date of exercise for stock options exercised during the year was ₹2 post split (31 March 2017: ₹2 post split). The stock options outstanding as at 31 March 2018 had a weighted average exercise price of ₹2 post split (31 March 2017: ₹2 post split), and the weighted average remaining contractual life of unvested options is 22.98 months (31 March 2017: 29.41 months).

The fair value of options was estimated at the date of grant using the Black-Scholes-Merton formula with the following assumptions:

	ESOP 2017	ESOP 2016	ESOP 2015
Risk-free interest rate	6.14% - 6.61%	6.82% - 8.05%	7.14% - 8.18%
Expected life	1-4 years	1-5 years	1-5 years
Expected volatility	39.82%-43.28%	37.28%-43.76%	40.59%- 49.91%
Expected dividend yield	0.75%	0.20%	0.20%

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

viii. Details of shares issued pursuant to contract without payment being received in cash during the last 5 years, immediately preceding the balance sheet date:

	Number of shares	
	1 April 2013 to 31 March 2018	1 April 2012 to 31 March 2017
Aggregate number of equity shares allotted*	11,28,030	20,68,040

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

(a) During the year ended 31 March 2015, the Company has issued 808,875 equity shares (post split) of ₹2 each, fully paid-up at a premium of ₹238 per equity share (post split) to the erstwhile shareholders of Natco Organic Limited ('NOL') in exchange of 19,310,000 equity shares of ₹10 each at face value held in NOL.

(b) Balance equity shares comprising of 319,155 (31 March 2017: 1,259,165) (post split) were allotted during the period of five years, on exercise of the options granted under the employee stock option plan wherein part consideration was received in the form of employee services.

17. Other equity

	31 March 2018	31 March 2017
Reserve and surplus		
Securities premium reserve	15,206	6,178
Capital reserve	207	207
Capital redemption reserve	5	5
General reserve	595	595
Share options outstanding account	242	154
Retained earnings	14,239	9,094
Total reserves and surplus	**30,494**	**16,233**
Other reserves		
FVOCI - Equity instruments	40	42
Foreign currency translation reserve	(62)	(54)
Remeasurement of defined benefit obligations	**(119)**	**(77)**
	(141)	**(89)**
	30,353	**16,144**

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

(i) Nature and purpose of other reserves

Securities premium reserve

Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with provisions of the Act.

Capital reserve

Capital reserve was created on amalgamation of certain entities into the Company in the earlier years. The Company uses capital reserve for transactions in accordance with the provisions of the Act.

Capital redemption reserve

In accordance with the requirements of the Companies Act, 1956, the Company has created capital redemption reserve on buyback of shares. The Company uses capital redemption reserve for transactions in accordance with the provisions of the Act.

General reserve

The Company generally appropriates a portion of its earnings to the general reserve to be used for contingencies. These reserves are freely available for use by the Company.

Share options outstanding account

The reserve represents the excess of the fair value of the options on the grant date over the strike price which is accumulated by the Company in respect of all options that have been granted. The Company transfers the proportionate amounts, outstanding in this account, in relation to options exercised to securities premium account on the date of exercise of such options.

Gain / loss FVOCI equity instruments

The Company has elected to recognise the change in fair value of certain investments in equity shares in other comprehensive income. These changes are accumulated within the FVOCI equity instruments reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity instruments are derecognised.

Remeasurement of defined benefit obligation

The reserve represents the remeasurement gains/(losses) arising from the actuarial valuation of the defined benefit obligations of the Company. The remeasurement gains/(losses) are recognized in other comprehensive income and accumulated under this reserve within equity. The amounts recognized under this reserve are not reclassified to profit or loss.

Foreign currency translation reserve

Exchange differences arising on translation of the foreign operations are recognised in other comprehensive income as described in accounting policy and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed-off.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

18. Borrowings

	31 March 2018	31 March 2017
Current		
Loans repayable on demand		
Working capital loans (secured)	988	1,456
Working capital loans (unsecured)	744	760
	1,732	**2,216**

(i) Working capital loans represents cash credit, overdraft, commercial paper, bills purchased and discounted with various banks and carry interest linked to the respective Bank's base lending rate/marginal cost of lending rate and range from 1.50% per annum to 10.05% per annum (31 March 2017: 1.00% per annum to 12.70% per annum).

(ii) Working capital loans 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 and Dr. N. Ramakrishna Rao, relatives of Chairman and Managing Director.

(iii) A portion of the unsecured loans is personally guaranteed by Mr. V . C. Nannapaneni, Chairman and Managing Director.

19. Other financial liabilities

	31 March 2018	31 March 2017
Non-current		
Security deposits from customers	8	8
	8	**8**
Current		
Interest accrued but not due on borrowings	-	2
Capital creditors	666	658
Unpaid dividend on equity shares	20	17
Employee related payables	332	304
Other payables	6	33
	1,024	**1,014**

20. Provision for employee benefits

	31 March 2018	31 March 2017
Non-current		
Gratuity	229	139
Compensated absences	95	80
	324	**219**
Current		
Gratuity	58	15
Compensated absences	79	3
	137	**18**

(a) Gratuity

The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC). Under the said policy, the eligible employees are entitled for gratuity upon their resignation, retirement or in the event of death in lumpsum after deduction of necessary taxes upto a maximum limit of ₹2 (31 March 2017: ₹1). Liabilities

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Company makes contributions to the Gratuity Fund.

The following table set out the status of the gratuity plan and the reconciliation of opening and closing balances of the present value and defined benefit obligation.

		31 March 2018	31 March 2017
(i)	**Change in projected benefit obligation**		
	Projected benefit obligation at the beginning of the year	213	157
	Past service cost	60	-
	Service cost	38	16
	Interest cost	17	13
	Actuarial (gain) / loss	51	41
	Benefits paid	(9)	(14)
	Projected benefit obligation at the end of the year	**370**	**213**
(ii)	**Change in plan assets**		
	Fair value of plan assets at the beginning of the year	61	63
	Expected return on plan assets	5	5
	Employer contributions	26	7
	Benefits paid	(9)	(14)
	Fair value of plan assets at the end of the year	**83**	**61**
(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	370	213
	Funded status of the plans	(83)	(61)
	Net liability recognised in the balance sheet	**287**	**152**
(iv)	**Expense recognized in the statement of profit and loss**		
	Service cost	38	16
	Past service cost	60	-
	Interest cost	17	13
	Expected returns on plan assets	(5)	(5)
	Premium expenses	-	0
	Net gratuity costs	**110**	**24**
(v)	**Expense recognized in other comprehensive income**		
	Recognized net actuarial (gain)/ loss	51	41
	Return on Plan Assets	1	1
		52	**42**
(vi)	**Key actuarial assumptions**		
	Discount rate	8.00%	8.00%
	Expected return on plan assets	8.00%	8.00%
	Salary escalation rate	10.00%	6.00%

Assumptions regarding future mortality experience are set in accordance with the published statistics by the Life Insurance Corporation of India.

Plan assets does not comprise any of the Company's own financial instruments or any assets used by the Company. The Company has the plan covered under a policy with the Life Insurance Corporation of India Limited.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the salary growth rate and the average life expectancy. The calculation of the net defined benefit liability is sensitive to these assumptions. However, the impact of these changes is not ascertained to be material by the management.

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

	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014
Defined benefit obligation	370	213	157	120	117
Planned Assets	83	61	63	54	47
Surplus/(deficit)	(287)	(152)	(94)	(66)	(71)
Experience adjustment to planned liabilities	51	41	31	(9)	(14)
Experience adjustment to planned assets	-	-	-	-	-

(viii)Sensitivity analysis:

	31 March 2018
Defined benefit obligation without effect of projected salary growth	370
Salary escalation up by 1%	25
Salary escalation down by 1%	(23)
Withdrawal rate up by 1%	0
Withdrawal rate down by 1%	0
Discount rate up by 1%	(23)
Discount rate down by 1%	26

21. Deferred tax liabilities (net)

	31 March 2018	31 March 2017
Deferred tax liabilities arising on account of :		
Property, plant and equipment	143	143
Provision for employee benefits	3	13
Deferred tax assets arising on account of :		
Investments	7	6
	139	**150**

(a) Deferred taxes have not been recognised on undistributed earnings of ₹234 (31 March 2017: ₹171) of the subsidiaries, where it is expected that the profits of its subsidiaries will not be distributed in the foreseeable future. The Group reinvests the profits of its subsidiaries, and accordingly, has not recorded any deferred taxes for the same.

(b) The Group has not recognized deferred tax assets in respect of unused tax credits (minimum alternate tax credits) of ₹1,737 (31 March 2017: ₹2,016). The above MAT credit expire at various dates ranging from 2023 through 2032. Further, the Group has not recognised deferred tax asset in respect of unabsorbed tax losses aggregating to ₹143 (31 March 2017: ₹130). These losses will expire in future years upto 2036.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

(c) Movement in deferred tax liabilities (net)

	As at 31 March 2017	Statement of profit and loss	Other equity	As at 31 March 2018
Property, plant and equipment	143	-	-	143
Provision for employee benefits	13	-	(10)	3
Investments	(6)	-	(1)	(7)
	150	**-**	**(11)**	**139**

	As at 31 March 2016	Statement of profit and loss	Other equity	As at 31 March 2017
Property, plant and equipment	144	(1)	-	143
Provision for employee benefits	5	-	8	13
Investments	(2)	-	(4)	(6)
	147	**(1)**	**4**	**150**

22. Other liabilities

	31 March 2018	31 March 2017
Current		
Payable to statutory authorities	126	113
Advance from customers	184	144
	310	**257**

23. Trade payables

	31 March 2018	31 March 2017
Current		
Due to micro and small enterprises*	41	15
Due to related parties	7	5
Due to others	2,643	2,607
	2,691	**2,627**

* Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006 ("MSMED Act, 2006") as at 31 March 2018 and 31 March 2017:

Particulars	31 March 2018	31 March 2017
i) the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	41	15
ii) the amount of interest paid by the buyer in terms of section 16, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year;	-	-
iii) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;	-	-
iv) the amount of interest accrued and remaining unpaid at the end of each accounting year; and	0	1
v) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.	-	-

The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

24. Revenue from operations

	For the year ended 31 March 2018	For the year ended 31 March 2017
Sale of products*	21,611	20,417
Sale of services	66	69
	21,677	**20,486**
Less: Refund of service income received in earlier years	-	(158)
	21,677	**20,328**
Other operating revenues		
Job work charges	62	71
Export incentives & Budgetary support	263	232
Scrap sales	18	19
	22,020	**20,650**

* Excise duty on sales was included under "Revenue from operations" and disclosed separately under Expenses upto introduction of the Goods and Services Tax (GST) with effect from 1 July 2017. Post implementation of GST, revenue from operations is reported net of GST and hence to that extent is not comparable with the previous financial year.

25. Other income

Dividend income from investments designated at FVOCI	2	-
Liabilities no longer required, written back	5	-
Interest income from Fixed deposits	249	79
Profit on sale of investments (net)	0	-
Net gain on disposal of property, plant and equipment	103	-
Foreign exchange - gain (net)	34	49
Other non-operating income	11	11
	404	**139**

26. Cost of raw materials consumed (including packing materials consumed)

Raw material and packing material at the beginning of the year	1,368	1,686
Add: Purchases during the year	4,317	4,890
Less: Raw material and packing material at the end of the year	1,780	1,368
	3,905	**5,208**

27. Changes in inventories of finished goods, Stock-in -Trade and work-in-progress

Opening balance		
- Finished goods	613	528
- Work-in-progress	1,021	986
- Stock-in-trade	137	24
	1,771	**1,538**
Closing balance		
- Finished goods	621	613
- Work-in-progress	1,239	1,021
- Stock-in-trade	164	137
	2,024	**1,771**
Currency translation adjustment	0	(45)
	(253)	**(188)**

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

28. Employee benefits expenses

	For the year ended 31 March 2018	For the year ended 31 March 2017
Salaries, wages and bonus	2,659	2,047
Contribution to provident fund and other funds	172	132
Gratuity expense	180	13
Employee stock compensation expenses	110	123
Staff welfare expenses	135	117
	3,256	**2,432**

29. Finance costs

Interest on borrowings	132	138
Interest - others	-	22
Other borrowing costs	22	25
	154	**185**

30. Other expenses

Consumption of stores and spares	383	325
Power and fuel	562	505
Rental charges	28	27
Repairs and maintenance		
- Buildings	78	67
- Plant and equipment	256	186
- Others	52	35
Insurance	98	77
Rates and taxes	247	176
Factory maintenance expenses	251	213
Analysis charges	122	126
Carriage and freight outwards	62	86
Donations	99	48
Corporate social responsibility (CSR) expenses	69	36
Communication expenses	61	48
Office maintenance and other expenses	63	62
Travelling and conveyance	255	186
Legal and professional fees	217	251
Payment to auditors		
- As auditor*	5	4
Directors sitting fee	1	1
Bad debts (net of related liabilities) written off	133	239
Assets written off	-	24
Foreign exchange loss, net	-	2
Royalty expense	222	285
Sales promotion expenses including sales commission	1,307	1,346
Research and development expenses	462	460
Printing and stationery	80	49
Miscellaneous expenses	84	81
	5,197	**4,945**

*Excludes ₹5 (31 March 2017: ₹Nil) charged to securities premium reserve in respect of share issue expenses incurred for shares issued through Qualified Institutional Placement.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

(i) Details of CSR expenditure :

		31 March 2018	31 March 2017
(a)	Gross amount required to be spent by the Company during the year	68	35
(b)	Amount spent on eligible activities	69	36

31. Income tax

	31 March 2018	31 March 2017
Tax expense comprises of:		
Current income tax	2,199	1,354
Deferred tax	-	1
MAT credit	(279)	-
Tax for earlier years	-	40
Income tax expense reported in the statement of profit or loss	**1,920**	**1,395**

The major components of income tax expense and the reconciliation of expected tax expense based on the domestic effective tax rate of the Company at 34.608% and the reported tax expense in profit or loss are as follows:

	31 March 2018	31 March 2017
Reconciliation of tax expense and the accounting profit multiplied by India's tax rate		
Profit before tax	8,872	6,244
Tax at the Indian tax rate (34.608%)	3,070	2,161
Adjustments:		
CSR expense	40	21
Weighted deduction on research and development expense	(288)	(534)
Deferred taxes not recognized in the books	(175)	526
Tax incentives	(457)	(819)
Capital gain tax	(19)	-
MAT credit utilisation	(279)	-
Utilisation of carried forward losses	(11)	-
Effect of change in tax laws and rate in jurisdictions outside India	39	-
Tax for earlier years	-	40
Other items	-	0
Income tax expense	**1,920**	**1,395**

32. Earnings Per Share (EPS)

The following reflects the income and share data used in the basic and diluted EPS computations:

	31 March 2018	31 March 2017
Profit attributable to equity shareholders	6,962	4,860
Weighted average number of equity shares outstanding during the year	17,73,13,783	17,42,25,837
Effect of dilution:		
Employee stock options	6,28,391	1,83,863
Weighted average number of equity shares adjusted for the effect of dilution	17,79,42,174	17,44,09,700
Earnings per equity share		
Basic	39.26	27.89
Diluted	39.13	27.87
Nominal Value per share equity share	₹2	₹2

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

33. Fair value measurements

(i) Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) in active markets for financial instruments.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data rely as little as possible on entity specific estimates.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(ii) Financial assets and financial liabilities measured at fair value

	31 March 2018		31 March 2017	
	Level 1	Level 3	Level 1	Level 3
Financials assets				
Listed equity instruments	284	81	120	1

Financial instruments by category

For amortised cost instruments, carrying value represents the best estimate of fair value.

	31 March 2018			31 March 2017		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial assets						
Investments						
- Equity instruments	-	164	1	-	121	1
- Debentures	-	-	400	-	-	-
- Bonds	-	-	-	-	-	200
- Mutual funds	-	201	-	-	-	-
- Other investments	-	-	0	-	-	-
Trade receivables	-	-	6,375	-	-	4,752
Loans	-	-	45	-	-	35
Cash and cash equivalents	-	-	217	-	-	235
Other bank balances	-	-	1,620	-	-	123
Other financial assets	-	-	6,292	-		883
Total financial assets	**-**	**365**	**14,950**	**-**	**121**	**6,229**

	31 March 2018			31 March 2017		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial liabilities						
Borrowings	-	-	1,732	-	-	2,216
Trade payables	-	-	2,691	-	-	2,627
Other financial liabilities	-	-	1,032	-	-	1,022
Total financial liabilities	**-**	**-**	**5,455**	**-**	**-**	**5,865**

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

The Group's principal financial liabilities, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations. The Group also holds FVTOCI investments and investment in it's subsidiaries.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's Board of Directors oversees the management of these risks. The Group's Board of Directors is supported by the senior management that advises on financial risks and the appropriate financial risk governance framework for the Group. The senior management provides assurance to the Group's Board of directors that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

The carrying amounts reported in the statement of financial position for cash and cash equivalents, trade and other receivables, trade and other payables and other liabilities approximate their respective fair values due to their short maturity.

34. Financial instruments risk management

A. Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, FVOCI investments, trade receivables and other financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2018 and 31 March 2017. The analyses exclude the impact of movements in market variables on: the carrying values of gratuity and other post retirement obligations; provisions; and the non-financial assets and liabilities.

i. Interest rate risk:

The Group's entire borrowings carried at mortised cost or variable rate instruments are subject to fluctuation because of a change in market interest rates. The Group considers the impact of fair value interest rate risk on variable rate borrowings as not material.

The Group's variable rate borrowing is subject to interest rate risk. Below is the details of exposure to fixed rate and variable rate instruments:

Particulars	31 March 2018	31 March 2017
Fixed rate instruments		
Financial assets	7,999	748
Financial liabilities	-	-
Variable rate instruments		
Financial assets	-	-
Financial liabilities	1,732	2,216

ii. Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

The Group's exposure to foreign currency financial assets and financial liabilities expressed in ₹ are as follows:

Financial assets

	31 March 2018		31 March 2017	
	Trade receivables	Loans	Trade receivables	Loans
- USD	3,759	78	2,665	-
- EUR	79	-	60	-
- CAD	135	-	76	32
- AUD	-	-	-	-
- SGD	1	-	0	-

Financial liabilities

	31 March 2017		31 March 2017	
	Trade payables	Other financial liabilities	Trade payables	Other financial liabilities
- USD	135	-	251	7
- EUR	47	-	41	-
- GBP	1	-	15	-
- CAD	1	-	-	-
- JPY	2	-	-	-

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in USD. The Group's exposure to foreign currency changes for all other currencies is not material.

Particulars	Impact on profit after tax	
	31 March 2018	31 March 2017
USD sensitivity		
₹/USD - Increase by 2%	74	48
₹/USD - Decrease by 2%	(74)	(48)

iii. **Equity price risk:**

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the balance sheet as FVOCI (Note 8).

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set up by the Group.

The majority of the Group's equity investments are publicly traded and are included in the NSE Nifty 50 index.

The table below summarises the impact of increase/decrease of the index on the Group's equity and profit for the period. The analysis is based on the assumption that the equity index had increased/decreased by 10% with all other variables held constant, and that off the Group's equity instruments moved in line with the index.

Particulars	Impact on other components equity	
	31 March 2018	31 March 2017
NSE Nifty 50 - Increase by 10%	16	9
NSE Nifty 50 - Decrease by 10%	(16)	(9)

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

B. Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group, leading to a financial loss. The Group is mainly exposed to the risk of its balances with the bankers and trade and other receivables.

Ageing of receivable is as follows:

	31 March 2018	31 March 2017
Neither past due nor impaired	5,809	3,740
Past due not impaired:		
0-30 days	327	845
31-60 days	76	101
61-90 days	25	19
91-180 days	84	35
Greater than 180 days	54	12
	6,375	**4,752**

C. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the nature of the business, the Group maintains flexibility in funding by maintaining availability under committed facilities.

Management monitors rolling forecasts of the Group's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Group takes into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The Group's principal sources of liquidity are the cash flows generated from operations. The Group has no long term borrowings and believes that the working capital is sufficient for its current requirments. Accordingly, no liquidity risk is perceived.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is insignificant.

31 March 2018	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Non-derivatives				
Borrowings	1,732	-	-	1,732
Trade and other payables	2,691	-	-	2,691
Other financial liabilities	1,024	8	-	1,032
Total	**5,447**	**8**	**-**	**5,455**

31 March 2017	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Non-derivatives				
Borrowings	2,216	-	-	2,216
Trade payable	2,627	-	-	2,627
Other financial liabilities	1,014	8	-	1,022
Total	**5,857**	**8**	**-**	**5,865**

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

35. Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for stakeholders. The Group also proposes to maintain an optimal capital structure to reduce the cost of capital. Hence, the Group may adjust any dividend payments, return capital to shareholders or issue new shares. Total capital is the equity as shown in the consolidated statement of financial position. Currently, the Group primarily monitors its capital structure on the basis of gearing ratio. Management is continuously evolving strategies to optimize the returns and reduce the risks. It includes plans to optimize the financial leverage of the Group.

The capital for the reporting year under review is summarized as follows:

	31 March 2018	31 March 2017
Total borrowings (note 18)	1,732	2,216
Less: Cash and cash equivalents (note 14)	(217)	(235)
Net debt	**1,515**	**1,981**
Total equity	30,760	16,534
Total capital	**32,275**	**18,515**
Net debt to equity ratio (%)	5%	11%

36. 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	
V. C. Nannapaneni	Key management personnel ("KMP")
Rajeev Nannapaneni	
Durga Devi Nannapaneni	Relative of KMP
Dr. Ramakrishna Rao	

(b) Transactions with related parties

	For the year ended	
	31 March 2018	31 March 2017
Time Cap Pharma Labs Limited		
Sales promotion expenses	7	13
Purchase of raw-materials	-	0
Rental expense	5	5
NATCO Trust		
Donations	82	25
CSR activities	69	36
V. C. Nannapaneni		
Short-term employee benefits	19	16
Leave encashment paid	1	1
Rental expenses	2	2
Commission on profits	70	49
Rajeev Nannapaneni		
Short-term employee benefits	17	14
Leave encashment paid	1	1
Rental expenses	1	1

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

(c) Balances receivable / (payable)

	As at	
	31 March 2018	31 March 2017
Time Cap Pharma Labs Limited	(3)	(5)
V. C. Nannapaneni	(71)	(0)
Rajeev Nannapaneni	(1)	(0)

Notes:

(i) Mr. V. C. Nannapaneni has extended personal guarantees in connection with the loans availed by the Company. Refer note 18.

(ii) Mrs. Durga Devi Nannapaneni and Dr. Ramakrishna Rao has extended personal guarantees in connection with the loans availed by the Company. Refer note 18.

(d) Transaction with related parties

In accordance with the applicable provisions of the Income Tax Act, 1961, the Company is required to us 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 2018. In opinion of the management, the same would not have an impact on these financial statements. Accordingly, these financial statements do not include the effect of the transfer pricing implications, if any.

37. Segment reporting

The management has assessed the identification of reportable segments in accordance with the requirements of Ind AS 108 'Operating Segment' and believes that the Group has only one reportable segment namely "Pharmaceuticals".

Geography-wise details of the Group's revenues from external customers and its non-current assets (other than financial instruments, investments accounted for using the equity method, deferred tax assets and post-employment benefit assets) and revenue from major customers are given below:

i. Revenues

	31 March 2018	31 March 2017
India	9,077	9,351
Outside India	13,347	11,438

ii. Non-current assets

	31 March 2018	31 March 2017
India	15,580	12,131
Outside India	33	40

iii. Major customer

The Group has two customers who contributed more than 10% of the Group's total revenue during the current year and one in the previous year. The revenue from such major customers during the year is ₹8,456 (31 March 2017: ₹6,429).

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

38. Contingent liabilities and commitments

		31 March 2018	31 March 2017
(a)	**Commitments**		
	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	1,067	619

			31 March 2018	31 March 2017
(b)	**Contingent liabilities**			
	(i)	Matters under appeal with tax authorities		
		Disputed sales tax liabilities	9	9
		Disputed service tax liabilities	2	2
		Disputed customs liability	2	2

(ii) The Company is contesting certain patent infringement cases filed against it by the innovators. A few of these cases pertain to products already launched by the Company in the market. These cases are pending before different authorities / courts and the outcome cannot be ascertained with reasonable certainty. Accordingly, a reliable estimate of the liability towards damages/penalties, if any, cannot be made at present. These amounts will be recognised during the periods in which such liabilities can be reasonably measured. Further, the management does not expect such liabilities to be significant.

39. Amounts incurred on research and development expenses

	31 March 2018	31 March 2017
Salaries and wages	462	271
Consumption of materials, spares	278	228
Power and fuel	26	19
Other research and development expenses	513	412
Capital equipments	386	306
	1,665	**1,236**

The aforementioned expenditure, other than capital equipments, are included under the respective heads of the Statement of Profit and Loss.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

40. Additional disclosure as required under paragraph 2 of 'General Instructions for the preparation of Consolidated Financial Statements' of the Schedule III to the Act

For the year ended 31 March 2018

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	98%	30,135	99%	6,858
Foreign subsidiaries				
NATCO Pharma Inc.	1%	210	0%	(1)
Time Cap Overseas Limited	0%	89	-2%	(127)
NATCO Pharma (Canada), Inc.	1%	322	3%	241
NATCO Pharma Asia Pte. Ltd.	0%	3	0%	(17)
NATCO Pharma Australia PTY Ltd.	0%	1	0%	(2)
Total		**30,760**		**6,952**
Minority interest in all subsidiaries				
Time Cap Overseas Limited*	0%	36	0%	(11)
NATCO Pharma (Canada) Inc.	0%	2	0%	1
Total		**38**		**(10)**

For the year ended 31 March 2017

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	97%	16,033	102%	4,947
Foreign subsidiaries				
NATCO Pharma Inc.	1%	219	0%	3
Time Cap Overseas Limited	0%	107	-2%	(113)
NATCO Pharma (Canada), Inc.	1%	198	1%	57
NATCO Pharma Asia Pte. Ltd.	0%	(2)	0%	(16)
NATCO Pharma Australia PTY Ltd.	0%	(21)	-1%	(29)
Total		**16,534**		**4,849**
Minority interest in all subsidiaries				
Time Cap Overseas Limited*	0%	40	0%	(11)
NATCO Pharma Australia PTY Ltd	0%	0	0%	0
NATCO Pharma (Canada) Inc.	0%	-	0%	(0)
Total		**41**		(11)

*Amount is after considering share of Time Cap Overseas Limited and NATCO Pharma Inc. in NATCO Farma Do Brazil (step down subsidiary of NATCO Pharma Limited) in which the Group holds 97.50% (31 March 2017: 97.17%) of equity.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

41. Net debt reconciliation

The following table sets out an analysis of the movements in net debt for the year:

	Current borrowings	Interest accrued	Cash and cash equivalents	Net debt
Net debt as at 31 March 2017	2,216	2	235	1,983
Cash flows	(484)	-	(18)	(466)
Finance cost	-	154	-	154
Interest paid	-	(156)	-	(156)
Net debt as at 31 March 2018	**1,732**	**-**	**217**	**1,515**

42. Corresponding previous period's figures have been regrouped/reclassified wherever necessary.

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

Adi P. Sethna
Partner
Membership No. 108840

Place: Hyderabad
Date: 23 May 2018

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

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

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

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

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

Place: Hyderabad
Date: 23 May 2018

Notice to Members

Notice is hereby given that the 35th Annual General Meeting of the members of the Company will be held on Saturday, the 15th day of September, 2018 at 10.30 a.m. IST at Convention Centre, Hotel Daspalla, Road No.37, Jubilee Hills, Hyderabad 500 033 to transact the following business:

Ordinary Business:

1. **Adoption of audited Annual Financial Statements for the Financial Year 2017-18**

   To receive, consider and adopt the audited Balance Sheet as at 31 March, 2018, Statement of Profit and Loss for the year ended 31 March, 2018, Cash Flow Statement for the year ended 31 March, 2018, both on standalone and consolidated basis and Reports of Board of Directors and Auditors thereon.

2. **To confirm the already paid two interim dividends on equity shares during the Financial Year 2017-18 as final dividend**

   To Consider and if thought fit to pass, with or without modifications, the following Resolution as an Ordinary Resolution:

   "RESOLVED THAT the interim dividend of ₹1.25 ps (Rupees one and paisa twenty five only) per equity share of ₹2/- each declared in the Board meeting held on 7 August 2017 amounting to ₹21,78,84,750/- (Rupees twenty one crores seventy eight lakhs eighty four thousand seven hundred and fifty only) on 17,43,07,800 (Seventeen crores forty three lakhs seven thousand eight hundred only) equity shares of ₹2/- each and second interim dividend of ₹7 (Rupees seven only) per equity share of ₹2/- each declared in the Board Meeting held on 6 February 2018 amounting to ₹1,29,14,53,800 (Rupees one hundred twenty nine crores fourteen lakhs fifty three thousand and eight hundred only) on 18,44,93,400 (Eighteen crores forty four lakhs ninety three thousand four hundred only) equity shares of ₹2/- each thus total aggregating to ₹150,93,38,550 (Rupees one hundred fifty crore ninety three lakh thirty eight thousand five hundred and fifty only) be and is hereby approved as the final dividend for the financial year 2017-18."

3. **Re-appointment of Dr. D. Linga Rao, (DIN: 07088404) as a Director liable to retire by rotation**

   To consider and, if thought fit, with or without modifications, to pass the following resolution as an Ordinary Resolution:

   "RESOLVED THAT Dr. D. Linga Rao, (DIN: 07088404) who retires by rotation and being eligible offers himself for re-appointment, be and is hereby reappointed as a Director of the Company, who shall be liable for retirement by rotation."

Special Business:

4. **Appointment of Mr. Sridhar Sankararaman (DIN: 06794418) as a Non-Executive and Non-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 appicable provisions 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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Mr. Sridhar Sankararaman (DIN: 06794418) whose appointment is recommended by the Nomination and Remuneration Committee of the Company and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act, proposing his candidature for the office of Director, be and is hereby appointed as a non-executive and non-independent Director of the Company who is liable for retirement by rotation."

5. **Reappointment of Mr. P. S. R. K. Prasad, (DIN: 07011140) as Director and Executive Vice President (Corporate Engineering Services)**

   To consider and, if thought fit, with or without modifications, to pass the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 152, 196, 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, as amended, the consent of the members is hereby accorded to the reappointment of Mr. P. S. R. K. Prasad, (DIN: 07011140) as Director and Executive Vice President (Corporate Engineering Services) of the Company for a period of one (1) year from 1 April 2018 to 31 March 2019 with the remuneration as detailed below:

a. Salary not exceeding ₹1,56,00,000 (Rupees one crore fifty six lakhs only) per annum p.a including dearness allowance and all other allowances.

b. Perquisites:

   i. Reimbursement of Medical Expenses for major ailments not exceeding 50% of the salary.

   ii. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent either singly or put together are not taxable under Income Tax Act, 1961.

   iii. Gratuity payable at a rate not exceeding half month's salary for each completed year of service.

   iv. Encashment of leave at the end of the tenure and

   v. Special incentive not exceeding 20% of gross remuneration per annum.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to vary, alter or modify the remuneration as may be agreed by the Board of Directors and Mr. P. S. R. K. Prasad.

RESOLVED FURTHER THAT notwithstanding as above in the financial year closing on 31 March, 2019, if the Company has no profits or if its profits are inadequate, the Company shall pay to Mr. 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 authorised to do all such acts, deeds, matters and things as it may deem fit, necessary and delegate to any Director(s) or any other Officer(s) of the Company for obtaining permissions and approvals, if any, in this connection."

6. Reappointment of Dr. D. Linga Rao (DIN: 07088404) as Director & President (Tech. Affairs)

To consider and, if thought fit, with or without modifications, to pass the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 152, 196, 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, as amended, the consent of the members is hereby accorded to the reappointment of Dr. D. Linga Rao (DIN: 07088404) as Director & President (Tech. Affairs) of the Company for a period of one (1) year from 1 April 2018 to 31 March 2019 with the remuneration as detailed below:

a. Salary not exceeding ₹1,56,00,000 (Rupees one crore fifty six lakhs only) per annum including dearness allowance and all other allowances.

b. Perquisites:

   i. Reimbursement of Medical Expenses for major ailments not exceeding 50% of the salary.

   ii. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent either singly or put together are not taxable under Income Tax Act, 1961.

   iii. Gratuity payable at a rate not exceeding half month's salary for each completed year of service.

   iv. Encashment of leave at the end of the tenure and

   v. Special incentive not exceeding 20% of gross remuneration per annum.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to vary, alter or modify the remuneration as may be agreed by the Board of Directors and Dr. D. Linga Rao.

RESOLVED FURTHER THAT notwithstanding as above in the financial year closing on 31 March, 2019, 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 authorised to do all such acts, deeds, matters and things as it may deem fit, necessary and delegate to any Director(s) or any other Officer(s) of the Company for obtaining permissions and approvals, if any, in this connection."

7. 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 Section 148 of the Companies Act, 2013 ('Act') and Rule 6 of the Companies (Cost Records and Audit) Rules, 2014 and all other applicable provisions, if any, of the Act and the rules made thereunder, as amended, the members be and hereby ratify the remuneration of ₹ 1,75,000/- (Rupees one lakh and seventy five thousand only) and taxes as applicable plus out of pocket expenses payable to M/s. S.S. Zanwar & Associates (Firm Registration No.100283) Cost Auditors appointed by the Board of Directors of the Company to conduct the Cost Audit for the financial year ending 31 March, 2019.

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."

8. Alteration of Objects clause in Memorandum of Association

To consider and, if thought fit to pass, with or without modifications, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Sections 4, 13, 15 and all other applicable provisions of the Companies Act, 2013 ('Act') and the rules made thereunder the consent of the Members of the Company be and is hereby accorded to substitute the existing Objects Clause Nos. III (A) 1 and III (A) 4 in the Main Objects and Clause No. III (B) 11 of the objects ancillary or incidental to the attainment of the main objects of the Memorandum of Association of the Company with the following clauses respectively:

III (A) 1. To carry out the business of manufacturers of, and dealers in, Finished drugs and Pharmaceuticals, Fine Pharmaceuticals, Bulk Drugs Formulations, Chemicals including industrial chemicals, laboratory chemicals, photographic chemicals, fine chemicals, biological chemicals, agrichemicals and specialty chemicals including respective formulations thereof, Ayurvedic, Unani and Cosmetics etc.

III (A) 4. To acquire or invent any secret formula, know-how, manufacturing process and or design, manufacture, to import, export and deal in plant, machinery or equipment, appliances for the manufacture of Drugs, Pharmaceuticals, Formulations, Chemicals including industrial chemicals, laboratory chemicals, photographic chemicals, fine chemicals, biological chemicals, agrichemicals and specialty chemicals including respective formulations thereof, intermediates, food Products and to install, erect the plant and machinery and depute technical personnel and run the plant for the company's use or handover to any entrepreneur, industrialist or businessmen who has contracted with the Company for the above services."

III (B) 11. To invest and deal with the monies of the Company not immediately required in any manner and in particular, to accumulate funds or to acquire, subscribe, purchase, hold, sell, divest or otherwise deal in securities, shares, stocks, equity linked securities, debentures, debenture stock, bonds, commercial papers, acknowledgments, deposits, notes, obligations, futures, forwards, options, derivatives, currencies and securities of any kind whatsoever as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956, whether issued or guaranteed by any person, company, firm, body corporate, trust, entity, whether start-ups or existing ones, state/central government, sovereign body, ruler, commissioner, public body or authority, municipal, local or otherwise, whether in India or abroad and subject to such permissions and licenses as may be necessary."

9. **Ratification to continue the Directorship of Mr. G.S. Murthy (DIN: 00122454) as an Independent Director**
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 the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 dated 9 May 2018 which are effective from 1 April 2019 and applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any statutory modification(s) or re-enactment thereof for the time being in force, the members be and hereby ratify to continue the Directorship of Mr. G.S. Murthy (DIN:00122454), as an Independent Director of the Company for the remaining tenure of his office i.e. till the 36th Annual General Meeting of the Company to be held in the calendar year 2019."

By Order of the Board
For **NATCO Pharma Limited**

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

Date: 8 August, 2018
Place: Hyderabad

Notes

1. An explanatory statement pursuant to Section 102(1) of the Companies Act, 2013 in respect of special businesses is annexed hereto.

2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (AGM) IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF** and a proxy need not be a member of the Company.

3. The instrument of proxy in order to be valid must be deposited at the Registered Office of the Company duly completed, signed and stamped at least FORTY-EIGHT (48) hours before the commencement of the meeting.

4. A person may act as Proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total voting share capital of the Company. However, a member holding more than ten percent of the total voting share capital may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder.

5. During the period beginning 24 hours before the time fixed for the commencement of the AGM and until the conclusion of the meeting, a member would be entitled to inspect the proxies lodged during the business hours of the Company, provided that not less than three days of notice in writing is given to the Company.

6. Corporate/Institutional Members are requested to send a duly certified copy of the Board Resolution / Power of Attorney authorising their representative to attend and vote on their behalf at the AGM.

7. Members holding shares in physical form are requested to notify any change in their address or bank mandates immediately to the Registrars and share Transfer Agents M/s. Venture Capital and Corporate Investments Pvt. Ltd., 12-10-167, Bharat Nagar, Hyderabad - 500 018 and members holding shares in electronic form are requested to notify any change in mailing address or bank mandates to their respective Depository Participants with whom they are maintaining their demat accounts.

8. The members, proxies and authorised representatives are requested to bring their copies of notice of the meeting and the Annual Report to the AGM and handover the attendance slips at the entrance hall of the meeting venue along with their Registered Folio No. / Client ID and DP ID numbers for easy identification.

9. Relevant documents referred to in Notice are open for inspection by the members at the Registered Office of the Company on all working days, during business hours up to the date of the meeting.

10. Members who have not registered their e-mail addresses so far are requested to register their email addresses for receiving all communications including Annual Report, Notices, and Circulars etc. from the Company in electronic mode.

11. In case of Joint Holders attending the meeting, only such Joint Holder who is first in the order of names will be entitled to vote.

12. The Register of Members and Share Transfer Books will remain closed for 4 (Four) days i.e. from September 12, 2018 to September 15, 2018 (both days inclusive).

13. Members holding shares in electronic form may note that the Bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend, if any. The Company or its Registrars and share Transfer Agents cannot act on any request received directly from the members holding shares in electronic form for any changes of bank particulars or bank mandates. Such changes are to be advised by them only to the Depository Participants.

14. Members who wish to claim Dividends, which remain unclaimed /unpaid are requested to either correspond with the Legal & Secretarial Department at the Company's registered office or the Company's Registrars and Share Transfer Agents (M/s. Venture Capital and Corporate Investments Pvt. Ltd.). 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 be transferred to the Investor Education and Protection Fund (IEPF) of Government of India as per Section 124(5) of the Companies Act, 2013. In view of this, members are advised to send the entire unencashed dividend warrants to the Company or our Registrars for revalidation and encash them before the due dates. The Unpaid Dividend, Shares & Dividend transferred to (IEPF) are updated in our website http://www.natcopharma.co.in/

15. Information and other instructions relating to e-Voting and ballot paper voting are under:

    a) In Compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide its members facility to exercise their right to vote at the 35th Annual General Meeting by Electronic means and the business may be transacted through e-voting services provided by National Securities Depository Limited (NSDL).

    b) For the benefit of Members who do not have access to e-voting facility, a ballot paper is being sent along with the Notice of AGM, to enable them to send their assent or dissent by Post. Members may send the duly completed ballot paper so as to reach the Scrutinizer at the Registered Office of the Company not later than September 14, 2018 (5.00 p.m.). Ballot papers received after this date will be treated as invalid. Detailed instructions on process, manner for voting through post are given in the ballot paper.

    c) The facility of voting is also available at the Meeting and the members attending the Meeting, who have not cast their vote by remote e-voting or through Ballot paper shall be able to exercise their right to vote at the Meeting by means of electronic means.

    d) The members who have cast their vote by remote e-voting may also attend the Meeting but shall not be entitled to cast their vote again at the meeting.

    e) The remote e-voting facility will begin on September 12, 2018 at 9.00 a.m. and ends on September 14, 2018 by 5.00 p.m. E-Voting shall not be allowed beyond 5 p.m. on September 14, 2018 and e-voting module shall be disabled by NSDL upon expiry of aforesaid period. During the e-voting period, shareholder of the company, holding share either in physical form or in dematerialised form, as on the cut-off date being Saturday, September 08, 2018 only shall be entitled to avail the facility of remote e-voting / ballot paper.

    f) A member can opt for only one mode of voting. In case of member(s) who cast their votes by both the modes, then voting done through e-voting only shall be treated as valid.

    g) Any person who acquires shares of the company and becomes a member of the company after the dispatch of AGM notices and hold shares as on the cut-off date i.e. September 8, 2018 may obtain the login id and password by sending a request at info@vccilindia.com / investors@natcopharma.co.in.

    h) The way to vote electronically on NSDL e-Voting system consists of "Two Steps" which are mentioned below:

       Step 1 : Log-in to NSDL e-Voting system at https://www.evoting.nsdl.com/

       i) Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile or on a laptop.

       ii) Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholders' section.

iii) A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen.

Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at https://eservices.nsdl.com/ with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.

iv) Your User ID details are given below :

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
a) For Members who hold shares in demat account with NSDL	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12****** then your user ID is IN300***12******.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12************** then your user ID is 12**************
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***

v) Your password details are given below:

a) If you are already registered for e-Voting, then you can user your existing password to login and cast your vote.

b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.

c) How to retrieve your 'initial password'?

(i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.

(ii) If your email ID is not registered, your 'initial password' is communicated to you on your postal address.

vi) If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:

a) Click on "Forgot User Details/Password?"(If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.

b) Physical User Reset Password?" (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.

c) If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address.

vii) After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.

viii) Now, you will have to click on "Login" button.

ix) After you click on the "Login" button, Home page of e-Voting will open.

Step 2: Cast your vote electronically on NSDL e-Voting system

i) After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.

ii) After click on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.

iii) Select "EVEN" of company for which you wish to cast your vote.

iv) Now you are ready for e-Voting as the Voting page opens.

v) Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.

vi) Upon confirmation, the message "Vote cast successfully" will be displayed.

vii) You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.

viii) Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

i) It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com to reset the password.

j) In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990 or send a request at evoting@nsdl.co.in

16. The Company has appointed Mr. CS Vasudeva Rao Devaki, Practicing Company Secretary (C.P. No. 12123) as Scrutinizer to scrutinize the voting process in a fair and transparent manner.

(a) The scrutinizer shall immediately after the conclusion of voting at the AGM, first unblock the votes cast at the meeting thereafter unblock the votes cast through e-voting/ballot paper in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company as per the norms.

(b) The Results shall be declared immediately after the receipt of Scrutinizer's Report. The Results declared along with the Scrutinizer's Report shall be available for inspection and also placed on the website of the Company and the results shall simultaneously be communicated to the Stock Exchanges where the shares of the Company are listed.

17. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in Physical form can submit their PAN details to the Company / Share Transfer Agents.

18. The members are aware that in their 31st Annual General Meeting (AGM) held on September 27, 2014 M/s. Walker, Chandiok & Co. LLP. (Firm Registration No. 001076N), Hyderabad have been appointed as Statutory Auditors of the Company till the conclusion of the 36th AGM for the calendar year 2019 i.e. for a term of 5 years as per law. It is to bring to your notice that as per the Companies (Amendment) Act, 2017 the 1st proviso to Section 139 relating to ratification of statutory auditors at every AGM of the company during the tenure of appointment has been omitted/deleted. As per this amendment the ordinary business pertaining to ratification of auditor's appointment from the conclusion of this AGM till the conclusion of next AGM has not been placed before this AGM. The remuneration of the auditors during their tenure of office will continue to be fixed by the Board of Directors of your company on mutually agreed terms. The disclosure relating to auditor's remuneration for the year 2017-18 is given in the notes to the accounts.

19. Additional information pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in respect of the Directors seeking appointment at the AGM is furnished herewith and forms a part of the Notice. The Directors have furnished the requisite consents and declarations to that effect for their appointment.

Brief Profile of the Directors seeking Appointment/Re-appointment at the Annual General Meeting.

Name of the Director	Mr. G. S. Murthy	Mr. P. S. R. K Prasad	Dr. D. Linga Rao	Mr Sridhar Sankararaman
Designation	Independent Director	Director & Exec. Vice President (Corporate Engineering Services)	Director & President (Tech. Affairs)	Non Executive & Non-Independent Director
DIN	00122454	07011140	07088404	06794418
Birth Date and Age	04-05-1937; 81 years	15-01-1958; 60 years	29-10-1952; 65 years	04-01-1981; 37 Years
Qualifications	LL.M., FCS & C.A.I.I.B	B.E. Mechanical Engineering	M.Sc & Ph.D. in Chemistry in JNTU	Chartered Accountant, MBA (ISB) & M.Com
Past experience	a) Practised as an advocate, later joined RBI b) Retired as ED-Legal, IDBI, Mumbai. c) He was the first Managing Director at Investor Services of India Ltd., Mumbai, promoted by IDBI, LIC, UTI, SBI CAPS etc. d) Legal Advisor to Essar Group of Companies. e) Senior Advisor, Implementation Secretariat, Government of Composite Andhra Pradesh.	Worked with, a) Stiles India Limited, b) Saudi Ceramic Co., Riyadh c) Coromandel Fertilizers Limited d) Mehta Inorganic & Marine Chemical Industries e) Ahmedabad Textiles Industries Research Association	Worked with, a) Indian Drugs and Pharmaceuticals Limited b) Novochem Laboratories Private Limited.	13 years of experience which includes 9 years in Private Equity in following organizations, a) Arthur Andersen LLP (UK) b) Sun Capital (UK) c) Multiples Alternate Asset Management Pvt Ltd (India)
Date of appointment	31 January 2000	12 November 2014	11 February 2015	23 May 2018
Nature of Appointment	Continuation of Directorship as an Independent Director	Reappointment	Director liable to retire by rotation and eligible for reappointment.	Appointment as a Director liable to retire by rotation
Percentage of shares held	Nil	0.03%	0.03%	Nil
No. of board meetings attended out of 4 (Four) meetings held.	4	4	4	N/A as he was appointed on 23 May 2018 as an Additional Director.
Relationship with other Directors or KMP of the company.	None	None	None	None
Other directorships	None	None	None	Milltec Machinery Limited (nominee director)

Explanatory Statement (pursuant to Section 102 (1) of the Companies Act, 2013)

ITEM NO. 4

Appointment of Mr. Sridhar Sankararaman (DIN: 06794418) as a Non-Executive and Non-Independent Director

Mr. Sridhar Sankararaman (DIN: 06794418) was appointed as Additional Director by the Board of Directors w.e.f. 23 May 2018 in accordance with the provisions of Section 161 of the Companies Act, 2013. He holds office up to the date of ensuing AGM. 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 and all other applicable provisions of the Companies Act, 2013.

Mr. Sridhar Sankararaman has been recognised as "40 under 40" by the Association of International Wealth Management of India (AIWMI) in the year 2017.

For Additional information relating to Mr. Sridhar Sankararaman members are requested to refer to the section on **"Brief Profile of the Directors seeking Appointment/ Re-appointment at the Annual General Meeting"** in Note No. 19.

Except Mr. Sridhar Sankararaman, 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. 4 of the notice for approval of the members.

ITEM NO. 5

Reappointment of Mr. P. S. R. K. Prasad, (DIN: 07011140) as Director and Executive Vice President (Corporate Engineering Services)

Mr. P. S. R. K. Prasad has over 30 years of experience in various sectors such as textile, chemicals and pharmaceuticals and working with our Company for the past 23 years. He has got vast and good knowledge in procuring right equipment(s) and machinery for production processes and to provide all utility services and to utilize the resources like manpower, material in an optimum way and to ensure safety of life and property.

In view of the highly competitive employee market, inflationary trends, and taking into consideration industry standards and other relevant factors the nomination and remuneration committee at its meeting held on 6 February 2018 recommended the Board of Directors of the Company for reappointment of Mr. P. S. R. K. Prasad, (DIN: 07011140) for a period of one (1) year on the Board of the Company with effect from 1 April 2018 to 31 March 2019 with such remuneration as specified in the resolution which is just and reasonable to Mr. P. S. R. K. Prasad, subject to the approval of members.

For Additional information relating to Mr. P. S. R. K. Prasad members are requested to refer to the section on **"Brief Profile of the Directors seeking Appointment/ Re-appointment at the Annual General Meeting"** in Note No. 19.

Except Mr. P. S. R. K. Prasad, no Director or Key managerial personnel or their relatives is/are concerned or interested in the said item of business.

The Board accordingly recommends the special resolution as set out in Item No. 5 of the Notice for approval of the members.

ITEM NO. 6

Reappointment of Dr. D. Linga Rao (DIN: 07088404) as Director & President (Tech. Affairs)

Dr. D. Linga Rao is working as Director and President (Technical Affairs) of the Company. He has over 40 years of experience in the pharmaceutical industry and has been working with our Company for over 24 years. He has vast experience in various departments like R & D, Quality Control, Quality Assurance and Regulatory affairs etc.

In view of the job responsibilities, taking into consideration the industry standards and other relevant factors the nomination and remuneration Committee at its meeting held on 6 February 2018 recommended the Board of Directors of the Company for reappointment of Dr. D.Linga Rao (DIN: 07088404) for a period of one (1) year on the Board of the company with effect from 1 April 2018 to 31 March 2019 with such remuneration as specified in the resolution which is just and reasonable to Dr. D. Linga Rao, subject to the approval of members.

For Additional information relating to Dr. D. Linga Rao members are requested to refer to the section on "**Brief Profile of the Directors seeking Appointment/ Re-appointment at the Annual General Meeting"** in Note No. 19.

Except Dr. D. Linga Rao, no Director or Key managerial personnel or their relatives is/are concerned or interested in the said item of business.

The Board accordingly recommends the special resolution as set out in Item No. 6 of the Notice for approval of the members.

ITEM NO. 7

Ratification of remuneration of Cost Auditors

The Board, on the recommendation of the Audit Committee, had approved the appointment and remuneration of M/s S.S. Zanwar & Associates, (Firm Registration No. 100283) Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending 31 March, 2019.

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with Rules made thereunder, the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company.

Accordingly, consent of the members is sought for passing an Ordinary Resolution for ratification of the remuneration payable to Cost Auditors to conduct Cost Audit for the financial year ending 31 March, 2019.

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. 7 of the notice for approval of the members.

ITEM NO. 8

Alteration of Objects Clause in Memorandum of Association

The Company is proposing to alter the existing objects clause to enable the Company to manufacture all kinds of chemicals, including industrial chemicals, laboratory chemicals, photographic chemicals, fine chemicals, biological chemicals, agrichemicals and specialty chemicals etc. The Company is also looking at investing the excess funds of the Company in various securities including but not limited to shares, stocks, equity linked securities, debentures, debenture stock, bonds, commercial papers, acknowledgments, deposits, notes, obligations, futures, forwards, options, derivatives, currencies and securities of any kind whatsoever as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956.

To enable the Company to do the aforesaid activities, consent of the members is sought for passing a Special Resolution to amend the Main Objects and Objects ancillary or incidental to the attainment of the Main Objects under the Objects Clause of the Memorandum of Association of the Company, by substituting the existing Clause nos. III (A) 1, III (A) 4 and III (B) 11 with the Clauses as stated in the Resolution.

None of the Directors and key managerial personnel of the Company or their respective relatives is/are concerned or interested in the said item of business.

The Board accordingly recommends the special resolution as set out in Item No. 8 of the notice for approval of the members.

ITEM NO. 9

Ratification to continue the Directorship of Mr. G. S. Murthy (DIN: 00122454) as an Independent Director

Mr. G. S. Murthy (DIN: 00122454) was appointed as an Independent Director of the Company by the members in their 31st Annual General Meeting held on September 27, 2014 for a term of 5 years up to the 36th Annual General Meeting of the Company to be held in the calendar year 2019. However, SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 dated 9 May 2018 which are effective from 1 April 2019, mandate that no listed company shall appoint a person or continue the Directorship of any person as a non-executive director who has attained the age of seventy five (75) years unless a special resolution is passed to that effect.

The Board of Directors of the Company have considered and approved to ratify to continue the Directorship of Mr. G. S. Murthy as an Independent and Non-Executive Director for remaining tenure of his office i.e. till the 36th Annual General Meeting to be held for the calendar year 2019.

Mr. G. S. Murthy meets the criteria of Independence as prescribed in the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

For Additional information relating to Mr. G. S. Murthy members are requested to refer to the section on **"Brief Profile of the Directors seeking Appointment/ Re-appointment at the Annual General Meeting"** in Note No. 19.

Except Shri G. S. Murthy, no Director or Key managerial personnel or their relatives is/are concerned or interested in the said item of the business.

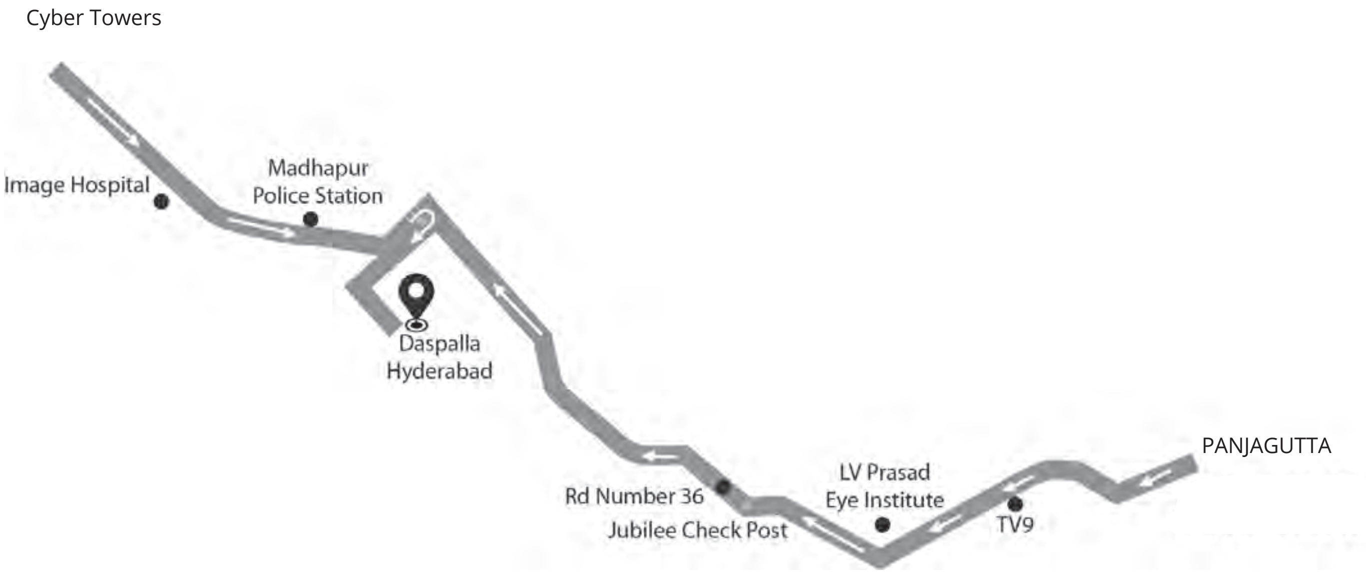
The Board accordingly recommends the resolution as set out in Item No. 9 of the Notice for approval of the members.

By Order of the Board
For **NATCO Pharma Limited**

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

Date: 8 August, 2018
Place: Hyderabad

ROUTE MAP TO THE VENUE



VENUE

Convention Centre, Hotel Daspalla, Road No. 37,
Jubilee Hills, Hyderabad – 500033
Telangana

PROMINENT LANDMARK

Madhapur Police Station

NATCO Pharma Limited

Regd. Office: NATCO House,Road # 2, Banjara Hills, Hyderabad 500034, Telangana
Email ID: investors@natcopharma.co.in, website: www.natcopharma.co.in
Phone No.040-23547532 Fax No.040-23548243
CIN : L24230TG1981PLC003201

Form No. MGT-11

[Pursuant to Section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

PROXY FORM

Name of the member(s)			
Registered Address			
Email ID			
Folio No./Client ID		DP ID	

I/We, being the member (s) of shares of ______________________ the above named company, hereby appoint

1	Name			
	Address			
	E-mail ID		Signature	
	or failing him			
2	Name			
	Address			
	E-mail ID		Signature	
	or failing him			
3	Name			
	Address			
	E-mail ID		Signature	

as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the **35th Annual General Meeting of the members of the Company to be held on Saturday, the 15th day of September, 2018 at 10.30 a.m. at Convention Centre, Hotel Daspalla, 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)
Ordinary Business			
1	Adoption of audited Annual Financial Statements for the Financial Year 2017-18		
2	To confirm the already paid two interim dividends on equity shares during the Financial Year 2017-18 as final dividend		
3	Reappointment of Dr. D. Linga Rao, (DIN: 07088404) as a Director liable to retire by rotation		
Special Business			
4	Appointment of Mr. Sridhar Sankararaman (DIN: 06794418) as a Non-Executive and Non-Independent Director		
5	Reappointment of Mr. P. S. R. K. Prasad, (DIN: 07011140) as Director and Executive Vice President (Corporate Engineering Services)		
6	Reappointment of Dr. D. Linga Rao (DIN: 07088404) as Director & President (Tech. Affairs)		
7	Ratification of remuneration of Cost Auditors		
8	Alteration of Objects clause in Memorandum of Association		
9	Ratification to continue the Directorship of Mr. G.S. Murthy (DIN:00122454) as an Independent Director		

Affix a
1 Rupee
Revenue
Stamp

Signed this ______________________ day of ______________________ 2018.

Signature of shareholder: ______________________________

Signature of Proxy holder(s): ____________________________

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

BALLOT FORM (in lieu of remote e-voting)

I/We hereby exercise my/our vote in respect of the Ordinary/Special Resolution (s) passed for the business stated in the Notice of Annual General Meeting of the Company to be held on Saturday the 15th day of September, 2018 by conveying my/our assent or dissent to the said Resolution(s) by placing (✓) mark at the appropriate box below.

Sl No.	Description	I/We assent to the Resolution (FOR)	I/We dissent to the Resolution (AGAINST)
Ordinary Business			
1	Adoption of audited Annual Financial Statements for the Financial Year 2017-18		
2	To confirm the already paid two interim dividends on equity shares during the Financial Year 2017-18 as final dividend		
3	Reappointment of Dr. D. Linga Rao, (DIN: 07088404) as a Director liable to retire by rotation		
Special Business			
4	Appointment of Mr. Sridhar Sankararaman (DIN: 06794418) as a Non-Executive and Non-Independent Director		
5	Reappointment of Mr. P. S. R. K. Prasad, (DIN: 07011140) as Director and Executive Vice President (Corporate Engineering Services)		
6	Reappointment of Dr. D. Linga Rao (DIN: 07088404) as Director & President (Tech. Affairs)		
7	Ratification of remuneration of Cost Auditors		
8	Alteration of Objects clause in Memorandum of Association		
9	Ratification to continue the Directorship of Mr. G. S. Murthy (DIN:00122454) as an Independent Director		

Instructions and other information relating to ballot paper voting:

i) Those members who are unable to cast their vote through remote e-voting mechanism, may fill up the Ballot Form printed above and submit the same in a sealed envelope to The Scrutinizer, M/s. Natco Pharma Limited, Natco House, Road No. 2, Banjara Hills, Hyderabad 500 034, so as to reach latest by 5.00 p.m. on 14 September 2018. Ballot Form received thereafter will strictly be treated as if not received/invalid.

ii) The Company will not be responsible if the envelope containing the Ballot Form (s) is lost in transit.

iii) Unsigned, incomplete or incorrectly ticked forms are liable to be rejected and the decision of the Scrutinizer on the validity of the forms will be final.

iv) In the event member casts his/her votes through both the process i.e. e-voting and Ballot Form, the votes in the electronic system would be considered and the Ballot Form would be ignored.

v) The Proxy cannot vote through Ballot Form.

vi) In case of Joint holders, the Ballot Form should be signed by the first named Share holder and in his/her absence by the next named shareholders can sign in Ballot Form.

vii) If Ballot form (s) has been signed by an authorised representative of the Body Corporate / Trust / Societies etc., they should be accompanied a certified copy of the relevant authorisation / Board Resolution /Power of Attorney.

Corporate information

Board of Directors

Mr. V C Nannapaneni
Chairman & Managing Director

Mr. T. V. Rao
Director - Independent

Mr. G. S. Murthy
Director - Independent

Dr. B. S. Bajaj *
Director - Independent

Mr. Rajeev Nannapaneni
Vice Chairman & Chief Executive Officer

Dr. A. K. S. Bhujanga Rao *
Director & President
(R&D and Tech.)

Mr. D. G. Prasad
Director - Independent

Mr. Vivek Chhachhi**
Director - Non-Executive & Non-Independent

Dr. Leela Digumarti
Director - Independent

Mr. 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)

Mr. Sridhar Sankararaman***
Director - Non-Executive and Non-Independent

* up to 6 August 2017
** up to 22 May 2018
*** from 23 May 2018

Company Secretary & Vice President (Legal & Corp Affairs)

CS M. Adinarayana

Chief Financial Officer

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

Registered Office

NATCO House, Road # 2
Banjara Hills,
Hyderabad - 500 034, India
Ph: 040-23547532,
Fax: 040-23548243

Registrar and Share Transfer Agent

M/s. Venture Capital & Corporate Investments Pvt. Ltd.
12-10-167, Bharat Nagar,
Hyderabad - 500 018, India
Ph: 040-23818475, 23818476
Email: info@vccilindia.com,
Website: www.vccipl.com

Statutory Auditors

M/s. Walker Chandiok & Co. LLP,
7th Floor, Block III,
White House,
Kundan Bagh, Begumpet,
Hyderabad - 500 016, India

Internal Auditors

M/s. Seshachalam & Co
1-11-256, Street No. 1, Wall Street Plaza, 6th Floor,
ICICI Building, Begumpet,
Hyderabad - 500 016, India

Cost Auditors

M/s. S. S. Zanwar & Associates
Office No. 802, 8th Floor
Raghava Ratna Towers
Chirag Ali Lane, Abids
Hyderabad - 500 001, India

Secretarial Auditor

CS Balachandra Sunku
Abhaya, 6-3-609/140/1
Ananda Nagar, Khairathabad
Hyderabad - 500 004, India

NATCO PHARMA LIMITED

NATCO HOUSE, ROAD NO. 2, BANJARA HILLS,
HYDERABAD – 500 034.
www.natcopharma.co.in
CIN: L24230TG1981PLC003201

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