THE PWER F TENACITY

NATCO PHARMA LIMITED
Annual Report **2020-21**

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THE POWER OF TENACITY

For about four decades, NATCO has strived to make specialised medicines at affordable prices for people. Time and again, NATCO's tenacity has been tested and the Company has delivered successfully. The past year was one such phase where the Company has withstood the negative macro forces led by the pandemic with great tenacity.

The year in consideration is probably a once-in-a-lifetime situation with completely unforeseen macro-economic shocks to business, due to the pandemic. The moment NATCO faced the shock, it quickly re-prioritised its business approach to ensure employee safety and business. Since the beginning of the pandemic, businesses were tested on all fronts, as a result of which many have stalled or shut down, but NATCO continued on its journey with grit and determination to cater for the needs of patients.

As people avoided visiting hospitals and physicians due to fear of the virus, NATCO expanded its product portfolio to include drugs that would cater to the pandemic associated treatment. In spite of pressure on the existing business, we repurposed some of our product pipeline to cater to those afflicted by COVID-19 with great tenacity. We took significant steps in R&D, business processes as well as regulatory efforts in many ways, in spite of COVID-19.

The product portfolio in our pipeline for the next two to three years is significant for the growth of the Company. Our dedication to our customers, partners and employees is unwavering and characterised by tenacity.

The Company is excited about the outlook for the next several years to come which includes a bounce back in the domestic India business with numerous new product launches, making strong inroads in the Crop Health Sciences business and launching significant high-value product launches in the international markets.

FY 2020-21 key highlights

₹21,557 MILLION
Consolidated Revenue

₹7,098 MILLION
EBITDA

₹4,409* MILLION
Profit After Tax

₹24.20
Basic Earnings Per Share

*Attributable to the owners of the Company

FIGHTING THE PANDEMIC WITH LONG-TERM FOCUS INTACT

NATCO Pharma Limited (NATCO) is a vertically integrated, R&D-focused pharmaceutical company that specialises in the development, manufacture and commercialisation of complex pharmaceuticals catering to niche therapeutic areas.

NATCO deals in the production of Finished Dosage Formulations (FDF), which are sold in India, the United States and the Rest of the World (RoW), as well as Active Pharmaceutical Ingredients (APIs). Its capabilities include multi-step synthesis, semi-synthetic fusion technologies, production of high-potency APIs and peptides.

NATCO made initial footprints in the agrochem segment towards manufacturing of niche molecules towards pest management.

COVID-19 RESPONSE

During the year, NATCO calibrated its business to suit the unique needs created by the COVID-19 pandemic. Working with great agility and focus, NATCO redirected its resources to develop and disseminate its products to patients affected by COVID-19. As the virus mutated, its services too evolved to cater to the changing needs of patients.

NATCO pivoted the existing product pipeline to address the treatment challenge, beginning first with an increased supply of Chloroquine, a treatment option that was initially considered efficacious. This treatment method, however, was subsequently discontinued. As the situation demanded, the Company swiftly moved to supporting patients with medicines, such as Apixaban, Amphotericin, Baricitinib and Posaconazole to treat COVID-19/post-COVID-19 complications. NATCO's ongoing R&D efforts continue to adapt its product development engine to support the needs of stakeholders across the ecosystem as the industry develops new therapeutics to manage the virus. The launch of new products like Molnupiravir is on the anvil, giving the Company the opportunity to add significant value to the pharma sector's contribution to mitigate the pandemic and contribute to public healthcare.

Our mission

Making specialty medicines accessible to all

Our values

Quality

Integrity

Respect

Openness

Collaborative

Creative

Presence in
40+ COUNTRIES

Industry experience of
35+ YEARS

Key facts

US filings

25
Commercial products

19
Para IV ANDAs in pipeline

39
Active US Drug Master Files (DMFs)

Patents

229
Indian patents filed

93
Indian patents granted

246
International patents filed

173
International patents granted

Assets

6 FDF
Manufacturing facilities

2 API
Manufacturing facilities

2
Crop Health Sciences units (Technical and Formulations)

2
R&D centres (India)

ANDAs - Abbreviated New Drug Applications | FDF - Finished Dosage Formulations | API - Active Pharmaceutical Ingredients

ROBUST BUSINESS CAPABILITIES

NATCO operates in two different business segments: pharmaceuticals and agrochemicals. Within the pharma business segment, the Company drives its sales through Finished Dosage Forms (FDFs) and Active Pharmaceutical Ingredients (APIs).

Pharmaceuticals

Finished Dosage Forms (FDFs)

Domestic Business

Domestic FDFs are split into three major categories: Oncology, Cardiology & Diabetology and Specialty Pharmaceuticals.

10
Products launched

₹4,101 MILLION
Revenue

19%
Revenue contribution

International Business

In the global pharmaceutical business, the Company is renowned for its high quality and efficacy. NATCO has widened its presence to over 40 countries where it operates through subsidiaries/ step down subsidiaries and third-party partnerships. NATCO's direct subsidiaries/step down subsidiaries include NATCOFARMA DO BRASIL, NATCO PHARMA CANADA INC., NATCO PHARMA Asia Pte Ltd., NATCO Lifesciences Philippines Inc. and NATCO Pharma Australia PTY Ltd.

₹10,771 MILLION
Revenue

50%
Revenue contribution

R&D Strength

170+
R&D members at Kothur, Telangana

350+
R&D members at Hyderabad, Telangana

Active Pharmaceutical Ingredients (APIs)

Domestic and exports

Our high-quality API portfolio focuses on oncology, central nervous system, pain management and cardiovascular care, among others.

49
Cumulative DMFs filed

39
Active DMFs

₹5,120 MILLION*
Revenue

24%
Revenue contribution

Agrochemicals

MAKING PRELIMINARY FOOTPRINTS WITH PRODUCT LAUNCHES

Numbers for FY 2020-21 Balance operating and non-operating income at ₹1,565 million (7%) *Including API trading turnover

Manufacturing capabilities (API and API Intermediaries)

Location	Function	Approvals granted
1 **Mekaguda, Telangana**	• Antineoplastic • Hepatitis C • Antiemetic • Antidepressant • Antimigraine • Antiulcerative • Immunomodulator • Multiple sclerosis • Hyperphosphatemia • Antimalarial agent	• USFDA • PDMA (Japan) • COFEPRIS (Mexico) • EDQM (Europe) • Korean FDA • WHO GMP (CDSCO) WHO • EU GMP (Germany) • PMDA • AIFA • ISO14001-2015 • ISO45001-2018
2 **Manali, Chennai**	• Oncology • Immunosuppressants • High potent antivirals	• WHO GMP (CDSCO) • USFDA • ISO14001-2015 • ISO45001-2018

Manufacturing capabilities (FDFs)

Location	Function	Category	Approvals granted
3 **Kothur, Telangana**	• Oral solid dosages, including cytotoxic orals • Cytotoxic injectables	• Oncology • Gastroenterology • Central Nervous System • Antiviral and Cardiology	• USFDA • WHO GMP (DCA) • German • Health Authority (BGV) • Australia TGA • ANVISA (Brazil) • MOH Belarus • Health Canada
4 **Nagarjunasagar, Telangana**	• Lyophilised Injectables • Liquid injectables • Dry powder injectables • Large volume parentals	• Oncology • Antibiotics • Antiviral	• WHO GMP • Kenya MOH • NDA Uganda • FMHCA Ethiopia • TMDA Tanzania • MOH Belarus
5 **Pharma City, Dehradun, Uttarakhand**	• Oral solid dosages, including cytotoxic orals • Cytotoxic injectables	• Oncology • Antiviral	• WHO GMP
6 **UPSIDC Industrial Area, Dehradun, Uttarakhand**	• Oral solid dosages, including cytotoxic orals	• Oncology	• WHO GMP and MOH NETHERLANDS • MOH Belarus • FMHCA Ethiopia
7 **Guwahati, Assam**	• Oral solid dosages	• Gastroenterology	• GMP
8 **Visakhapatnam, Andhra Pradesh**	• Oral solid dosages	• Oncology	• USFDA • ANVISA Brazil • Health Canada

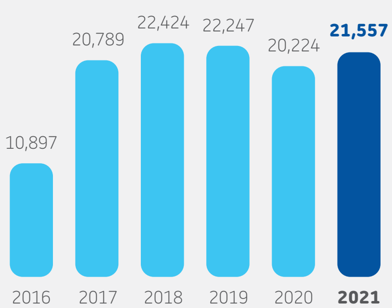
Key Performance Indicators

A YEAR OF CHALLENGES

Profit and loss metrics

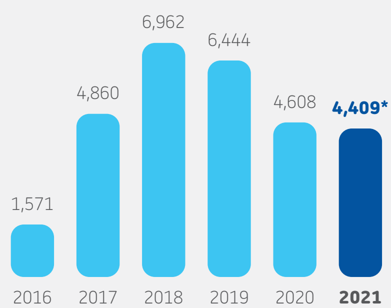
Revenue
(₹ in million)

↑ 14.7% 5-year CAGR



Profit After Tax (PAT)
(₹ in million)

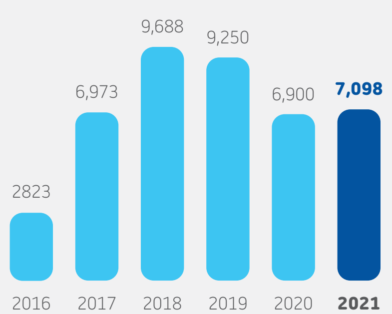
↑ 22.9% 5-year CAGR



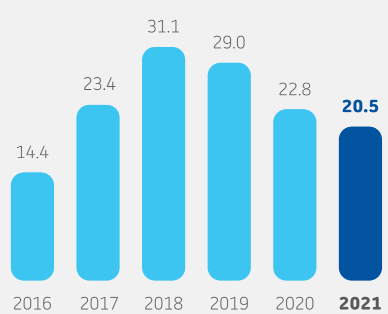
* attributable to the owners of the Company

EBITDA
(₹ in million)

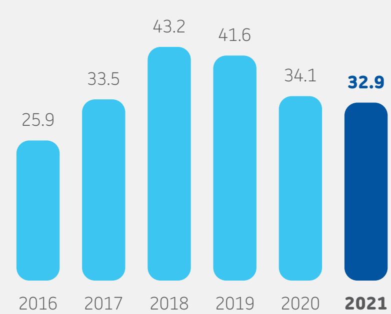
↑ 20.2% 5-year CAGR



PAT margin
(%)



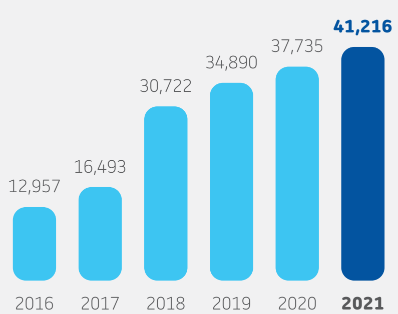
EBITDA margin
(%)



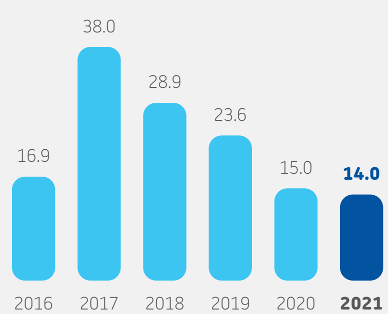
Balance Sheet metrics

Net worth (₹ in million)

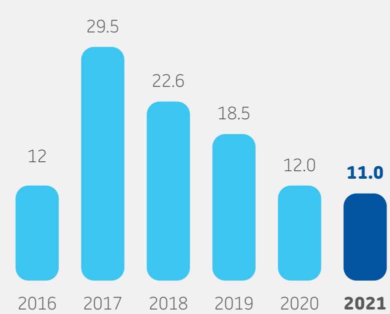
↑ **26.0%** 5-year CAGR



Return on Capital Employed (RoCE) (%)



Return on Equity (RoE) (%)



TENACITY IN THE FACE OF ADVERSITY

V.C. NANNAPANENI
Chairman and Managing Director

RAJEEV NANNAPANENI
Vice-Chairman and CEO

Dear Shareholders,

The COVID-19 pandemic has changed our notion of a challenge or a crisis. The unexpected impact of the pandemic has reminded us of the most fundamental element of our existence: making positive difference to people's lives. All through our response to the two successive waves of the pandemic, we addressed the concerns of our stakeholders, took individual care, built resilience, and positioned the organisation for a reimagined future.

We stayed rooted to the fundamentals – addressing the basic needs of business and employee safety – despite the challenges that stretched our resources.

We showed extraordinary organisational tenacity as the pandemic evolved. The crisis was not one where we could have mounted a predefined response. But our fit-for-purpose plans enabled our teams to continue operations and support our customers and partners. The indomitable human spirit unfolded as we met our commitments with optimism and trust in the emerging realities. The spirit and tenacity of our employees and their unwavering commitment helped. They rose to the occasion and did a commendable job amid the uncertainties and the rapidly changing priorities. We ensured that we prioritised a few critical behaviours – discipline in how we worked, empathy in how we interacted with each other and our stakeholders, and flexibility in adapting to the changing circumstances.

Our people-first culture gave our employees confidence as we designed new ways of working, with their safety at the core. A combination of preventive measures and rapid response kept us resilient. We set up a task force to implement strict protocols for testing, health monitoring, and social distancing while proactively supporting employees impacted by COVID-19. An isolation ward was set up for affected employees. Simultaneously, we updated the employee benefit policy and extended support to the contractor staff as well. At the same time, we supported communities with health programmes and contributed to government funds set up to mitigate the impact of the pandemic.

Pharma business

Domestic business

The year was not without its share of disappointments. Our oncology vertical could not reach more patients as the healthcare community continued to be wary of COVID-related risks and postponed hospital-based treatment. Additionally, COVID-19 caused cancer patients to postpone hospital appointments and therapy that required their physical presence. COVID-19 hit major metros in India which set back our oncology business performance.

Our Hepatitis-C business continued to deteriorate due to market size contraction. Disruptions in the supply chain was another outcome of the pandemic. To offset the impact, we focused on product launches in the non-oncology category. Despite the challenging circumstances, we launched a total of 10 products across our three key domestic segments during the year.

International business

Our international business, which comprises the US and RoW, was also partly a victim of the pandemic conditions. Although the majority of our US portfolio remained stable, a key flu product, Oseltamivir, suffered significant revenue loss. This led to the overall decline in revenue in the US market when compared to the previous year.

OUR PEOPLE-FIRST CULTURE GAVE OUR EMPLOYEES CONFIDENCE AS WE DESIGNED NEW WAYS OF WORKING WITH THEIR SAFETY AT THE CORE.

₹21,557 MILLION
Consolidated revenue

6.6%
Annual revenue growth

We are constantly looking at ways to propel our business growth in the US, whether through niche filings or by strategically positioning ourselves for better profitability, for which, we are considering establishing a front-end entity in the US.

During the year, contribution from the subsidiaries increased appreciably driven by growth in our portfolio of products in Canada. We are getting more attuned to the regulatory environment and market challenges in our Brazilian and other subsidiaries, and expect robust growth from the region in the coming years.

Agri business

We started making our presence felt in the agri space with limited launches of products during the year. The initial foray was through the launch of third-party products and the launch of the first pheromone-based product, Natmate PBW for control of pest in cotton crop. We are putting together a strong team of product developers, salespeople, and marketers to offer NATCO's goods to farmers across the country.

Sustaining growth

In spite of significant negative impact of the pandemic on the base business, we were able to sustain our revenue during the year. We recorded consolidated total revenue of ₹21,557 million for the year ended on March 31, 2021, as against ₹20,224 million last year, reflecting a y-o-y annual revenue growth of 6.6%.

Our strategy

NATCO is on the verge of another inflection point, driven by the strategic filings done years ago. In spite of the dip in profits due to the completely unforeseen macro-economic pandemic forces, we are confident of a rebound in the coming few years due to the realisation of our strategy.

During the last few years, we have built adequate manufacturing capacities across all our plants and positioned ourselves for expanded growth – both in the pharma as well as in the agri segments. We spent the last year trying to adapt to the extraordinary circumstances around us. We pivoted the short-term product pipeline to address treatment challenges of COVID-19, without losing focus on our long-term high impact product development.

Launches and product pipeline

Our R&D as well as product development teams tenaciously pursued critical activities during the year to alleviate the situation for patients affected by the pandemic. An integral part of our DNA has been our commitment to R&D, which remains crucial to our success. During the year, our expenditure in R&D amounted to ₹1,596 million. We spent 9.1% of our standalone revenue towards R&D – a sign of our commitment. We have also spent ₹2,281.24 million as capital expenditure, which was used to enhance our facilities. We undertook product innovation, technology transfer and adaptive improvements in manufacturing and supply chain.

The list of products, which were successfully pivoted to address pandemic needs include Chloroquine, Apixaban, Amphotericin and Posaconazole to treat post-COVID-19 complications. Additional products include Baricitinib, which was repurposed for use in COVID-19 patients and the anti-viral drug Molnupiravir, which is in the clinical trial stage. We are glad to be part of efforts, which is trying to combat the effects of the pandemic.

Our pipeline and technology are on the right track, and we are focused on expanding our product basket. We expect significant growth in the market share in the forthcoming years because of multiple high-value product launches in the US.

On the Crop Health Sciences front, we launched the first indigenously manufactured pheromone-based product in India for controlling Pink Bollworm (PBW) which affects the cotton crop. We have a series of products in the pipeline, including Chlorantraniliprole, which is sub-judice.

Plans for next year

We look forward to reaping the efforts we have been making in a sustained manner for over the past two years. There is a huge emphasis on broadening the base business in India with respect to pharma as well as our agri business. In pharma, we are on track for the launch of 8-10 new products every year across our business segments in India. We look at agri in two primary buckets – one is green chemistry, and includes agriculture, pheromone-based businesses, and pest prevention rather than pest elimination. The second category is niche pesticides.

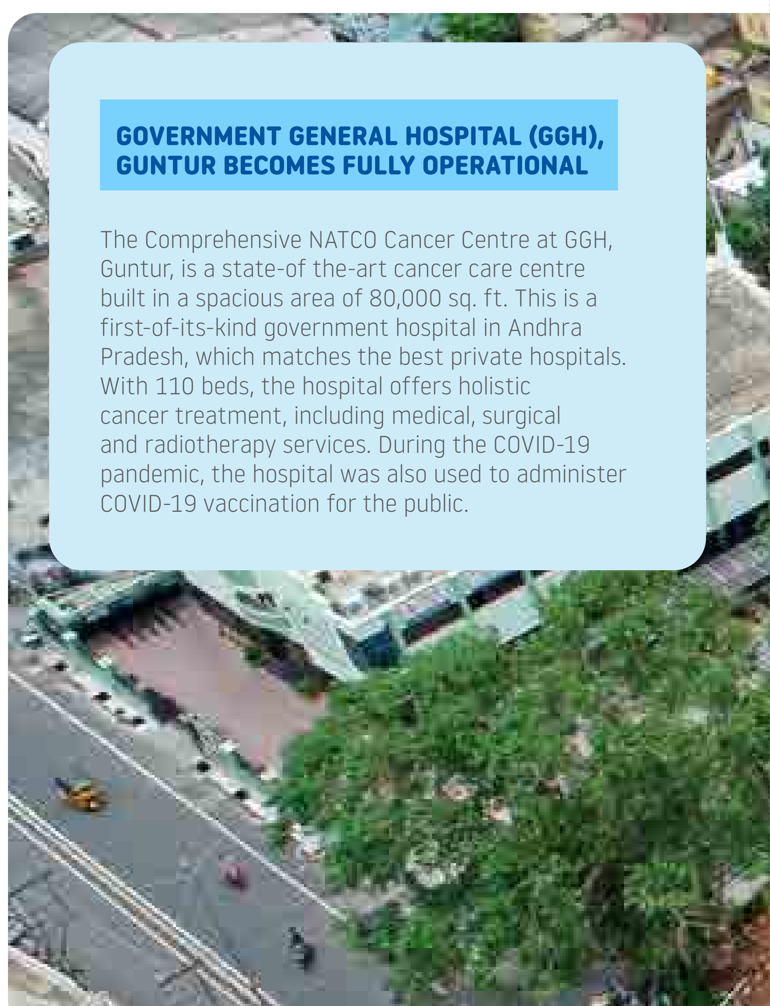
Towards a better world

Health is intrinsically connected to the environment, and hence, we continue to explore ways to mitigate climate change by reducing our impact on the environment through ecologically sustainable practices across the value chain. Similarly, we are taking steps to reduce waste generation through recycle and reuse. We are also focusing on renewable energy (RE) to serve our energy needs in an ecologically friendly manner and sourcing RE from our captive projects and third-party sources.

During the year, we were uncompromising in our actions to conserve natural resources and to empower our communities. We lowered our carbon footprint and improved our energy mix, increasing our solar energy capacity at our three major manufacturing facilities in Kothur, Nagarjunasagar, and Mekaguda. As of today, ~26% of our energy consumption is from renewable sources.

Standing with our people and stakeholders

We invest in the long-term well-being and development of our associates and communities. COVID-19 has been a test of our resilience and flexibility as a team. We gave three interim dividends amounting to ₹956.48 million, resulting in a pay-out of 30.90% of the standalone profit after tax of the Company. As we traverse through difficult times, our culture of empowering our employees and creating trusted connections continue to serve us well. Our community interventions that straddle education, health and livelihoods demonstrate our dedication to society.



GOVERNMENT GENERAL HOSPITAL (GGH), GUNTUR BECOMES FULLY OPERATIONAL

The Comprehensive NATCO Cancer Centre at GGH, Guntur, is a state-of-the-art cancer care centre built in a spacious area of 80,000 sq. ft. This is a first-of-its-kind government hospital in Andhra Pradesh, which matches the best private hospitals. With 110 beds, the hospital offers holistic cancer treatment, including medical, surgical and radiotherapy services. During the COVID-19 pandemic, the hospital was also used to administer COVID-19 vaccination for the public.

NATCO Trust schools generate value for the communities. Online and offline classes, after-school tuitions, Gurukula coaching, and home visits were some of the activities carried out under the NATCO Trust umbrella, which helped around 8,800 children. Our healthcare and farm-based livelihood programmes have earned the trust and confidence of the community. During the year, ~50,000 people benefited from our community outreach and healthcare services, which included two mobile health clinics and two independent satellite clinics for communities and employees respectively. Committed to sustainable development and being a responsible corporate citizen, we closely monitored the situation and supported our communities all through the pandemic year.

Going from strength to strength

With our medicines impacting lives every day, it's reassuring to know that we are making progress toward our goal of making positive change in the lives of our stakeholders and society in general. The tenacity of our employees, partners, stakeholders, and investors, who have always been by our side, makes us confident of our ability to succeed.

WE ARE ALSO FOCUSING ON RENEWABLE ENERGY (RE) TO SERVE OUR ENERGY NEEDS IN AN ECOLOGICALLY FRIENDLY MANNER AND SOURCING RE FROM OUR CAPTIVE PROJECTS AND THIRD-PARTY SOURCES

We would like to conclude by extending our sincere gratitude to our employees for the passion and commitment they have shown during the year, and to our shareholders for their continued support in our endeavours. We are confident that NATCO will continue to be a company that puts its people first and enjoys the trust of society. We are sure that the Company will stand the test of time.

V.C. Nannapaneni
Chairman and Managing Director

Rajeev Nannapaneni
Vice-Chairman and CEO

Business Model

DESIGNED TO DELIVER SUSTAINABLE GROWTH

The Company is dedicated to ensuring value for its stakeholders. This involves creating greater accessibility to its products for people everywhere, including in India and helping patients deal with chronic ailments and diseases with quality medicines. The Company's business model is designed to serve these goals.

RESOURCES

- Experienced and capable management
- Strong balance sheet and liquidity
- State-of-the-art and backward integrated manufacturing facilities with capabilities to make APIs and drug intermediaries
- Cutting-edge R&D department headed by an expert team
- Established network of suppliers
- Strong brand recognition for oncology in India

BUSINESS SEGMENTS

APIs

India | USA
Europe | South America
Canada | Middle East

FDFs

India | Southeast Asia
USA | South America
Canada

Agrochemicals

India and international markets

STRATEGY

- Partnership based business model for international markets.
- Conducting business through foreign subsidiaries
- Targeting niche and therapeutic areas
- Global portfolio for product filings
- Building localised presence across the globe
- Focus on government tenders and institutional business in emerging markets
- Expanding manufacturing and R&D capabilities

GROWTH DRIVERS

- Recognition for quality and delivery, backed by strong technical and operational expertise
- Product quality
- Reputation established with over three decades of expertise in the pharma industry
- Rise of new diseases and demand for unique and affordable solutions
- Increasing demand for pest management solutions and food security

VALUE WE CREATE

Patients

- Access to potentially life-saving medicines
- World-class medicines and therapies at affordable prices

Partners

- Industry expertise
- Strong financial background
- Proven track record

Government

- Crucial medicinal aid that governments can purchase directly from NATCO

Society

- Promoting health
- Increasing life expectancies

Shareholders

- Fundamentally strong business
- Positive future outlook

OUTCOMES

14%
RoCE

₹24.20
Basic earnings per share

20.5%
PAT margin

10
New products launched

~50,000
Beneficiaries from community healthcare outreach

BEING AGILE AND ADAPTIVE - DOMESTIC BUSINESS

NATCO successfully delivered on short-term requirements of the pandemic and yet evolved its strategies for long-term growth in spite of significant macro environment pressures. The Company stayed focused on employee safety, environmental footprint and reprioritised R&D and organised for operational excellence initiatives. The Company's strength was demonstrated in being adaptive and responsive to changing market requirements.

The Company uses cutting-edge technologies to bring to the market the most advanced medicines and convenient formulations for the benefit of its customers.

Performance during the year suffered as a result of the market shrinkage for Hepatitis C medicines and several challenges in the oncology sector on the domestic front.

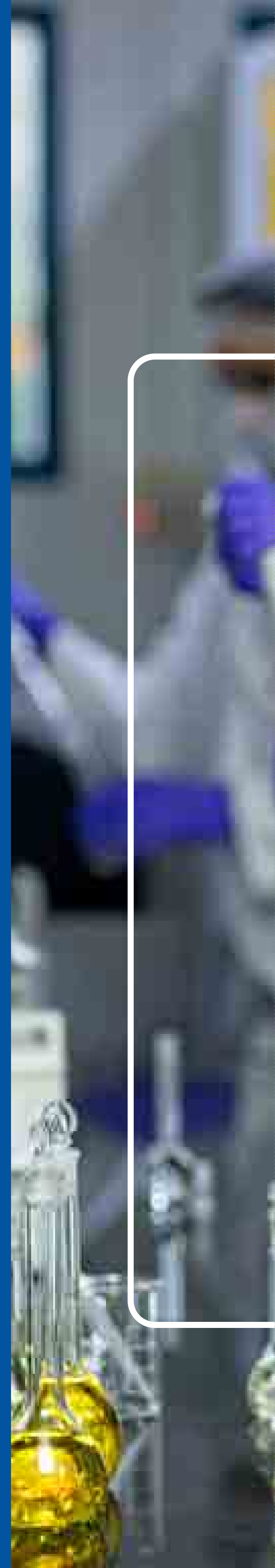
10
Product launches

₹4,101 MILLION
Revenue from domestic excluding agrochemical sales revenue

9 BRANDS
with ₹100 million+ in sales

10+ BRANDS
with #1 position in indicated prescription

400+
Sales force (India)



Oncology

38 ACTIVE BRANDS

16	22
Haematology	Solid tumours

6 BRANDS*

- Veenat
- Lenalid
- Carfilnat
- Erlonat
- Geftinat
- Sorafenat

with ₹100 million+ in sales

* Brands in litigation are not part of this list

RESPONDING TO COVID-19 CHALLENGES

NATCO continues to expand its product portfolio and in the present context, the Company is also looking at products for COVID-19 treatment. In this direction, NATCO already has products for post-COVID conditions, such as Amphotericin B for fungal disease and Apixaban for thrombolytic events in patients. The Company's supply chain and manufacturing teams demonstrated great agility in securing supplies and expanding the production base for all the above drugs including, Chloroquine, which was initially considered for treatment. NATCO is working on molecules like Molnupiravir, with permission from the drug regulator for clinical trials which are showing promising results.

COMMITMENT TO ONCOLOGY SEGMENT

Notwithstanding the revenue decline, oncology remains the Company's most significant category in India, accounting for the bulk of its sales. NATCO stepped up its efforts to introduce novel drugs for cancer patients. The extensive pipeline for Oncology therapy demonstrates its commitment to cancer patients.

Non-oncology

Cardiology & Diabetology

The Cardiology & Diabetology division (CnD) is a significant contributor to domestic sales. The segment witnessed the launch of a robust range of products during the year.

Speciality pharma

Speciality Pharma comprises of Virology, Hepatology, Gastroenterology, Rheumatology, Orthopaedics, Pulmonology, anti-infective and Neurology portfolio products. NATCO introduced Hepatitis-B and Hepatitis-C products like direct acting antivirals for the first time in India. Our anti-infective portfolio comprises of injectable antibiotics and antifungals. The Company is focused on enhancing the anti-infective therapy segment to improve product variety in the specialty pharma field.

OUTLOOK

Notwithstanding the hurdles, the Company was able to obtain supplies and assure production and logistics along the route to satisfy the demand for specific medications, which was the need of the hour.

Putting stakeholders' interests first, providing complex solutions, learning to manage resources wisely and cultivating trustworthy relationships with partners – all contribute to the Company's long-term viability.

FORTIFYING INTERNATIONAL PRESENCE

NATCO has been selectively developing a comprehensive product portfolio using a global filing approach to molecules. By developing complex and niche products with persistence and resilience, the Company is delivering on its promise to patients. NATCO depends on technology platforms and works with complex process chemistry that promise early-to-market opportunities, creating a pull strategy in servicing patient needs.

The Company's product portfolio has resulted in promising launches through its subsidiaries/ step-down subsidiaries in Brazil, Canada, the Philippines, Australia and Singapore as well as markets in the Rest of the World, such as South Africa, helping it secure its foothold in widening access to generic alternatives. For example, the Company was the first to launch generic Lenalidomide in South Africa.

₹10,771 MILLION
Revenue from international business

50%
Contribution to total revenue

CREATING PARTNERSHIPS FOR SUSTAINABILITY

The Company believes in having long-lasting relationships with its alliance partners and customers, a vital component in building and sustaining market presence. Its stakeholders have retained trust in NATCO's ability to provide technical solutions for complex and niche products while consistently addressing regulatory and IP considerations in a transparent and collaborative working environment. In the US, the Company launched the sole generic for Lapatinib and is in limited competition environment with regard to Everolimus, both with marketing partners. NATCO has enabled market presence for its partners for critical products for over 10-12 years despite price erosion as it deployed a streamlined approach to manufacturing APIs and formulations by enhancing process efficiency and robustness.

The Company is ably supported by its supply chain partners, ensuring that it meets its delivery commitments despite growing difficulties in managing logistics owing to the pandemic. The Company has ensured that a stable base of third party, local vendors and suppliers for raw materials, key starting materials, intermediates and API, reduces its dependency on sources outside India. This has resulted in less than 10% of the total procurement spend towards non-local purchases.

Exploring excellence through diversification

Currently, NATCO's filings in the US are for complex and niche products. Due to the dominance of generics in the US market, few of the Company's products faced significant pricing pressures and fierce competition during the year under review.

The Company is focused on increasing the number of niche molecules for filing in the US.

Efforts in diversification

- Partnering local businesses to grow presence
- Integrated products have proved to be more beneficial than outsourced products
- Distinguishing itself from peers on the basis of the uniqueness of its product selection and partnership model

39
Active DMFs

25
Active commercial products

19
Para IVs (12 approved)

Brazil and Canada

Brazil: Institutional or government sales account for the majority of the Company's sales in Brazil coupled with delivery of low-cost products. The Company envisions to create a brand base of business apart from the tender business.

During the year, it launched the first generic of Oseltamivir in Brazil. The Company saw an upward incline of our market share for Everolimus and continue to be the only generic. The Company upgraded to a new quality control lab and warehouse in Vitoria, Brazil.

Canada: Natco Pharma Canada Inc., is well poised to enter the ranks of the being one of the top generic manufacturer in Canada which is well aligned to its business strategies. During the year, it launched Nat-Lanthanum which continues to be the only generic in the market.

Pharmerging markets and RoW

The markets NATCO is targeting include Thailand, Vietnam, the Philippines, Indonesia, Malaysia, Singapore and CIS countries. Its strategy involves being more proactive with filings. Due to the quality of its filings, its first to market time has gone down substantially.

As Singapore is brand-oriented and bulk of the procurement is done through government bodies, this is a tough market to break into. Despite this, NATCO has firmed up its position in Singapore, both in government and private hospital procurement, by building niche pipeline of Oncology drugs with low competition.

The Company is also engaging with local authorities in Southeast Asian nations, including Vietnam, the Philippines and Thailand to expand its market share. NATCO is attempting to introduce new products, utilising its expertise to establish a local presence.

China and Australia are two other key markets the Company is focused on. The Company secures regional expansion either through its subsidiaries or through direct engagement with local partners.

South Africa, Russia, Mexico and Saudi Arabia are some of the newer markets that the Company is diversifying into, to grow its presence.

6
Filings in China

10+
Product approvals in Singapore

NEW ORDERS
Won in Malaysia and Thailand

Natco Lifesciences Philippines Inc launched
LIPOSOMAL DOXORUBICIN

THIRD-PARTY PARTNERSHIPS

In cases where the Company needs to manufacture products but does not have the necessary capabilities, it enlists the help of a third party. It also has manufacturers for domestic markets as well as regulated markets. In addition to intermediaries, the Company looks for facilities that are either approved or approvable. When it comes to the agrochemicals segment, NATCO is on the lookout for suitable tie-ups. By promoting strategic relationships with prominent industry players, NATCO is expanding its reach in the US market. It is also putting together a basket of products with the help of some excellent partners in order to grow its share of the international market.

GROWING OUR AGRI FOOTPRINT

NATCO believes agro-products are extremely important in strengthening its domestic product portfolio. The Company received its first approval in Crop Health Sciences during the year and has set up its manufacturing units in Nellore. The Company is also making strategic investments for the manufacturing of pheromone-based products.

KEY PORTFOLIO

It includes pesticides and bioproducts

₹21 MILLION
Revenue from Agrochemicals

STATE-OF-THE ART GREENFIELD MANUFACTURING FACILITIES IN NELLORE
Completed for agro technical and formulation products

When it comes to agrochemicals, NATCO is focused on niche products, including pest management through prevention rather than extermination.

Ecologically favourable agro-products

NATCO aims to promote products with green chemistry that are ecologically compatible. In line with this objective, the Company launched pheromone based mating disruption technology product, Natmate PBW for controlling Pink Bollworm in cotton. NATCO has an interesting pipeline of products, which are less hazardous to the environment.

One of the Company's major planned products in crop health sciences was Cholorantraniliprole (CTPR), for which it received registration approval from Central Insecticide Board, India. NATCO is currently awaiting legal clearance before launch.

R&D AND PIPELINE

Through careful selection of niche molecules, NATCO plans to develop a pipeline of technical and formulation agro products for launch in India. These include pesticides and pheromone based environmentally friendly products.

Leveraging on its current R&D resources, NATCO established development centers in Nellore and Hyderabad.

NATCO has launched a set of established pesticide products through third-party manufacturing during the year as it prepares its systems and channels for niche and more important pipeline products.

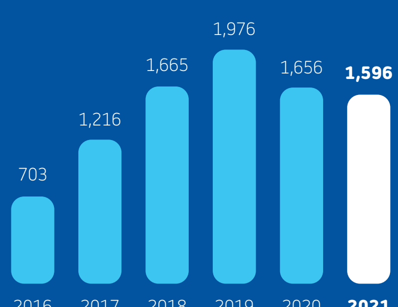
R&D – KEY TO COMPETITIVENESS AND GROWTH

NATCO develops and manufactures complex products that are suited to the diverse needs of patients all over the world. Synthetic chemistry, biotech, nano medicines, novel drug development and cell biology are just a few areas of its expertise. The Company is constantly adopting new technologies to improve the quality of its APIs and formulations while reducing its environmental impact.

40+
R&D laboratories across 2 research facilities

500+
Scientists experimenting with Generics and niche therapies

R&D expenditure (₹ in million)



The Company's R&D expertise has evolved over the years. During the year, the R&D team was able to deliver on expectations despite the challenges of the pandemic. Most regulatory issues are addressed with the help of the Company's R&D, which has also helped improve product quality and delivery time.

Over the last year, NATCO has completed around 12 different projects – a significant figure for the organisation – without substantially raising the R&D budget. The strengthening of its R&D is leading to quicker turnarounds, lesser backlog and improved quality of its filings. At the same time, it is helping the Company embed sustainability into the product life cycle and a proactive bid to use alternative raw materials.

BARICITINIB

Baricitinib was found to be an effective and safe medication for COVID-19. The primary indication for Baricitinib is rheumatoid arthritis. Even though this was not an anti-viral medication, early findings in the US indicated that it was working effectively against the virus and could thus be made available to the public. The Company was able to launch the product at an affordable rate during the second wave of COVID-19 in India which helped a lot of patients.

Deploying technology

The adoption of cutting-edge technologies in formulations is allowing the Company to address the dual objectives of facilitating access to medicines while addressing the issue of environmental impact and the need for safe operations. These efforts are not devoid of challenges, yet NATCO continues to opt for new technology platforms keeping in mind the patient needs.

Extending technology knowledge and expertise in the product pipeline

- NATCO has extended the use of hot melt technology, which helps it avoid using large quantities of solvents, which is usual in case of the traditional spray drying process. It used this technology for a few oncology products that required the use of cytotoxic materials. The Company successfully addressed the issue of equipment suitability through crucial modifications, which were then certified to be ready for clinical studies
- The Company is also working on a peptide-based formulation for a non-oncology product, thus demonstrating its expertise across product pipeline
- Another technology that NATCO is expanding to oncology products is liquid-filled hard gelatin capsules. This initiative has been undertaken through a collaborative arrangement with a technology vendor. Liquid-filled hard gelatin capsules are a novel, versatile dosage form which offers several advantages over soft-gels

Presence in the value chain

In the API business, NATCO has built its technical bandwidth and has been working on the development of small molecules. It has further raised the bar and included the development of synthetic large molecules as well, the latest addition being oligonucleotides, apart from the development of peptides and injectable drug substances. This proves its expertise in handling complex synthetic chemistry while simultaneously navigating stringent regulatory and quality requirements. The Company intends on being a reliable partner for its customers, and this is evident from its long-term API supplies for oncology, COPD, and neuro-based therapies.

NATCO is growing its presence across low-volume APIs, such as Eribulin and Trabectedin, and carrying out long synthesis, which involves a long-duration process necessary to stabilise the synthesis. The Company also roots for backward integration where it is relevant to address quality and price issues, making it possible for NATCO to deliver better value to its customers.

Technology integration in API

The Company's API development teams are exploring the use of new advanced technology for yield increase, reduced environmental impact and sustainable manufacturing. Overall, the Company is stabilising the process development protocol with an integrated approach towards safety and environmental protection. A few important considerations that the Company's scientists are prioritising during development and subsequent scale-up are reducing solvent consumption, avoiding the use of chlorinated solvents, minimising solid waste, and ensuring

better water management. NATCO is also exploring parallel synthesis and Quality-by-design (QbD) approach for optimal reaction conditions and appropriate process controls to enhance its operational efficiencies during manufacturing.

NATCO is currently working on projects related to flow chemistry, enzymatic reactions, a membrane-based technique for solvent recovery, and supercritical fluid chromatography to meet product development and analytical method development needs. The results have been encouraging across the entire span – from laboratory scale to plant scale for all planned investigations – and opened the ground for planned investigations. For example, the Company commercialised the manufacture of Eribulin, an oncology product, using an enzymatic synthesis in one of the process steps.

Experimenting with new advances in API process development

NATCO set up a laboratory-scale, continuous flow hydrogenation equipment with encouraging results. Employing such advances makes API synthesis safer and more environment-friendly. For example, the Company can now handle a Raney nickel catalyst in a fixed bed with better catalyst recovery.

NATCO continues to focus on improving the performance of hydrogenation for large volume APIs made at NATCO and will suitably scale it up to achieve benefits on a manufacturing scale. Similarly, supercritical fluid chromatography (SFC) is being put in place for low volume product purification and preparation of impurities. The consumption of solvents has been reduced by approximately 70% as NATCO uses liquid carbon dioxide in the mobile phase. This also contributes to better analytical process efficiency.

OUTLOOK

The Company's competence in niche domains and R&D is a significant benefit. The Company is a well-known brand in the formulations and API industry, and is recognised for its high quality. Its vertical API integration continues to be one of its major competitive advantages.

Developed and commercialised
>50
specialised APIs for 20 years

49
Cumulative DMFs filed

39
Active DMFs

Board of Directors

EXPERIENCE AND INTEGRITY

V.C. NANNAPANENI
Chairman &
Managing Director

G.S. MURTHY
Independent Director

T.V. RAO
Independent Director

RAJEEV NANNAPANENI
Vice-Chairman and
CEO

D.G. PRASAD
Independent Director

DR. LEELA DIGUMARTI
Independent Director

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

DR. M.U.R. NAIDU
Independent Director

DR. LINGA RAO DONTHINENI
Director and President -
Technical Affairs

SRIDHAR SANKARARAMAN
Non-Executive and
Non-Independent Director

- Audit Committee
- Nomination and Remuneration Committee
- Stakeholders Relationship Committee
- Corporate Social Responsibility Committee
- Risk Management Committee
- Compensation Committee
- Committee Dealing with Land Property
- Buyback Committee

Management Team

SHAPING NATCO'S FUTURE

ADINARAYANA M.
Company Secretary & Vice President
Legal & Corporate Affairs

APPA RAO S.V.V.N.
Chief Financial Officer

DR S.S APTE
Vice President
R&D, NDDS

DR. K. DURGA PRASAD
Senior Vice President
R&D, Chemical Synthesis

LAKSHMINARAYANA ARE
Vice President
HR & OD

DR. PAVAN BHAT GANAPATI
Executive Vice President
Technical Operations

DR. GOPALAKRISHNAN VAIDYANATHAN
Senior Vice President
Analytical R&D

DR. K SATYANARAYANA
Vice President
R&D

DR. RAMESH DANDALA
Executive Vice President
Technology Transfer, Intellectual Property
Rights and Regulatory Affairs (API)

DR. RAMI REDDY BHIMAVARAPU
Director
FDF

DR. SHANKAR REDDY BUDIDETI
Senior Vice President
R&D, Chemical Synthesis

SUBBA RAO MENTE
Vice President
Global Generics

SRIVATSAVA K.
Vice President
Marketing & Sales, Domestic

RAMAKRISHNA SRIDHAR REDDY
Vice President
Q. A

SADASIVA RAO N.
Vice President
Corporate Affairs, Legal & Secretarial,
Estate Management

VENKATA RAO TUMMALA
Vice President
Manufacturing, Chemical Division

SURESH PRABHAKAR KAMATH
Vice President
Operations (Visakhapatnam Unit)

SUNIL KOTARU
Vice President
Supply Chain Management

RAJESH CHEBIYAM
Executive Vice President,
Crop Health Sciences

SRINIVAS CH.
Vice President
Demand and Supply Planning

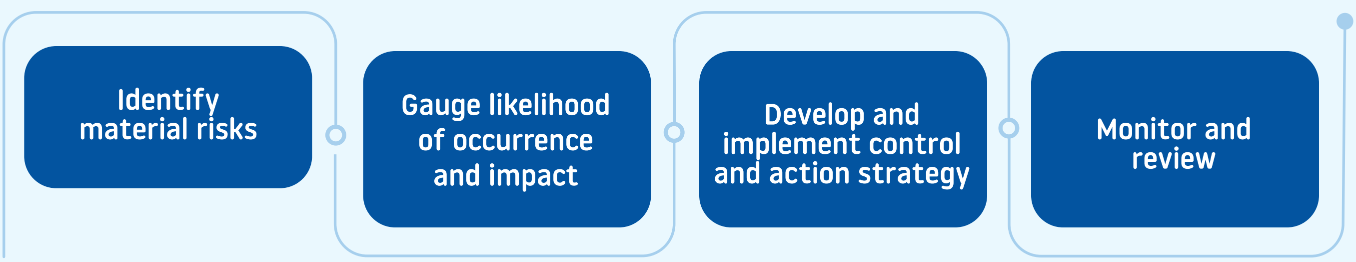
DR. M. PULLA REDDY
Executive Vice President
R&D

MANIKKAM NATARAJAN
Head - Sales and Marketing
(Crop Health Sciences)

A PROACTIVE AND DISCIPLINED APPROACH

The obstacles NATCO faced during the year have sharpened its senses and made it more proactive in risk management. It is cognisant of both the risks and opportunities that may arise in a rapidly changing business environment. The Company regularly engages with its stakeholders to identify potential hurdles and create an easier path forward.

Risk management process



Risk	Nature of Risk	Control and Action
Nature of Risk	An unfavourable facility inspection from USFDA or any other major regulatory body can lead to a significant delay in product exports	NATCO has extensive internal processes and quality monitoring systems to ensure full compliance
Business Risk Portfolio Risk	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	NATCO's portfolio is currently diversified across multiple therapeutic segments in India, such as Oncology, Hepatology, Cardiology and Diabetology. For the US and many other markets, NATCO has chosen molecules independent of the therapy segment. NATCO has also diversified into agrochemicals via its Crop Health Sciences division
Health, Safety & Environment	Being in the business of healthcare, it is imperative for NATCO to ensure 'zero risk' with regard to the health and safety of its stakeholder fraternity. Non-compliance with domestic and international regulations may lead to business disruptions.	In addition to providing a well-balanced working environment that prioritises worker safety, this year saw the Company institute flexible policies during the pandemic and enhanced healthcare coverage for every employee

Risk	Nature of Risk	Control and Action
Geographic Risk	Being excessively dependent on the domestic and the US market could affect sustainability in the long run	The Company expanded beyond its operations in India and the US, and is growing its business in Canada, South America, the Middle East and Asia Pacific
Human Capital Risk	The Company's success depends on its ability to retain and attract key qualified personnel. Its inability to retain them or recruit additional qualified personnel, may make it difficult to successfully develop its business	NATCO provides an excellent working environment for its employees across all sections and encourages work-life balance. The compensation package is comparable to the best in the industry. NATCO has formulated an ESOP scheme to reward and retain talent
Patent Risk	NATCO's inability to defend patent challenges could prevent the Company from selling products or may result in financial liabilities	NATCO 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 risks, but the Company carefully assesses the risks before any launch.
Currency Volatility Risk	Fluctuations in foreign currency could result in variations in margins for the Company	NATCO has a natural hedge for its imports, it being a net foreign exchange earner. With the expected depreciation in the rupee, the Company stands to gain on exports.
Price Control Risk	Increased adoption of tender systems and other forms of price controls in the market could reduce revenue/profit realisation for its products	NATCO usually sets its prices at competitive rates. Any impact of price control is felt similarly by its competitors, which negates an adverse impact on the Company alone
COVID-19 Risk	Supply chains, exports and business operations were all disrupted due to the pandemic. At the same time, it has impacted the health and safety of employees.	NATCO has been able to maintain production and develop new goods during this period. It has a strong workforce and supply network, and is able to keep operations running despite the setbacks. Priorities were set and operations were organised according to stringent social distancing rules. Cost optimisation was undertaken, and unnecessary expenditures were cut. Additionally, a task force was created to ensure the safety of employees.

Environment

MAKING CHANGE SUSTAINABLE

NATCO has been focused on embedding sustainability throughout the value chain. The use of renewable energy, the emphasis on responsible manufacturing, regulatory compliance and resource conservation are all a part of its heightened ESG focus.

Environmental protection and energy efficiency remain among its central concerns at its facilities. Even when the pandemic created uncertainties on the operations front, NATCO dedicated resources towards its environmental management goals. It implemented critical projects to conserve natural resources and reduce Greenhouse Gas (GHG) emissions.

Energy

Use of renewable energy

NATCO takes pride in utilising clean energy and consistently fulfilling its sustainability commitment. During FY 2020-21, the Company added 0.80 MW of rooftop solar power facilities, taking the total installed capacity to 5.45 MW. It also set up 4.2 MW capacity windmills. Renewable energy contributed 25.69% to its total energy mix, preventing 15,449 tCO_2e of carbon emissions.

Renewable energy capacity

4.2 MW
Wind power plant capacity

5.45 MW
Solar power plant capacity

0.80 MW
Solar capacity added in 2020-21

Details of solar power plants

Location	Existing capacity	Installed during FY 2020-21	Total installed capacity at the end of FY 2020-21
Mekaguda unit	3.00 MW	0.25 MW	3.25 MW
Sagar unit	1.15 MW	0.25 MW	1.40 MW
Kothur unit	0.50 MW	0.30 MW	0.80 MW
Total	4.65 MW	0.80 MW	5.45 MW

Energy efficiency

NATCO's undertaking of energy saving projects demonstrates its commitment to energy conservation. The Company has implemented 35 energy-saving projects across the manufacturing facilities. These projects also lead to substantial improvement in the Company's operational efficiency.

Key energy saving projects

Descaling of evaporator tubes
Promoting enhanced heat transfer efficiency in chillers and cleaning of air-cooled condenser fins through a rigorously implemented preventive maintenance schedule

Active harmonic filters
Installation of active harmonic filters connected to the transformers to maintain the power factor

VFDs and AHU Blowers
VFDs (Variable Frequency Drives) were installed for feed-water pumps, AHU (Air Handling Unit) blowers to reduce the energy consumption by 10%

Water

Globally, water is being depleted many times faster than nature can replenish it. As a responsible corporation, NATCO considers water conservation as a key priority and encourages elimination or reduced consumption in operations along with the use of treated water for beneficial purposes. NATCO has undertaken projects in different areas where the potential to recover and recycle water were identified.

- **Sewage Treatment Plant (STP), Chennai:** Established with a capital cost of ₹5 million for treating and reusing domestic wastewater for gardening
- **Autoclave Vacuum Pump Water Recirculation System, Dehradun:** Installed to recirculate autoclave water of approximately 1,000 KL/annum
- **Steam condensate recovery optimisation (all units):** Maximised recovery of steam condensate and return to boiler across all units
- **Reutilisation of water (Vizag, Chennai and Nagarjuna Sagar units):** Freshwater RO reject water, plant backwashings, among others recycled for domestic use
- **Reuse of AHU condensate at Vizag, Nagarjuna Sagar units**
- **Hydro jets installation (all units):** Provided for equipment cleaning in process areas and dish washers in canteen areas for more efficient water use

Performance enhancement of Zero Liquid Discharge (ZLD) Plant

NATCO focused on upgrading the ZLD setup by installing a third Reverse Osmosis (RO) plant at a cost of ₹4 million. With this, the Company met its primary objective of increasing recycling of treated water and reducing steam consumption. During the reporting year, NATCO recycled over 4,000 KL treated water and accrued net energy saving of 61,595 KWH while reducing 112.57 tonnes of GHG emissions.

4,000 KL
Water recycled

112.57 TONNES
of GHG emissions reduced

Waste

NATCO partnered with ITC under the WoW programme (Wellbeing Out of Waste) and recycled 3.1 tonnes of dry non-process waste. The partnership is ongoing since 2019 and the Company has active participation from all units.

Continual improvement

Getting a little better every day is tenacity in action. Sustainable, continual improvement creates engagement at all levels, and NATCO has a robust management system that empowers teams and frontline leaders to identify improvement projects and create a culture of change.

Continual improvement

Safety projects

- Installed automatic foam flooding system in the solvent tank farm
- Automated and streamlined the washing of laboratory glassware in the QC, thereby eliminating solvent exposure and cut injury

Environmental projects

- Reduced use of solvent by shifting from HPLC based analysis to UPLC

Cost optimisation

- The supply chain team initiated two projects to consolidate purchase of GC columns and annual maintenance of HPLC across all manufacturing facilities, which has streamlined the analytical operations with an emphasis on resource optimisation along with cost savings.

Control of fugitive emissions at ETP-ZLD area

- Closed loop operation for continuously drying ETP sludge, thereby reducing fugitive emissions.
- The system consists of:
  - Closed screw conveyor system for feeding wet sludge cake to sludge dryer
  - Two stage vent condensers for sludge dryer
  - Aeration tanks covered with UV resistant HDPE cover and connected to a scrubber
  - Raw effluent collection tanks are covered and connected to scrubber

People

FURTHERING THE SPIRIT OF COLLABORATION

NATCO's people are its partners, helping implement its mission to make affordable specialty drugs more accessible. It is driven by a genuine desire to make NATCO a great place to work, where employees feel inspired to give their best and identify with the organisation's values and purpose. Amid the challenges of this year, NATCO's employees supported each other to emerge stronger.

5,000+
Employees across all locations

ZERO
Reportable safety incidents

Average hours of training per person*

24
Workmen level

34
Middle Management level (Executive to Deputy Managers)

25
Supervisors level

26
Managers and above level

*specific to manufacturing locations and R&D Centres

Responding to COVID-19

The COVID-19 pandemic affected both personal and professional life within a short span of time. The Company's focus remains on protecting its employees and ensuring their health and safety, while also maintaining business continuity.

With the onset of the pandemic, NATCO encouraged remote working and virtual collaboration as much as possible. It enforced additional safety measures across its offices and sites and halted business travel. Apart from implementing government-mandated safety protocol, it offered additional support for testing, vaccination and other measures wherever applicable. Training was conducted for all employees to help them address the new normal and coach them on workplace behaviour.

NATCO has ensured that its employees remain connected to the leadership through regular updates and communication. Consistent and regular communication played a vital role in keeping employees informed and engaged during these unprecedented times.

COVID-19 actions that put people first

1 Response Develop plans and actions to protect the workforce

2 Mitigate Take steps to reduce the impact on the health of the workforce and overall operations

3 Recovery Adapt to the new normal by adopting agile ways of working

4 Resilience Revive workforce productivity by continuous monitoring of health and redesigning health and safety systems at the workplace

Response

- COVID-19 rapid response team set up
- Leadership reviews and walkthroughs of sites and facilities for COVID-19 preparedness
- Identification of key personnel integral for business continuity
- Regular communication and engagement of leadership with workforce

Recovery

- Health monitoring of employees, testing at all sites (5,000+ tests)
- Adoption of social distancing, update of entry and exit procedures at sites, sanitation of workplaces and providing a safe environment for employees
- Training and awareness on COVID-19 precautions
- Free vaccination of all employees

Mitigate

- Home care for affected employees
- Establishment of network with corporate health centres to handle emergencies
- Hospitalisation support for employees requiring critical care
- NATCO isolation ward set up
- Restructuring of employee health benefits and update of company policies Plasma

Resilience

- Streamlined operations, adapting flexible workplaces and enabling virtual conduct of business for sales and marketing teams
- Management of employees on rotation at sites
- High engagement between NATCO, unions and contract employees, resulting in quick return to operations and sustained business continuity

Special benefits during the pandemic

A Rapid Response Team updated the Company's employee benefits and policies related to medical insurance and paid leave benefits. Although every employee is provided with health insurance coverage, last year, NATCO doubled the insurance cover. Additional hospitalisation charges related to COVID-19, exceeding the insurance cover, were also subsidised by the Company. Leave and health benefits were extended to contract employees. Paid leave was provided to every employee affected by the pandemic. To control the spread of the virus at NATCO's sites and to ensure that its employees were in good health, NATCO conducted free health check-ups and offered free vaccination during the reporting period.

Building employee resilience

The Company's quick response to the pandemic has allowed it to continue to work productively and collaboratively during this period. The constant dialogue with the trade unions and its employees ensured that employees and contractors were aware that they were supported in every aspect – job security, financial assistance, and healthcare. Collaboration among the CSR, Quality Assurance, and HR teams helped the Company tackle the most pressing concerns of employees returning to work. Continuous health monitoring, training for safe behaviour in the new normal, continued assistance for employees and dependents in the form of healthcare, emergency supplies, among others are examples of the empathetic leadership and culture that have allowed the Company to emerge stronger from this experience.

Staying together

NATCO ran several campaigns and celebrated the World Environmental Day, National Safety Day, among others. Through these initiatives, the Company was able to keep its workforce engaged, motivated and safe during challenging times.

EHS campaigns

- Celebrated World Environmental Day and National Safety Day across all plants
- Celebrated Telangana Haritha Haram programme by planting 180 saplings at the Nagarjuna Sagar unit and 500 saplings at the Mekaguda units
- Campaign on COVID-19 safety precautions
- Short film made on COVID-19 safety precautions
- Conducted road safety campaign on ‘Drive Safe – Arrive Safe’

Learning and Development

NATCO continued to train and develop its people through digital platforms and set up the necessary infrastructure to build EHS, COVID awareness as well as training to build awareness on sexual harassment and mental health during the pandemic. It also introduced online trainings through Zoom and MS Teams.

Taking the LEAP

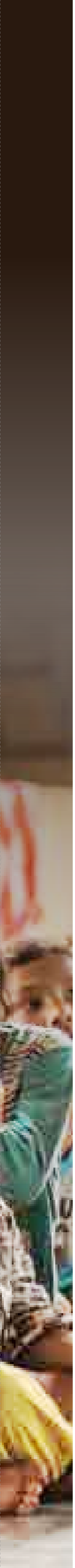
In July 2020, NATCO launched LEAP – Learn to Excel, Achieve and Prosper for the Oncology, Pharma Specialty, Cardiology and Diabetology divisions. In the LEAP system, employees are encouraged to take part in ‘micro-learning’ exercises. Employees receive an article or clinical paper twice a month and their knowledge retention is tested through a short online quiz five days after the article is received. Employees are recognised with different badges based on their performance in the quiz. NATCO uses an online platform called MIRROR, which provides real time updates of scores. This allows employees to track their progress over time as well as view the achievements of other members on the platform. Going forward, the Company aims to broaden the use of LEAP to capture all training activities and data in a single platform.

Corporate Social Responsibility

CREATING A POSITIVE SOCIAL IMPACT

Giving back to the community and promoting community wealth creation through the NATCO Trust is a system-changing, people-centred approach that it has honed through a wide range of programmes, including education, health, nutrition, sanitation, hygiene, livelihood, farming and others.

This is one of the major ways in which NATCO continues to progress in terms of sustainable operations while enabling the communities in places where it operates to become self-reliant and resilient. Its activities span eight districts in the states of Telangana and Andhra Pradesh as well as some parts of Tamil Nadu.



Education

- Supported 64 Anganwadis, 42 schools, 9 adult literacy centres
- Reached close to 9,000 children and more than 100 women
- Institutional support to 3 schools

Health

- Under outreach healthcare services two mobile medical units and two stand-alone clinics reached approximately 50,000 patients in over 100 villages
- Institutional healthcare services in five hospitals reached almost 2.5 lakh patients
- Promoted women's health by reaching close to 500 mothers with nutritional supplements in 28 villages and supported 230 deliveries at government and private hospitals
- Over 18,000 people benefited from the potable water facility in two villages

Livelihoods

- Promoted nutrition and sustainable livelihoods by reaching 1,000+ families in 28 villages for kitchen gardens and 100+ farmers practice Non-Pesticide Management (NPM) in 22 villages with 123.5 acres of land
- Over 3,000 saplings, both fruit bearing and non-fruit bearing, were planted in the targeted villages
- Veterinary healthcare services extended to more than 16,500 animals which included cows, sheep, buffaloes, goats, among others in the targeted villages

Education to empower communities

NATCO approaches education through a two-pronged approach i.e., through NATCO nurtured institutions, such as the NATCO High School and NATCO School of Learning and through the strengthening of government schools, Anganwadi centres, and promotion of adult literacy classes. Currently, the NATCO Trust supports 40 government schools (6 high schools and 34 primary schools), 64 Anganwadis that focus on early childhood education, and 9 adult literacy classes in five districts of Telangana and Andhra Pradesh. Through these schools and centres, NATCO aims to promote the holistic development of children through academic support, nutrition and health, water and sanitation, and physical sport. NATCO also supports these centres by developing infrastructure, human resources and by capacity building for the staff and volunteers.

The existing, well-established system of Gurukula coaching and after-school coaching, which entails personal visits to students' homes and ensuring a strong connection between the teacher, student, and parent, have allowed the Trust to continue its activities without disruption as the pandemic spread. The students were provided support in the form of online and offline classes and additional support by personal visits by our dedicated volunteers.

A total of 900+ homes were visited during the reporting year, with repeat visits benefiting around 875 children from the communities.

A new Anganwadi construction, and the construction of a new ZPH school are underway at Kothur, which will further benefit the community.

4 QUALITY EDUCATION

Enhancing community health and nutrition

NATCO programmes aim to provide a holistic approach to community healthcare in the form of online and offline community healthcare services and support to institutional healthcare services.

To support community health, the Company initiated two mobile health clinics and two standalone satellite clinics. During the COVID-19 pandemic, the mobile healthcare services were extended to local villages and communities in Kothur, Mekaguda, Sagar as well as in the vicinity of the factory locations to provide services to employees and their families.

Community healthcare services improve the health seeking behaviour of the communities through nutrition, support for mother and child health, preventive mechanisms through community-based healthcare services and health education.

Institutional healthcare services provide workforce and medicines to five government hospitals. Almost 25,000 patients benefited through these services. Additional support was provided during COVID-19 to patients.

Medical and food essentials were also provided to migrant and daily wage workers. Proactive COVID-19 awareness sessions were conducted in the targeted areas benefiting over 30,000 people.

Sanitation and water supply

In line with its healthcare commitment, the Company focuses on the improvement of sanitation and the availability of clean water to the communities. It set up potable water plants in two villages in Ranga Reddy and Nalgonda districts serving a population of 18,000 people.

Inauguration of the NATCO Cancer Centre

In July 2020, the NATCO Cancer Centre, located in the premises of the Guntur General Hospital was inaugurated, three years after the project began in 2017. The Cancer Centre was set up in collaboration with the Government of Andhra Pradesh and the state medical and health departments. Equipped with 110 beds, the Centre offers holistic cancer treatment, including medical, surgical, and radiotherapy services and intends to bring free and quality healthcare services to the underprivileged.

The cancer centre is a key initiative among others already undertaken by NATCO at the Guntur General Hospital, such as the installation of ventilators, construction of a new pediatric ward, neonatal intensive care unit and the construction of a laminar modular operation theatre. Since its inauguration, the hospital has received approximately 150 patients per day. However, this is a reduced number given the prevailing pandemic situation. The centre also provided support for COVID-19 treatment during the year and played a significant role during the pandemic for the underprivileged.

Promoting livelihoods

NATCO aims to build resilient and self-reliant communities, which are fundamental building blocks in our society. The Company encourages farmers and their families to train in sustainable agricultural practices and livelihoods through multiple initiatives. This is challenging work, more so in the context of the pandemic. Despite this, the Company continued with its efforts and have been witness to positive outcomes. NATCO is also support farmer families in matters of nutrition, health, and livelihood during this critical time.

A major focus to support farmers has been through the provision of veterinary healthcare services for livestock. NATCO Trust extends fodder and medicines to cater to the needs of animal husbandry in and around the villages of Nandigram and Kothur mandals of Ranga Reddy districts. Additional veterinary health camps were conducted in six villages impacting close to 400 farmers and their families.

NATCO believes that a good diet is important for the general well-being of these families. By promoting a better diet and greater access to nutritious foods, it is nurturing stronger farming communities. The 'Kitchen Garden' initiative impacted 28 villages with more than 1,000 beneficiaries and is aimed at supporting food security and household nutrition.

A plantation drive was also conducted at the Anganwadi centres, government schools, and villages in Nalgonda district, where more than 3,000 fruit and non-fruit bearing seedlings were planted. To further champion the 'green and clean' initiatives, three youth groups were mobilised to improve sanitation and green cover at the targeted villages.

Non-Pesticide Management– Agriculture

100+

Farmers supported in leased farming

Kitchen gardens

1,000+

beneficiaries in

28 VILLAGES

Veterinary healthcare

~400

Farmers benefitted

COVID-19 response

Support to state governments

- Support to state governments of Telangana, Andhra Pradesh and Tamil Nadu in terms of donations and COVID-19 essentials like medicines, PPE kits, hand gloves, N95 face masks, sanitisers, among others
- Support to local bodies and government offices in terms of disinfecting and N95 face masks, hand gloves, sanitisers PPE kits, among others

Support to communities

- Approximately 11,000 mid-day meals to migrant and daily wage labourers, 2,000 dry rations to the families of Anganwadi children and migrant labourers
- Disinfection of villages, support in provision of hand gloves, N95 facemasks, PPE kits, sanitisers
- PPE kits, masks and sanitiser support to NGOs
- Engaged women from the communities to help in the sewing of over 13,500 faces masks and other garments. This mutually beneficial exercise empowered over 50 women from the local communities to engage in the fight against the pandemic as well as give them a source of income during a difficult period.

Involving our employees

- 58 COVID-19 positive recovered employees donated plasma
- COVID-19 awareness drives for employees and neighbourhood community

MANAGEMENT DISCUSSION & ANALYSIS

Global economy

The year has been marked by uncertainty across the world owing to the socio-economic impact of the ongoing COVID-19 pandemic. A number of low-income countries continue to face fiscal pressures in addition to the immense devastation caused by loss of life. The vaccine roll-out has further accentuated the inequalities between advanced and developing nations, with the latter still having a large population of people who are not vaccinated. In addition to this, mutations of the virus have added to the existing threat of COVID-19, making an already difficult situation even more tenuous.

The International Monetary Fund (IMF) has projected a growth rate of 6% in 2021. This was attributed to the recovery resulting from mass vaccinations, financial initiatives, and economic resurgence following the lockdowns. Overall, the economic recovery is likely to be more gradual for emerging and low-income economies relative to advanced economies. This is because countries with poor financial outlook are unable to upgrade health infrastructure or invest in policy measures to tackle the pandemic. The governments need to increase their spending towards medical infrastructure and vaccinations. Meanwhile, central banks are adopting additional fiscal measures to address the COVID-19 situation, which include slashing interest rates and providing monetary injections for financial institutions and economies.

GDP growth projections

Region	Annual Percentage Change (%) 2020	2021	2022
World Output	-3.3	6.0	4.4
United States	-3.5	6.4	3.5
Euro Area (Germany, Italy, France, and Spain)	-6.6	4.4	3.8
Japan	-4.8	3.3	2.5
United Kingdom	-9.9	5.3	5.1
Canada	-5.4	5.0	4.7
Emerging and Developing Asia	-1.0	8.6	6.0
China	2.3	8.4	5.6
India	-8.0	12.5	6.9
ASEAN-5	-3.4	4.9	6.1
Brazil	-4.1	3.7	2.6

Source: IMF, World Economic Outlook Update, April 2021

Outlook

The pace at which economies recover from COVID-19 is mostly dependent on the effectiveness of mass vaccinations. It is still unclear to what extent these vaccines can protect against mutations and, therefore, it is difficult to predict when economies will return to pre-pandemic levels. However, countries have learnt to be wary of the effects of the pandemic over this time and adopted crucial fiscal measures while industries are adapting to the changing circumstances with agility. The efficacy of these measures will be instrumental in determining the level of foreign investment as well as domestic spending in individual countries.

Indian economy

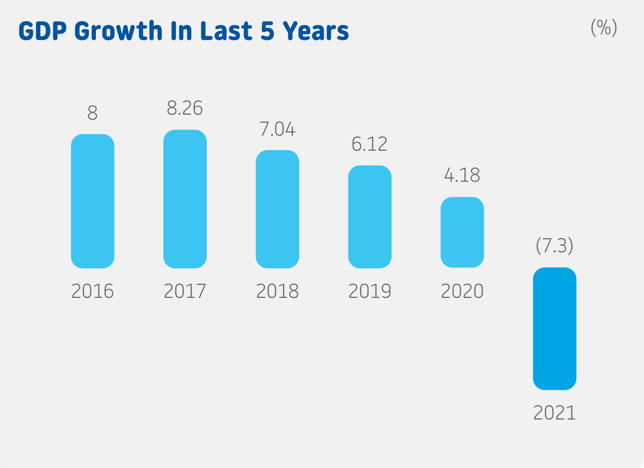
India is expected to grow at a rate of 12.5% in FY 2020-21 per the projections made by the IMF. The estimated growth rate for the country is higher than the estimations for many advanced economies. This is due to the country's strong recovery in late 2020 and early 2021 as restrictions eased and the economy started to open up.

The Indian economy registered a GDP growth (y-o-y) of 0.4% in Q3 FY2021, after recording negative growth of 24.4% and 7.3% in the previous two quarters. The positive growth during the third quarter is indicative of slow resumption of economic activities as well as higher consumption and activity across sectors. Industrial production contracted by 1.6% in January 2021 after recording a growth of 1.6% in December 2020. The decline in growth is mainly due to contraction in the mining and manufacturing segment along with a prominent decrease in the output of both capital goods as well as consumer non-durables. To make India self-reliant and strengthen its fight against the impact of COVID-19, the Prime Minister of India announced stimulus packages worth ₹20 lakh crores or 10% of India's GDP towards the Atmanirbhar Bharat Abhiyan. The government announced additional packages under the programme in September 2020 and November 2020. The Indian economy grew by 1.6% in the fourth quarter, recording a minor pickup in growth even as the COVID-19 second wave dampened the pace. For the full fiscal year, the economy shrunk by 7.3%.

Outlook

With economic activity gaining momentum post COVID-19 lockdown and rollout of vaccines, the Indian economic conditions are likely to improve. The second wave of COVID-19 along with rising input prices, stress in the micro, small and medium-sized enterprises (MSMEs) are some of the headwinds facing India's economic revival. Monetary and fiscal support will remain crucial. The IMF has projected growth rate of 12.5% for India in 2021.

GDP Growth In Last 5 Years



Source: Ministry of Statistics and Program Implementation (MOSPI)

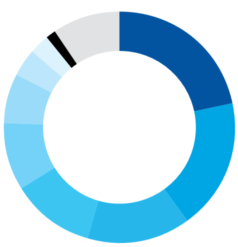
Industry Review

Global pharmaceutical market review

According to the reports by IQVIA, the pace of growth for the global pharmaceutical industry is expected to return to pre-COVID-19 levels by 2025. In between, it is likely that the growth rate may vary. The impact of COVID-19 is considerably greater in the short term while impact on the growth drivers in the industry for the long term appears to be subdued. Although there was greater vaccine-related spending in the pharmaceutical sector, spending on existing therapies and treatments suffered due to the pandemic, in addition to supply chain and raw material disruptions across the world. As a result, the growth rate is projected to be 4.6% CAGR for the five years leading up to 2025. Due to the impact of COVID-19, there has been a change in the demand for existing therapies along with evolving consumer habits and behaviour.

Global Over-the-Counter Medicine Spending and Growth by Segment in 2020

(%)



Segment	Share of OTC market(%)
Eye care	21.8
Urinary and reproductive	18.2
Circulatory	14.4
Calming/sleeping/mood	11.7
Herbal and homeopathics	9.4
Habit	7.1
Anti-haemorrhoids	3.9
Weight loss	2.7
Ear care	1.4
Other OTC	9.3

Source: IQVIA Global OTC Insights, Sep 2020

Countries with low income have limited access to medicines, which has further declined over the past five years. This trend will have a negative impact on the pharmaceutical markets in these countries and lead to greater health risks for the population. Meanwhile, developing countries are projected to grow between 2-5% by 2025.

The global medicine market is expected to grow to ~1.6 trillion in 2025, growing at a CAGR of 3-6% over the next five years. The estimated amount is for the direct purchases made from manufacturers and does not include off-invoice discounts and rebates.

With respect to most existing therapy areas, the growth rates are considerably subdued, and vaccines are the only exception. Growth over the next five years will be based on the immense contributions of the immunology, oncology and neurology segments as new medicines are introduced. Of these, the two most prominent therapy areas are oncology and immunology. These are projected to grow at five-year CAGR of 9-12%. It is expected that the oncology sector will introduce 100 new treatments over the course of five years, leading to medicine spend amounting to $260 billion in 2025. On the other hand, when it comes to neurology, we are likely to witness new therapies, for migraine, possible solutions and treatments for rare neurological disorders, as well as therapies for Alzheimer's and Parkinson's disease.

Global Market Medicine Size and Growth (CAGR 2010-25)

(%)

Markets	2010-15	2016-20	2021-25
Global	6.0	4.6	3-6
Developed	4.8	3.8	2-5
Pharmerging	11.7	7.4	7-10
Rest of the World	6.0	3.9	3-6

Source: IQVIA Market Prognosis, Sep 2020, IQVIA Institute, Mar 2021

Outlook

While the period between 2020 and 2021 saw a considerable shift in the outlook for medicine spending, the coming years will operate at pre-pandemic levels. This does not include vaccine expenditure. The gradual roll out of vaccines is estimated to add $157 billion to medicine spending across the globe. Additionally, it is projected that 70% of the world's population can be vaccinated by the end of 2022 based on current manufacturing capacities. Should the world fail at developing herd immunity, it is possible that secondary waves of the virus will continue to have an impact on both economies and health. Government expenditure and policy towards the upgradation of medical infrastructure, healthcare and medicine spending will determine the outlook for the segment in the years to come.

US

Over the next five years, medicine spending in the US market is projected to progress at a CAGR between 0-3% based on net prices, as estimated by the IQVIA Institute. As opposed to this, the CAGR for the previous five years was close to 3%. Additionally, when it comes to the US, there is increased scrutiny in terms of the pricing and value of medicines. This trend will probably continue and exert greater pressure on the pharmaceutical sector.

~41%

Of global pharmaceutical spending is accounted for by the US market

US pharmaceutical spending and growth

(US$ billion)

Region	2019	2014-2019 CAGR (%)	2024	2019-2024 CAGR (%)
US	510	4.3	605-635	3-6

Outlook

Growth in the US market, over the next five years, is expected to be gradual due to a number of factors, such as operating environment for medicine use, adoption of newer treatments, expiration of patents, and the contribution of biosimilars and generics.

Pharmerging markets

Over the past ten years, medicine use across the world has grown due to the expansion of the pharmerging markets and economies. However, it has been noted that pharmerging countries and their markets have lower per capita use of medicines. This is due to the considerable inequality in spending prowess among the populations of these countries. The national income of a country has a proportional impact on medicine use and consequently, developed countries are likely to witness stronger performance as opposed to pharmerging markets.

Growth of pharmerging markets over the years

(%)

Region	2010-2015	2016-2020	2021-2025
Pharmerging	11.7	7.4	7-10

Source: IQVIA Market Prognosis, Sep 2020, IQVIA Institute, March 2021

China witnessed the greatest impact in the earlier stages of the virus. As a consequence, the country's GDP in the fourth quarter of 2019 was down by 8%. Meanwhile, the average GDP for pharmerging economies returned to pre-2019 levels while medicine use is up by 12% as compared to early 2019. This, in turn, has highlighted the adaptability of these economies and their resilience to COVID-19 related challenges.

Oncology, which is a prominent sector, has witnessed a CAGR of 30% over the decade. In pharmerging markets, the disease burden declined by 5% on a per capita basis during the same span of time.

Outlook

When it comes to pharmerging markets, the use of medicine is proportional to disease burden. Subsequently, there has been reduction in the spread of communicable diseases as the number of treatments have gone up. Both oncology and viral hepatitis are expected to have new treatments. Considerable advancement has been made in mitigating the burden of disease as healthcare infrastructure and medicine availability has improved over the years.

While medicine spending in Japan is projected to fall due to price erosion and a shift to generics, China is forecasted to witness growth in spending following the pandemic as newer medicines are introduced. Overall, accessibility of medicine in pharmerging countries has been improving as more products are brought into the market.

India

The Indian Pharma Industry is poised for a big leap forward in this decade. Health, science and innovation have come into sharp focus. The developments over the past year have emphasised the importance of innovation, a robust infrastructure for production of drugs and pharmaceuticals and the need to constantly build a huge talent pool of scientists, researchers and technologists who can be the arrowheads for the future. India has emerged as a pharmacy to the world, supplying critical drugs and vaccines during the course of this pandemic.

Based on estimation of the Indian Economic Survey 2021, India's domestic market is projected to grow at 3 times its previous growth rate over the next ten years. The volume of production carried out in India is the third-highest in the world and the industry covers 3,000 drug companies and ~10,500 manufacturing units. It is estimated that the value of the India pharmaceutical industry is US$ 41 billion in 2021. This valuation is expected to grow to between US$ 120 billion and US$ 130 billion by the end of the decade.

Over half of the world's demand for vaccine supply is met by the country's pharmaceutical industry. Similarly, the demand for 40% of generics in the US is met by Indian pharmaceutical companies. While the US is the most crucial market in terms of exports, the country supplies medicines to over two hundred countries all across the globe.

INDIA HAS EMERGED AS A PHARMACY TO THE WORLD, SUPPLYING CRITICAL DRUGS AND VACCINES DURING THE COURSE OF THIS PANDEMIC.

India is also the largest supplier of generics in the world contributing to almost 20% of global export volumes. Till February 2021, the country's exports from the pharmaceutical industry amounted to US$ 22.15 billion for the fiscal year. Similarly, the market for medical devices has grown in recent years and is projected to reach US$ 25 billion by 2025.

₹73,932 CRORES

Allotted to the Ministry of Health and Family Welfare under Union Budget 2021-22

₹2,663 CRORES

Allotted to Department of Health Research under Union Budget 2021-22

₹37,130 CRORES

Allotted to National Health Mission

The government has renewed its focus on supplementing the growth of India's pharmaceutical segment. It was with this objective that 'Pharma Vision 2020' was launched. In addition to this, the government established a scheme to promote self-reliance and set up greenfield projects with a cumulative outlay of ₹6,940 crores between 2021 and 2030. In order to enhance the production of APIs in the country, the government plans to inject ₹1 lakh crores into the pharmaceutical industry by 2023.

Outlook

The Indian pharma industry has been a key contributor in improving the country's healthcare and economic outcomes. The pandemic has enhanced several opportunities and challenges for the industry. To emerge as a winner in the post-pandemic world, the industry needs to continue building on its strength and, at the same time, make a giant leap towards innovation. New capabilities need to be introduced across the business functions to develop skills and help the industry move up the value chain. The government must continue its endeavour to provide the right enablers and business environment for growth.

Business Overview

NATCO is a vertically integrated enterprise with focus on research and development. The Company is engaged in the development, manufacturing and marketing of finished dosages and active pharmaceutical ingredients in domestic and international markets. NATCO has carved a unique space for itself in the 40+ countries where it currently operates. Currently, NATCO has six Finished Dosage Forms (FDFs) and two Active Pharmaceutical Ingredients (API) manufacturing facilities in the pharma segment. In the agrochemical space, it has two units in Attivaram, Andhra Pradesh.

On the domestic side of the business, NATCO is one of the leading players in the oncology segment and has an extensive portfolio of products across therapeutic areas. Cardiology and Diabetology are two other major segments in the Company. Additionally, using NATCO's technical and manufacturing capabilities in the pharma segment , the Company has started operations and launched initial products in the agrochemical sector.

The Company continues to take strategic steps driven by R and D and manufacturing to stay ahead of competition and launch niche products in India and international markets. The Company believes that it is at a point of inflection of growth starting from this year.

₹21,557 MILLION

Revenue

₹7,098 MILLION

EBITDA

₹4,424

Profit After Tax

Business segments

NATCO operates in two different business segments: pharmaceuticals and agrochemicals. Within the pharma business segment, the Company drives its sales through Finished Dosage Forms (FDFs) and Active Pharmaceutical Ingredients (APIs). The Company's formulations business is geared towards meeting international requirements and catering to regions and countries, such as the US, Europe, Brazil and Canada. In addition, the Company has a strong pipeline of products in oncology, pharma specialties, cardiology and diabetology to cater to domestic markets.

Our API business has enhanced capabilities that allow us to establish a unique position in the market. These include multi-step synthesis, semi-synthetic fusion technologies, high-potency APIs and peptides. Additionally, the Company offers contract manufacturing facilities too.

In 2019, NATCO has established a crop health sciences division and has since been committed to expanding presence in the agrochemicals business by providing a broad spectrum of products.

Manufacturing facilities

During the last few years, NATCO built adequate manufacturing capacities across plants both in the pharma as well as in the agri segments. All NATCO units stand in good stead with the regulatory authorities. This year, the Vizag facility has been commissioned and is operational.

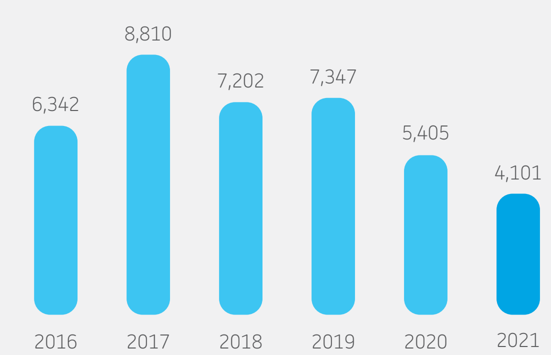
Domestic formulations

NATCO has a robust formulations business in India. The Company is one of the leading players in the oncology segment and has a strong pipeline of non-oncology products. These include products under the Hepatitis C portfolio. NATCO has made considerable advancements in cardiology and diabetology (CnD) during the year. The Company launched 10 new products across its three different therapeutic segments during the year.

FY 2020-21 was a difficult year for the oncology business. Despite various challenges posed by the pandemic, such as patient mobility and low hospitalisation, NATCO launched several new products. The Company was able to mitigate the contraction in the pharma specialty sector. The Company remains focused on filling the gaps in untapped markets.

Domestic FDF Sales (₹ in million)

(8%) 5 Year CAGR



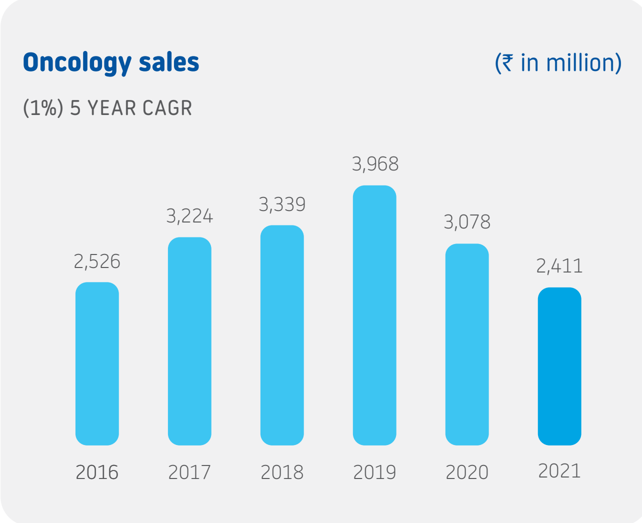
Oncology

Due to COVID-19 and the growing fear of hospitalisation and travel among Cancer patients the Company could not witness the same level of commerce as it would have otherwise. While patients shifted to oral therapies, sales for high-margin injectables were negatively impacted.

Although net profit was affected as a consequence of fewer sales, oncology continues to contribute to the majority of sales on the domestic front and has retained its position as the Company's most important segment.

NATCO is an established brand with a loyal customer base. It has an extensive pipeline of products constituting 38 active products as on 31st March 2021 with 7 brands clocking sales over ₹100 million in FY 2020-21. NATCO is also planning to launch a number of products in the coming years.

Revenue from the segment amounted to ₹2411 million in FY 2020-21, as compared to ₹3,078 million in FY 2019-20. Oncology has witnessed the largest comparative rise in medicine use over the past decade across the world and the segment is expected to bounce back once the impact of COVID-19 wanes and people start visiting hospitals for oncology-related treatments.



Non-oncology business

NATCO's non-oncology business consists of pharma specialty, cardiology and diabetology products. It also includes third-party manufactured products. Revenue from the non-oncology segment amounts to ₹1690 million in FY 2020-21 as compared to ₹2,327 million in FY 2019-20.

Pharma specialties

NATCO's products under the pharma specialty segment deal with Gastroenterology, Hepatology, Orthopaedics, Neurology, Critical care and Covid care. Currently, the Company has 22 active products in this segment.

The company is looking into the introduction of novel molecules that would fulfil the unmet need in the therapy of HIV, Covid and anti-infectives. Moving forward the company will have a pipeline of molecules in each portfolio that will have an edge in treating patients.

Cardiology and diabetology

NATCO's performance in the cardiology segment was satisfactory and the Company estimates that the segment will contribute to ~15-20% of domestic sales, adding to the base earnings. In FY 2020-21, NATCO launched 2 new products in the market, further supplementing its presence in the segment.

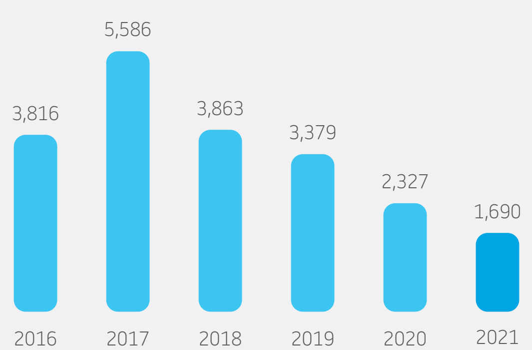
Third-party manufacturing

NATCO offers contract manufacturing of products for third-party companies.

Non-oncology revenue*

(₹ in million)

(15.03%) 5 YEAR CAGR



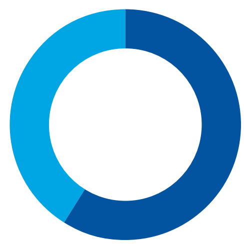
*Includes third party

International formulations

NATCO has a robust presence in the US, which is a key strategic market for the Company. The Company has over a decade of experience in dealing with regulatory requirements of the country and has successfully established a local presence through the reach of its partners to grow the business. On the other hand, in countries such as Brazil, Canada and Singapore, the Company operates through its subsidiaries/step-down subsidiaries. Revenue from international operations amounted to ₹10,771 million in FY 2020-21 as compared to ₹9,334 million in FY 2019-20.

Breakup of revenue from international business

(₹ in million)

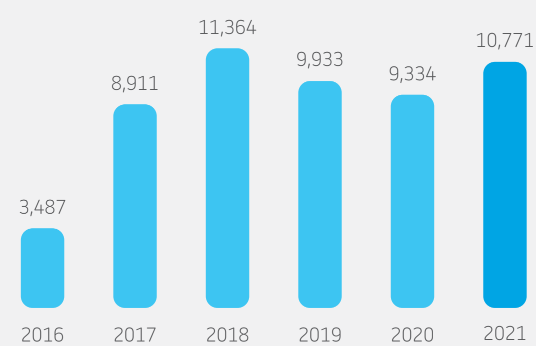


Segment	Share of OTC market(%)
Earnings from exports	6,760
Earnings through subsidiaries	4,011

International formulations

(₹ in million)

25.30% 5 YEAR CAGR



US

The US market is dominated by Indian players since India has a large number of FDA approved facilities. Despite this, it is a key market for NATCO. The Company is able to leverage its unique product selection and local partnership model to carve a space for itself. Revenue from US business constituted ₹7,910 million in FY 2020-21, inclusive of revenue from both FDFs and APIs.

NATCO plans to increase the rate of filings in the US. The Company is focused on increasing the niche molecules for filing in the US.

NATCO has been facing pricing pressures, but at the same time, it benefits more from integrated products as opposed to outsourced products.

All NATCO's manufacturing facilities supplying to the US remain in good stead with the USFDA. The Company is constantly looking at ways to propel its business growth in the US, through niche filings and by increasing its portfolio of products. Towards that goal it is also considering establishing a front-end entity in the US.

Niche products in current portfolio

Key Brand	Molecule	Therapeutic Segment/Primary Indication
Copaxone	Glatiramer Acetate	CNS/Multiple Sclerosis
Doxil	Liposomal Doxorubicin	Cancer/Ovarian and other
Fosrenol	Lanthanum Carbonate	Renal disease
Afinitor (2.5 mg, 5 mg and 7.5 mg)	Everolimus (higher strength)	Cancer/Breast
Tykerb	Lapatinib Ditosylate	Cancer/Breast
Tamiflu	Oseltamivir	Anti-Viral/Influenza

Product pipeline

Key Brand	Molecule	Therapeutic Segment / Primary Indication
Nexavar	Sorafenib	Cancer/Kidney & Liver
Revlimid	Lenalidomide	Cancer/Multiple Myeloma
Afinitor (10 mg)	Everolimus (higher strength)	Cancer/Breast
Zortess	Everolimus (lower strength)	ImmuneSupression/Organ Transplant
Aubagio	Teriflunomide	CNS/Multiple Sclerosis
Kyprolis	Carfilzomib	Cancer/Multiple Myeloma
Pomalyst	Pomalidomide	Cancer/Multiple Myeloma
Sovaldi	Sofosbuvir	Anti-Viral / Hep C
Imbruvica	Ibrutinib	Cancer/Leukaemia
Lonsurf	Trifluridine/Tipiracil	Metastatic colorectal cancer
TracleerTFOS	Bosentan	Pulmonary Arterial Hypertension

RoW markets

Canada

NATCO's Canada business continues to be agile and resilient. The Company clocked a revenue of ₹ 4,241.93 million in FY 2020-21 from its Canada business as opposed to ₹1,283 million in FY 2019-20.

18
Active products

29
Total filings

22
Approvals as of 31st March, 2021

NATCO has launched several niche generic products in the market and are confident of future growth driven by regulatory experience and a growing local presence.

Brazil

NATCO's step-down subsidiary in Brazil operates under the name NATCOFARMA Do Brazil. Brazil has a unique patent landscape which provides opportunity for several early launches. The Company is focused on growing both in tender-based business and direct sales. The oncology segment in the country proposes a unique opportunity. Revenue for business in Brazil amounted to ₹288 million in FY 2020-21.

4
Active products

10
Total filings

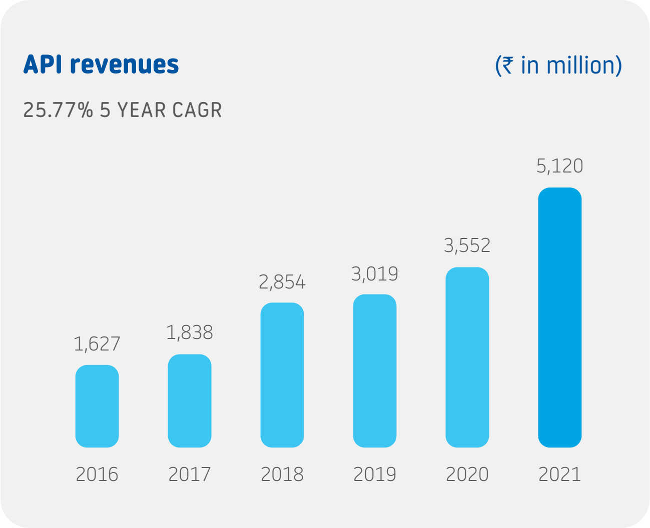
5
Approvals as of 31st March, 2021

Other RoW markets

NATCO is focused on growing its geographical reach and enhancing its presence in a number of countries, such as Singapore, Taiwan, Philippines, Thailand, Vietnam, China and Australia. The company is diversifying through growth in newer territories to ensure consistent profits and expansion. The company has been able to build its presence in Singapore through branded generics even though it is a market partial to established brands.

Active Pharmaceutical Ingredient (API)

NATCO has a robust presence in the API segment and focuses on the manufacturing of niche molecules to supplement its formulations business. The API business accounted for ₹5,120 million (including trading revenue) in revenue in FY 2020-21 over ₹3,552 million in FY 2019-20. As of 31st March 2021, the Company owns a total of 39 active DMFs with USFDA for products under the oncology segment, cardiology segment and orthopaedic therapies. NATCO'S vertically integrated API facilities help maintain business continuity and margins when faced with disruptions in the raw material supply chain.



Segmental Breakdown

Revenue division (₹ in million)	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
API Revenue (total)	1,838	2,854	3,019	3,552	5,120
Formulations					
Domestic	8,810	7,202	7,347	5,405	4,101
International (including subsidiaries)	8,911	11,364	9,933	9,334	10,771
Crop Health Sciences	-	-	-	-	21
Other operating and non-operating incomes	1,230	1,004	1,948	1,933	1,544
Total revenue	**20,789**	**22,424**	**22,247**	**20,224**	**21,557**

Crop Health Sciences
NATCO's Crop Health Science Division has received approval for Chlorantraniliprole (CTPR) for the development of wide-spectrum insecticides. NATCO is focused on enhancing its own brand and presence with a robust pipeline of products that are environmentally friendly. The Company plans to launch a number of niche products in the coming year.

Financial overview
NATCO's consolidated revenue from operations for the year FY 2020-21 stood at ₹21,557 million, growing by 6.6% year-on-year at a CAGR of 14.6% over the last five years. Meanwhile, EBITDA for the year was ₹7,098 million and EBITDA margin amounted to 32.9%. CAGR for EBITDA over the past five years stood at 20.2%, reflecting a period of gradual growth in the Company's margins. Net profit for the year was ₹4,424 million as opposed to ₹4,581 million the previous year, while PAT margin stood at 20.5%. The Company's profit after tax has grown at a CAGR of 22.9% over the past five years.

NATCO's market capitalisation stands at ₹153.53 billion as on 31st March 2021. The Company declared three interim dividends during the year aggregating to ₹5.25 per share amounting to ₹956.48 million resulting in a pay-out of 30.90% of the standalone profit after tax of the Company. In addition, the Company was able to sustain Return on Equity (ROE) at 12% and Return on Capital Employed (ROCE) at 17%. Due to several high-value product releases in the United States, a resurgence in the domestic India sector with new product launches, and growth in the crop health sciences division, the Company forecasts substantial growth in the coming years.

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 a pharmaceutical company.

Read more about Risk Management on page 30

NATCO'S STRATEGY IS ALIGNED TO THE OBJECTIVE OF OPERATING WITH A SUSTAINABLE FOOTPRINT. THEREFORE, NATCO IS LOOKING FOR ALTERNATIVE AND INNOVATIVE METHODS TO MITIGATE THE ENVIRONMENTAL FOOTPRINT OF ITS OPERATIONS.

Environment, health and safety
NATCO is aligned to both regulatory environmental guidelines and larger objectives to contribute to a holistic and sustainable workplace. NATCO is compliant with all regulations and every employee is motivated to operate within the frameworks adopted by the Company.

NATCO's strategy is aligned to the objective of operating with a sustainable footprint. Therefore, NATCO is looking for alternative and innovative methods to mitigate the environmental footprint of its operations.

With these objectives in mind, NATCO contributed to a greener environment and ensured health and safety by adopting the following measures:

- At the Chennai unit, a separate 30 KLD capacity Sewage Treatment Plant (STP) was established with a capital cost of ₹5 million for treating and reusing domestic wastewater for gardening
- Hydro jets provided for equipment cleaning in process areas and dish washers in canteen areas in all units
- Descaling of evaporatortubes for enhancing heat transfer efficiency, thereby reducing the energy consumption of chiller by implementing closed monitoring and ensuring the preventive maintenance schedules at Vizag unit
- VFDs installed for feed water pumps, AHU blowers to reduce the energy consumption by 10% at Dehradun units

Board's Report

The Board takes pleasure in presenting the 38th Annual Report of the Company along with the Audited Financial Statements and other reports for the year ended March 31, 2021.

Company Overview

NATCO Pharma Limited (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 are complex and hard to manufacture. The Company has constantly innovated and 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 an affordable prices when compared with other Companies. With an emphasis on innovation ingrained in NATCO's DNA, 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

(Rupees in Millions)

Particulars	Standalone		Consolidated	
	Year ended 31st March 2021	Year ended 31st March 2020	Year ended 31st March 2021	Year ended 31st March 2020
Net Revenue /Income	17546	19140	21557	20224
Gross profit before interest and depreciation	5187	7018	7098	6900
Finance Cost	113	206	133	215
Profit before depreciation and amortisation - (Cash Profit)	5074	6812	6965	6685
Depreciation and Amortisation	1152	981	1169	998
PBT before exceptional items	3922	5831	5796	5687
Exceptional items	-	-	-	-
Profit before Tax (PBT)	3922	5831	5796	5687
Provision for Tax –Current	933	1291	1478	1311
Provision for Tax –Deferred	(106)	(205)	(106)	(205)
Profit after Tax	3095	4745	4424	4581
Other comprehensive income (OCI)	133	(64)	87	(145)
Total Comprehensive income for the year	3228	4681	4511	4436

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

Impact of COVID-19

In March 2020, the World Health Organisation declared COVID-19 to be a pandemic. Your Company has adopted measures to curb the spread of infection in order to protect the health of its employees and ensure business continuity with minimal disruption. Your Company has considered internal and external information while finalising various estimates and recoverability of assets in relation to its financial statements up to the date of approval of the financial statements by the Board of Directors. Considering the Company is in the business of manufacturing and supplying of pharmaceutical products which is categorised under essential goods, there has been a minimal disruption with respect to operations including production and distribution activities. The actual impact of the global health pandemic may be different from that which has been estimated, as the COVID-19 situation evolves in India and globally. The Group will continue to closely monitor any material changes to the future economic conditions.

Dividend

The Company declared three interim dividends for the FY 2020-21, the details of which are as follows:

S. No.	Date of Board Meeting	Date of payment	Interim Dividend Declared per equity share of face value ₹ 2/- each
1.	12th August, 2020	31st August, 2020	1.25
2.	12th November, 2020	3rd December, 2020	3.00
3.	11th February, 2021	3rd March, 2021	1.00
TOTAL			**5.25**

The total dividend pay-out amounted to ₹ 956.48 million resulting in a pay-out of 30.90 % of the standalone profit after tax of the Company.

The three Interim Dividends have been paid to all eligible shareholders. Accordingly, your Directors recommend that the above three interim dividends be treated as the final dividend of the Company for the Financial Year 2020-21. The said Dividend Distribution Policy is placed on the website of the Company at https://www.natcopharma.co.in/wp-content/uploads/2019/08/Dividend-Distribution-Policy.pdf

Transfer to Reserves

The Company has not transferred any amount to the general reserve for the financial year ended March 31, 2021.

Share Capital

During the year under review 2,69,850 equity shares were issued and allotted under Employee Stock Option Schemes (ESOP-NATSOP 2015, NATSOP 2016 & NATSOP 2017). Accordingly, the issued and subscribed share capital of the Company as on March 31, 2021 stood at ₹ 365 million divided into 18,23,37,825 equity shares of ₹ 2/- each as against ₹ 364 million divided into 18,20,67,975 equity shares of ₹ 2/- each as on March 31, 2020.

Deposits

During FY 2020-21, 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 seven (7) international subsidiaries including one step-down subsidiary as on 31st March, 2021. 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 the annual report. Further, a statement containing the salient features of the financial statement of our subsidiaries in the prescribed Form AOC-1, is attached as **"Annexure - I"** to this 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 i.e., from 9:00 AM to 5:30 PM at the Company's registered office in Hyderabad, Telangana.

Material Subsidiaries

As per Regulation 16 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), a "material subsidiary" to mean a subsidiary, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

Under this definition, NATCO Pharma (Canada) Inc, Canada has now become the material subsidiary of the Company. In addition to the above, Regulation 24 of the Listing Regulations requires that at least one Independent Director on the Board of Directors of the listed entity shall be a Director on the Board of Directors of an unlisted material subsidiary, whether incorporated in India or not. For the purpose of this provision, material subsidiary means a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year. An Independent Director of the Company is also Director on the Board of the material subsidiary. But this requirement as of now, will not be applicable to your Company.

The other requirements of Regulation 24 of the Listing Regulations with regard to Corporate Governance requirements for Subsidiary Companies have been complied with.

Particulars of Loans, Guarantees and Investments

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

Corporate Governance and additional Shareholders Information

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

Management Discussion and Analysis

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

Board of Directors

In accordance with the provisions of the Companies Act, 2013, Sri P.S.R.K Prasad (DIN: 07011140) is liable to retire by rotation and being eligible offers himself for reappointment at the ensuing Annual General Meeting of the Company.

Board Evaluation

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

Appointment of Directors and Remuneration Policy

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

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

Upon recommendation of the Nomination and Remuneration Committee, the Board of Directors at their meeting held on 11th February, 2021 approved the re-appointment of the Sri V.C. Nannapaneni, Chairman and Managing Director, Sri Rajeev Nannapaneni, Vice Chairman and Chief Executive Officer, Sri P.S.R.K Prasad, Director and Executive Vice President (Corporate Engineering Services) and Dr. D. Linga Rao, Director and President (Tech. Affairs) of the Company for a period of one (1) year from 1st April, 2021 to 31st March, 2022.

Declaration by Independent Directors

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

Registration of Independent Directors in Independent Directors Databank

All the Independent Directors have been registered and are members of Independent Directors Databank maintained by Indian Institute of Corporate Affairs.

Confirmation from the Board

All the Independent Directors of the Company have given their respective declaration/disclosures under Section 149(7) of the Act and Regulation 25(8) of the Listing Regulations and have confirmed that they fulfill the independence criteria as specified under Section 149(6) of the Act and Regulation 16 of the Listing Regulations and have also confirmed that they are not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact their ability to discharge their duties with an objective independent judgment and without any external influence. Further, the Board after taking these declaration/disclosures on record and acknowledging the veracity of the same, concluded that the Independent Directors are persons of integrity and possess the relevant expertise and experience to qualify as Independent Directors of the Company and are Independent of the Management.

Opinion of the Board

The Board opines that all the Independent Directors of the Company strictly adhere to corporate integrity, possesses requisite expertise, experience and qualifications to discharge the assigned duties and responsibilities as mandated by the Companies Act, 2013 and Listing Regulations diligently.

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

The Board currently has eight (8) Committees, namely, Audit Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee, Compensation Committee, Corporate Social Responsibility Committee, Risk Management Committee, Committee Dealing with Land Property and Buyback Committee.

A detailed update on the Board, its composition, detailed charter including terms of reference of various Board Committees, number of Board and Committee meetings held during FY 2020-21 and attendance of the Directors is provided in the Corporate Governance Report, which forms part of this Annual report.

All the recommendations made by the Committees of Board including the Audit Committee were accepted by the Board.

Meeting of Independent Directors

A separate meeting of the Independent Directors was held on 11th February, 2021, inter-alia, to discuss evaluation of the performance of Non-Independent Directors, the Board as a whole, evaluation of the performance of the Chairman, taking into account the views of the Executive and Non-Executive Directors and the evaluation of the quality, content and timeliness of flow of information between the management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

The Independent Directors expressed satisfaction with the overall performance of the Directors and the Board as a whole.

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 of this Annual Report.

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

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

Business Responsibility Report

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

Internal Financial Controls

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

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 March 31, 2021, the Board of Directors state that:

a) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

b) The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the profit and loss of the Company for that period;

c) The Directors had taken proper and sufficient care 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 Directors had prepared the annual accounts on a going concern basis;

e) The Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and

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

Related Party Transactions

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

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

Vigil Mechanism/Whistle Blower Policy

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

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

Internal Complaints Committee

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

Auditors

Statutory Auditors

The members of the Company at their Annual General Meeting held on September 5, 2019 appointed M/s B S R & Associates LLP (Firm Registration No. 116231W/W-100024) as the Statutory Auditors of the Company to act as such from the conclusion of 36th Annual General Meeting (AGM) held for the financial year 2018-19 till the conclusion of the 41st AGM to be held for the FY 2023-24.

Secretarial Auditor

Pursuant to Section 204 of the Companies Act, 2013 read with Rule 9 of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, CS B. Kiran Kumar with Certificate of Practice (CP) No. 15876, M/s. BK & Associates, a Practicing Company Secretary conducted the Secretarial Audit of the Company for FY 2020-21. The Secretarial Audit Report in form No. MR-3 is attached as **"Annexure - III"** to this Board's Report.

Upon recommendation of the Audit Committee, the Board has re-appointed CS B. Kiran Kumar (CP No. 15876), M/s. BK & Associates, a Practicing Company Secretary as Secretarial Auditor of the Company for the FY 2021-22.

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) Rules, 2014, the Company maintains the Cost Audit records in respect of its pharmaceutical business. The Board has, on the recommendation of the Audit Committee, appointed M/s. S.S. Zanwar & Associates (Firm Registration No.:100283) as Cost Auditors of the Company for FY 2021-22. The provisions also require that the remuneration of the Cost Auditors be ratified by the shareholders and accordingly the same is put forward to the shareholders for their ratification in the ensuing AGM. The Cost Audit report for the FY 2020-21 will be filed with the Central Government within the stipulated timeline and the relevant Cost Audit reports for FY 2019-20 were filed within the due date to the Central Government.'

Auditors' Qualifications/ reservations/ adverse remarks/ Frauds reported

There are no Auditors' Qualifications or reservations or adverse remarks on the financial statements of the Company. The Auditors have not reported any frauds to the Audit Committee as prescribed under Section 143(12) of the Companies Act, 2013.

Significant and Material Orders Passed by the Courts/Regulators

During FY 2020-21, 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 2020-21 are discussed in a separate head "Creating a positive Social impact" which forms a part of this Annual Report.

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

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

Pursuant to the provisions of Section 124(5) of the Companies Act, 2013, the declared dividends which remained unpaid or unclaimed for a period of seven years, have been transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 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 Limited has reaffirmed their rating **"AA"** (which means high degree of safety regarding timely servicing of financial obligations and has very low credit risk) for various banking facilities enabling your Company to avail facilities from banks at attractive interest rates indicating a very strong degree of safety for timely payment of financial obligations such as payment of interest and repayment of principal, if any.

Particulars of Employees

The information as required under Section 197 of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are attached as **"Annexure-V"** to this Board's Report.

The information required under Rule 5(2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided in an Annexure forming part of this Report. In terms of the second proviso to Section 136 of the Act, the Report and Accounts are being sent to the Members excluding the aforesaid Annexure. The said annexure is open for inspection at the Registered Office of the Company and any member interested in obtaining the same may write to the Company Secretary at the Registered Office of the Company.

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

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

Annual Return
Pursuant to Section 92(3) read with Section 134(3)(a) of the Act, the Annual Return as on 31st March, 2021 is available on the Company's website on www.natcopharma.co.in.

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

Green Initiative
To preserve environment, the Company has undertaken number of green initiatives which not only reduce burden on environment but also ensure secured dissemination of information. Such initiatives include energy saving, water conservation and usage of electronic mode in internal processes and control, statutory and other requirement(s).

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

For and on behalf of the Board of Directors

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

Place: Hyderabad
Date: June 17, 2021

Annexure-I to the Board's Report

Form No. AOC – 1

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

Statement containing salient features of the financial statement of subsidiaries:

(Amount in ₹ Million)

Particulars	Natco Pharma Inc.	Natco Pharma (Canada) Inc.	Time Cap Overseas Limited	Natcofarma Do Brasil Ltda**	Natco Pharma Asia Pte Ltd	Natco Pharma Australia Pty Ltd	Natco Life Sciences Philippines Inc.
Share Capital	162.39	146.55	1392.84	195.87	101.88	98.68	41.52
Reserves & Surplus	262.65	1776.2	-102.35	-81.81	-43.92	-152.22	-36.29
Total Assets	425.27	1969	2.52	509.34	200.88	2.78	23.52
Total Liabilities	0.23	46.28	0.14	395.28	142.92	56.32	18.29
Investments	-	-	1288.11	-	-	-	-
Turnover	-	4,241.93	-	287.66	102.36	-	10.65
Profit before taxation	16.25	2043.8	-7.08	-153.23	46.95	-79.49	-11.95
Provision for taxation	3.41	541.43	0	0	0	0	3.01
Profit after taxation	12.84	1502.4	-7.08	-153.23	46.95	-79.49	-8.94
Proposed Dividend	-	-	-	-	-	-	-
Report Currency	USD	CAD	USD	BRL	SGD	AUD	PESO
Closing exchange rate	73.23	58.15	73.23	12.80	54.42	55.70	1.51
Average exchange rate	74.02	56.02	74.02	13.70	54.18	53.15	1.51
% of Shareholding	100%	99.04%	100%	100%	100%*	100%	100%*

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

** Step-down subsidiary of the Company

For and on behalf of the Board of Directors

V.C. Nannapaneni

Chairman and Managing Director

DIN: 00183315

Place: Hyderabad

Date: June 17, 2021

Annexure-II to the Board's Report

Form No. AOC – 2

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

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

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

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

Sl. No.	Name(s) of the related party and nature of relationship	Nature of Contract / arrangements / transaction	Duration of the contracts / arrangements/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any in ₹ Million	Date(s) of approval by the Board if any	Amount paid as advances, if any in ₹
1.	Mr. V.C. Nannapaneni, Chairman & Managing Director	Renewal of Lease Agreement	2 years	To locate Mumbai Administrative, Marketing and Distribution office of the Company. ₹ 2.4 million p.a.	12th February, 2019	Nil
2.	Mr. Rajeev Nannapaneni, Vice Chairman & CEO	Renewal of Lease Agreement	1 year	To locate Chennai Administrative, Marketing and Distribution Office of the Company. ₹ 3.00 million p.a.	12th February, 2020	Nil
3.	M/s. Time Cap Pharma Labs Private Limited Shareholding of Mr. V. C. Nannapaneni and Mr. Rajeev Nannapaneni	Renewal of Lease Agreement	2 years	To locate Delhi Administrative, Marketing and Distribution Office Rent payable ₹ 2.4 million p.a.	12th February, 2019	Nil
4.	M/s. Time Cap Pharma Labs Private Limited Shareholding of Mr. V. C. Nannapaneni and Mr. Rajeev Nannapaneni	Renewal of Lease Agreement	1 year	To locate godown at Kothur Mandal, Rangareddy Dist. Rent payable - ₹ 1.5 million p.a.	12th February, 2020	Nil
5.	M/s. Time Cap Pharma Labs Private Limited Shareholding Of Mr. V. C. Nannapaneni and Mr. Rajeev Nannapaneni	Renewal of Lease Agreement	1 year	To locate Company's Solar Panel Production at Kothur, Rangareddy Dist. Rent payable - ₹ 1.5 million p.a.	12th February, 2020	Nil
6.	Natco Pharma (Canada) Inc., Subsidiary	Sales	1 year	To sell finished goods to Natco Pharma (Canada) Inc., ₹ 539.64 million p.a.	12th February, 2020	Nil
7.	Natco Pharma Asia Pte. Ltd., Subsidiary	Sales	1 year	To sell finished goods to Natco Pharma Asia Pte Ltd. ₹ 45.89 million p.a.	12th February, 2020	Nil

Sl. No.	Name(s) of the related party and nature of relationship	Nature of Contract / arrangements / transaction	Duration of the contracts / arrangements/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any in ₹ Million	Date(s) of approval by the Board if any	Amount paid as advances, if any in ₹
8.	Natcofarma Do Brasil Ltda, Step-down Subsidiary	Sales	1 year	To sell finished goods to Natco Pharma Do Brasil Ltda ₹ 70.29 million p.a.	12th February, 2020	Nil
9.	Natco Trust Sri V.C. Nannapaneni is the Managing Trustee	Lease Agreement	29 years 11 months	To lease out land to Natco trust for running its Natco High school on a rent of ₹ 50,000 per annum with an increase of 5 % increase every year w.e.f 1st March, 2020 Rent received – ₹ 0.053 Million	12th February, 2020	Nil

Note:

All the above transactions were entered by the Company with Related Parties in the ordinary course of business at prevailing market rates with the prior approval of non-interested Directors.

For and on behalf of the Board of Directors

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

Place: Hyderabad
Date: June 17, 2021

Annexure-III to the Board's Report

Form MR-3
SECRETARIAL AUDIT REPORT

(For the financial year ended 31stMarch, 2021)
[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 read with Regulation 24A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

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

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Natco Pharma Limited**, CIN: L24230TG1981PLC003201 (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2021, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2021 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 ("FEMA") 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 and amendments thereto;

(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 in relation to the Companies Act and dealing with client, and amendments thereto;

(e) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments thereto;

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

(g) The Securities and Exchange Board of India (Buy-back of securities) Regulations, 2018 and amendments thereto;

(h) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and amendments thereto;

(i) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 and amendments thereto; and

(j) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009.

(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 Act, 1985 and the Narcotic Drugs and Psychotropic Substances Rules, 1985 and amendments thereof.

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

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

(e) The Insecticides Act, 1968 and The Insecticides Rules, 1971

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

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

(h) The Environment Protection Act, 1986.

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

(j) The Public Liability Insurance Act, 1991.

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

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

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

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

b. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

c. The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013;

d. The Securities and Exchange Board of India (Buy-back of securities) Regulations, 2018

I further report that:

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

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

(c) Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes, where ever applicable.

I further report that with reference to the compliance of Industry Specific Acts applicable to the Company, I relied upon Management Representation Letter issued by the Compliance Officer of the Company and with reference to the compliance of the Labor and Financial Laws, I relied upon Management Representation Letter issued by the Compliance Officer, Chief Financial Officer, Head of Human Resources of the Company and also report of Statutory Auditors. My report of compliance would be limited to their reporting and subject to the observations and comments made by them in their report, if any.

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

I further report that during the audit period:

i) The Compensation Committee of the Company through Circular Resolution passed on 4th January, 2021 pursuant to Natco Employees Stock Option Scheme 2016 (NATSOP 2016) approved the allotment of Fourth Tranche of the options entitling 46,795 equity shares of ₹ 2/- (Rupees Two Only) to eligible employees, which was earlier approved by the Shareholders at the 33rd Annual General Meeting held on 30th September 2016.

ii) The Compensation Committee of the Company through Circular Resolution passed on 29th January, 2021 pursuant to Natco Employees Stock Option Scheme 2017 (NATSOP 2017) approved the allotment of third tranche of the options entitling 1,04,695 Equity Shares of ₹ 2/- (Rupees Two Only) to eligible employees, which was earlier approved by the Shareholders at the 34th Annual General Meeting held on 28th September 2017.

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.

For **BK & Associates**
Company Secretaries

CS Kiran Kumar Bodla
Proprietor
FCS No.: 11093
C P No.: 15876
PR No.: 717/2020
UDIN: F011093C000479990

Place: Hyderabad
Date: 17.06.2021

Note:

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

ii) During this challenging time of COVID 19 outbreak this report has been undertaken to the best of my capability based on of e verification of scans, soft copies , information, confirmations, records and documents made available to me by the management.

Annexure to Form MR-3

(For the financial year ended 31st March, 2021)

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 by the Company of applicable financial laws such as direct and indirect tax laws and maintenance of financial records and books of accounts have not been reviewed in this audit since the same have been subject to review by the statutory financial auditors, tax auditors, and other designated professionals.

6. 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.

7. 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

For **BK & Associates**
Company Secretaries

CS Kiran Kumar Bodla
Proprietor
FCS No.: 11093
C P No.: 15876
PR No.: 717/2020
UDIN: F011093C000479990

Place: Hyderabad
Date: 17.06.2021

Annexure-IV to the Board's Report

Annual Report on CSR Activities

1) Brief outline on CSR Policy of the Company:

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.

2) Composition of CSR Committee:

Sl. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Sri G.S. Murthy	Independent Director	2	2
2	Sri V.C. Nannapaneni	Chairman and Managing Director	2	2
3	Sri Rajeev Nannapaneni	Vice Chairman and Chief Executive Officer	2	2
4	Dr. Mrs. Leela Digumarti*	Independent Director	2	Nil

Note: * Dr. Mrs. Leela Digumarti was appointed as Member of the CSR Committee by the Board of Directors at their meeting held on November 12, 2020.

3) Provide the web-link where Composition of CSR Committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the Company: www.natcopharma.co.in

4) Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report)

There are no projects undertaken or completed after 22nd January, 2021, for which the impact assessment report is applicable in FY 2021.

5) Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any

Sl. No.	Financial Year	Amount available for set-off from preceding financial years (in ₹)	Amount required to be set-off for the financial year, if any (in ₹)
Nil			

6) Average net profit of the Company as per Section 135(5): ₹ 7,593.33 Million

7) (a) Two percent of average net profit of the Company as per Section 135(5): ₹ 151.87 Million

(b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years: Nil

(c) Amount required to be set off for the financial year, if any: Nil

(d) Total CSR obligation for the financial year (7a+7b-7c): ₹ 151.87 Million

8) (a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year (In ₹ millions)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
154.43	Nil	NA	NA	Nil	NA

(b) Details of CSR amount spent against ongoing projects for the financial year:

Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/ No)	Location of the project		Project duration	Amount allocated for the project (in ₹)	Amount spent in the current financial Year (in ₹ In millions)	Amount transferred to unspent CSR Account for the project as per Section 135(6) (in ₹)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District						Name	CSR Registration number
1	Education and Infrastructure support	(a) Schedule VII (ii) under promoting education. Conservation and renovation of school buildings and classrooms relates to CSR activities under Schedule VII as promoting education. Research and Studies in the areas specified in Schedule VII	Yes	Telangana and Andhra Pradesh	Hyderabad, Nalgonda, Siddipet, Ranga Reddy in Telangana state and Guntur at Andhra Pradesh	2 year	49.51	49.51	Nil	Yes	Natco Trust	CSR00001101
2	Health, Nutrition, Water, Sanitation and Hygiene	Schedule VII (i) under promoting health care including preventive health care. Enabling access to, or improving the delivery of, public health systems be considered under the head preventive healthcare or measures for reducing inequalities faced by socially & economically backward groups Disaster relief can cover wide range of activities that can be appropriately shown under various items listed in Schedule VII. For example, (i) medical aid can be covered under promoting health care including preventive health care. (ii) food supply can be covered under eradicating hunger, poverty and malnutrition. (iii) supply of clean water can be covered under sanitation and making available safe drinking water. Under Schedule VII, item no. (i) under poverty and malnutrition	Yes	Telangana, Andhra Pradesh and Tamil Nadu	Hyderabad, Nalgonda, Siddipet, Ranga Reddy in Telangana state and Guntur at Andhra Pradesh, Chennai at Tamil Nadu	1 year	53.00	53.00	Nil	Yes	Natco Trust	CSR00001101

Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/ No)	Location of the project		Project duration	Amount allocated for the project (in ₹)	Amount spent in the current financial Year (in ₹ In millions)	Amount transferred to unspent CSR Account for the project as per Section 135(6) (in ₹)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District						Name	CSR Registration number
3	Animal welfare	Schedule VII (iv)ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga.	Yes	Telangana Andhra Pradesh	Ranga Reddy and Nalgonda districts of Telangana and Guntur district of Andhra Pradesh	1 year	1.80	1.80	Nil	Yes	Natco Trust	CSR00001101
4	Support to Sports	Schedule VII (vii) training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports	Yes	Telangana	Sports Authority of Telangana, Hyderabad and promotion of individual events	1 year	1.91	1.91	Nil	Yes	Natco Trust	CSR00001101
5	Covid-19	Schedule VII, item NO. (i) and (xii) Ministry of Corporate Affairs General Circular dated 23.03.2020	Yes	Telangana, Andhra Pradesh and Tamil Nadu	Hyderabad, Guntur, and Chennai	1 year	41.00	41.00	Nil	Yes	Natco Trust	CSR00001101
6	Support to Government Departments	Schedule VII, item No. (vi)	No	Andhra Pradesh	Guntur	1 year	0.70	0.70	Nil	Yes	Natco Trust	CSR00001101
Total							**147.92**	**147.92**				

(c) Details of CSR amount spent against other than ongoing projects for the financial year:

Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/ No)	Location of the project		Amount spent for the project (in ₹ Million)	Mode of implementation - Direct (Yes/No	Mode of implementation - Through implementing agency	
				State	District			Name	CSR Registration number
1	Covid-19	Schedule VII, item No. (i) and (xii) Ministry of Corporate Affairs General Circular dated 23.03.2020	No	Telangana	Nalgonda	1.20	Direct	NA	
2	Education and Infrastructure support	Schedule VII, item No. (iii) promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups	No	Telangana	Nalgonda	1.50	Direct	NA	
3	Rural Development Projects	Schedule VII, item No. (x) rural development projects	Yes	Telangana	Shadnagar, Ranga Reddy District	1.51	Direct	NA	
Total						**4.21**			

(d) Amount spent in Administrative Overheads: ₹ 2.30 Million

(e) Amount spent on Impact Assessment, if applicable: Nil

(f) Total amount spent for the Financial Year (8b+8c+8d+8e): ₹ 154.43 Million

(g) Excess amount for set off, if any: Nil

Sl. No.	Particular	Amount (in ₹)
(i)	Two percent of average net profit of the Company as per Section 135(5)	₹ 151.87 Million
(ii)	Total amount spent for the Financial Year	₹ 154.43 Million
(iii)	Excess amount spent for the financial year [(ii)-(i)]	₹ 2.56 Million
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	Nil
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	₹ 2.56 Million

9) (a) Details of Unspent CSR amount for the preceding three financial years: Nil

Sl. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (in ₹)	Amount spent in the reporting Financial Year (in ₹)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any			Amount remaining to be spent in succeeding financial years (in ₹)
				Name of the Fund	Amount (in ₹)	Date of transfer	
				Nil			

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): Nil

Sl. No.	Project ID	Name of the Project	Financial Year in which the project was commenced	Project duration	Total amount allocated for the project (in ₹)	Amount spent on the project in the reporting Financial Year (in ₹)	Cumulative amount spent at the end of reporting Financial Year. (in ₹)	Status of the project - Completed /Ongoing
				Nil				

10) In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details):

(a) Date of creation or acquisition of the capital asset(s): Not Applicable

(b) Amount of CSR spent for creation or acquisition of capital asset: Nil

(c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.: Not Applicable

(d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset): Not Applicable

11) Specify the reason(s), if the Company has failed to spend two per cent of the average net profit as per section 135(5): Not Applicable

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

G.S Murthy
Chairman of CSR Committee
(DIN: 00122454)

Place: Hyderabad
Date: June 17, 2021

Annexure-V to the Board's Report

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

(i) The ratio of the remuneration of each Director to the median remuneration of the employees of the Company, the percentage increase in remuneration of each Director, CEO, CFO and CS, for FY 2020-21 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 FY 2020-21
Sri V. C. Nannapaneni	Chairman and Managing Director	48	0
Sri Rajeev Nannapaneni	Vice Chairman and CEO	44	0
Sri P.S.R.K Prasad	Whole Time Director	68	53
Dr. D Linga Rao	Whole Time Director	79	78
Sri M. Adinarayana	Company Secretary	25	108
Sri S.V.V.N. Appa Rao	Chief Financial Officer	37	66

Median remuneration of employees for the FY 2020-21 is ₹ 4,52,628/-.

Sri G.S. Murthy, Sri T.V. Rao, Sri 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.

(ii) The median remuneration of employees increased by 10.95% in FY2020-21.

(iii) The number of permanent employees on the rolls of Company as on March 31, 2021 is 5046.

(iv) The average increase in remuneration paid to employees is 9.64% for FY 2020-21 as compared to FY 2019-20.

(v) It is hereby affirmed that the remuneration paid during FY 2020-21 is as per the Remuneration Policy of the Company.

Annexure-VI to the Board's Report

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

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:

   a) Installed new high efficiency Utility equipment & Improvise the existing utility system during the last fiscal and achieved significant saving of ₹ 10 million in various utility areas.

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

   a) Steps in progress for increasing the utilization of alternate renewable sources of energy:
   Around 26 percent of our energy needs are met by renewable sources which are cheaper and further efforts to increase the utilization of alternate sources of renewable energy is in progress.

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

   a) Propose to install 0.5 MW Solar plant at Attivaram Plant. Expected saving per annum is approximately ₹ 3.5 million.

(B) Technology Absorption

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

Disclosure of particulars with respect to conservation of energy.

A: Power and Fuel Consumption	Year ended March 31, 2021	Year ended March 31, 2020
1. Electricity		
a) Purchased Units	62893001	65212042
Total amount (₹ million)	448.96	419.26
Rate / Unit (₹)	7.14	6.43
b) Own Generation:		
i) Through Diesel		
Generator Units	1126146	1461409
Units / ltr. Of Diesel Oil	3.53	3.52
Cost / Unit (₹)	19.06	20.20
ii) Through Windmill		
Generator Units	4110598	4189923
Total Cost Per Year (₹ million)	7.04	7.04
Cost / per Unit (₹)	1.71	1.68
iii) Through Solar		
Generator Units	6243768	6285758
Total Cost Per Year (₹ million)	13.01	11.36
Cost / per Unit (₹)	2.08	1.81

A: Power and Fuel Consumption	Year ended March 31, 2021	Year ended March 31, 2020
2. Coal D/C grade		
Quantity (Tonnes)	4721	4912
Total amount (₹ million)	44.95	40.42
Average rate per tonne (₹)	9522	8229
3. Furnace Oil		
Quantity (Ltr)	2606031	2531730
Total amount (₹ million)	84.36	78.94
Average rate per Ltr (₹)	32.37	31.18

(C) Expenditure on R&D

Amount (₹ in Million)

	Year ended March 31, 2021	Year ended March 31, 2020
R&D Expenditure	1596	1656
Total R&D Expenditure as percentage of standalone revenue	9.1%	8.65%

D) Foreign Exchange Earnings and Outgo

The Company earned foreign exchange amounting to ₹ 11194 million and used foreign exchange amounting to ₹ 2231 million during the year ended 31st March, 2021

For and on behalf of the Board of Directors

V.C. Nannapaneni
Chairman and Managing Director

Place: Hyderabad
Date: June 17, 2021

Corporate Governance Report

Philosophy on Corporate Governance

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

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

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

Board of Directors

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

(a) Board Meetings

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

During the financial year 2020-21, six (6) Board Meetings were held through video conference on June 17, 2020, August 12, 2020, September 10, 2020, November 12, 2020, February 11, 2021 and March 26, 2021 within the time limits stipulated under the Companies Act, 2013 ("Act") and the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 ("Listing Regulations") as amended from time to time. However, proper care is being taken to see that adequate time is provided for the meetings for thorough discussions for arriving at consensus and better decision making. Prior intimation and outcome of Board Meeting is duly informed to the Board and statutory agencies in compliance with the Act and the Listing Regulations.

(b) Board Composition

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

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

Sl. No.	Name of the Director	DIN	Category	Number of Board meetings during FY 2020-21		Attendance at the last AGM Held on October 15, 2020	No. of Directorships in other Companies	Name of other listed entities holding Directorship	Category of Directorship in other listed entities	No. of Committee positions held in other listed entities	
				Held	Attended					Chairman	Member
1.	Sri V.C. Nannapaneni (a)	00183315	Executive Director	6	6	Yes	3	NIL	NIL	NIL	NIL
2.	Sri G.S. Murthy	00122454	Independent Director	6	6	Yes	NIL	NA	NA	NA	NA
3.	Sri T.V. Rao	05273533	Independent Director	6	6	Yes	9	Ladderup Finance Ltd.	Independent Director	0	2
4.	Sri Rajeev Nannapaneni(a)	00183872	Executive Director	6	6	Yes	2	NIL	NIL	NIL	NIL
5.	Sri D.G. Prasad	00160408	Independent Director	6	6	Yes	4	Gokak Textiles Limited	Independent Director	1	NIL
								Moschip Technologies Limited	Independent Director	2	1
								Suven Pharmaceuticals Limited	Independent Director	2	1
								Elitecon International Limited	Independent Director	NIL	NIL

Sl. No.	Name of the Director	DIN	Category	Number of Board meetings during FY 2020-21		Attendance at the last AGM Held on October 15, 2020	No. of Directorships in other Companies	Name of other listed entities holding Directorship	Category of Directorship in other listed entities	No. of Committee positions held in other listed entities	
				Held	Attended					Chairman	Member
6.	Dr. Leela Digumarti	06980440	Independent Director	6	5	No	NIL	NA	NA	NA	NA
7.	Sri P.S.R.K. Prasad	07011140	Executive Director	6	5	Yes	NIL	NA	NA	NA	NA
8.	Dr. M.U.R. Naidu	05111014	Independent Director	6	6	No	NIL	NA	NA	NA	NA
9.	Dr. D. Linga Rao	07088404	Executive Director	6	6	Yes	NIL	NA	NA	NA	NA
10.	Sri Sridhar Sankararaman	06794418	Non-Executive and Non-Independent Director	6	6	Yes	NIL	NA	NA	NA	NA

Note: (a) Sri V.C. Nannapaneni and Sri Rajeev Nannapaneni are related to each other.

(b) The Company doesn't have pecuniary relationship with any of the non-executive Director(s).

(c) Independent Directors

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

Separate Meeting for Independent Directors

The Independent Directors of your Company met on February 11, 2021 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 without any others presence.

Familiarisation Programme for Independent Directors

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

(d) Board Evaluation

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

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

I. Participation at Board/ Committee Meetings:

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

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

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

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

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

II. Managing Relationship:

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

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

III. Knowledge and Skill:

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

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

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

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

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

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

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

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

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

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

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

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

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

Matrix of Board Expertise

Sl. No.	Name of the Director	Global business	Strategy, Planning & Marketing	Governance	Leadership	Technology	Legal, Commercial, Financial
1	Sri V.C. Nannapaneni	√	√	√	√	√	√
2	Sri G.S. Murthy			√	√		√
3	Sri T.V. Rao			√	√		√
4	Sri Rajeev Nannapaneni	√	√	√	√	√	√
5	Sri D.G. Prasad			√	√		√
6	Dr. Leela Digumarti			√	√	√	
7	Sri P.S.R.K. Prasad		√	√	√		√
8	Dr. M.U.R. Naidu			√	√	√	
9	Dr. D. Linga Rao	√	√	√	√	√	√
10	Sri Sridhar Sankararaman			√	√		√

Committees

(i) Committees of Board

In order to take decisions effectively and for better Corporate Governance the Board of your Company had constituted Eight (8) Committees viz. Audit Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee, Compensation Committee, Corporate Social Responsibility Committee, Risk Management Committee, Buyback Committee and Committee Dealing with Land Property. The membership in Committees is decided based on the traits of the Directors keeping in view the statutory requirement of composition of Directors in the Committees.

The brief description of terms of reference, composition, meetings and attendance of the Committee(s) during the financial year 2020-21 are provided below:

(a) Audit Committee

The Audit Committee is vested with the responsibility to review, inter alia, the financial reporting, internal control systems, risk management systems and the internal and external audit functions. The qualifications of the Directors, composition, quorum, frequency of meetings and the terms of reference of the Audit Committee are in line with the requirements under the Act and the Listing Regulations.

Details of Composition of the Audit Committee and attendance at the meetings held on June 17, 2020, August 12, 2020, November 12, 2020 and February 11, 2021 are given below:

Sl. No.	Name of the Director	Category	Audit Committee attendance	
			Held	Attended
1.	Sir G.S. Murthy (Chairman)	Independent Director	4	4
2.	Sri T.V. Rao	Independent Director	4	4
3.	Sri D.G. Prasad	Independent Director	4	4
4.	Sri V.C. Nannapaneni	Executive Director	4	4
5.	Dr. M.U.R. Naidu	Independent Director	4	4
6.	Sri Sridhar Sankararaman	Non-Executive and Non-Independent Director	4	4

(b) Stakeholders Relationship Committee

The Stakeholders Relationship Committee is constituted by the Board to consider and resolve the grievances of security holders of the Company. The qualifications of the Directors, composition, quorum, frequency of meetings and the terms of reference of the Stakeholders Relationship Committee are in line with the requirements under the Act and the Listing Regulations.

Details of composition of the Stakeholders Relationship Committee and attendance at the meetings held on June 17, 2020 and November 12, 2020 are as given below:

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

(c) Nomination and Remuneration Committee

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

During the year three (3) meetings of the Committee were held on June 17, 2020, September 10, 2020 and February 11, 2021.

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

Name of the Director	Category	Nomination and Remuneration Committee Attendance	
		Held	Attended
Sri G.S. Murthy (Chairman)	Independent Director	3	3
Sri Sridhar Sankararaman	Non-Executive and Non-independent Director	3	2
Sri V.C. Nannapaneni	Executive Director (Chairman of the Board)	3	3
Dr. M.U.R. Naidu	Independent Director	3	3

(d) Compensation Committee

The Compensation Committee is constituted, inter alia, to consider recommendation of any share based employee benefit schemes for the approval of the Board and for grant of options / allotment of shares approved under such schemes.

During the year under review the Board of Directors at their meeting held on February 11, 2021 had clubbed the Compensation Committee and Allotment Committee in order to make it convenient to conduct the meetings of the Committees.

The qualifications of the Directors, composition, quorum, frequency of meetings and the terms of reference of the Compensation Committee are in line with the requirements under the Act, the Listing Regulations and the SEBI (Share Based Employee Benefits) Regulations, 2014 and consists of Sri G.S. Murthy (Chairman), Sri V.C. Nannapaneni, Sri Rajeev Nannapaneni, Dr. M.U.R. Naidu and Dr. Leela Digumarti as members of the Compensation Committee.

The Board of Directors at their meeting held on November 12, 2020 have inducted Dr. Leela Digumarti as member of the Committee.

During the financial year 2020-21, there were no meetings of the Compensation Committee. However, the Committee had passed the Resolution through Circulation on January 4, 2021 and January 29, 2021 wherein the Committee had allotted the fourth tranche of options under Natco Employee Stock Option Scheme, 2016 (NATSOP 2016) and third trench of options under Natco Employee Stock Option Scheme 2017 (NATSOP 2017) to the eligible employees of the Company respectively.

(e) Corporate Social Responsibility Committee

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

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

During the year two (2) meetings of the Committee were held on June 17, 2020 and November 12, 2020.

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

Name of the Director	Category	Corporate Social Responsibility Committee attendance	
		Held	Attended
Sri G.S. Murthy (Chairman)	Independent Director	2	2
Sri V.C. Nannapaneni	Executive Director	2	2
Sri Rajeev Nannapaneni	Executive Director	2	2
Dr. Leela Digumarti*	Independent Director	2	-

Note: * Dr. Leela Digumarti was inducted as member of the Committee with effect from November 12, 2020.

(f) Risk Management Committee

The Board has constituted Risk Management Committee according to Listing Regulations as amended from time to time. The terms of the reference, quorum, and frequency of the Committee meeting etc., are in line with the requirements of the Listing Regulations. The Risk Management Committee meeting was held on March 27, 2021 during the year, all the members of the Committee were present at the meeting except Sri P.S.R.K. Prasad, Director & Executive Vice President (Corporate Engineering Services). The composition of the Committee is as follows:

Directors

1) Sri V.C. Nannapaneni (DIN: 00183315), Chairman & Managing Director
2) Sri Rajeev Nannapaneni (DIN: 00183872), Vice Chairman &Chief Executive Officer
3) Sri P.S.R.K. Prasad (DIN:07011140), Director & Executive Vice President (Corporate Engineering Services)
4) Dr. D. Linga Rao (DIN: 07088404), Director & President (Technical Affairs)
5) Dr. M.U.R. Naidu (DIN: 05111014), Independent Director

Other Members

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

(g) Committee Dealing with Land Property

The Committee Dealing with Land Property was constituted by the Board of Directors to deal with purchase / sale of the land property of the Company. The Committee consists of Sri G.S. Murthy, Independent Director, Sri V.C. Nannapaneni, Chairman and Managing Director, Sri Rajeev Nannapaneni, Vice Chairman and Chief Executive Officer as its members. There was one (1) meeting held during the year on January 30, 2021 and all the members of the Committee were present at the meeting.

(h) Buyback Committee

Buyback Committee is constituted by the Board to deal with matters relating to the Buyback of equity shares of the Company. The Buyback Committee comprises of Sri V.C. Nannapaneni, Chairman and Managing Director, Sri Rajeev Nannapaneni, Vice Chairman and Chief Executive Officer, Sri M. Adinarayana, Company Secretary and Vice President (Legal & Corp. Affairs) and Sri S.V.V.N Appa Rao, Chief Financial Officer as its members. There were no meetings of the Buy-back Committee during the year under review

(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. As SEBI has banned the transfer of physical shares, in special circumstances the Company accepts transfer of physical shares lodged for transfer either at Company's Registered Office or at the Company's Registrars which are being 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 of the receipt of request.

During the financial year 2020-21, 6 (six only) instruments of transmission of equity shares for 5900 (Five thousand nine hundred only) equity shares and 17 (Seventeen only) instruments of transposition and name deletion for 3400 (three thousand four 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 units / factories to resolve any issues related to Sexual Harassment of Women at Workplace. The composition of the Committees are strictly as per the statutory requirement in the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. During the financial year 2020-21, 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

(B) 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
2019-20	15th October, 2020	Held through Video Conference at the Registered office of the Company situated at NATCO House, Road No. 2, Banjara Hills, Hyderabad - 500034	11.00 A.M.	6
2018-19	5th September, 2019	Daspalla Hotel, Road No.37, Jubilee Hills, Hyderabad - 500 033	10.30 A.M.	10
2017-18	15th September, 2018	Daspalla Hotel, Road No.37, Jubilee Hills, Hyderabad - 500 033	10.30 A.M.	4

(c) Postal ballot

No resolution was passed through postal ballot for the financial year 2020-21.

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 Nomination and Remuneration Committee and approved by the Board and shareholders. The remuneration paid to them for the financial year 2020-21 is as below and are in line with the applicable provisions of the Act, Rules and Listing Regulations made thereunder as amended from time to time:

S. No.	Name	Designation	Total amount (in rupees lakhs per annum)
1	Sri V. C. Nannapaneni	Chairman & Managing Director	215.12
2	Sri Rajeev Nannapaneni	Vice Chairman & CEO	197.47
3	Sri P.S.R.K. Prasad	Director & Executive Vice President (Corp. Engg. Services)	308.50
4	Dr. D. Linga Rao	Director & President (Tech. Affairs)	357.72
	Total		**1078.81**

Non-Executive Directors

Sitting fees paid to the Non-Executive Directors for attending the Board Meetings and the Committee Meetings and such amounts are paid within the ceiling limits under Act. The details of the sitting fees paid to Non-Executive Directors of the Company for the Financial Year 2020-21 is given below:

S. No.	Name	Designation	Sitting Fee (in ₹)
1.	Sri G.S. Murthy	Independent Director	6,00,000
2.	Sri T.V. Rao	Independent Director	4,40,000
3.	Sri D.G. Prasad	Independent Director	4,40,000
4.	Dr. Mrs. Leela Digumarti	Independent Director	3,00,000
5.	Dr. M.U.R. Naidu	Independent Director	5,40,000
6.	Sri Sridhar Sankararaman*	Non-Executive Non-independent Director	Nil
	Total		**23,20,000**

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

Shareholding Of Non-Executive Directors

Dr. M.U.R Naidu, Independent Director is holding 15,000 equity shares of ₹ 2/-each which amounts to 0.008% of equity shares of the Company as on March 31, 2021. None of the other Non-Executive Directors are holding any shares of the Company.

Prevention Of Insider Trading

Your Company has in place Code of Conduct to Regulate, Monitor and Report Trading by Designated Persons and Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information which is in adherence to the SEBI (Prohibition of Insider Trading) Regulations, 2015 as amended from time to time. The policy on insider trading was amended during the Financial Year 2020-21 in line with SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2018. The disclosures received pursuant to this Code and the regulations are disseminated to the Stock Exchanges within the prescribed time limit. Report of Compliance Officer was duly placed before the Board meetings. The Code is available on the Company's website at the following link:

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

Compliances

a. Reconciliation of Share Capital Audit Report

The Reconciliation of Share Capital Audit Report was prepared on a quarterly basis by Mrs. P. Renuka, Practising Company Secretary (ACS No. 11963; CP No. 3460) as required under Regulation 76 of SEBI (Depositories and Participants) Regulations, 2018 and the same were filed with the Stock Exchanges within the statutory time limits.

b. Compliance Report on Corporate Governance

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

c. Secretarial Standards

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

Legal Compliance

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

Whistle Blower Policy

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

Environmental Policy

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

Non-Mandatory Requirements

• Separate posts of Chairperson and Chief Executive Officer

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

Related Party Transactions

All related party transactions with related parties during the financial year 2020-21 were done in accordance with the provisions of the Act and the Listing Regulations. No materially significant transactions with related parties were entered during the financial year which was in conflict with the interest of the Company. None of the Non-Executive Directors have any pecuniary material relationship or material transactions with the Company for the year ended March 31, 2021. The Company had formulated a Related Party Transactions Policy which is available on the Company's Website at the following link:

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

Employee Stock Option Schemes

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

Scheme	Particulars	No of Options
NATSOP2015	Opening Balance as on April 1, 2020	1,72,765
	Options vested and Exercised during the year	1,18,360
	Closing Balance of Options as March 31, 2021*	NIL
NATSOP2016	Opening Balance as on April 1, 2020	1,00,560
	Options vested and Exercised during the year	46,795
	Closing Balance of Options as March 31, 2021**	53,765
NATSOP2017	Opening Balance as on April 1, 2020	3,57,275
	Options vested and Exercised during the year	1,04,695
	Closing Balance of Options as March 31, 2021**	2,52,580

* The Scheme was closed during the year

** includes forfeited and expired options

Unclaimed Dividend

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

The following table provides list of years for which unclaimed dividends 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 (₹) as on March 31, 2021**
2014-15	Interim	5.00*	February 11, 2015	March 20, 2022	11,46,270.00
2015-16	Interim	1.25	February 11, 2016	March 19, 2023	15,07,909.00
2016-17	1st Interim	0.75	August 9, 2016	September 15, 2024	9,03,919.75
	2nd Interim	6.00	February 14, 2017	March 23, 2024	52,66,068.00
2017-18	1st Interim	1.25	August 7, 2017	September 13, 2024	14,55,878.75
	2nd Interim	7.00	February 6,2018	March 15, 2025	42,17,836.00
2018-19	1st Interim	1.50	August 8, 2018	September 14, 2025	10,24,660.50
	2nd Interim	3.50	February 12, 2019	March 15, 2026	23,13,699.50
	3rd Interim	1.25	May 27, 2019	July 6, 2026	9,21,398.75
2019-20	1st Interim	1.25	August 9, 2019	September 7, 2026	8,48,461.25
	2nd Interim	1.00	November 12, 2019	December 11, 2026	7,05,567.00
	3rd Interim	3.50	February 12, 2020	March 12, 2027	23,88,239.00
	4th Interim	1.00	June 17, 2020	July 17, 2027	6,93,899.75
2020-21	1st Interim	1.25	August 12, 2020	September 11, 2027	6,91,701.84
2020-21	2nd Interim	3.00	November 12, 2020	December 11, 2027	15,25,636.99
2020-21	3rd Interim	1.00	February 11, 2021	March 12, 2028	7,89,737.14

*On Equity share of ₹ 10/- each

** Wherein this amount does not include the Unclaimed dividend amount of shares held in Unclaimed Suspense Account of the Company.

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 which were available in the Company's website, no claim(s) of whatsoever nature shall lie in respect thereof with the Company.

Dividend Remitted to IEPF During the Last Five Years

Year	Dividend declared on	Amount transferred to IEPF (₹)	Date of Transfer
2009-2010	January 27, 2010	9,18,554.00	February 28, 2017
2010-2011	February 14,2012	7,80,368.00	March 9, 2018
2011-2012	February 9, 2012	10,68,983.00	March 14, 2019
2012-2013	February 13, 2013	15,71,108.00	March 20, 2020
2013-2014	February 13,2014	12,72,520.00	March 22, 2021

Means of Communication

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

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

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

For Quarter ended	Date of Board meeting	Date of	Name of the English Daily	Name of the Regional Daily
June 30, 2020	August 12,2020	August 13, 2020	• Financial Express	• Nava Telangana
September 30, 2020	November 12, 2020	November 13, 2020	• Business Standard • Financial Express	• Nava Telangana
December 31, 2020	February 11, 2021	February 12, 2021	• Business Standard	• Nava Telangana
March 31, 2021	June 17, 2021	June 18, 2021	• Business Standard	• Nava Telangana

General Shareholder Information

(a) Details regarding Annual General Meeting

Date	Thursday, September 30, 2021
Time	9.00 a.m.
Venue	Annual General Meeting through Video Conferencing / Other Audio Visual Means facility [Deemed Venue for Meeting: Registered Office: NATCO House, Road No. 2, Banjara Hills, Hyderabad - 500034, Telangana, India.]
Book Closure Dates	Monday, September 27, 2021 to Thursday, September 30, 2021 (both days inclusive)

(b) Financial Year

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

(c) Listing on Stock Exchanges

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

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

The Company confirms that it has duly paid the annual listing fee for the year 2020-21 to the above mentioned Stock Exchanges and paid the custodial fee for the year 2020-21 to National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL).

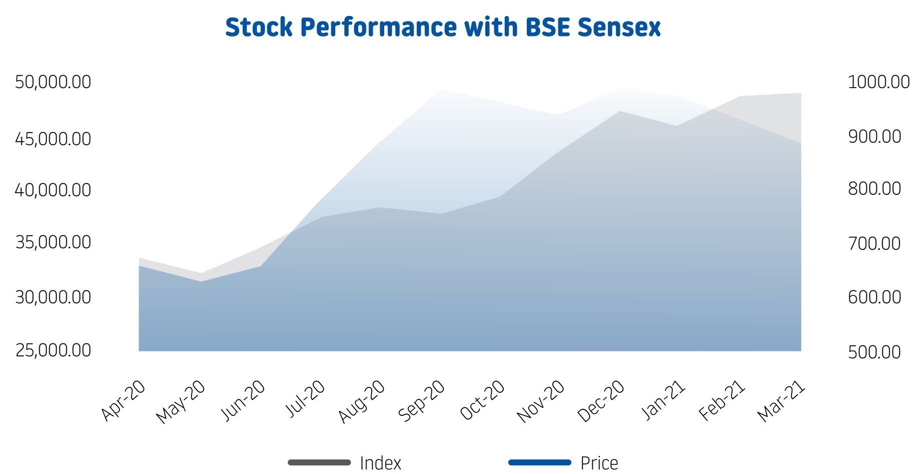
(d) Market Price Data

The market price data (high and low closing prices during each month) for the financial year 2020-21 is as below:

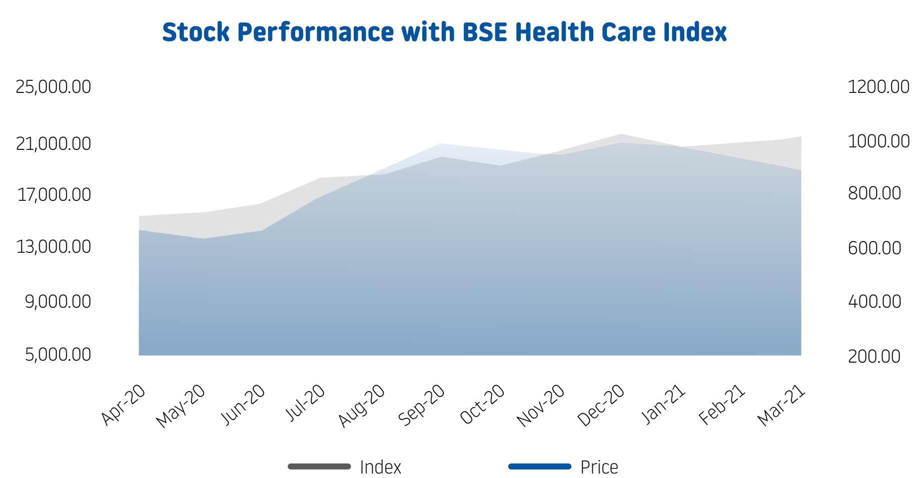
Month	Bombay Stock Exchange		National Stock Exchange	
	High ₹	Low ₹	High ₹	Low ₹
April, 2020	662.45	491.90	665.00	491.00
May, 2020	631.80	556.50	633.00	555.10
June, 2020	664.20	579.00	657.90	578.10
July, 2020	790.00	626.75	789.75	625.10
August, 2020	898.00	743.60	895.00	740.10
September, 2020	995.05	732.00	996.00	731.00
October, 2020	971.00	860.00	973.50	865.80
November, 2020	945.95	860.90	946.00	872.00
December, 2020	995.00	873.00	996.00	884.10
January, 2021	980.10	869.40	980.90	864.00
February, 2021	940.00	771.00	934.00	771.50
March, 2021	898.95	779.00	898.80	778.10

(e) Performance in comparison to broad-based indices

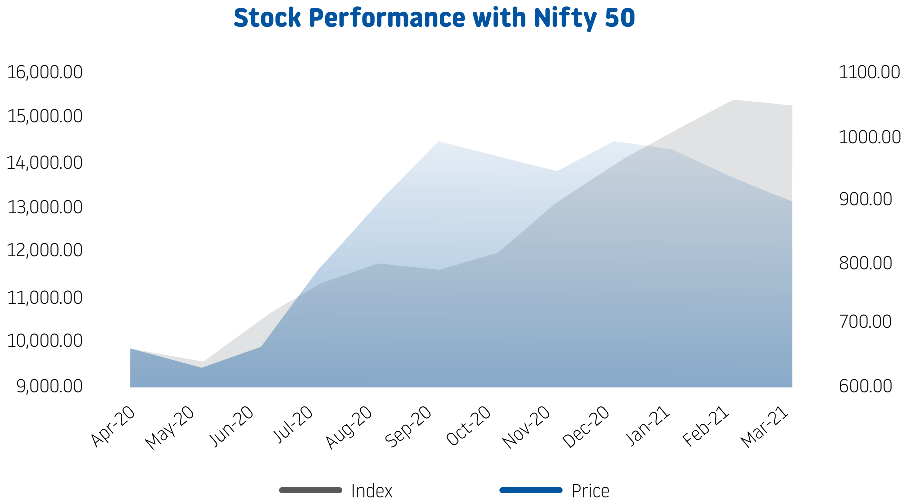
(i) Compared to BSE Sensex



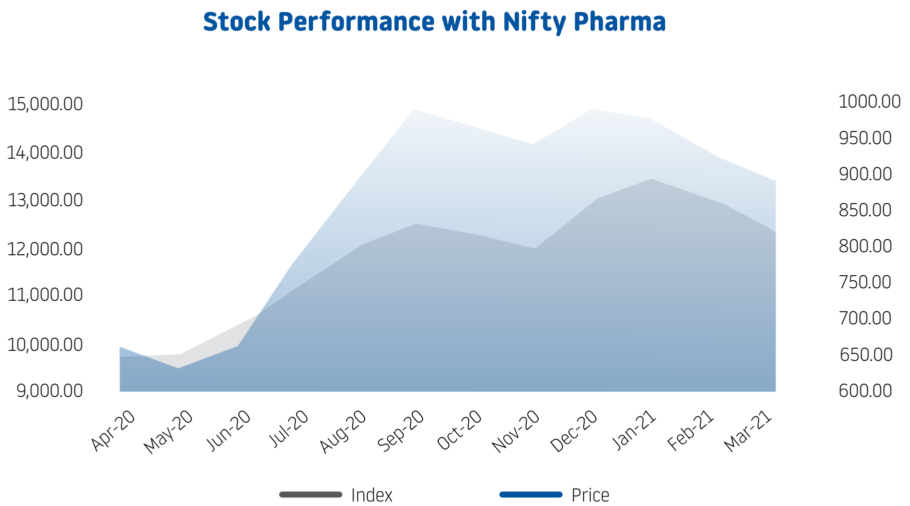
ii) Compared to S&P BSE HEALTHCARE INDEX



(iii) Compared to Nifty 50



(iv) Compared to Nifty Pharma Index



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

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

Address: 12-10-167, Bharat Nagar, Hyderabad - 500 018, Telangana, India
Tel Nos.040-23818475/23818476/23868023
Fax No.040-23868024
Contact Person: Mr. P V Srinivas / Mr. Srirama Murthy
Email: investor.relations@vccipl.com

(g) Dematerialization of shares and liquidity

As on March 31, 2021, 99.60% of the shares of 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 shareholdings to electronic form at the earliest for hassle free transactions.

(h) Distribution of Shareholding

Nominal Value ₹	Shareholders		Amount ₹	
	Number	% to Total	In ₹	% to Total
Upto - 5000	83791	97.98	24557740	6.73
5001 - 10000	781	0.91	5949282	1.63
10001 - 20000	408	0.48	5955120	1.63
20001 - 30000	126	0.15	3117946	0.85
30001 - 40000	74	0.09	2555824	0.70
40001 - 50000	48	0.06	2187888	0.60
50001 - 100000	102	0.12	7080420	1.94
100001 and above	192	0.22	313271430	85.90
Total	**85522**	**100.00**	**364675650**	**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 April 1, 2020	1660	223300
Number of shareholder and shares transferred to IEPF**	1413	182400
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 2020-21	79	8700
Aggregate number of shareholders and outstanding shares held in the Unclaimed Suspense Account as on March 31, 2021	1581	214600

** Corporate Action Filed on 29/04/2021

(k) Plant Locations

i) Pharma Division
Kothur Post & Mandal,
Rangareddy District -509 228
Telangana, India

ii) Pharma Division - Parenterals
Vijayapuri North, Nagarjunasagar,
Peddavura Mandal, Nalgonda Dist.-508 202
Telangana, India

iii) Chemical Division
Mekaguda, Nandigama Mandal
Rangareddy District - 509 228
Telangana, India

iv) R & D Division (Natco Research Centre)
B-11, B-13 & B-14,
Industrial Estate, Sanathnagar,
Hyderabad - 500 018,
Telangana, India.

v) Formulations Division
Plot No.19, Pharma City
Selaqui Industrial Area
Vikas Nagar,
Dehradun 248 197
Uttarakhand, India

vi) Formulations Division
Plot No.A3, UPSIDC,
Selaqui Industrial Area
Dehradun 248 197.
Uttarakhand, India

vii) Chemical Division, Chennai
No.74/7B, Vaikkadu
TPP Salai, Manali
Chennai - 600 103, Tamilnadu, India.

viii) Pharma Division
DAG No.749, 750
Kokjhar Village, Revenue Circle - Mirza
Kamrup (Rural)
Guwahati Dist. 781 125, Assam, India.

ix) Formulations Division
UNIT-10, Parawada,
JNPC, Ramky SEZ Visakapatnam-531 019, Andhra Pradesh, India

x) Crop Health Sciences (CHS) – Chemical Unit
Plot No. 29, Sy. Nos.56(P) & 60(P), APIIC Industial Park-Attivaram, Ozili Mandal,
SPSR Nellore Dist., Andhra Pradesh -524 421, India

xi) Crop Health Sciences (CHS) – Formulations Unit
Plot No. 3 &8/1, Sy. No.56APIIC Industial Park, Attivaram Village, Ozili, Mandal,
SPSR Nellore DT, Andhra Pradesh – 524421, India

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

(m) Address for correspondence at Registered Office:
Mr. S. Dasaradhi, Assistant General 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

(n) Credit Ratings
The Company's credit ratings from ICRA on long term borrowings is "AA" and on short term borrowings is "A1+"

(o) Details of the fees paid to Statutory Auditors
The details of the total fees for all services paid by the Company and its subsidiaries, on a standalone and consolidated basis, to the Statutory Auditor for the financial year ended March 31, 2021 as follows:

Particulars	Amount (₹)
Audit Fees	₹ 56,00,000
Other certifications and engagements	₹ 7,00,000
Out of pocket expenses	₹ 2,61,040
Total	**₹ 65,61,040**

(p) The Company has complied with Corporate Governance requirements specified in Regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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 for the Financial Year ended March 31, 2021.

For NATCO Pharma Limited

V C Nannapaneni
Chairman & Managing Director
DIN: 00183315

Place: Hyderabad
Date: June 17, 2021

CEO / CFO CERTIFICATION TO THE BOARD

(as per 17(8) of Listing Regulations)

The Board of Directors,
NATCO Pharma Limited

A. We have reviewed the Financial Statements and the Cash Flow Statement for the year ended March 31, 2021 and that to the best of our knowledge and belief:

   i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   ii. 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

   i. significant changes in internal control over financial reporting during the year;

   ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

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

	Rajeev Nannapaneni	**S.V.V.N. Appa Rao**
Place: Hyderabad	Vice Chairman & CEO	Chief Financial Officer
Date: June 17, 2021	DIN: 00183872	

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 March 31, 2021 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.

D. Renuka
Company Secretary in Practice
C P No.3460
UDIN: A011963C000478211

Place: Hyderabad
Date: June 17, 2021

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

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

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

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

In my opinion and to the best of my information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in as considered necessary and explanations furnished to me by the Company & its officers, I hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ended on March 31, 2021 have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority.

Sl No.	Name of Director	DIN	Date of Appointment in Company
1	VENKAIAH CHOWDARY NANNAPANENI	00183315	September 19, 1981
2	SREERAMA MURTHY GUBBALA	00122454	January 31, 2000
3	GOVINDA PRASAD DASU	00160408	February 14, 2014
4	VENKATESWARA RAO THALLAPAKA	05273533	April 18, 2014
5	UMAMAHESHWARRAO NAIDU MADIREDDI	05111014	February 11, 2015
6	RAJEEV NANNAPANENI	00183872	November 30, 2005
7	LEELA DIGUMARTI	06980440	September 22, 2014
8	POTLURI PRASAD SIVARAMAKRISHNA	07011140	November 12, 2014
9	LINGARAO DONTHINENI	07088404	February 11, 2015
10	SRIDHAR SANKARARAMAN	06794418	May 23, 2018

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

D. Renuka
Company Secretary in Practice
C P No.3460
UDIN: A011963C000478209

Place: Hyderabad
Date: June 17, 2021

Business Responsibility Report

Section – A: General Information about the Company

1.	Corporate Identity Number (CIN) of the Company	L24230TG1981PLC003201
2.	Name of the Company	NATCO Pharma Limited
3.	Registered Address	NATCO House Road # 2, Banjara Hills, Hyderabad - 500034, Telangana, India
4.	Website	www.natcopharma.co.in
5.	E-mail id Financial Year Reported	sustainability.report@natcopharma.co.in 1st April, 2020 to 31st March, 2021
6.	Sector(s) that the Company is engaged in (industrial activity code-wise)	NIC Code of product/service: 210 Description: Pharmaceuticals
7.	List three key products/services that the Company manufactures/provides (as in balance sheet)	Glatiramer Acetate, Doxorubicin Hydrochloride and Imatinib
8.	Total number of locations, where business activity is undertaken by the Company	Our business activity spreads over 40 countries through either sales or alliances. Our major products include Finished Dosage Formulations (FDF) and Active Pharmaceutical Ingredients (API). Number of locations in India National: Pharmaceuticals - eight manufacturing units, two R&D centres in addition to several distribution/ warehouse locations across India. Crop Health Sciences – one technical and one manufacturing unit International locations - The Company has 6 subsidiaries and one Step- down subsidiary
9.	Markets served by the Company – Local/ State/ National/ International	The Company sells its products in India, USA, Europe and several other emerging countries, totalling over 40 countries.

Section – B: Financial Details of the Company

1.	Paid-up Capital (INR)	₹ 365 million (As on 31st March, 2021).
2.	Total Turnover (INR)	Gross turnover of ₹ 21,557 million on a consolidated basis (as on 31st March 2021).
3.	Total profit after Taxes (INR)	₹ 4,424 million on a consolidated basis (as on 31st March 2021).
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 2020-21 is 4.99% on standalone basis. The Company spent over 2% of its average Profit before Tax of preceding 3 financial years. Additionally, the Company also made donations for CSR activities.
5.	List of activities in which the above expenditure has been incurred	The Company has undertaken several CSR Projects / Programmes during FY 2020-21: majority of the focus being in Education and Healthcare sectors. The detailed list of activities where the CSR expenditure was incurred is included in the Board's Report which forms a part of this Annual Report.

Section – C: Other Details

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

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

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

Section – C: Other Details

1. Details of Director/Directors responsible for BR

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

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

(b) Details of the BR Head

Sr. No.	Particulars	Details	
1	DIN Number (if applicable)	07011140	-
2	Name	Mr. P. S. R. K. Prasad	Mr. Rajesh Chebiyam
3	Designation Director	Director and Executive VP, Corporate Engineering Services	Executive Vice President, Crop Health Sciences
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".

01 Principle

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

02 Principle

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

03 Principle

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

04 Principle

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

05 Principle

Human Rights
Businesses should respect and promote human rights

06 Principle

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

07 Principle

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

08 Principle

Equitable Development
Businesses should support inclusive growth and equitable development

09 Principle

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

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

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

NA

3. Governance related to BR

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

  Half yearly

- **Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?**

  The Company's Annual Report includes a Business Responsibility Report which is available on the website. Last year, we brought out our first Sustainability Report. The copy of the same is available on the website of the Company at www.natcopharma.co.in

Principle 1 Ethics, Transparency and Accountability

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

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

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 5 complaints from various stakeholders during the FY 2020-21, which were 100% promptly resolved.

Principle 2 Products Life Cycle Sustainability

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

1 Eribulin
2 Apixaban tablets
3 Oseltamivir capsules

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

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

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

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

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

1 For Eribulin, we have introduced an enzymatic synthesis in one of the steps in the process, avoiding use of chemical reagents

2 For Apixaban, we are using dry granulation process to avoid usage of solvents and high energy consuming drying processes.

3 Through process improvements the shelf life of Oseltamivir capsules has been increased thus reducing market returns and destruction of capsules.

4 We have reused 24837 KL of water and conserved water.

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

Our Supply chain team has identified key third party vendors for supply of key starting materials and intermediates. The vendor identification and selection process initiated by the supply chain includes quality and EHS requirements. We have long term partnerships with the suppliers and have ensured that our requirements are consistently met.

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

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

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

The company is committed to recycle wastes, both process and non-process.

The initiatives around recycling are:

- Installation of 30KLD capacity Sewage Treatment Plant (STP) for treating and reusing the domestic wastewater for gardening
- Autoclave Vacuum Pump Water Recirculation System installed to recirculate the Autoclave water of about 1000kl/annum
- Maximized steam condensate recovery and reused in boiler
- Segregating RO reject water and back washings from Multigrade filters, Pressure Sand filters, Softeners and DM plants and reused
- Collected AHU condensate and reused

Principle 3 Employee Well-Being

1. Please indicate the total number of employees.

The total number of employees is 5046 as on 31st March, 2021.

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 433 as on 31st March, 2021.

3. Please indicate the number of permanent women employees.

The total number of permanent women employees is 563 as on 31st March, 2021.

4. Please indicate the number of permanent employees with disabilities.

The total number of permanent employees with disabilities is 5 as on 31st March, 2021.

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?

30.7% of permanent employees at our manufacturing locations are members of employee associations.

7. Please indicate the number of complaints relating to child labor, forced labor, involuntary labor, sexual harassment in the last financial year and pending, as on the end of the financial year.

The Company does not employ any child labor. No case of sexual harassment at work place was reported during the year 2020-21 and we have an Internal Complaints Committee at all our locations under SHWW Act, 2013.

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

Principle 4 Stakeholder Management

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

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

3. **Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.**
Various initiatives have been taken by the Company to engage with marginalised stakeholders at locations in and around its operations in the areas of: Community Health Care, Sanitation and Hygiene, Education and Knowledge Enhancement. For details of projects undertaken during the FY 2020-21, please refer the 'Annual Report on CSR Activities' titled 'Empowering communities, improving lives'

Principle 5 Human Rights

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

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

Principle 6 Environment

1. **Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/ Suppliers/ Contractors/NGOs/others.**
NATCO's EHS policy is applicable to all subsidiaries and manufacturing locations within the group. For suppliers and contractors, we include EHS requirements as part of the contract and service agreement. We also ensure that all site personnel including contractor deployed staff are part of safety training, and safety pep talks.

2. **Does the Company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc.**
The company is proactive in addressing greenhouse gas emissions. We have installed solar energy facility in 3 of our manufacturing facilities with a total capacity of 5.45MW and have also invested in a 4.2 MW wind energy facility

3. **Does the Company identify and assess potential environmental risks? Y/N**
We continually identify and assess potential environmental risks in our manufacturing process. Our R&D and Technology transfer teams work with a process development protocol which prioritizes reduction in consumption of raw materials including solvents. Besides we have implemented Environment Management system (EMS) in our major manufacturing facilities

4. **Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?**
Yes. We have invested in renewable energy capacities in the past few years. A solar roof top facility was commissioned at a formulations facility in the current year. However, we have not applied these project as per CDM.

5. **Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.**
The following are efforts taken towards renewable energy:

- Solar Power plants installed at the end of 2020-21 : 5.45MW
- Wind Power Plants capacity : 4.20MW (Existing capacity)

Details of Solar power Plants:

Sl. No	Location	Existing Capacity	Installed during the reporting year 2020-21	Total installed capacity at the end of 2020-21
1	Mekaguda Unit	3.00MW	0.25MW	3.25MW
2	Sagar Unit	1.15MW	0.25MW	1.40MW
3	Kothur Unit	0.50MW	0.30MW	0.80MW
	TOTAL	**4.65MW**	**0.80MW**	**5.45MW**

In addition we have many initiatives to drive the message of energy conservation

- Cleaning of air-cooled condenser fins from dust to increase heat transfer efficiency and enhance cooling of refrigerant by implementing the closed monitoring and ensuring the preventive maintenance schedules at Vizag unit.
- 2 Active Harmonic filters (600 Amps) installed at Electrical Substation area and connected to the Transformers (4MVA) to maintain the power factor of 0.99 by the quality of power is improved and thus contributing energy savings.
- VFDs installed for Feed water pumps, AHU blowers to reduce the energy consumption at Dehradun units.

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

Yes, All the emissions or waste generated by the company are within the permissible limits given by CPCB/SPCB and we have made all the mandatory submissions in this regard.

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

During the FY 2020-21, the Company has not received any show cause/ legal notices from CPCB / SPCB.

Principle 7 Policy Advocacy

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

Yes. The Company is a member of various trade/industry associations like Federation of Indian Chambers of Commerce & Industry (FICCI), Federation of Telangana Chambers of Commerce and Industry (FTCCI), Bulk Drug Manufacturers Association (India) (BDMA), Indian Pharmaceutical Alliance (IPA), Indian Drug Manufacturing Association (IDMA), Confederation of Indian Industry (CII), Pharmaceuticals Export Promotion Council of India (PHARMEXCIL), Hyderabad Management Association (HMA), 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 2020-21, please refer the 'Annual Report on CSR Activities' under "Creating a positive social impact".

2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/ government structures/any other organisation?

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?

1) During the year under review the Company had contributed ₹ 154.43 Million to various community development programmes / projects as part of its CSR initiatives. The details of projects undertaken are mentioned in the Annexure IV of the Board's Report.

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

Principle 9 Customer Value

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

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

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

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

Sustainability Performance Table

Disclosures as per GRI	UNIT	2020- 21
ECONOMIC PERFORMANCE[1]		
Revenue	₹ Million	21557
Operating cost	₹ Million	11299
Employee compensation	₹ Million	4149
Payments to provider of capital	₹ Million	133
Payments to Govt. (Tax)	₹ Million	1372
Community investments	₹ Million	180
Economic Value retained (PAT)*	₹ Million	4424
Financial assistance received from Govt.	₹ Million	204
Payments to provider of capital (Dividend)	₹ Million	1139
Payments to Govt. (Dividend Tax)	₹ Million	0
ENVIRONMENT PERFORMANCE[2]		
Materials		
Raw materials used in API[3]	Tonnes	1734
Raw materials used in formulations[4]	Tonnes	138.36
Energy		
Total fuel consumption from non-renewable sources	GJ	365651
Total fuel consumption from renewable sources	GJ	67789
Percentage of Renewable Energy Contribution	%	
GHG emissions[5]		
Direct (Scope 1) emissions	t CO2 eq.	13265
Water		
Total water withdrawal	KL	175789
Total volume of planned discharges	KL	82480
Waste		
Hazardous waste		
Recovery[6]	Tonnes	139
Landfill	Tonnes	1223
Incineration	Tonnes	49
Recycle[7]	Tonnes	785
Non-hazardous waste		
Composting[8]	Tonnes	104
EMPLOYEE DATA[9]		
Total workforce-gender wise		
Male	%	88.86
Female	%	11.14
Total workforce - age wise		
<30	%	22.04
30-50	%	69.72
>50	%	8.24
Total workforce - employee type		
Managerial	%	28.87
Supervisory	%	35.75
Workmen	%	17.76
Contract workers	%	17.62
New employee hire - gender wise		
Male	%	9.35
Female	%	1.17
New employee hire - age wise		

Disclosures as per GRI	UNIT	2020- 21
< 30	%	7.17
30-50	%	3.33
>50		0.02
Employee turnover rate %	%	10.76
Average hours of training		
Workmen	Hours	24
Supervisory	Hours	34
Middle management (Executive to Deputy Manager)	Hours	25
Managers and above	Hours	26
Individuals within the organization's governance bodies		
Gender		
Male		9
Female		1
Individuals within the organization's governance bodies		
< 30		0
30-50		2
>50		8
SAFETY PERFORMANCE**		
For all employees & contractors[10]		
Number of fatalities		0
Rate of fatalities		0
Rate of recordable work-related injuries		0
Reportable Incidents – Employees & Contractors (Fatalities/LTI[11]/Dangerous occurrences)		0
RWC[12]/LWC[13]		1
MTC[14]		8
First Aid Cases		212

All data as of 31st March for the respective financial year

1. Economic performance data covers all geographies and contains consolidated figures
2. Environment data - comprises 8 manufacturing facilities (2 Active Pharmaceutical Ingredient facilities and 6 Finished dosage formulations facilities)
3. All raw materials consumed for API manufacturing are being considered
4. All the APIs and excipients consumed for formulations are being considered
5. Emission factors provided in the IPCC Guideline for National Greenhouse Gas Inventories of 2006 were used to calculate GHG emissions from stationary combustion sources. Emission factors for purchased electricity are calculated as per Central Electricity Authority's CO2 Baseline Database for the Indian Power Sector, User Guide Version 13 June 2018
6. Gypsum and Spent catalyst - The recovered gypsum is upcycled and sent to cement industry for consumption. Spent catalyst sent back to manufacturer for recovery.
7. Organic residues/spent mixed solvents/ Spent Carbon/Waste oil/e-waste, etc - Liquid and solid organic wastes sent to cement plants for co-processing. E-wastes sent to authorized collection centres for recycling. Waste oils sent to authorized re-processors/ recyclers
8. The non-process organic waste is converted in to compost and used onsite for gardening. The organic waste converter was installed and operation in 2018-2019. The data is applicable to our API Mekaguda facility and Formulation facilities at Kothur and Nagarjunasagar
9 Employee data covers India operations
10. The safety performance data is reported combined for the employees and contractors as individual data is not available and shall be reported as per GRI 403 individually henceforth
11. LTI - Lost Time Injury – Any incident which results in the death of any person, or results in bodily injury to any person as likely to cause his death, or bodily injury and the person does not resume duty for a period of 48 hrs or more immediately following the incident, or any dangerous occurrence
12. RWC - Restricted Work Day Case - Post incident, the injured person(s) unable to perform the full range of normally assigned duties and reassigned to other duties.
13. LWC - Lost Work day Case - Post incident, the injuries are sufficiently severe to require the injured person to miss at least one full day of work, not including the day of injury occurred. The injured person returns to normal work within 48hrs of date of incident.
14. MTC - Medical Treatment Case - Post incident the person(s) injury is sufficiently severe requiring medical care beyond first aid. Requiring treatment and/ or prescription Medication by medical professional but does not prevent the injured Person from performing his or her normal function.
    All data as of 31st March for the respective financial year

** comprises 8 manufacturing facilities (2 Active Pharmaceutical Ingredient facilities and 6 Finished dosage formulations facilities)
* Before OCI(Other Comprehensive income) and NCI (Non Controlling Interest)

Independent Auditors' Report

To the Members of
NATCO Pharma Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of NATCO Pharma Limited ("the Company"), which comprise the standalone balance sheet as at 31 March 2021, and the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2021, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

1) Revenue Recognition

Refer to Note 3(d) of the summary of significant accounting policies to the standalone financial statements

The key audit matter	How the matter was addressed in our audit
Revenue is recognised when the control of the products being sold has transferred to the customer. The Company has a large number of customers operating in various geographies and sale contracts with customers have a variety of different terms relating to the recognition of revenue. Control is usually transferred upon shipment/ delivery to/ upon receipt of goods by the customer, in accordance with the delivery and acceptance terms agreed with the customers. We identified the recognition of revenue from sale of products as a key audit matter because the Company and its external stakeholders focus on revenue as a key performance indicator. There could be a risk that revenue is recognised in the incorrect period or before the control has been transferred to the customer.	In view of the significance of the matter we applied the following audit procedures in this area, among others to obtain sufficient and appropriate audit evidence: 1) Evaluated the appropriateness of the revenue recognition accounting policies by comparing with applicable accounting standards. 2) Tested design, implementation and operating effectiveness of the Company's controls over measurement and recognition of revenue in accordance with customer contracts which includes control over transaction pricing, including discounts and correct timing of revenue recognition. 3) Performed substantive testing (including year-end cut-off testing) by selecting samples of revenue transactions recorded during the year (and before and after the financial year end), including one off sales to customers, by verifying the underlying documents, which included sales invoices, contracts and shipping documents, as applicable. 4) We tested manual journals posted to revenue to identify unusual transactions.

2) Assessment of recoverability of the carrying value of investment in a subsidiary

The key audit matter	How the matter was addressed in our audit
The Company through its subsidiary Timecap Overseas Limited ("Timecap") has made investments in NATCO farma Do Brasil Ltda. ('NATCO Brazil'), which is engaged in marketing of pharmaceutical products in Brazil. The Company holds 100% stake in NATCO Brazil as at 31 March 2021. The Company through Timecap has invested ₹ 1,262 million in NATCO Brazil. NATCO Brazil has reported loss of ₹ 62 million for the year ended 31 March 2021 and as at that date its accumulated losses aggregating ₹ 1,170 million have significantly eroded its equity. Refer note 7 to standalone financial statements. We identified assessing potential impairment of investment in the subsidiary as a key audit matter because of the significance of carrying value of investment in NATCO Brazil through Timecap to the financial statements and because of the degree of judgement exercised by Company in determining whether there was objective evidence of impairment of investment.	In view of the significance of the matter, we applied the following audit procedures in this area, among others to obtain sufficient and appropriate audit evidence: 1) Tested operating effectiveness of Company's controls over appropriateness of the impairment analysis. Evaluated the accuracy of prior period cash flow forecasts of the Company by reference to actual performance. 2) Using our knowledge of the Company and industry, challenged significant assumptions and judgements incorporated in valuation report of the subsidiary by an independent valuer, specifically in relation to forecast revenue, margins, terminal growth and discount rates with the assistance of our valuations specialists. Valuation specialists also compared significant assumptions to externally derived data in relation to key inputs such as projected economic growth, cost inflation and discount rates. 3) Performed sensitivity analysis of the key assumptions, such as revenue growth rates, gross margins and the discount rate applied by the Company in determining value in use and considered the resulting impact on the impairment testing and whether there were any indicators of management bias in the selection of these key assumptions. 4) Evaluated the adequacy of disclosures, including disclosures of key assumptions, judgements and sensitivities.

3) Deferred tax asset

The key audit matter	How the matter was addressed in our audit
The Company operates in a complex tax jurisdiction in India with various tax exemptions available. The Company has paid minimum alternate tax (MAT) under Section 115JB of the Income-tax Act, 1961. The MAT paid would be available as offset over a period of 15 years. The MAT credit is recognised as a deferred tax asset that will be available for offset when the Company pays regular taxes under the provisions of Income-tax Act, 1961. Refer note 29(E) to the standalone financial statements for unrecognised deferred tax asset amounting to ₹ 808 million as at 31 March 2021. In assessing whether the deferred tax assets will be realised, the Company considers whether some portion or all of the deferred tax assets will not be realised. The ultimate realisation of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. The extent of recognition of deferred tax asset on account of MAT credit requires significant judgment regarding the Company's future taxable income which will result in utilisation of the MAT credit within the time limits available under the applicable Income tax laws.	In view of the significance of the matter, we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence: 1) Tested the operating effectiveness of the Company's control over recognition of deferred tax asset. 2) We analysed origination of MAT credit entitlement and assessed the reasonableness of Company's assessment and conclusion in relation to its utilisation within the period allowed for carry forward and set off against foreseeable forecast taxable income streams. 3) We evaluated appropriateness of taxation disclosures in note 29 to the standalone financial statements, including the enhanced disclosures made in respect of the utilisation period of deferred tax assets in relation to MAT credit entitlement.

Other Information

The Company's Management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the standalone financial statements and our auditors' report thereon. The Company's annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the standalone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take actions as per applicable laws and regulations.

Management's and Board of Directors' Responsibility for the Standalone Financial Statements

The Company's Management and Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows 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 of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring 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.

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

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the standalone financial statements made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government 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, to the extent applicable.

2. (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 purposes 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 balance sheet, the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and the standalone statement of cash flows dealt with by this Report are in agreement with the books of account.

d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under section 133 of the Act.

e) On the basis of the written representations received from the directors as on 31 March 2021 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2021 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 with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

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

i. The Company has disclosed the impact of pending litigations as at 31 March 2021 on its financial position in its standalone financial statements - Refer Note 37(b) (i) & (ii) to the standalone financial statements.

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 disclosures in the standalone financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2021.

(C) With respect to the matter to be included in the Auditors' Report under Section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

for **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration No.: 116231W/ W-100024

Vikash Somani
Partner
Membership No.: 061272
UDIN: 21061272AAAABJ1484

Place: Hyderabad
Date: 17 June 2021

Annexure A to the Independent Auditors' Report on the standalone financial statements of NATCO Pharma Limited for the year ended 31 March 2021

With reference to the Annexure A referred to in Paragraph 1 in Report on Other Legal and Regulatory Requirements of the Independent Auditors' Report of even date to the Members of NATCO Pharma Limited ("the Company") on the standalone financial statements for the year ended 31 March 2021, we report that:

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

b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, certain fixed assets were physically verified during the year and no material discrepancies were noticed on such verification.

c) According to the information and explanations given by the Management, the title deeds of immovable properties included in fixed assets are held in the name of the Company except as for the following:

Nature of property	Total number of cases	Whether leasehold or freehold	Gross block	Net block	Remarks
Land	One	Freehold	₹ 66 million	₹ 66 million	According to the information and explanation given to us, this land parcel shall be registered in the name of the Company subsequent to fulfilment of certain conditions laid out by the Andhra Pradesh Industrial Infrastructure Corporation Limited. Also, refer Note 5 to the standalone financial statements.

ii. The inventory, except goods-in-transit and stocks lying with third parties, have been physically verified by the Management during the year. In our opinion, the frequency of such verification is reasonable. The discrepancies noticed on verification between the physical stock and the book records were not material and have been appropriately dealt with in the books of account. For stocks lying with third parties at the year-end, written confirmations have been obtained by the Management.

iii. According to the information and explanations given to us, the Company has granted unsecured loans to one company (foreign subsidiary) and two other parties (directors) covered in the Register maintained under Section 189 of the Companies Act, 2013 ("the Act"). The Company has not granted any other loans, secured or unsecured to firms, limited liability partnerships or other parties covered in the Register maintained under Section 189 of the Act.

a) In our opinion and according to the information and explanations given to us, the terms and conditions on which the loans had been granted to the company and other parties listed in the Register maintained under Section 189 of the Act were not, prima facie, prejudicial to the interest of the Company.

b) In the case of the loans granted to the company and other parties listed in the Register maintained under Section 189 of the Act, the borrowers have been regular in the repayment of the principal and payment of interest, wherever stipulated.

c) There are no overdue amounts in respect of loans granted to the company and other parties listed in the Register maintained under Section 189 of the Act.

iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Act, with respect to the loans given, investments made and guarantees given. Further, the Company has not provided any security to the parties covered under Section 185 and 186 of the Act.

v. The Company has not accepted any deposits from the public within the meaning of the directives issued by the Reserve Bank of India, provisions of Section 73 to 76 of the Act, any other relevant provisions of the Act and the relevant rules framed thereunder. Accordingly, the provisions of clause 3(v) of the said Order is not applicable to the Company.

vi. We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 148 of the Act 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 records with a view to determine whether they are accurate or complete.

vii. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Duty of Customs, Goods and Service Tax and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Sales tax, Service tax, Duty of excise, Value added tax and Cess.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Duty of Customs, Goods and Service Tax and other material statutory dues were in arrears, as at 31 March 2021, for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues in respect of Income-tax or Sales tax or Service tax or Duty of Customs or Duty of Excise or Goods and Service Tax or Value Added Tax which have not been deposited by the Company on account of disputes, except for the following:

Statute/ Nature of dues	Amount in Rupees millions	Period to which the amount relates	Forum where dispute is pending
Central Sales Tax Act, 1956 – Central Sales Tax	10 (3)*	Financial year 1997-98, 2014-15, 2015-16 and 2017-18	The High Court of Telangana
The Customs Act, 1962 – Customs duty	2	July 2006 to June 2010	The Customs Excise and Service Tax Appellate Tribunal

*Represent amounts paid under protest.

viii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to banks. The Company did not have any outstanding loans or borrowings from financial institutions or government and there are no dues to debenture holders during the year.

ix In our opinion and according to the information and explanations given to us, the Company did not raise any money by way of initial public offer or further public offer (including debt instrument) and terms loans during the year. Accordingly, the provisions of clause 3(ix) of the said Order is not applicable to the Company.

x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.

xi. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

xii. According to the information and explanations given to us and based on our examination of the records of the Company, the Company is not a Nidhi Company prescribed under Section 406 of the Act. Accordingly, the provisions of clause 3(xii) of the said Order is not applicable to the Company.

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, all transactions with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable, and details of such transactions, have been disclosed in the standalone financial statements as required by the applicable accounting standards.

xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provisions of clause 3(xiv) of the said Order is not applicable to the Company.

xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with them as referred to in Section 192 of the Act. Accordingly, the provisions of clause 3(xv) of the said Order is not applicable to the Company.

xvi. According to the information and explanations given to us and based on our examination of the records of the Company, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of clause 3(xvi) of the said Order is not applicable to the Company.

for **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration No.: 116231W/ W-100024

Vikash Somani
Partner
Membership No.: 061272
UDIN: 21061272AAAABJ1484

Place: Hyderabad
Date: 17 June 2021

Annexure B to the Independent Auditors' Report on the standalone financial statements of NATCO Pharma Limited for the year ended 31 March 2021

Report on the internal financial controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph (2A(f)) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to financial statements of NATCO Pharma Limited ("the Company") as of 31 March 2021 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2021, based on the internal financial controls with reference to financial statements 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").

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in 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 its business, including adherence to 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 Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. 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 internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, 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 standalone financial statements, whether due to fraud or error.

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 internal financial controls with reference to financial statements.

Meaning of Internal Financial controls with Reference to Financial Statements

A company's internal financial controls with reference to financial statements 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 internal financial controls with reference to financial statements 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 with Reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, 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 internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

for **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration No.: 116231W/ W-100024

Vikash Somani
Partner
Membership No.: 061272
UDIN: 21061272AAAABJ1484

Place: Hyderabad
Date: 17 June 2021

Standalone Balance Sheet

as at 31 March 2021

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

Particulars	Notes	As at 31 March 2021	As at 31 March 2020
I. Assets			
(1) Non-current assets			
(a) Property, plant and equipment	5	19,965	15,657
(b) Capital work-in-progress	39	2,234	5,178
(c) Intangible assets	6	94	88
(d) Investments in subsidiaries	7	1,830	1,025
(e) Financial assets			
(i) Investments	8	1,194	836
(ii) Loans	9	271	684
(iii) Other financial assets	10	42	41
(f) Other non-current assets	11	285	559
Total non-current assets		**25,915**	**24,068**
(2) Current assets			
(a) Inventories	12	7,692	5,244
(b) Financial assets			
(i) Investments	8	346	50
(ii) Trade receivables	13	3,998	5,367
(iii) Cash and cash equivalents	14	51	79
(iv) Bank balances other than (iii) above	14	2,577	462
(v) Loans	9	129	81
(vi) Other financial assets	10	4,280	8,612
(c) Other current assets	11	2,537	2,504
Total current assets		**21,610**	**22,399**
Total assets		**47,525**	**46,467**
II. EQUITY AND LIABILITIES			
(1) Equity			
(a) Equity share capital	15	365	364
(b) Other equity	16	40,546	38,331
Total equity		**40,911**	**38,695**
(2) Liabilities			
(A) Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	17	9	9
(ii) Other financial liabilities	18	11	8
(b) Provisions	19	996	902
(c) Deferred tax liabilities, (net)	29	413	256
Total non-current liabilities		**1,429**	**1,175**
(B) Current liabilities			
(a) Financial liabilities			
(i) Borrowings	17	2,555	3,131
(ii) Trade payables	21		
- Dues of micro and small enterprises		75	21
- Dues of creditors other than micro and small enterprises		1,320	2,321
(iii) Other financial liabilities	18	821	812
(b) Other current liabilities	20	286	122
(c) Provisions	19	128	105
(d) Current tax liabilities, (net)		-	85
Total current liabilities		**5,185**	**6,597**
Total liabilities		**6,614**	**7,772**
Total equity and liabilities		**47,525**	**46,467**
Significant accounting policies	3 and 4		

The accompanying notes form an integral part of the standalone financial statements.

As per our report of even date attached
for **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration No. 116231W/ W-100024

Vikash Somani
Partner
Membership Number: 061272

Place: Hyderabad
Date: 17 June 2021

for and on behalf of the Board of Directors
NATCO Pharma Limited
CIN: L24230TG1981PLC003201

V C Nannapaneni
Chairman and Managing Director
DIN: 00183315

Rajeev Nannapaneni
Vice Chairman and CEO
DIN: 00183872

M. Adinarayana
Company Secretary

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 17 June 2021

Standalone Statement of Profit and Loss

for the year ended 31 March 2021

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

Particulars	Notes	For the year ended 31 March 2021	For the year ended 31 March 2020
1. Income			
(a) Revenue from operations	22	16,535	17,902
(b) Other income	23	1,011	1,238
Total income		**17,546**	**19,140**
2. Expenses			
(a) Cost of materials consumed	24	3,729	3,290
(b) Purchases of stock-in-trade		1,740	1,239
(c) Changes in inventories of finished goods, work-in-progress and stock-in -trade	25	(469)	(559)
(d) Employee benefits expense	26	3,800	3,561
(e) Finance costs	27	113	206
(f) Depreciation and amortisation expense	5 and 6	1,152	981
(g) Other expenses	28	3,559	4,591
Total expenses		**13,624**	**13,309**
3. Profit before tax (1-2)		3,922	5,831
4. Tax expense:	29		
(a) Current tax		933	1,291
(b) Deferred tax		(106)	(205)
Total tax expenses		**827**	**1,086**
5. Profit for the year (3-4)		**3,095**	**4,745**
6. Other comprehensive income			
(a) Items that will not be reclassified subsequently to profit and loss			
(i) Remeasurement of defined benefit plans		(8)	(79)
Tax on remeasurement of defined benefit plans		3	27
(ii) Net gains / (losses) from investments in equity instruments designated at FVTOCI		153	(19)
Tax impact gains/ (losses) on equity instruments designated at FVTOCI		(15)	7
Other comprehensive income, net of tax		**133**	**(64)**
7. Total comprehensive income for the year (5+6)		**3,228**	**4,681**
8. Earnings per equity share (Face value of ₹ 2 each)	30		
Basic (in ₹)		16.99	26.08
Diluted (in ₹)		16.96	26.01
Significant accounting policies	3 and 4		

The accompanying notes form an integral part of the standalone financial statements.

As per our report of even date attached
for **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration No. 116231W/ W-100024

Vikash Somani
Partner
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Place: Hyderabad
Date: 17 June 2021

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DIN: 00183872

M. Adinarayana
Company Secretary

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 17 June 2021

Standalone Statement of Cash Flows

for the year ended 31 March 2021

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

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Cash flows from operating activities		
Profit before tax	3,922	5,831
Adjustments :		
Depreciation and amortisation expense	1,152	981
Finance costs	113	206
Share based payment expense	126	144
Interest income	(562)	(816)
Allowance for credit losses	(24)	175
Bad debts written off	117	55
Liabilities written back	-	(29)
Profit on sale of property, plant and equipment, net	(320)	(163)
Guarantee income	(5)	-
Unrealised foreign exchange loss/(gain), net	(13)	(101)
Operating profit before working capital changes	**4,506**	**6,283**
Working capital adjustments:		
Inventories	(2,447)	(160)
Trade receivables	1,292	(538)
Loans	(51)	(51)
Other financial assets	(40)	72
Other assets	(33)	(732)
Trade payables	(947)	352
Provisions	110	128
Other financial liabilities	49	115
Other liabilities	165	(193)
Cash generated from operating activities	**2,604**	**5,276**
Income taxes paid, net of refund	(769)	(1,051)
Net cash generated from operating activities (A)	**1,835**	**4,225**
Cash flows from investing activities		
Acquisition of property, plant and equipment (Refer note b below)	(2,399)	(3,524)
Proceeds from sale of property, plant and equipment	451	222
Acquisition of intangible assets	(29)	(29)
Investments in subsidiaries	(787)	(47)
Loans given to subsidiary companies	410	(11)
Loans given to others	6	-
Proceeds from sale of investments	73	1,203
Purchase of investments	(578)	(642)
Movement in other bank balances, net	(2,110)	2,086
Interest received	680	888
Decrease/(Increase) in deposits with financial institutions	4,251	(1,796)
Net cash used in investing activities (B)	**(32)**	**(1,650)**
Cash flows from financing activities		
Proceeds from issue of shares	1	1
Payment on buy-back of shares, including transaction costs	-	(536)
Contribution from shareholders	-	474
Net proceeds from short-term borrowings (refer note c below)	(572)	(801)
Dividends paid (including corporate dividend tax)	(1,140)	(1,536)
Interest paid	(112)	(205)
Payment of lease liability (refer note c below)	(8)	(8)
Net cash used in financing activities (C)	**(1,831)**	**(2,611)**

Standalone Statement of Cash Flows (Contd.)
for the year ended 31 March 2021

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

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(28)	(36)
Cash and cash equivalents as at the beginning of the year	79	115
Cash and cash equivalents as at the end of the year	**51**	**79**
Cash and cash equivalents:		
Cash on hand	5	11
Balance with Banks:		
- Current accounts	46	68
	51	**79**

Notes:

a) The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Indian Accounting Standard (Ind AS-7) - "Statement of Cash Flows".

b) Acquisition of Property, Plant and Equipment includes movements of capital work-in-progress, capital advances and capital creditors.

c) Debt reconciliation in accordance with Ind AS 7:

Particulars		For the year ended 31 March 2021	For the year ended 31 March 2020
Short-term borrowings:			
Opening balance		3,123	3,845
(Repayment) of / proceeds from borrowings, net		(572)	(801)
Non-cash items (Foreign exchange changes)		(0)	79
Closing balance		**2,551**	**3,123**
Lease liability:			
Opening balance		17	-
Recognised as at 1 April 2019		-	20
Additions and interest accrued during the year		4	5
Payment of lease liability		(8)	(8)
Closing balance		**13**	**17**
Significant accounting policies	3 and 4		

The accompanying notes form an integral part of the standalone financial statements.

As per our report of even date attached
for **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration No. 116231W/ W-100024

Vikash Somani
Partner
Membership Number: 061272

Place: Hyderabad
Date: 17 June 2021

for and on behalf of the Board of Directors
NATCO Pharma Limited
CIN: L24230TG1981PLC003201

V C Nannapaneni
Chairman and Managing Director
DIN: 00183315

Rajeev Nannapaneni
Vice Chairman and CEO
DIN: 00183872

M. Adinarayana
Company Secretary

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 17 June 2021

Standalone Statement of Changes in Equity

for the year ended 31 March 2021

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

Particulars	Equity share capital	COther equity								Total equity
		Reserves and Surplus						Other comprehensive income	Total of other equity	
		Securities premium	Capital reserve	Capital redemption reserve	General reserve	Share options outstanding account	Retained earnings	Gain/(loss) on FVTOCI equity securities		
As at 1 April 2019	**365**	**14,048**	**207**	**9**	**595**	**309**	**20,068**	**31**	**35,267**	**35,632**
Profit for the year	-	-	-	-	-	-	4,745	-	4,745	4,745
Other comprehensive income (net of taxes)	-	-	-	-	-	-	(52)	(12)	(64)	(64)
Buyback of shares	(2)	(534)	-	-	-	-	-	-	(534)	(536)
Transactions with shareholders (net of tax)	-	-	309	-	-	-	-	-	309	309
Employee stock option expense	-	-	-	-	-	144	-	-	144	144
Dividend paid	-	-	-	-	-	-	(1,274)	-	(1,274)	(1,274)
Tax on distributed profits	-	-	-	-	-	-	(262)	-	(262)	(262)
Share options exercised	1	217	-	-	-	(217)	-	-	-	1
Transfer from securities premium on account of buyback of equity shares	-	(2)	-	2	-	-	-	-	-	-
As at 31 March 2020	**364**	**13,729**	**516**	**11**	**595**	**236**	**23,225**	**19**	**38,331**	**38,695**
Profit for the year	-	-	-	-	-	-	3,095	-	3,095	3,095
Other comprehensive income (net of taxes)	-	-	-	-	-	-	(3)	136	133	133
Profit on sale of investments	-	-	-	-	-	-	25	(25)	-	-
Employee stock option expense	-	-	-	-	-	126	-	-	126	126
Dividend paid	-	-	-	-	-	-	(1,139)	-	(1,139)	(1,139)
Share options exercised	1	186	-	-	-	(186)	-	-	-	1
As at 31 March 2021	**365**	**13,915**	**516**	**11**	**595**	**176**	**25,203**	**130**	**40,546**	**40,911**

The accompanying notes form an integral part of the standalone financial statements.

As per our report of even date attached
for **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration No. 116231W/ W-100024

Vikash Somani
Partner
Membership Number: 061272

Place: Hyderabad
Date: 17 June 2021

for and on behalf of the Board of Directors
NATCO Pharma Limited
CIN: L24230TG1981PLC003201

V C Nannapaneni
Chairman and Managing Director
DIN: 00183315

Rajeev Nannapaneni
Vice Chairman and CEO
DIN: 00183872

M. Adinarayana
Company Secretary

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 17 June 2021

Notes to standalone financial statements

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

1. Reporting entity information

NATCO Pharma Limited ("the Company") is a public limited company domiciled and incorporated in India with its registered office situated at NATCO House, Road No. 2, Banjara Hills, Hyderabad – 500034. The equity shares of the Company are listed on the National Stock Exchange (NSE) and Bombay Stock Exchange in India (BSE).

The Company is engaged in the business of pharmaceuticals which comprises research and development, manufacturing and selling of bulk drugs, finished dosage formulations. The company has also commenced Agro chemicals business. 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.

2. Basis of preparation

A. Statement of Compliance

These standalone financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules 2015, as amended, notified under Section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

The standalone financial statements for the year ended 31 March 2021 were authorized and approved for issue by the Company's Board of Directors on 17 June 2021.

B. Functional and presentation currency

The standalone financial statements are presented in Indian Rupee ('INR' or '₹') which is also the Company's functional currency. All amounts have been rounded-off to the nearest million, unless otherwise indicated. Transactions and balances with values below the rounding off norm adapted by the Company have been reflected as '0' in relevant notes in the standalone financial statements.

C. Current and non-current classification

All assets and liabilities are classified into current and non-current.

Assets

An asset is classified as current when it satisfies any of the following criteria:

i) it is expected to be realised in, or is intended for sale or consumption in, the group normal operating cycle;

ii) it is held primarily for the purpose of being traded;

iii) it is expected to be realised within 12 months after the reporting date; or

iv) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets. All other assets are classified as non-current.

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

i) it is expected to be settled in the Group operating cycle;

ii) it is held primarily for the purpose of being traded;

iii) it is due to be settled within 12 months after the reporting date; or

iv) the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include the current portion of non-current financial liabilities. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

D. Operating cycle

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria as set out in the Division II of Schedule III to the Companies Act, 2013. Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

Notes to standalone financial statements

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

E. Basis of Measurement

These standalone financial statements have been prepared on the historical cost basis except for the following items:

Items	Measurement basis
Certain financial assets and liabilities Net defined benefit asset/ (liability)	Fair value Fair value of plan assets less present value of defined benefit obligations
Leases	Lease liability is measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. Right-to-use asset has been measured as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application. Practical expedient on transition to exclude initial direct costs from ROU asset measurement is considered.

F. Use of estimates and judgements

The preparation of the financial statements in conformity with Ind AS requires management to make estimates, judgements and assumptions. These estimates, judgements and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as and when management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, such effects are disclosed in the notes to the financial statements.

G. Measurement of fair values

Certain accounting policies and disclosures of the Company require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values.

The finance team regularly reviews significant unobservable inputs and valuation adjustments.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of reporting period during which the change has occurred.

3. Significant accounting policies

a. Property, plant and equipment (PPE)

Recognition and initial measurement

Items of property, plant and equipment, are measured at cost (which includes capitalised borrowing costs, if any) less accumulated depreciation and accumulated impairment losses, if any. Cost of an item of property, plant and equipment includes its purchase price, duties, taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

The cost of a self-constructed item of property, plant and equipment comprises the cost of materials, direct labour and any other costs directly attributable to bringing the item to its intended working condition and estimated costs of dismantling, removing and restoring the site on which it is located, wherever applicable.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual value using straight line method over the useful lives of assets estimated by the Company. Depreciation rates followed by the Company coincides with rates prescribed in Schedule II to the Companies Act, 2013. Depreciation amount is recognised in the Statement of Profit and Loss. Depreciation for assets purchased / sold during the period is proportionately charged.

The estimated useful lives of items of property, plant and equipment are as follows:

Tangible assets	Estimated useful life (in years)	Companies Act life (in years)
Buildings	5 to 60	5 to 60
Plant and machinery	5 to 20	5 to 20
Computers	3 to 6	3 to 6
Vehicles	8 to 10	8 to 10
Office equipment	5	5
Furniture and fixtures	10	10

Freehold land is not depreciated.

The residual values, useful lives and methods of depreciation of property, plant and equipment 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 Statement of profit and loss, when the asset is derecognised.

Capital work-in-progress

Capital work-in-progress includes cost of property, plant and equipment under installation / under development as at the balance sheet date.

b. 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 capitalised software is amortised over a period of 6 years, on a straight-line basis. Amortisation on the addition/disposals is charged on pro-rata basis from/until the date of such addition/disposal.

c. Foreign currencies

Transactions in foreign currencies are initially recorded by the Company at its functional currency spot rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the functional currency spot rates of exchange at the reporting date. Exchange differences that arise on settlement of monetary items or on reporting at each balance sheet date are recognised as income or expenses in the period in which they arise. Non-monetary items which are carried at historical cost denominated in a foreign currency are reported using the exchange rates at the date of transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

d. Revenue recognition

The Company derives revenues primarily from sale of finished dosage formulations, active pharmaceutical ingredients (APIs), including niche and technically complex molecules.

The specific recognition criteria described below must also be met before revenue is recognised:

Sale of goods:

Revenue from sale of goods is recognised when a promise in a customer contract (performance obligation) has been satisfied by transferring control over the promised goods to the customer. Control is usually transferred upon shipment, delivery to or upon receipt of goods by the

Notes to standalone financial statements

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

customer, in accordance with the delivery and acceptance terms agreed with the customers. The amount of revenue to be recognised is based on the consideration expected to be received in exchange for goods, excluding trade discounts, volume discounts, sales returns, chargeback, medicaid payments, rebates, shelf stock adjustments, where applicable and any taxes or duties collected on behalf of the government which are levied on sales such as goods and services tax, etc., where applicable. Revenue is only recognised to the extent that it is highly probable a significant reversal will not occur.

The Company from time to time enters into marketing arrangements with certain business partners for the sale of its products in certain markets. Under such arrangements, the Company sells its products to the business partners at a non-refundable base purchase price agreed upon in the arrangement and is also entitled to a profit share which is over and above the base purchase price. The profit share is typically dependent on the business partner's ultimate net sale proceeds or net profits, subject to any reductions or adjustments that are required by the terms of the arrangement. Such arrangements typically require the business partner to provide confirmation of units sold and net sales or net profit computations for the products covered under the arrangement.

Revenue in an amount equal to the base purchase price is recognised in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognised as revenue only to the extent that it is highly probable that a significant reversal will not occur.

At the end of each reporting period, the Company updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Sale of services:

Revenue from sale of dossiers/ licenses/services, includes in certain instances, certain performance obligations and based on evaluation of whether or not these obligations are in consequential or perfunctory, revenue is recognised in accordance with the terms of the contracts with the customers when the related performance obligation is completed at point in time or spread over a period of time, as applicable.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, it does not require to adjust any of the transaction prices for the time value of money.

e. Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of those property, plant and equipment which necessarily takes a substantial period of time to get ready for their intended use are capitalised. All other borrowing costs are expensed in the period in which they are incurred in the Statement of Profit and Loss.

f. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to revenue, it is recognised in the Statement of Profit and Loss on a systematic basis over the periods to which they relate. When the grant relates to an asset, it is presented as a reduction to the carrying value of the related asset.

Export benefits available under prevalent schemes are accrued in the year in which the goods are exported and no significant uncertainty exist regarding its ultimate collection.

g. Leases

i. Leases as a lessee

As a lessee, the Company recognises right-of-use assets and liabilities for most leases - i.e. these leases are on balance sheet. The Company decided to apply recognition exemptions to short-term leases. At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in Ind AS 116.

The Company recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the Statement of profit and loss.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate. For leases with reasonably similar characteristics, the Company, on a lease by lease basis, may adopt either the incremental borrowing rate specific to the lease or the incremental borrowing rate for the portfolio as a whole. The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. The Company recognises the amount of the re-measurement of lease liability due to modification as an adjustment to the right-of use asset and Statement of profit and loss depending upon the nature of modification. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognises any remaining amount of the re-measurement in Statement of profit and loss.

The Company presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'Financial liabilities' in the Balance sheet.

Short-term leases and leases of low-value assets

The Company has elected not to apply the requirements of Ind AS 116 Leases to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

ii. Leases as lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Company recognises lease payments received under operating leases as income on straight-line basis over the lease term as part of 'other income'.

h. Impairment of non-financial assets (Intangible assets and property, plant and equipment)

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets with indefinite useful life are tested annually for impairment. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the cash generating unit to which the asset belongs. If such assets are considered to be impaired, the impairment to be recognised in the Statement of Profit and Loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset

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or cash generating unit. An impairment loss is reversed in the Statement of Profit and Loss if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognised for the asset in prior years.

i. Financial instruments

i. Initial recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, that are not at fair value through profit or loss, are added to the fair value on initial recognition.

ii. Classification and subsequent measurement

Financial assets

The Company classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") on the basis of following:

- the entity's business model for managing the financial assets and
- the contractual cash flow characteristics of the financial asset.

Amortised Cost:

A financial asset shall be classified and measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Fair Value through OCI:

A financial asset shall be classified and measured at fair value through OCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Fair Value through Profit or Loss:

A financial asset shall be classified and measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through OCI.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of investments:

a. **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.

b. **Equity investments –** All equity investments in scope of Ind-AS 109 are measured at fair value. Equity instruments which are held for trading are classified at fair value through profit and loss (FVTPL). For all other equity instruments, the Company decides to classify the same either as at fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL). The Company makes such election on an instrument by instrument basis. The classification is made on initial recognition and is irrevocable.

c. **Mutual funds –** All mutual funds in scope of Ind-AS 109 are measured at fair value through profit and loss (FVTPL).

Interest income and dividend income:

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in other income in the Statement of Profit and Loss.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Financial liabilities

Financial liabilities are subsequently carried at amortised cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

iii. De-recognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and a new financial liability with modified terms is recognised in the Statement of Profit and Loss.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or realise the asset and settle the liabilities simultaneously.

v. 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.

j. Impairment of financial assets

The Company recognises loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. Further, need for incremental provisions have been evaluated on a case to case basis where forward-looking information on the financial health of a customer is available. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised as an impairment gain or loss in statement of profit or loss.

k. Inventories

Inventories are valued at the lower of cost (including prime cost, non-refundable taxes and duties and other costs incurred in bringing the inventories to their present location and condition) and estimated net realisable value, after providing for obsolescence, where appropriate. The comparison of cost and net realisable value is made on an item-by-item basis. The net realisable value of materials in process is determined with reference to the selling prices less estimated cost of completion or selling expenses of related finished goods. Cost of inventories is determined using the weighted average cost method. Raw materials, packing materials and other supplies held for use in production of inventories are not written down below cost except in cases where material prices have declined, and it is estimated that the cost of the finished products will exceed their net realisable value.

The provision for inventory obsolescence is assessed regularly based on estimated usage and shelf life of products.

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Work-in-progress is valued at input material cost plus conversion cost as applicable.

Finished goods, work-in-progress and stock-in-trade are valued at the lower of net realisable value and cost (including prime cost, non-refundable taxes and duties and other costs incurred in bringing the inventories to their present location and condition), computed on a weighted average basis.

l. Income taxes

Income tax comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to an item recognised directly in equity or in other comprehensive income.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of transaction.
- temporary differences related to investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. 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.

Deferred tax assets recognised or unrecognised are reviewed at each reporting date and are recognised / reduced to the extent that it is probable / no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

The Company offsets, the current tax assets and liabilities (on a year on year basis) and deferred tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis. 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 includes cash on hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three 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

A defined contribution plan is a post-employment benefit under which an entity pays a specific contribution to a separate entity and has no obligation to pay any further amounts. The Company's contribution to provident fund and employee state insurance schemes is charged to the Statement of profit and loss during the period in which the employee renders the related service. The Company's contributions towards Provident Fund are deposited with the Regional Provident Fund Commissioner under a defined contribution plan. The Company has no obligation, other than the contribution payable to these funds.

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

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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 million. 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 or 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

Certain employees of the Company are entitled to remuneration in the form of equity settled instruments, for rendering services over a defined vesting period. Equity instruments granted are measured by reference to the fair value of the instrument at the date of grant. The fair value determined at the grant date is expensed over the vesting period of the respective tranches of such grants. The stock compensation expense is determined based on the Company's estimate of equity instruments that will eventually vest using fair value in accordance with Ind AS 102, Share based payment.

The employee benefits expense is measured using the fair value of the employee stock options and is recognised over vesting period with a corresponding increase in equity. The vesting period is the period over which all the specified vesting conditions are to be satisfied.

p. Provisions, contingent liabilities and contingent assets

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the expense relating to a provision is presented in the Statement of Profit and Loss, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities and Contingent assets

A disclosure for contingent liabilities is made where there is a possible obligation or a present obligation that may probably not require an outflow of resources. When there is a possible or a present obligation where the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are neither recognised nor disclosed. However, when realisation of income is virtually certain, related asset is recognised.

Onerous contracts

Provision for onerous contracts. i.e. contracts where the expected unavoidable cost of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.

q. Earnings per share

Basic Earnings Per Share ('EPS') is computed by dividing the net profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all

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dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless issued at a later date. In computing diluted earnings per share, only potential equity shares that are dilutive and that either reduces earnings per share or increases loss per share are included. The number of shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented in case of share splits.

r. Cash flow statement

Cash flows are reported using indirect method, whereby net profits before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments and items of income or expenses associated with investing or financing cash flows. The cash flows from regular revenue generating (operating activities), investing and financing activities of the Company are segregated.

s. Research and development

Expenditure on research activities are expensed as and when incurred. Development expenses which meet defined criteria for capitalisation are capitalised if its ability to generate future economic benefits is reasonably certain. All other development costs are expensed as and when incurred. Capital expenditure incurred on research and development is capitalised as property, plant and equipment and depreciated in accordance with the depreciation policy of the Company.

t. Investments in subsidiaries

The Company's investment in its subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries, the difference between net disposal proceeds and the carrying amounts are recognised in the profit or loss.

u. Events after reporting date

Where events occurring after the balance sheet date provide evidence of conditions that existed at the end of the reporting period, the impact of such events is adjusted within the standalone financial statements. Otherwise, events after the balance sheet date of material size or nature are only disclosed.

v. Recent pronouncements

On 24 March 2021, the Ministry of Corporate Affairs ("MCA") through a notification, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III and are applicable from 01 April 2021. Key amendments relating to Division II which relate to companies whose financial statements are required to comply with Companies (Indian Accounting Standards) Rules 2015 are:

Balance Sheet:

- Lease liabilities should be separately disclosed under the head 'financial liabilities' duly distinguished as current and non-current.
- Certain additional disclosures in the statement of changes in equity such as changes in equity share capital due to prior period errors and restated balances at the beginning of the current reporting period
- If a company has not used funds for the specific purpose for which it was borrowed from banks and financial institutions, then disclosure of details of where it has been used.
- Specific disclosure under 'additional regulatory requirement' such as compliance with approved schemes of arrangements, compliance with number of layers of companies, title deeds of immovable property not held in name of company, loans and advances to promoters, directors, key managerial personnel (KMP) and related parties, details of benami property held etc.

Statement of profit and loss:

- Additional disclosures relating to Corporate Social Responsibility (CSR), undisclosed income and crypto or virtual currency specified under the head 'additional information' in the notes forming part of the standalone financial statements.
- Specified format for disclosure of shareholding of promoters.
- Specified format for ageing schedule of trade receivables, trade payables, capital work-in-progress and intangible asset under development.

The amendments are extensive and the Company will evaluate the same to give effect to them as required by law.

4. Key accounting estimates and judgements

The preparation of financial statements in conformity with the Ind AS requires judgements, estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements, the reported amounts of revenues and expenses during the reporting period and the disclosures relating to contingent liabilities as of the date of the financial statements.

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Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in outcomes different from the estimates. Difference between actual results and estimates are recognised in the period in which the results are known or materialise. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

Management considers the accounting estimates and assumptions discussed below to be its critical accounting estimates and, accordingly, provide an explanation of each below. The discussion below should also be read in conjunction with the Company's disclosure of significant accounting policies which are provided in Note 3 to the standalone financial statements, 'Significant accounting policies'.

Judgments:

Leases: whether an arrangement contains a lease:

Significant judgements are involved at the inception of the contract to assess of whether a contract is, or contains a lease.

Assumptions and estimation uncertainties:

Impairment of investments:

Significant estimates and assumptions are involved in determining the estimated future cash flows from the investments to determine their value in use to assess whether there is any impairment in their carrying amounts as reflected in the financial statements.

Recognition of deferred tax assets – The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilised. The Company considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment.

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.

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, IT equipment and other plant and equipment.

Defined benefit obligation (DBO): Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

Fair value measurements: Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Provisions: A provision is recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

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5. Property, plant and equipment

	Freehold land	Leasehold land	Buildings	Plant and equipment	Office equipment	Furniture	Vehicles	Computers	Right-of-use	Total
Gross carrying amount										
As at 1 April 2019	2,091	262	4,372	9,236	36	189	224	178	-	16,588
Recognised on adoption of Ind AS 116 (Refer Note 40)	-	-	-	-	-	-	-	-	38	38
Reclassified on adoption of Ind AS 116 (Refer Note 40)	-	(262)	-	-	-	-	-	-	262	-
Additions	429	-	1,798	2,109	2	148	22	59	2	4,569
Disposals	(33)	-	-	(40)	-	-	(8)	-	-	(81)
Balance as at 31 March 2020	**2,487**	**-**	**6,170**	**11,305**	**38**	**337**	**238**	**237**	**302**	**21,114**
Additions	103	-	2,721	2,610	1	69	9	55	-	5,568
Disposals	(114)	-	-	(32)	-	-	(5)	-	-	(151)
Balance as at 31 March 2021	**2,476**	**-**	**8,891**	**13,883**	**39**	**406**	**242**	**292**	**302**	**26,531**
Accumulated depreciation										
As at 1 April 2019	-	11	849	3,301	31	68	114	147	-	4,521
Reclassified on adoption of Ind AS 116 (Refer Note 40)	-	(11)	-	-	-	-	-	-	11	-
Charge for the year	-	-	171	714	2	25	18	20	8	958
Disposals	-	-	-	(21)	-	-	(1)	-	-	(22)
Balance as at 31 March 2020	**-**	**-**	**1,020**	**3,994**	**33**	**93**	**131**	**167**	**19**	**5,457**
Charge for the year	-	-	200	841	1	34	16	28	9	1,129
Disposals	-	-	-	(17)	-	-	(3)	-	-	(20)
Balance as at 31 March 2021	**-**	**-**	**1,220**	**4,818**	**34**	**127**	**144**	**195**	**28**	**6,566**
Net book value as at 31 March 2020	2,487	-	5,150	7,311	5	244	107	70	283	15,657
Net book value as at 31 March 2021	**2,476**	**-**	**7,671**	**9,065**	**5**	**279**	**98**	**97**	**274**	**19,965**

(i) Contractual obligations - Refer to note 37(a) for disclosure of contractual commitments for the acquisition of property, plant and equipment.

(ii) Right-of-use assets consists of leasehold land from the State Industrial Development Corporation of Uttarakhand Limited for a period of 90 years, Uttar Pradesh State Industrial Development Corporation Limited for a period of 87 years and Ramky Pharma City (India) Limited for a period of 33 years which is renewable for a further period of 2 terms of 33 years each at the option of the Company.

(iii) Land parcels with an aggregate carrying amount of ₹ 4 (31 March 2020: ₹ 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 favourable outcome in this case and hence, no adjustments are made in these financial statements.

(iv) The following lands have come into the books of the Company pursuant to the merger of Natco Organics Limited and Karanth Pharma Chemical Labs Private Limited (transferor companies) with the Company in the earlier years. Hence, the name of the transferor companies are appearing in the title deeds of these lands.

i) Freehold land at Sanathnagar Industrial estate, Hyderabad.

ii) Freehold land at No. 74/7B, Vaikkadu TPP Salai, Manali, Chennai.

(v) The Company was provisionally allotted a parcel of land from Andhra Pradesh Industrial Infrastructure Corporation Limited ('APIIC') in Attivaram, Nellore District, Andhra Pradesh for a consideration of ₹ 66 which shall be registered in the name of the Company based on fulfilment of certain conditions laid down by APIIC.

(vi) Refer to note 40 for disclosure of leases under Ind AS 116.

(vii) Refer to note 17 for disclosure of security against borrowings.

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6. Intangible assets

	Computer Software	Total
Gross carrying amount		
As at 1 April 2019	194	194
Additions	29	29
As at 31 March 2020	**223**	**223**
Additions	29	29
As at 31 March 2021	**252**	**252**
Accumulated amortisation		
As at 1 April 2019	112	112
Amortisation for the year	23	23
As at 31 March 2020	**135**	**135**
Amortisation for the year	23	23
As at 31 March 2021	**158**	**158**
Net carrying amount		
As at 31 March 2020	88	88
As at 31 March 2021	**94**	**94**

7. Investments in subsidiaries

	As at 31 March 2021	As at 31 March 2020
Non-current		
Investment in equity instruments (fully paid-up)		
At cost less provision for other than temporary impairment		
Unquoted		
2,650 (31 March 2020: 1,000) common shares of US$1,000 each, in Natco Pharma Inc.	162	42
1,902,009 (31 March 2020: 1,078,065) equity shares of US$10 each, in Time Cap Overseas Limited*	1,262	647
2,783,813 (31 March 2020: 2,783,813) equity shares of Canadian Dollar 1 each, in NATCO Pharma (Canada) Inc.	145	145
2,095,000 (31 March 2020: 2,095,000) equity shares of Singapore Dollar 1 each, in NATCO Pharma Asia Pte. Ltd.	102	102
1,908,572 (31 March 2020: 1,058,572) equity shares of Australian Dollar 1 each, in NATCO Pharma Australia PTY Ltd.	99	53
307,448 (31 March 2020: 271,406) equity shares of 100 PHP each, in NATCO Lifesciences Philippines Inc.	42	36
Deemed investment in Natcofarma Do Brasil Ltda.	18	-
	1,830	**1,025**
Aggregate book value of unquoted investments	1,830	1,025
Aggregate amount of impairment in the value of investments	-	-

*The Company through its subsidiary Time Cap Overseas Limited ("Timecap") has made investments in Natcofarma Do Brasil Ltda. ('Natco Brazil'), which is engaged in marketing of pharmaceutical products in Brazil. The Company indirectly holds 100% of Natco Brazil through Timecap and Natco Pharma Inc. During the year ended 31 March 2021, Natco Brazil reported a loss of ₹ 62 and as at that date its accumulated losses aggregating ₹ 1,170 have substantially eroded its net worth which indicates a possible impairment in the carrying value of the investment. Accordingly, the management with the help of a valuation specialist, has carried out an impairment assessment and concluded that the estimated recoverable amount computed using value-in-use method, is higher than the carrying value of the investment in Natco Brazil and accordingly, there is no impairment. Determination of recoverable amount using Discounted Cash Flow (DCF) valuation method by the independent valuer involved consideration of key assumptions including, but are not limited to, projections of future cash flows, growth rates, discounts rates, estimated future operating expenditure. The planning horizon reflects the assumptions for short-to-mid term market developments which are based on key assumptions such as margins, expected growth rates based on past experience and management's expectations / extrapolation of normal increase / steady terminal growth rate. Discount rate reflects the current market assessment of the risks. The discount rate is estimated based on the weighted average cost of capital for Natco Brazil. The management based on sensitivity analysis performed believes that any reasonable possible change in the key assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the investment.

Notes to standalone financial statements

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

8. Investments

	As at 31 March 2021	As at 31 March 2020
I. Non-current		
a) Investment in equity instruments of others (fully paid-up)		
At fair value through other comprehensive income		
Unquoted		
139,451 (31 March 2020: 139,451) equity shares of ₹ 10 each, in OMRV Hospital Private Limited	105	105
21,769 (31 March 2020: 21,769) equity shares of ₹ 10 each, in Veda Seedsciences Private Limited	79	79
8,000 (31 March 2020: 8,000) equity shares of ₹ 10 each, in Cipher Oncology Private limited	10	10
2,201 (31 March 2020: 978) equity shares of ₹ 10 each, in Medplus Health Services Private Limited	75	75
4,054 (31 March 2020: 4,054) equity shares of 1USD NATIVITA Joint Limited Liability Company	0	0
30 (31 March 2020: 30) equity shares of Euro 0.5 per share of Pharnasanta B.V	0	0
750 (31 March 2020: 750) equity shares of ₹ 100 each, in Jeedimetla Effluent Treatment Limited	0	0
34,400 (31 March 2020: 34,400) equity shares of ₹ 10 each, in Pattancheru Enviro-Tech Limited	0	0
65,979 (31 March 2020: NIL) shares of Series Seed-2 Preferred Stock in ISCA,Inc	151	-
27,000 (31 March 2020: 27,000) equity shares of ₹ 10 each, in Jayalakshmi Spinning Mills Limited	0	0
Less: Provision for diminution in value of investments	0	0
	420	**269**
b) Other investments		
At fair value through other comprehensive income		
Unquoted		
2,000 (31 March 2020: 1,624) units of ₹ 10,000 each, in Endiya Trust	20	16
88,040 (31 March 2020: Nil) 0.001% compulsorily convertible preference shares (CCPS) of ₹ 20 each, in Medplus Health Services Private Limited	-	-
500,000 (31 March 2020: 5,00,000) 0.05% compulsorily convertible preference shares (CCPS) of ₹ 100 each, in OMRV Hospitals Private Limited	50	50
	70	**66**
At amortised cost		
Unquoted		
National savings certificates	0	0
Quoted		-
250,000 (31 March 2020: 250,000) 9.25% non-convertible debentures (NCD) of ₹ 1,000 each, in Muthoot Finance limited	250	250
100,000 (31 March 2020: Nil) 6.75% non-convertible debentures (NCD) of ₹ 1,000 each, in Muthoot Finance limited	100	-
250 (31 March 2020: 250) 8.39% Series III Perpetual Bonds of ₹ 1,000,000 each, issued by State Bank of India	251	251
100 (31 March 2020: Nil) 7.73% Series III Perpetual Bonds of ₹ 1,000,000 each, issued by State Bank of India	103	-
	704	**501**
Total non-current investments	**1,194**	**836**
Aggregate book value of unquoted investments	490	335
Aggregate book value of quoted investments	704	501
Aggregate market value of quoted investments	721	512
Aggregate amount of impairment in the value of investments	0	0

Notes to standalone financial statements

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

	As at 31 March 2021	As at 31 March 2020
II. Current		
a) Investments in equity instruments of others (fully paid-up)		
Quoted		
At fair value through other comprehensive income		
7,000 (31 March 2020: 10,000) equity shares of ₹ 10 each, in Neuland Laboratories Limited	15	3
5,500 (31 March 2020: 5,500) equity shares of ₹ 1 each, in Sun Pharmaceuticals Industries Limited	3	2
530 (31 March 2020: 778) equity shares of ₹ 2 each, in Alkem Laboratories Limited	1	2
12,400 (31 March 2020: 15,000) equity shares of ₹ 1 each, in Cadila Healthcare Limited	5	4
350,000 (31 March 2020: 500,000) equity shares of ₹ 2 each, in Laurus Labs Limited	127	32
150,000 (31 March 2020: 150,000) equity shares of ₹ 1 each, in Lanco Infratech Limited	0	0
22,700 (31 March 2020: 22,700) equity shares of ₹ 1 each, in GMR Infrastructure Limited	1	0
50,400 (31 March 2020: 50,400) equity shares of ₹ 1 each, in GVK Power & Infrastructure Limited	0	0
18,300 (31 March 2020: 50,000) equity shares of ₹ 1 each, in Panacea Biotech Limited	3	6
2,100 (31 March 2020: 3,176) equity shares of ₹ 1 each, in ICICI Prudential Life Insurance Company Limited	1	1
18,300 (31 March 2020: Nil) equity shares of ₹ 1 each, in Ravinder Height Limited	0	-
	156	**50**
b) Other investments (fully paid-up)		
Unquoted		
At amortised cost		
400 (31 March 2020: Nil) 5.10% Commercial Paper (CP) of ₹ 500,000/- each, through issuer Julius Baer Capital (India) Private Limited	190	-
Total current investments	**346**	**50**
Aggregate book value of unquoted investments	190	-
Aggregate book value of quoted investments	41	60
Aggregate market value of quoted investments	156	50

9. Loans

	As at 31 March 2021	As at 31 March 2020
(Unsecured, considered good)		
Non-current		
Loans to related parties (Refer note 35)	114	524
Loans to others	14	20
Security deposits	143	140
Total non-current loans	**271**	**684**
Current		
Loans to directors (Refer note 35)	37	-
Loans to employees	92	81
Total current loans	**129**	**81**

Notes to standalone financial statements

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

10. Other financial assets

	As at 31 March 2021	As at 31 March 2020
(Unsecured, considered good)		
Non-current		
Deposits classified at amortised cost:		
- Bank deposits with maturity beyond 12 months*	34	35
- Interest on deposits, accrued but not due	8	6
	42	**41**
* Bank deposits are given as margin money against bank guarantees/performance guarantees issued by banks.		
Current		
Deposits classified at amortised cost:		
- Deposits with financial institutions	3,861	8,112
- Interest on deposits, accrued but not due	361	470
Interest on loans to related party, accrued but not due (Refer note 35)	11	23
Other receivables	47	7
	4,280	**8,612**

11. Other assets

	As at 31 March 2021	As at 31 March 2020
(Unsecured, considered good)		
Non-current		
(i) Capital advances	273	547
(ii) Advances other than capital advances		
- Balance with statutory authorities	12	12
	285	**559**
Current		
Advances other than capital advances		
- Advance to material/service providers	1,100	1,378
- Prepaid expenses	221	178
- Export incentives receivable	312	260
- Balance with statutory authorities	904	688
	2,537	**2,504**

12. Inventories

	As at 31 March 2021	As at 31 March 2020
Raw materials [including goods-in-transit of ₹ 51 (31 March 2020: ₹ 26)]	3,422	1,627
Work-in-progress	1,834	1,566
Finished goods	1,303	1,140
Stock-in-trade	44	6
Stores and spares [including goods-in-transit of ₹ 9 (31 March 2020: ₹ 5)]	778	640
Packing materials [including goods-in-transit of ₹ 1 (31 March 2020: ₹ 1)]	311	265
	7,692	**5,244**

The write-down of inventories to net realisable value during the year amounted to ₹ 15 (31 March 2020: ₹ 31).

Notes to standalone financial statements

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

13. Trade receivables

	As at 31 March 2021	As at 31 March 2020
(Unsecured)		
Trade receivables, gross		
- Considered good	4,101	5,492
- Credit impaired	48	50
	4,149	**5,542**
Less: Allowance for credit losses	151	175
	3,998	**5,367**

14. Cash and bank balances

	As at 31 March 2021	As at 31 March 2020
Cash and cash equivalents		
Cash on hand	5	11
Balance with banks:		
- Current accounts	46	68
	51	**79**
Other bank balances		
Bank deposits with original maturity beyond 3 months within 12 months	2,540	428
Unpaid dividend account	37	34
	2,577	**462**
	2,628	**541**

15. Equity share capital

i. Authorised share capital

	As at 31 March 2021		As at 31 March 2020	
	Number	Amount	Number	Amount
Equity shares of ₹ 2 each	200,000,000	400	200,000,000	400

ii. Issued, subscribed and fully paid up

	As at 31 March 2021		As at 31 March 2020	
	Number	Amount	Number	Amount
Equity shares of ₹ 2 each	182,337,825	365	182,067,975	364
	182,337,825	**365**	**182,067,975**	**364**

iii. Reconciliation of number of equity shares outstanding at the beginning and at the end of the year

	As at 31 March 2021		As at 31 March 2020	
	Number	Amount	Number	Amount
Equity shares				
Balance at the beginning of the year	182,067,975	364	182,746,479	365
Add: Equity shares issued pursuant to employee stock option plan (Refer note 15 (viii))	269,850	1	305,840	1
Less: Bought back during the year and extinguished before balance sheet date (Refer note given below)	-	-	(984,344)	(2)
Balance at the end of the year	**182,337,825**	**365**	**182,067,975**	**364**

Notes to standalone financial statements

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

Note:

(a) During the year ended 31 March 2020, the Company bought back and extinguished 984,344 equity shares of ₹ 2 each for an aggregate purchase value of ₹ 536 at an average price of ₹ 544 per share, excluding transaction costs under the buy-back of equity shares plan approved by the Board of directors on 05 November 2018.

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 is subject to the approval of the shareholders in the ensuing general meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts in proportion of their shareholding.

v. Details of shareholder holding more than 5% share capital

Name of the equity shareholder	As at 31 March 2021		As at 31 March 2020	
	Number	% holding	Number	% holding
V C Nannapaneni	28,027,975	15.37%	28,027,975	15.39%
Time Cap Pharma Labs Limited	17,175,420	9.42%	17,157,220	9.42%
V S Swathi Kantamani	15,983,340	8.77%	15,983,340	8.78%
Natsoft information system Private Limited	15,767,500	8.65%	15,767,500	8.66%

*including shares held in the capacity of Karta of Hindu Undivided Family (HUF) aggregating 5,440,045 (31 March 2020: 5,440,045).

vi. Shares reserved for issuance under Stock Option Plans of the Company

	As at 31 March 2021		As at 31 March 2020	
	Number	% holding	Number	% holding
NATCO Employee Stock Option Plan:				
ESOP 2015	-	0.00%	74,810	0.04%
ESOP 2016	21,155	0.01%	87,310	0.05%
ESOP 2017	161,435	0.09%	364,580	0.20%
	182,590		**526,700**	

vii. Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:

	2020-21	2019-20	2018-19	2017-18	2016-17
Equity Shares issued under Stock Option Plans of the Company	269,850	305,840	268,735	185,600	133,555
Equity shares bought-back (Refer note 15(iii))	-	984,344	2,015,656	-	-

viii. Share based payments

(a) The Company has instituted the NATCO Employee Stock Option Plan 'ESOP-2015', NATCO Employee Stock Option Plan 'ESOP-2016' and NATCO Employee Stock Option Plan 'ESOP-2017' ("the ESOP Schemes"). The ESOP Schemes were formulated in accordance with the Securities Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 issued by the Securities and Exchange Board of India ("SEBI"). Pursuant to the terms of the ESOP Schemes, the Board of Directors of the Company have granted 750,000 options (post split), 174,330 options and 600,000 options to eligible employees on 12 August 2015, 11 November 2016 and 2 November 2017 respectively. The terms of the ESOP Schemes provide that each option entitles the holder to one equity share of ₹ 2 each (post split) and that the options can be settled only by way of issue of equity shares. The options vest in a phased manner ranging from 1 to 5 years from the date of grant and the options are entirely time-based with no performance conditions.

Notes to standalone financial statements

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

(b) Assumptions used for ESOP Valuation

	ESOP 2015	ESOP 2016	ESOP 2017
Grant date	12-Aug-15	11-Nov-16	02-Nov-17
Fair value at grant gate	2,471	619	971
Exercise price	10	2	2
Expected voltality range	40.79% - 49.91%	37.28% - 43.76%	42.92% - 163.51%
Risk-free	7.14% - 8.18%	6.82% - 8.05%	6.14% - 6.61%
Time to maturity	5	5	4
Expected dividends yields	0.20%	0.20%	0.75%

(c) During the year ended 31 March 2021, the Company had accrued stock compensation cost of ₹ 126 (31 March 2020: ₹ 144) in respect of the ESOP Schemes.

(d) The details of options are as follows :

ESOP 2015, ESOP 2016 and ESOP 2017	As at 31 March 2021		As at 31 March 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of the year	526,700	2	848,315	2
Granted during the year	-		-	2
Forfeited during the year	54,405	2	-	2
Vested during the year	264,100	2	358,675	2
Exercised during the year	269,850	2	305,840	2
Expired during the year	19,855	2	15,775	2
Outstanding at the end of the year	182,590	2	526,700	2
Exercisable at the end of the year	37,000	2	43,005	2

The weighted average remaining contractual life of unvested options is 7.27 months (31 March 2020: 12.35 months).

The weighted average share price on the date of exercise of options during the years ended 31 March 2021 and 31 March 2020 was ₹ 859 and ₹ 567 per share, respectively.

There were no stock options granted by the Company for the years ended 31 March 2021 and 31 March 2020. The fair value of stock options granted in earlier years had been measured using the Black–Scholes option pricing model at the date of the grant. The Black-Scholes option pricing model includes assumptions regarding dividend yields, expected volatility, expected terms and risk free interest rates.

ix. Dividend paid and proposed

Dividends on equity shares were declared and paid by the Company during the year:

	2020-21		2019-20	
	Dividend per Equity share (₹)	Amount	Dividend per Equity share (₹)	Amount
First interim dividend	1.25	228	1.25	227
Second interim dividend	3.00	547	1.00	182
Third interim dividend	1.00	182	3.50	638
Dividend distribution tax on above		-		215
Total		**957**		**1,262**

After the reporting dates the following dividend was proposed by the directors subject to the approval at the annual general meeting; the dividends have not been recognised as liabilities. Payment of dividends would be subject to deduction of tax at source when declared or paid.

Notes to standalone financial statements

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

	Year ended 31 March 2021		Year ended 31 March 2020	
	Dividend per Equity share (₹)	Amount	Dividend per Equity share (₹)	Amount
Fourth interim dividend	-	-	1	182
Total		**-**		**182**

16. Other equity

A Reserve and surplus

	As at 31 March 2021	As at 31 March 2020
Reserves and surplus		
Securities premium	13,915	13,729
Capital reserve	516	516
Capital redemption reserve	11	11
General reserve	595	595
Share options outstanding account	176	236
Retained earnings	25,203	23,225
Total reserves and surplus	**40,416**	**38,312**
Other comprehensive income		
Gain on FVTOCI equity securities	130	19
Total other items of OCI	**130**	**19**
Total other equity	**40,546**	**38,331**

B Nature and purpose of other reserves

Securities premium

Securities premium is used to record the premium on issue of shares. The reserve is utilised in accordance with provisions of the Companies Act, 2013.

Capital reserve

Capital reserve was created on amalgamation of certain entities into the Company in the earlier years and the transactions with Shareholders. The Company uses capital reserve for transactions in accordance with the provisions of the Companies Act, 2013.

Capital redemption reserve

The Company had purchased its own shares and as per the provision of the applicable laws, a sum equal to the nominal value of the shares so purchased is required to be transferred to the capital redemption reserve. The Company uses capital redemption reserve for transactions in accordance with the provisions of the Companies Act, 2013.

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

This 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 on the date of exercise of such options.

Fair value through Other comprehensive income (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 FVTOCI equity instruments reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity instruments are derecognised.

Notes to standalone financial statements

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

Retained earnings

Retained earnings mainly represent all current and prior year profits as disclosed in the statement of profit and loss and other comprehensive income pertaining to remeasurement gains/(losses) arising from the actuarial valuation of the defined benefit plan less dividend distribution.

17. Borrowings

	As at 31 March 2021	As at 31 March 2020
Non-current		
Lease liabilities (refer note 40)	9	9
	9	**9**
Current		
Lease liabilities (refer note 40)	4	8
Loan repayable on demand from banks:		
Working capital loans (secured)	1,284	1,340
Working capital loans (unsecured)	1,267	1,783
	2,555	**3,131**

Notes:

(i) Working capital loans (secured) represents cash credit, bills purchased and discounted with various banks. These working capital loans are secured by joint pari-passu first charge on all the current assets and property, plant and equipment of: i) Land admeasuring 17.19 acres comprised in survey no. 70 of village Nandikonda, Mandal Peddavoora, District Nalgonda in the State of Telangana together with all buildings and structures thereon and all plant and equipment attached to the earth. ii) House/premise bearing municipal no. 8-2-120/112/A/33 and 8-2-120/112/A/32 in plot no. 100 admeasuring 1166 sq. yards with all its building and fixed assets situated at Road No.2, Banjara Hills, Hyderabad - 500033.

(ii) Working capital loans (unsecured) represents overdraft facility, bills purchased and discounted with various banks.

(iii) The rate of interest applicable was in the range of 0.60% to 8.05%.

18. Other financial liabilities

	As at 31 March 2021	As at 31 March 2020
Non-current		
Deposits from customers	11	8
	11	**8**
Current		
Financial guarantee liability	14	-
Book overdraft	163	135
Capital creditors	350	403
Unpaid dividend *	37	34
Payroll related liabilities	257	240
	821	**812**

* Investor Education and Protection Fund shall be credited when due.

Notes to standalone financial statements

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

19. Provisions

	As at 31 March 2021	As at 31 March 2020
Non-current		
Provision for employee benefits:		
Provision for gratuity (refer note (a))	610	564
Provision for compensated absences (refer note (b))	386	338
	996	**902**
Current		
Provision for employee benefits:		
Provision for gratuity (refer note (a))	70	52
Provision for compensated absences (refer note (b))	58	53
	128	**105**

(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. Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Company makes contributions to the Gratuity Fund.

The following tables sets out the status of the gratuity plan and the reconciliation of opening and closing balances of the present value and defined benefit obligation.

(i) Reconciliation of the present value of defined benefit obligation

	As at 31 March 2021	As at 31 March 2020
Opening balance	726	554
Current service cost	74	65
Interest cost	50	43
Benefits paid	(38)	(14)
Actuarial loss recognised in the other comprehensive income:		
Experience adjustment	7	30
Change in demographic assumptions	-	-
Change in financial assumptions	-	48
Closing balance	**819**	**726**

(ii) Reconciliations of present value of plan asset

	As at 31 March 2021	As at 31 March 2020
Opening balance	110	68
Interest income	8	5
Employer contribution	60	52
Benefits paid	(38)	(14)
Actuarial losses recognised in the other comprehensive income:		
Return on plan assets, excluding interest income	(1)	(1)
Closing balance	**139**	**110**

Notes to standalone financial statements

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

(iii) Reconciliation of net defined benefit obligation

	As at 31 March 2021	As at 31 March 2020
Present value of funded obligation	819	726
Fair value of plan assets	(139)	(110)
Amount recognised in the balance sheet	**680**	**616**

(iv) Expense recognised in the statement of profit and loss under employee benefit expense:

	Year ended 31 March 2021	Year ended 31 March 2020
Current service cost	74	65
Interest cost	50	43
Interest income	(8)	(5)
Net cost	**116**	**103**

(v) Remeasurements recognised in the statement of other comprehensive income

	Year ended 31 March 2021	Year ended 31 March 2020
Experience adjustment on funded obligation	7	78
Return on plan assets, excluding interest income	1	1
Net gratuity costs in other comprehensive income	**8**	**79**

(vi) Plan assets comprises of the following:

	Year ended 31 March 2021	Year ended 31 March 2020
Group gratuity fund with LIC	139	110

(vii) Summary of actuarial assumptions:

	Year ended 31 March 2021	Year ended 31 March 2020
Discount rate	6.85%	6.85%
Estimates rate of return on plan assets	6.85%	6.85%
Salary escalation rate	7.00%	7.00%
Mortality rate	Indian Assured Lives Mortality(2012-14)	Indian Assured Lives Mortality(2012-14)

The estimates of future salary increase considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

(viii) Sensitivity analysis:

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate and the salary growth rate. The calculation of the net defined benefit liability is sensitive to these assumptions. However, the impact of these changes is not ascertained to be material by the management.

Notes to standalone financial statements

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

The sensitivity analysis of significant actuarial assumptions as at the end of the period is shown below.

	Year ended 31 March 2021	Year ended 31 March 2020
A. Defined benefit obligation without effect of projected salary growth	819	726
B. Salary escalation rate		
Salary rate +100 basis points	87	78
Salary rate -100 basis points	(76)	(68)
C. Discount rate		
Discount rate +100 basis points	99	(73)
Discount rate -100 basis points	(82)	88

As at 31 March 2021, the weighted-average duration of the defined benefit obligation was 11 years (31 March 2020: 11 years).

(ix) Expected contribution

The expected contributions for defined benefit plan for the next financial year will be in line with the contribution for the period and is expected by the Management to be ₹ 76 (31 March 2020: ₹ 60).

(x) Maturity profile of defined benefit obligation (valued on undiscounted basis):

	Year ended 31 March 2021	Year ended 31 March 2020
Within 1 year	70	66
2 to 5 years	181	162
6 to 10 years	364	300
More than 10 years	1,464	1,333

(b) Compensated absences:

The accrual for unutilised leave is determined for the entire available leave balance standing to the credit of the employees at the year-end. The value of such leave balances that are eligible for carry forward, is determined by an actuarial valuation as at the end of the year and is charged to the statement of profit and loss. The actual liability towards leave obligations as at 31 March 2021 is ₹ 444 (31 March 2020: ₹ 391). Expense recognised in the statement of profit and loss under employee benefit expense is ₹ 96 (31 March 2020: ₹ 99).

20. Other liabilities

	As at 31 March 2021	As at 31 March 2020
Current		
Statutory liabilities	87	82
Advance from customers	179	4
Others	20	36
	286	**122**

21. Trade payables

	As at 31 March 2021	As at 31 March 2020
Current		
Total outstanding dues of micro enterprises and small enterprises [Refer note below]	75	21
Total outstanding dues of creditors other than micro enterprises and small enterprises	1,320	2,321
	1,395	**2,342**

Notes to standalone financial statements

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

Note:

Under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from 2 October 2006, certain disclosures are required to be made relating to Micro and Small enterprises. On the basis of the information and records available with the Management, the outstanding dues to the Micro and Small enterprises as defined in the MSMED as set out in following disclosure.

	Particulars	As at 31 March 2021	As at 31 March 2020
(i)	the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;		
	Principal amount due to micro and small enterprises	75	21
	Interest due on above	-	-
(ii)	the amount of interest paid by the buyer in terms of Section 16 of MSMED Act, 2006 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 MEMED Act, 2006;	-	-
(iv)	the amount of interest accrued and remaining unpaid at the end of each accounting year; and	-	-
(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 the MSMED Act, 2006.	-	-

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. This has been relied upon by the auditors.

22. Revenue from operations

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Revenue from contracts with customers:		
Sale of goods	16,024	15,877
Sale of services	153	1,451
Job work income	101	302
Total (a)	**16,278**	**17,630**
Other operating revenues		
Export incentives	229	224
Budgetary support	1	31
Scrap sales	27	17
Total (b)	**257**	**272**
Total revenue from operations (a+b)	**16,535**	**17,902**
Disaggregation of revenue		
Revenue based on Geography (product destination):		
India	5,820	7,218
USA	7,910	8,230
Rest of the world	2,548	2,182
	16,278	**17,630**
Timing of revenue recognition		
Goods transferred at a point in time	16,024	15,877
Services transferred over time	254	1,753
	16,278	**17,630**
Reconciliation of revenue from operations with contract price:		
Revenue as per contracted price	16,597	18,612

Notes to standalone financial statements

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

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Adjusted for:		
Sales returns	(110)	(322)
Trade discounts and rebates	(209)	(660)
Total Revenue from operations	**16,278**	**17,630**

Contract liabilities resulting from advance payments by customers for delivery of goods are predominantly recognised as sales within one year. The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as on 31 March 2021 is ₹ 179 (31 March 2020: ₹ 4) resulting from advance payments and shown under other current liabilities.

23. Other income

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Dividend income from investments designated at FVTOCI	0	-
Renewable Energy (Wind Power) income	40	-
Provisions no longer required written back	-	29
Interest income from financial assets carried at amortised cost	562	816
Profit on sale of property, plant and equipment, (net)	320	163
Foreign exchange gain, (net)	75	207
Guarantee income	5	-
Other receipts	9	23
	1,011	**1,238**

24. Cost of material consumed

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Raw material consumed	3,452	3,018
Packing material consumed	277	272
	3,729	**3,290**

25. Changes in inventories of finished goods, work-in-progress and stock-in -trade

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Opening stock:		
- Finished goods	1,140	735
- Work-in-progress	1,566	1,405
- Stock-in-trade	6	13
	2,712	**2,153**
Closing stock:		
- Finished goods	1,303	1,140
- Work-in-progress	1,834	1,566
- Stock-in-trade	44	6
	3,181	**2,712**
	(469)	**(559)**

Notes to standalone financial statements

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

26. Employee benefits expense

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Salaries, wages and bonus	3,183	2,940
Contribution to provident fund and other funds	237	223
Gratuity expense (Refer note 19)	116	103
Share based payment expense (Refer note 15(viii))	126	144
Staff welfare expenses	138	151
	3,800	**3,561**

Defined contribution plan:

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards provident fund and employee state insurance schemes which are defined contribution plans. The Company has no obligations other than to make the specified contributions. The contribution to provident fund charged to the statement of profit and loss is ₹ 237 (31 March 2020: ₹ 223).

27. Finance costs

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Interest expense on liabilities at amortised cost:		
- Bank overdraft and others	88	177
Other borrowing cost	25	29
	113	**206**

28. Other expenses

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Consumption of stores and spares	281	290
Power and fuel	594	624
Rental charges (Refer note 40)	5	7
Repairs and maintenance		
- Buildings	31	55
- Plant and equipment	136	163
- Others	38	26
Insurance	197	146
Rates and taxes	215	267
Factory maintenance expenses	340	266
Clinical and analytical charges	251	469
Carriage and freight outward	130	39
Donations*	67	42
Corporate social responsibility (CSR) expenses (Refer note 34)	154	157
Corporate environment responsibility (CER) expenses	-	2
Communication expenses	54	73
Office maintenance	66	78
Travelling and conveyance	152	236
Legal and professional fees	228	299
Payment to auditors		
- Audit fees	6	5
- Other certifications and engagements	1	0
- Expenses reimbursed	0	0

Notes to standalone financial statements

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

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Directors sitting fee	2	1
Allowance for credit losses	(24)	175
Bad debts written off	117	55
Royalty expense	93	259
Sales promotion expenses	162	187
Research and development expenses (refer note 38)	158	504
Miscellaneous expenses	105	166
	3,559	**4,591**

* Includes political contributions of ₹ 19 (31st March 2020: ₹ 23) made in accordance with Section 182 of the Companies Act, 2013.

29. Income-tax

(A) Components of Income-tax expenses

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
(i) Tax expense recognised in profit and loss		
Current tax:		
Current year tax	863	1,251
Income-tax for earlier years	70	40
	933	**1,291**
Deferred tax charge/(credit) (net):		
Minimum Alternate Tax (MAT) credit utilisation (Refer note 29(E))	(251)	(382)
Origination and reversal of temporary differences	145	177
	(106)	**(205)**
Tax expense for the year	**827**	**1,086**
(ii) Tax recognised in other comprehensive income		
Items that will not be reclassified to profit and loss		
- Remeasurement of defined benefit plans	3	27
- Net gains / (losses) from investments in equity instruments designated at FVTOCI	(15)	7
	(12)	**34**

(B) Reconciliation of effective tax rate

The major components of income-tax expense and the reconciliation of expected tax expense based on the domestic effective tax rate of the Company at 34.944% (31 March 2020: 34.944%) and the reported tax expense in the statement of profit or loss are as follows:

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Profit before tax	3,922	5,831
Enacted tax rate applicable to the Company in India*	34.944%	34.944%
Tax using the Company's domestic tax rate	1,371	2,038
Tax effect of:		
Expense not deductible for tax purposes	29	74
Additional deduction allowed under Income-tax Act	(141)	(431)
Additional allowances under Income-tax Act	-	(378)
Utilisation of previously unutilised MAT credit	(412)	(382)
Capital gain tax	(47)	(25)

Notes to standalone financial statements

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

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Tax pertaining to earlier years	70	40
Others	(43)	150
Income-tax expense	**827**	**1,086**

*The Taxation Laws (Amendment) Ordinance, 2019 ('Ordinance') was promulgated by the President of India on 20 September 2019. The Ordinance has amended the Income-tax Act, 1961 and Finance Act, 2019 to inter-alia provide an option to a domestic company to pay income-tax at reduced rate of 22% plus applicable surcharge and cess subject to certain conditions. The Company has made an assessment of the impact of the Ordinance and decided to continue with the existing tax structure until utilisation of accumulated minimum alternative tax (MAT) credit.

(C) Deferred tax assets and liabilities

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that created these differences is given below:

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Deferred tax assets/(liabilities):		
Minimum Alternate Tax*	201	40
Trade receivables	53	61
Property , plant and equipment	(1,047)	(711)
Provision for employee benefits	395	351
Investments	(15)	3
	(413)	**(256)**

* As per Indian tax laws, companies are liable for a Minimum Alternate Tax ("MAT" tax) when current tax, as computed under the provisions of the Income-tax Act, 1961 ("Tax Act"), is determined to be below the MAT tax computed under section 115JB of the Tax Act. The excess of MAT tax over current tax is eligible to be carried forward and set-off in the future against the current tax liabilities over a period of 15 years.

The Company offsets tax assets and liabilities only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Significant management judgement is required in determining provision for income-tax, deferred income tax assets and liabilities and recoverability of deferred income tax assets. The recoverability of deferred income tax assets is based on estimates of taxable income by each jurisdiction in which the relevant entity operates and the period over which deferred income tax assets will be recovered.

(D) Movement in deferred tax assets and liabilities

The details of movement in deferred tax assets and liabilities for the year ended 31 March 2021:

	As at 1 April 2020	Recognised in profit and loss	Recognised in OCI	As at 31 March 2021
Deferred tax assets/(liabilities):				
Minimum Alternate Tax	40	161	-	201
Trade receivables	61	(8)	-	53
Property , plant and equipment	(711)	(336)	-	(1,047)
Provision for employee benefits	351	41	3	395
Investments	3	(3)	(15)	(15)
Net deferred tax assets/(liabilities)	**(256)**	**(145)**	**(12)**	**(413)**

Notes to standalone financial statements

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

The details of movement in deferred tax assets and liabilities for the year ended 31 March 2020:

	As at 1 April 2019	Recognised in profit and loss	Recognised in OCI	As at 31 March 2020
Deferred tax assets/(liabilities):				
Minimum Alternate Tax	-	40	-	40
Trade receivables	-	61	-	61
Property , plant and equipment	(403)	(308)	-	(711)
Provision for employee benefits	279	45	27	351
Investments	11	(15)	7	3
Net deferred tax assets/(liabilities)	**(113)**	**(177)**	**34**	**(256)**

(E) Unrecognised deferred tax assets

	As at 31 March 2021	As at 31 March 2020
Unrecognised MAT Credit Entitlement	808	1,237
	808	**1,237**

The Company did not recognise deferred tax assets of ₹ 808, primarily on MAT credit entitlement, as the Company is unable to estimate the availability of taxable profits with reasonable certainty after taking into consideration the tax holiday units/ benefits available including financial projections, business plans and the availability of sufficient taxable income in foreseeable future. The above MAT credit expires at various dates ranging from 2030 through 2032.

30. Earnings per share (EPS)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Earnings:		
Profit for the year	3,095	4,745
Shares:		
Number of equity shares at the beginning of the year	182,067,975	182,746,479
Effect of equity shares issued on exercise of stock options	90,821	95,712
Effect of equity shares bought back during the year	-	(907,668)
Weighted average number of equity shares – Basic	**182,158,796**	**181,934,523**
Dilutive effect of stock options outstanding	396,995	521,079
Weighted average number of equity shares – Diluted	**182,555,791**	**182,455,602**
Earnings per equity share (face value of ₹ 2/- each):		
Basic (in ₹)	16.99	26.08
Diluted (in ₹)	16.96	26.01

Notes to standalone financial statements

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

31. Financial instruments - fair values

A. Accounting classification and fair values

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities including their levels in the fair value hierarchy.

As at 31 March 2021:

Particulars	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
A. Financials assets					
Financial assets measured at FVTOCI					
Non-current investments	8	490	-	-	490
Current investments	8	156	156	-	-
Financial assets measured at amortised cost					
Non-current investments	8	704	-	-	-
Current investments	8	190	-	-	-
Loans	9	400	-	-	-
Trade receivables	13	3,998	-	-	-
Cash and cash equivalents	14	51	-	-	-
Bank balances other than cash and cash equivalents	14	2,577	-	-	-
Other financial assets	10	4,322	-	-	-
		12,888	**156**	**-**	**490**
B. Financials liabilities					
Financial liabilities measured at amortised cost					
Borrowings (including lease liability)	17	2,564	-	-	13
Trade payables	21	1,395	-	-	-
Other financial liabilities	18	832	-	-	-
		4,791	**-**	**-**	**13**

As at 31 March 2020:

Particulars	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
A. Financials assets					
Financial assets measured at FVTOCI					
Non-current investments	8	335	-	-	335
Current investments	8	50	50	-	-
Financial assets measured at amortised cost					
Non-current investments	8	501			
Loans	9	765	-	-	-
Trade receivables	13	5,367	-	-	-
Cash and cash equivalents	14	79	-	-	-
Bank balances other than cash and cash equivalents	14	462	-	-	-
Other financial assets	10	8,653	-	-	-
		16,212	**50**	**-**	**335**
B. Financials liabilities					
Financial liabilities measured at amortised cost					
Borrowings	17	3,140	-	-	17
Trade payables	21	2,342	-	-	-
Other financial liabilities	18	820	-	-	-
		6,302	**-**	**-**	**17**

Notes to standalone financial statements

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

The Company's financial liabilities comprise of borrowings from banks, lease liability, trade payables and other financial liabilities. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade receivables, other financial assets, cash and cash equivalents and other bank balances that derive directly from its operations. The Company also holds certain strategic investments in entities other than in subsidiaries.

The fair value of cash and cash equivalents, bank balances, trade receivables, loans, unquoted debentures and bonds, borrowings, trade payables and other financial assets and liabilities approximate their carrying amount largely due to the nature of these instruments. The Company's loans have been contracted at market rates of interest. Accordingly, the carrying value of such loans approximate fair value.

B. Measurement of fair values

The following methods and assumptions were used to estimate the fair values:

Level 1: The fair value of the quoted equity investments are based on market price at the reporting date.

Level 3: The Investments measured at fair value and falling under fair value hierarchy Level 3 are valued on the basis of valuation reports provided by external valuers with the exception of certain investments, where the impact of fair valuation of investment is considered as insignificant and hence carrying value and fair value is considered as same.

Change in level 3 fair values

Particulars	FVTOCI Equity securities	
	31-Mar-21	31-Mar-20
Opening balance	335	196
Additions during the year	155	139
Net change in fair value (recognised in FVTOCI)	-	-
Closing balance	**490**	**335**

32. Financial risk management

The Company's financial risk management is an integral part of how to plan and execute its business strategies. The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimise potential adverse effects on its financial performance. A summary of the risks have been given below.

A. Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risks: interest rate risk and currency risk. Financial instruments affected by market risk include borrowings, deposits, loans, trade receivables and trade payables.

i. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's entire borrowings carried at amortised cost are variable rate instruments and are subject to fluctuation because of a change in market interest rates. The Company considers the impact of fair value interest rate risk on variable rate borrowings as not material.

Notes to standalone financial statements

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

The Company's variable rate borrowing is subject to interest rate risk. Below are the details of exposure to fixed rate and variable rate instruments:

	As at 31 March 2021	As at 31 March 2020
Fixed rate instruments		
Financial assets	6,753	9,119
Financial liabilities	27	17
Variable rate instruments		
Financial liabilities (other than lease liability)	2,551	3,123

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 is exposed to currency risk to the extent that there is mismatch between the currencies in which sales, purchase are denominated and the respective functional currencies of Company companies. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities.

The Company's exposure to foreign currency financial assets and financial liabilities expressed in ₹ are as follows:

Financial assets

	31 March 2021			31 March 2020		
	Trade receivables*	Loans	Other financial assets	Trade receivables*	Loans	Other financial assets
- USD	2,000	-	-	3,449	413	19
- EUR	23	-	-	47	-	-
- GBP	2	-	-	-	-	-
- CAD	5	-	-	123	-	-
- SGD	11	114	11	8	111	4

Financial liabilities

	31 March 2021			31 March 2020		
	Trade payables	Other financial liabilities	Borrowings*	Trade payables	Other financial liabilities	Borrowings*
- USD	38	7	838	214	-	1,655
- EUR	1	9	22	22	-	16
- CAD	-	-	5	-	-	-
- GBP	5	0	-	0	-	-

* Includes bills purchased and discounted which are forming part of trade receivables and current borrowings amounting to ₹ 865 March 2020: ₹ 1671). These are realised amounts and hence there is no further foreign currency risk is involved.

Foreign currency sensitivity

A reasonably possible strengthening (weakening) of the Indian Rupee against various foreign currencies at 31 March would have affected the measurement of financial instruments denominated in foreign currencies and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

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

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 and loss after tax gain/(loss) for the year ended	
	31 March 2021	31 March 2020
USD sensitivity		
₹/USD - Appreciate by 10%	112	201
₹/USD - Depreciate by 10%	(112)	(201)

B. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and loans given. Credit risk arises from cash held with banks and financial institutions, as well as credit exposure to clients, including outstanding accounts receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

Trade and other receivables:

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business.

The maximum exposure to credit risk for trade receivables (Gross) by geographic region is as follows:

	As at 31 March 2021	As at 31 March 2020
India	1,760	1,914
USA	1,619	2,825
Rest of the world	770	803
	4,149	**5,542**

The ageing of trade receivables are as follows:

	As at 31 March 2021	As at 31 March 2020
Neither past due nor impaired	3,196	3,579
Past due not impaired:		
1-180 days	625	1,855
More than 180 days	328	108
Allowance for credit losses	(151)	(175)
	3,998	**5,367**

Movement in allowance for credit losses

	As at 31 March 2021	As at 31 March 2020
Balance as at 01 April	175	-
Net remeasurement of loss allowance	93	230
Amount written off during the year	(117)	(55)
	151	**175**

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

As per simplified approach the Company makes provision of expected credit losses on trade receivable using a provision matrix to mitigate the risk of default payment and make appropriate provision at each reporting date wherever required.

Other financial assets:

Other financial assets primarily consist cash and cash equivalents and deposits. Credit risk on cash and cash equivalents and deposits with banks and financial institutions are generally low as the said deposits have been made with the banks and financial institutions who have been assigned high credit rating by international and domestic credit rating agencies.

Investments in other than subsidiaries are strategic investments in the normal course of business of the Company. Loans to related parties are given for business purposes. The Company reassesses the recoverability of loans periodically. Interest recoveries from these loans are regular and there is no event of defaults.

C. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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 entities 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 requirements. Accordingly, no liquidity risk is perceived.

Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is insignificant.

As at 31 March 2021	Carrying value	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Financial liabilities					
Borrowings	2,551	2,551	-	-	2,551
Lease liabilities	13	3	11	386	400
Trade payables	1,395	1,395	-	-	1,395
Other financial liabilities	832	807	25	-	832
Total	**4,791**	**4,756**	**36**	**386**	**5,178**

As at 31 March 2020	Carrying value	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Financial liabilities					
Borrowings	3,123	3,123	-	-	3,123
Lease liabilities	17	8	7	393	408
Trade payables	2,342	2,342	-	-	2,342
Other financial liabilities	820	812	8	-	820
Total	**6,302**	**6,285**	**15**	**393**	**6,693**

Notes to standalone financial statements

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

33. Capital 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 Standalone Balance Sheet. Currently, the Company primarily monitors its capital structure on the basis of gearing ratio. Management is continuously evolving strategies to optimise the returns and reduce the risks. It includes plans to optimise the financial leverage of the Company.

The capital for the reporting year under audit is summarised as follows:

	As at 31 March 2021	As at 31 March 2020
Total borrowings	2,551	3,123
Less: Cash and cash equivalents	(51)	(79)
Net debt [A]	**2,500**	**3,044**
Total equity [B]	40,911	38,695
Total capital [C=A+B]	**43,411**	**41,739**
Gearing ratio (%) [A/C]	6%	7%

34. Corporate social responsibility (CSR) expenses

During the year, the amount required to be spent on corporate social responsibility activities amounted to ₹ 152 (31 March 2020: ₹ 156) in accordance with Section 135 of the Act, 2013. The following amounts were actually spent during the current and previous year:

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Amount spent in cash:		
(i) Amount spent for other than for construction/ acquisition of any asset	-	-
(ii) On purposes other than (i) above*	154	157
Amount yet to be paid in cash	-	-
Total	**154**	**157**

*The Company has contributed the amount of ₹ 150 (Previous year ₹ 157) to Natco Trust towards CSR activities (Refer note 35)

35. 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)

Nature of relationship	Names of the related parties
1. Subsidiary companies	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
	NATCO Lifesciences Philippines Inc., Philippines
2. Step-down subsidiary company	Natcofarma Do Brasil Ltda., Brazil
3. Entities in which Directors have control or have significant influence	Time Cap Pharma Labs Limited
	NATCO Trust
4. Key management personnel ("KMP")	
Chairman and Managing Director	Mr. V C Nannapaneni
Vice Chairman and Chief Executive Officer ("CEO")	Mr. Rajeev Nannapaneni
Wholetime Director	Mr. Potluri Prasad Sivaramakrishna
Wholetime Director	Mr. Lingarao Donthineni
Chief Financial Officer	Mr. S.V.V.N. Appa Rao
Company Secretary	Mr. Adinarayana M

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

Nature of relationship	Names of the related parties
5. Non-Executive Directors and Independent Directors	
Independent Director	Mr. Sreerama Murthy Gubbala
Independent Director	Mr. Govinda Prasad Dasu
Independent Director	Mr. Umamaheshwarrao Naidu Madireddi
Independent Director	Mr. Venkateswara Rao Thallapaka
Non-Executive Director	Mr. Sridhar Sankararaman
Independent Director	Mrs. Leela Digumarti
6. Relatives of KMP	Mrs. Durga Devi Nannapaneni
	Dr. N. Ramakrishna Rao
	Mrs. V S Swathi Kantamani

(b) Related party transactions during the year

	For the year ended 31 March 2021	For the year ended 31 March 2020
Time Cap Overseas Limited, Mauritius		
Investment in equity shares	615	9
Loan given	-	18
Interest income on loan	7	10
Interest received	17	-
NATCO Pharma (Canada) Inc., Canada		
Sale of products	540	156
NATCO Pharma Asia Pte Ltd., Singapore		
Investment in equity shares	-	13
Interest income on loan	6	6
Sale of products	46	14
Natcofarma Do Brasil Ltda., Brazil		
Sale of products	70	281
Reimbursement of expenses	1	-
Corporate guarantee given	147	-
NATCO Pharma Australia Pty Ltd., Australia		
Investment in equity shares	46	4
NATCO Pharma Inc., United States of America		
Investment in equity shares	121	-
Interest income on loan	6	6
Interest received	14	-
NATCO Lifesciences Philippines Inc., Philippines		
Investment in equity shares	6	24
Interest income on loan	-	0
Time Cap Pharma Labs Limited		
Rental expense	5	5
NATCO Trust		
Donations	5	0
Contribution to corporate social responsibility activities	150	157
Mr. V C Nannapaneni		
Managerial remuneration*	18	18
Leave encashment paid	1	1
Rental expense	2	2

Notes to standalone financial statements

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

	For the year ended 31 March 2021	For the year ended 31 March 2020
Mr. Rajeev Nannapaneni		
Managerial remuneration*	17	17
Leave encashment paid	1	1
Rental expense	3	3
Mr. Potluri Prasad Sivaramakrishna		
Managerial remuneration*	23	18
Leave encashment paid	0	0
Loan given	9	-
Mr. Lingarao Donthineni		
Managerial remuneration*	28	18
Leave encashment paid	0	0
Loan given	43	-
Mr. S.V.V.N. Appa Rao		
Managerial remuneration*	10	9
Leave encashment paid	0	-
Mr. Adinarayana M		
Managerial remuneration*	5	5
Leave encashment paid	0	-
Sitting fees:		
Mr. Govinda Prasad Dasu	0	0
Mrs. Leela Digumarti	0	0
Mr. Umamaheshwarrao Naidu Madireddi	1	0
Mr. Sreerama Murthy Gubbala	1	0
Mr. Venkateswara Rao Thallapaka	0	0

(c) Related party closing balances as on balance sheet date receivable/(payable):

	As at 31 March 2021	As at 31 March 2020
Loan receivable		
NATCO Pharma Inc., United States of America	-	124
Time cap Overseas Limited, Mauritius	-	289
NATCO Pharma Asia PTE Ltd., Singapore	114	111
Mr. Potluri Prasad Sivaramakrishna	3	-
Mr. Lingarao Donthineni	34	-
Interest receivable on loans		
NATCO Pharma Inc., United States of America	-	8
Time cap Overseas Limited, Mauritius	-	11
NATCO Pharma Asia PTE Ltd., Singapore	11	4
Trade receivables		
NATCO Pharma (Canada) Inc., Canada	-	120
Natcofarma Do Brasil Ltda., Brazil	161	266
NATCO Pharma Asia PTE Ltd., Singapore	11	8
Corporate Guarantee given		
Natcofarma Do Brasil Ltda., Brazil	15	-
Advance from customers		
NATCO Pharma (Canada) Inc., Canada	(166)	-

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

	As at 31 March 2021	As at 31 March 2020
Remuneration payable		
Mr. V.C. Nannapaneni	(1)	-
Mr. Rajeev Nannapaneni	(0)	(1)
Mr. Lingarao Donthineni	(0)	(3)
Mr. Potluri Prasad Sivaramakrishna	(0)	(3)
Mr. S.V.N.N. Appa Rao	(0)	0
Mr. Adinarayana M	(0)	0

*This aforesaid amount does not include amounts in respect of gratuity and compensated absences as the same are determined on actuarial basis for the Company as a whole.

36. Segment reporting

The Company has presented segment information in the consolidated financial statements which are presented in the same Annual Report. Accordingly, in terms of paragraph 3 of Ind AS 108 'Operating Segments' no disclosures related to segment are presented in this standalone financial statements.

37. Contingent liabilities and commitments

(a) Commitments

	As at 31 March 2021	As at 31 March 2020
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	129	834
Pending export obligation under EPCG Scheme	140	143
Corporate Gaurantee (refer Note - 1 below)	15	-

Note 1:

The Company has given a Corporate Guarantee aggregating to ₹ 15 (31 March 20: Nil) to the banks on behalf of its step-down subsidiary Natcofarma Do Brasil Ltda.

(b) Contingent liabilities

(i) Matters under appeals with tax authorities:

	As at 31 March 2021	As at 31 March 2020
Disputed sales tax liabilities	10	9
Disputed customs liability	2	2

(ii) The Company is contesting certain patent infringement cases filed against it by the innovators in the ordinary course of business. 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 most of the claims involve complex issues. The outcome from these claims are uncertain due to a number of factors involved in legal trial such as stage of the proceedings and the overall length and extent of pre-trial discovery; the entitlement of the parties to an action to appeal a decision; clarity as to theories of liability; damages and governing law; uncertainties in timing of litigation; and the possible need for further legal proceedings to establish the appropriate amount of damages, if any. Often, these issues are subject to uncertainties and therefore the probability of a loss, if any, being sustained and an estimate of the amount of any loss is difficult to ascertain. Consequently, for a majority of these claims, it is not possible to make a reasonable estimate of the expected financial effect, if any, that will result from ultimate resolution of the proceedings. Further, at present, the management does not expect such liabilities to be significant.

(iii) The Hon'ble Supreme Court (SC) has clarified in the case of Vivekananda Vidyamandir and Others Vs. The Regional Provident Fund Commissioner (II) West Bengal that various allowances like conveyance allowance, special allowance, education allowance, medical allowance etc., paid uniformly and universally by an employer to its employees shall form part of basic wages for

Notes to standalone financial statements

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

computation of the provident fund contribution. However, considering that there are numerous interpretative issues relating to this judgement, on the basis of internal evaluation, supported by a legal opinion from an independent legal expert, management of the Company has determined that the aforesaid ruling is applicable prospectively.

38. Amounts incurred on research and development expenses

	For the year ended 31 March 2021	For the year ended 31 March 2020
Salaries and wages	629	527
Consumption of materials and spares	225	210
Power and fuel	30	33
Other research and development expenses	487	644
Capital equipment	225	242
	1,596	**1,656**

The aforementioned expenditure, other than capital equipment, are included under the respective heads of the Statement of Profit and Loss.

39. Capital work-in-progress

	As at 31 March 2021	As at 31 March 2020
Opening balance	**5,178**	**6,375**
Costs incurred toward construction activity	1,863	2,652
Expenses capitalised:		
Cost of materials consumed, net of trial run inventory recognised	7	10
Employee benefits expense	40	41
Power and fuel	5	38
Factory maintenance	18	73
Rates and taxes	1	22
Legal and professional charges	3	45
Others	16	18
Less:		
Capitalised during the year	(4,897)	(4,096)
	2,234	**5,178**

40. Leases

Effective 01 April 2019, the Company adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on 01 April 2019 using the modified retrospective method. Right-of-use of assets at 01 April 2019 for leases previously classified as operating leases were recognised and measured at an amount equal to lease liability (adjusted for related prepayments/ accruals). The Company recorded the lease liability at the present value of all future lease payments discounted at the incremental borrowing rate.

On 01 April 2019, the Company recognised lease liability of ₹ 20 (presented as a part of borrowings net of prepaid lease rent of ₹ 18) and right-of-use assets of ₹ 38 as at 01 April 2019 (presented as part of property, plant and equipment). The Company has reclassified the leasehold land of ₹ 251 to right-of-use asset as at 01 April 2019. The adoption of the standard did not have any material impact on the financial statements.

Notes to standalone financial statements

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

(a) Movement in lease liabilities

	As at 31 March 2021	As at 31 March 2020
Balance at the beginning	17	20
Additions	-	2
Finance cost	4	3
Payment of lease liabilities	(8)	(8)
	13	**17**

(b) Current and non-current lease liabilities

	As at 31 March 2021	As at 31 March 2020
Current lease liabilities	4	8
Non current lease liabilities	9	9
	13	**17**

(c) Undiscounted contractual maturities of lease liabilities

	As at 31 March 2021	As at 31 March 2020
Less than one year	4	8
One to five years	10	7
More than five years	386	393
	400	**408**

The company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and whey they fall due.

(d) Rental expense for short-term leases

	For the year ended 31 March 2021	For the year ended 31 March 2020
Short-term lease expense	5	7
Variable lease expenses (other than short term)	-	-
Low value lease expense	-	-
	5	**7**

(e) Amounts recognised in the statement of cash flows

	For the year ended 31 March 2021	For the year ended 31 March 2020
Payment of lease liabilities	(8)	(8)
Short-term lease expense	(5)	(7)
	(13)	**(15)**

41. During the previous year ended 31 March 2020, pursuant to the Upside Sharing Agreement dated 16 May 2019 entered with CX Securities Limited ("the Investor"), the Company has received a voluntary amount of USD 6.83 million (₹ 474 million) from the equity participant. In accordance with the Applicable Accounting Framework, the aforementioned gain, being received from the equity participant, is recognised as an increase in equity, net of tax.

Notes to standalone financial statements

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

42. In March 2020, the World Health Organisation declared COVID-19 to be a pandemic. The Company has adopted measures to curb the spread of infection in order to protect the health of its employees and ensure business continuity with minimal disruption. The Company has considered internal and external information while finalizing various estimates and recoverability of assets in relation to its financial statement captions up to the date of approval of the financial statements by the Board of Directors. Considering the Company is in the business of manufacturing and supplying of pharmaceutical products which is categorised under essential goods, there has been a minimal disruption with respect to operations including production and distribution activities. The actual impact of the global health pandemic may be different from that which has been estimated, as the COVID-19 situation evolves in India and globally. The Company will continue to closely monitor any material changes to the future economic conditions.

43. The disclosures regarding details of specified bank notes held and transacted during 8 November 2016 to 30 December 2016 has not been made in these standalone financial statements since the requirement does not pertain to financial year ended 31 March 2021.

for **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration No. 116231W/ W-100024

Vikash Somani
Partner
Membership Number: 061272

Place: Hyderabad
Date: 17 June 2021

for and on behalf of the Board of Directors
NATCO Pharma Limited
CIN: L24230TG1981PLC003201

V C Nannapaneni
Chairman and Managing Director
DIN: 00183315

Rajeev Nannapaneni
Vice Chairman and CEO
DIN: 00183872

M. Adinarayana
Company Secretary

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 17 June 2021

Independent Auditors' Report

To the Members of
NATCO Pharma Limited

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of NATCO Pharma Limited (hereinafter referred to as the 'Holding Company") and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), which comprise the consolidated balance sheet as at 31 March 2021, and the consolidated statement of profit and loss (including other comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of other auditors on separate financial statements of such subsidiaries, as were audited by the other auditors, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, as at 31 March 2021, of its consolidated profit and other comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in terms of the Code of Ethics issued by the Institute of Chartered Accountants of India and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence obtained by us along with the consideration of audit reports of the other auditors referred to in sub paragraph (a) of the "Other Matters" paragraph below, is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements.

Key Audit Matters

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

1) Revenue Recognition

Refer to Note 3(e) of the summary of significant accounting policies to the Consolidated financial statements

The key audit matter	How the matter was addressed in our audit
Revenue is recognised when the control of the products being sold has transferred to the customer. The Group has a large number of customers operating in various geographies and sale contracts with customers have a variety of different terms relating to the recognition of revenue. Control is usually transferred upon shipment/ delivery to/ upon receipt of goods by the customer, in accordance with the delivery and acceptance terms agreed with the customers. We identified the recognition of revenue from sale of products as a key audit matter because the Group and its external stakeholders focus on revenue as a key performance indicator. There could be a risk that revenue is recognised in the incorrect period or before the control has been transferred to the customer.	In view of the significance of the matter we applied the following audit procedures in this area, among others to obtain sufficient and appropriate audit evidence: 1) Evaluated the appropriateness of the revenue recognition accounting policies by comparing with applicable accounting standards. 2) Tested design, implementation and operating effectiveness of the Group's controls over measurement and recognition of revenue in accordance with customer contracts which includes control over transaction pricing, including discounts and correct timing of revenue recognition. 3) Performed substantive testing (including year-end cut-off testing) by selecting samples of revenue transactions recorded during the year (and before and after the financial year end), including one off sales to customers, by verifying the underlying documents, which included sales invoices, contracts and shipping documents, as applicable. 4) We tested manual journals posted to revenue to identify unusual transactions.

2) Deferred tax asset

The key audit matter	How the matter was addressed in our audit
The Holding Company operates in a complex tax jurisdiction in India with various tax exemptions available. The Holding Company has paid minimum alternate tax (MAT) under Section 115JB of the Income-tax Act, 1961. The MAT paid would be available as offset over a period of 15 years. The MAT credit is recognised as a deferred tax asset that will be available for offset when the Holding Company pays regular taxes under the provisions of Income-tax Act, 1961. Refer note 28(E) to the consolidated financial statements for unrecognised deferred tax asset amounting to 808 million as at 31 March 2021. In assessing whether the deferred tax assets will be realised, Holding Company considers whether some portion or all of the deferred tax assets will not be realised. The ultimate realisation of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. The extent of recognition of deferred tax asset on account of MAT credit requires significant judgment regarding the Holding Company's future taxable income which will result in utilisation of the MAT credit within the time limits available under the applicable Income tax laws.	In view of the significance of the matter, we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence: 1) Tested the operating effectiveness of the Holding Company's control over recognition of deferred tax asset. 2) We analysed origination of MAT credit entitlement and assessed the reasonableness of Holding Company's assessment and conclusion in relation to its utilisation within the period allowed for carry forward and set off against foreseeable forecast taxable income streams. 3) We evaluated appropriateness of taxation disclosures in note 28 to the consolidated financial statements, including the enhanced disclosures made in respect of the utilisation period of deferred tax assets in relation to MAT credit entitlement.

Other Information

The Holding Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Holding Company's annual report, but does not include the financial statements and our auditors' report thereon. The Holding Company's annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take actions as per applicable laws and regulations.

Management's and Board of Directors' Responsibilities for the Consolidated Financial Statements

The Holding Company's Management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated state of affairs, consolidated profit/ loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flows 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 respective Management and Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of each company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Management and Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Management and Board of Directors of the companies included in the Group are responsible for assessing the ability of each company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group is responsible for overseeing the financial reporting process of each company.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on the internal financial controls with reference to the consolidated financial statements and the operating effectiveness of such controls based on our audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management and Board of Directors.
- Conclude on the appropriateness of Management and Board of Directors use of the going concern basis of accounting in preparation of consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial information of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in para (a) of the section titled 'Other Matters' in this Audit Report.

We believe that the audit evidence obtained by us along with the consideration of audit reports of the other auditors referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Other Matters

(a) We did not audit the financial statements of seven subsidiaries, whose financial statements reflect total assets of ₹ 3,138 million as at 31 March 2021, total revenues of ₹ 4,698 million and net cash flows amounting to ₹ 88 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 audit reports of the other auditors.

These subsidiaries are located outside India whose 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.

Report on Other Legal and Regulatory Requirements

A. As required by Section 143(3) of the Act, based on our audit and on the consideration of reports of the other auditors on separate financial statements of such subsidiaries as were audited by other auditors, as noted in the 'Other Matters' paragraph, 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 purposes 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 balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

d) In our opinion, the aforesaid consolidated financial statements comply with the 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 as on 31 March 2021 taken on record by the Board of Directors of the Holding Company, none of the directors of Holding Company is disqualified as on 31 March 2021 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 with reference to financial statements of the Holding Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

B. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements of the subsidiaries as noted in the 'Other Matters' paragraph:

i. The consolidated financial statements disclose the impact of pending litigations as at 31 March 2021 on the consolidated financial position of the Group. Refer Note 36(b) (i) & (ii) to the consolidated financial statements.

ii. The Group did not have any material foreseeable losses on long-term contracts including derivative contracts during the year ended 31 March 2021.

iii. There has been no delay in transferring amounts to the Investor Education and Protection Fund by the Holding Company during the year ended 31 March 2021.

iv. The disclosures in the consolidated financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in the financial statements since they do not pertain to the financial year ended 31 March 2021.

C. With respect to the matter to be included in the Auditor's Report under section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid during the current year by the Holding Company to its directors is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

for **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration No.: 116231W/ W-100024

Vikash Somani
Partner
Membership No.: 061272
UDIN: 21061272AAAABK5055

Place: Hyderabad
Date: 17 June 2021

Annexure A to the Independent Auditors' Report on the consolidated financial statements of NATCO Pharma Limited for the year ended 31 March 2021

Report on the internal financial controls with reference to the aforesaid consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph A(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March 2021, we have audited the internal financial controls with reference to consolidated financial statements of NATCO Pharma Limited (hereinafter referred to as "the Holding Company"), as of that date.

In our opinion, the Holding Company, have, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls were operating effectively as at 31 March 2021, based on the internal financial controls with reference to consolidated financial statements criteria established by such companies considering the essential components of such internal controls 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").

Management's Responsibility for Internal Financial Controls

The respective Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls with reference to consolidated financial statements based on the criteria established by the respective Company considering the essential components of internal control stated in 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 its business, including adherence to the respective 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 Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to consolidated financial statements. 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 internal financial controls with reference to consolidated financial statements were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the internal controls 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 consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to consolidated financial statements.

Meaning of Internal Financial controls with Reference to Consolidated Financial Statements

A company's internal financial controls with reference to consolidated financial statements 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 internal financial controls with reference to consolidated financial statements includes 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 with Reference to consolidated Financial Statements

Because of the inherent limitations of internal financial controls with reference to consolidated financial statements, 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 internal financial controls with reference to consolidated financial statements to future periods are subject to the risk that the internal financial controls with reference to consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

for **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration No.: 116231W/ W-100024

Vikash Somani
Partner
Membership No.: 061272
UDIN: 21061272AAAABK5055

Place: Hyderabad
Date: 17 June 2021

Consolidated Balance Sheet

as at 31 March 2021

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

Particulars	Notes	As at 31 March 2021	As at 31 March 2020
I. Assets			
(1) **Non-current assets**			
(a) Property, plant and equipment	5	20,138	15,756
(b) Capital work-in-progress	38	2,234	5,180
(c) Intangible assets	6	94	88
(d) Financial assets			
(i) Investments	7	1,594	836
(ii) Loans	8	158	161
(iii) Other financial assets	9	43	42
(e) Other non-current assets	10	285	559
Total non-current assets		**24,546**	**22,622**
(2) Current assets			
(a) Inventories	11	7,982	5,580
(b) Financial assets			
(i) Investments	7	1,443	287
(ii) Trade receivables	12	4,129	5,513
(iii) Cash and cash equivalents	13	258	198
(iv) Bank balances other than (iii) above	13	2,577	462
(v) Loans	8	131	84
(vi) Other financial assets	9	4,270	8,588
(c) Other current assets	10	2,583	2,544
Total current assets		**23,373**	**23,256**
Total assets		**47,919**	**45,878**
II. EQUITY AND LIABILITIES			
(1) Equity			
(a) Equity share capital	14	365	364
(b) Other equity	15	40,851	37,371
Equity attributable to owners of the Company		**41,216**	**37,735**
(c) Non-controlling interest		18	112
Total equity		**41,234**	**37,847**
(2) Liabilities			
(A) Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	16	9	9
(ii) Other financial liabilities	17	11	8
(b) Provisions	18	996	902
(c) Deferred tax liabilities, net	28	413	259
Total non-current liabilities		**1,429**	**1,178**
(B) Current liabilities			
(a) Financial liabilities			
(i) Borrowings	16	2,667	3,150
(ii) Trade payables	20		
- Dues of micro and small enterprises		75	21
- Dues of creditors other than micro and small enterprises		1,387	2,533
(iii) Other financial liabilities	17	864	825
(b) Other current liabilities	19	122	134
(c) Provisions	18	128	105
(d) Current tax liabilities, net		13	85
Total current liabilities		**5,256**	**6,853**
Total liabilities		**6,685**	**8,031**
Total equity and liabilities		**47,919**	**45,878**
Significant accounting policies	3 and 4		

The accompanying notes form an integral part of the consolidated financial statements.

As per our report of even date attached
for **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration No. 116231W/ W-100024

Vikash Somani
Partner
Membership Number: 061272

Place: Hyderabad
Date: 17 June 2021

for and on behalf of the Board of Directors
NATCO Pharma Limited
CIN: L24230TG1981PLC003201

V C Nannapaneni
Chairman and Managing Director
DIN: 00183315

Rajeev Nannapaneni
Vice Chairman and CEO
DIN: 00183872

M. Adinarayana
Company Secretary

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 17 June 2021

Consolidated Statement of Profit and Loss

for the year ended 31 March 2021

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

Particulars	Notes	For the year ended 31 March 2021	For the year ended 31 March 2020
1. Income			
(a) Revenue from operations	21	20,521	19,150
(b) Other income	22	1,036	1,074
Total income		**21,557**	**20,224**
2. Expenses			
(a) Cost of materials consumed	23	3,729	3,290
(b) Purchases of stock-in-trade		1,866	1,278
(c) Changes in inventories of finished goods, work-in-progress and stock-in -trade	24	(481)	(752)
(d) Employee benefits expense	25	4,149	3,750
(e) Finance costs	26	133	215
(f) Depreciation and amortisation expense	5 and 6	1,169	998
(g) Other expenses	27	5,196	5,758
Total expenses		**15,761**	**14,537**
3. Profit before tax (1-2)		**5,796**	**5,687**
4. Tax expense:	28		
(a) Current tax		1,478	1,311
(b) Deferred tax		(106)	(205)
Total tax expenses		**1,372**	**1,106**
5. Profit for the year (3-4)		**4,424**	**4,581**
6. Other comprehensive income			
(a) Items that will not be reclassified subsequently to profit and loss			
(i) Remeasurement of defined benefit plans		(8)	(79)
Tax on remeasurement of defined benefit plans		3	27
(ii) Net gains / (losses) from investments in equity instruments designated at FVTOCI		143	(20)
Tax impact benefit / (expense) on equity instruments designated at FVTOCI		(13)	7
(b) Items that will be reclassified subsequently to profit and loss			
(i) Exchange differences on translation of foreign operations		(38)	(80)
Other comprehensive income, net of tax		**87**	**(145)**
7. Total comprehensive income for the year (5+6)		**4,511**	**4,436**
8. Profit for the year attributable to:			
Owners of the company		4,409	4,608
Non-controlling interests		15	(27)
Profit for the year		**4,424**	**4,581**
9. Other comprehensive income attributable to:			
Owners of the company		87	(145)
Non-controlling interests		-	-
Other comprehensive income for the year		**87**	**(145)**
10. Total comprehensive income attributable to:			
Owners of the company		4,496	4,463
Non-controlling interests		15	(27)
Total comprehensive income for the year		**4,511**	**4,436**
11. Earnings per equity share (Face value of ₹ 2 each)	29		
Basic (in ₹)		24.20	25.33
Diluted (in ₹)		24.16	25.26
Significant accounting policies	3 and 4		

The accompanying notes form an integral part of the consolidated financial statements.

As per our report of even date attached
for **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration No. 116231W/ W-100024

for and on behalf of the Board of Directors
NATCO Pharma Limited
CIN: L24230TG1981PLC003201

Vikash Somani
Partner
Membership Number: 061272

V C Nannapaneni
Chairman and Managing Director
DIN: 00183315

Rajeev Nannapaneni
Vice Chairman and CEO
DIN: 00183872

M. Adinarayana
Company Secretary

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 17 June 2021

Place: Hyderabad
Date: 17 June 2021

Consolidated Statement of Cash Flows

for the year ended 31 March 2021

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

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Cash flows from operating activities:		
Profit before tax	5,796	5,687
Adjustments :		
Depreciation and amortisation expense	1,169	998
Finance costs	133	215
Share based payment expense	126	144
Interest income	(566)	(791)
Allowance for credit losses	(24)	175
Bad debts written off	117	55
Liabilities written back	-	(29)
Profit on sale of property, plant and equipment, net	(320)	(163)
Unrealised foreign exchange loss, net	(14)	(64)
Operating profit before working capital changes	**6,417**	**6,227**
Working capital adjustments:		
Inventories	(2,402)	(289)
Trade receivables	1,306	(538)
Loans	(49)	(55)
Other financial assets	(40)	71
Other assets	(40)	(701)
Trade payables	(1,095)	417
Provisions	110	128
Other financial liabilities	93	173
Other liabilities	(12)	(182)
Cash generated from operating activities	**4,288**	**5,251**
Income taxes paid, net of refund	(1,300)	(1,078)
Net cash generated from operating activities (A)	**2,988**	**4,173**
Cash flows from investing activities:		
Acquisition of property, plant and equipment (Refer note b below)	(2,546)	(3,557)
Proceeds from sale of property, plant and equipment	451	221
Acquisition of intangible assets	23	(29)
Purchase of investments	(1,846)	(673)
Proceeds from sale of investments	73	1,203
Movement in other bank balances, net	(2,116)	2,087
Loans given to others	6	-
Interest received	671	874
Decrease/ (Increase) in deposits with financial institutions	4,251	(1,796)
Net cash used in investing activities (B)	**(1,033)**	**(1,670)**
Cash flows from financing activities		
Proceeds from issue of shares	1	1
Payment on buy-back of shares, including transaction costs	-	(536)
Contribution from shareholders of the Company	-	474
Contribution from non-controlling interest	(95)	119
Net proceeds from short-term borrowings (refer note c below)	(484)	(801)
Payment of lease liability including interest (refer note c below)	(12)	(8)
Dividends paid (including corporate dividend tax)	(1,139)	(1,536)
Interest paid	(128)	(221)
Net cash used in financing activities (C)	**(1,857)**	**(2,508)**

Consolidated Statement of Cash Flows (Contd.)

for the year ended 31 March 2021

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

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**98**	**(5)**
Effect of currency translation adjustment	(38)	(80)
Cash and cash equivalents as at the beginning of the year	198	283
Cash and cash equivalents as at the end of the year	**258**	**198**
Components of cash and cash equivalents		
Cash and cash equivalents:		
Cash on hand	5	11
Balance with Banks:		
- Current accounts	253	187
	258	**198**

Notes:

a) The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Indian Accounting Standard (Ind AS-7) - "Statement of Cash Flows".

b) Acquisition of Property, Plant and Equipment includes movements of capital work-in-progress, capital advances and capital creditors.

c) Debt reconciliation in accordance with Ind AS 7:

Particulars		For the year ended 31 March 2021	For the year ended 31 March 2020
Borrowings from banks:			
Opening balance		3,142	3,863
(Repayment) of / proceeds from borrowings, net		(484)	(801)
Non-cash items (Foreign exchange changes)		(0)	80
Closing balance		**2,658**	**3,142**
Lease liability:			
Opening balance		17	20
Recognised during the year		8	2
Additions and interest accrued during the year		5	3
Payment of lease liability		(12)	(8)
Closing balance		**18**	**17**
Significant accounting policies	3 and 4		

The accompanying notes form an integral part of the consolidated financial statements.

As per our report of even date attached
for **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration No. 116231W/ W-100024

for and on behalf of the Board of Directors
NATCO Pharma Limited
CIN: L24230TG1981PLC003201

Vikash Somani
Partner
Membership Number: 061272

V C Nannapaneni
Chairman and Managing Director
DIN: 00183315

Rajeev Nannapaneni
Vice Chairman and CEO
DIN: 00183872

M. Adinarayana
Company Secretary

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 17 June 2021

Place: Hyderabad
Date: 17 June 2021

Consolidated Statement of Changes in Equity

for the year ended 31 March 2021

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

Particulars	Equity share capital	Other equity										
		Reserves and Surplus						Other comprehensive income				
		Securities premium	Capital reserve	Capital redemption reserve	General reserve	Share options outstanding account	Retained earnings	Net gains / (losses) from investments in equity instruments designated at FVTOCI	Foreign currency translation reserve	Total other equity attributable to owners of the Company	Non-controlling interest	Total equity
As at 1 April 2019	**365**	**14,048**	**207**	**9**	**595**	**308**	**19,371**	**40**	**(53)**	**34,525**	**20**	**34,910**
Profit for the year		-	-	-	-	-	4,608	-	-	4,608	(27)	4,581
Other comprehensive income (net of taxes)	-	-	-	-	-	-	(52)	(13)	(80)	(145)	-	(145)
Buyback of shares	(2)	(534)	-	-	-	-	-	-	-	(534)	-	(536)
Employee stock option expense	-		-	-	-	144	-	-	-	144	-	144
Dividend paid	-	-	-	-	-	-	(1,274)	-	-	(1,274)	-	(1,274)
Tax on distributed profits	-	-	-	-	-	-	(262)	-		(262)		(262)
Share options exercised	1	217	-	-	-	(217)	-	-	-	-	-	1
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	119	119
Transfer from securities premium on account of buyback of equity shares	-	(2)	309	2	-	-	-	-	-	309	-	309
As at 31 March 2020	**364**	**13,729**	**516**	**11**	**595**	**235**	**22,391**	**27**	**(133)**	**37,371**	**112**	**37,847**
Profit for the year	-	-	-	-	-	-	4,409	-	-	4,409	15	4,424
Other comprehensive income (net of taxes)	-	-	-	-	-	-	(5)	126	(38)	83	-	83
Profit on sale of instruments	-	-	-	-	-	-	25	(25)	-	-	-	-
Employee stock option expense	-	-	-	-	-	126	-	-	-	126	-	126
Dividend paid	-	-	-	-	-	-	(1,138)	-	-	(1,138)	-	(1,138)
Share options exercised	1	186	-	-	-	(186)	-	-	-	-	-	1
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(109)	(109)
As at 31 March 2021	**365**	**13,915**	**516**	**11**	**595**	**175**	**25,682**	**128**	**(171)**	**40,851**	**18**	**41,234**

The accompanying notes form an integral part of the consolidated financial statements.

As per our report of even date attached
for **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration No. 116231W/ W-100024

Vikash Somani
Partner
Membership Number: 061272

Place: Hyderabad
Date: 17 June 2021

for and on behalf of the Board of Directors
NATCO Pharma Limited
CIN: L24230TG1981PLC003201

V C Nannapaneni
Chairman and Managing Director
DIN: 00183315

Rajeev Nannapaneni
Vice Chairman and CEO
DIN: 00183872

M. Adinarayana
Company Secretary

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 17 June 2021

Notes to consolidated financial statements

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

1. Reporting entity information

NATCO Pharma Limited ("the Company" or "the Parent") is a public limited company domiciled and incorporated in India with its registered office situated at NATCO House, Road No. 2, Banjara Hills, Hyderabad – 500034. The equity shares of the Company are listed on the National Stock Exchange (NSE) and Bombay Stock Exchange in India (BSE).

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, finished dosage formulations. The Company has also commenced Agro chemicals business. 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.

2. Basis of preparation

A. Statement of Compliance

These consolidated financial statements of the Group have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules 2015, as amended, notified under Section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

The consolidated financial statements for the year ended 31 March 2021 were authorized and approved for issue by the Company's Board of Directors on 17 June 2021.

B. Functional and presentation currency

The consolidated financial statements are presented in Indian Rupee ('INR' or '₹') which is also the Company's functional currency. All amounts have been rounded-off to the nearest million, unless otherwise indicated. Transactions and balances with values below the rounding off norm adapted by the Group have been reflected as '0' in relevant notes in the consolidated financial statements.

C. Current and non-current classification

All assets and liabilities are classified into current and non-current.

Assets

An asset is classified as current when it satisfies any of the following criteria:

i) it is expected to be realised in, or is intended for sale or consumption in, the group normal operating cycle;

ii) it is held primarily for the purpose of being traded;

iii) it is expected to be realised within 12 months after the reporting date; or

iv) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets. All other assets are classified as non-current.

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

i) it is expected to be settled in the Group operating cycle;

ii) it is held primarily for the purpose of being traded;

iii) it is due to be settled within 12 months after the reporting date; or

iv) the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include the current portion of non-current financial liabilities. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

D. Operating cycle

The Group has ascertained its operating cycle as 12 months that is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents.

Notes to consolidated financial statements

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

E. Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis except for the following items:

Items	Measurement basis
Certain financial assets and liabilities	Fair value
Net defined benefit asset/ (liability)	Fair value of plan assets less present value of defined benefit obligations
Leases	Lease liability is measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. Right-to-use asset has been measured as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application. Practical expedient on transition to exclude initial direct costs from ROU asset measurement is considered.

F. Use of estimates and judgements

The preparation of the financial statements in conformity with Ind AS requires management to make estimates, judgements and assumptions. These estimates, judgements and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as and when management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, such effects are disclosed in the notes to the financial statements.

G. Measurement of fair values

Certain accounting policies and disclosures of the Group require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values.

The finance team regularly reviews significant unobservable inputs and valuation adjustments.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of reporting period during which the change has occurred.

3. Significant accounting policies

a. Basis of consolidation

i. Subsidiaries

Subsidiaries are all 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. The financial statements of subsidiaries are included in the consolidated financial statement from the date on which control commences until the date on which control ceases.

ii. Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's net identifiable asset at the date of acquisition. Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Non-controlling interest is presented separately from the liabilities or assets and the equity of the shareholders in the consolidated Balance Sheet. Non-controlling interest in the profit or loss of the Group is separately presented.

Notes to consolidated financial statements

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

iii. Subsidiaries considered 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 2021	As at 31 March 2020
NATCO Pharma, Inc.,	United States of America	100.00	100.00
Time Cap Overseas Limited	Mauritius	100.00	90.44
NATCO Farma Do Brazil	Brazil	100.00	90.89
NATCO Pharma (Canada), Inc.	Canada	99.04	99.04
Natco Pharma Asia Pte. Ltd.	Singapore	100.00	99.76
NATCO Pharma Australia PTY Ltd.	Australia	100.00	100.00
NATCO Lifesciences Philippines Inc.	Philippines	100.00	100.00

Note 1: NATCO Farma Do Brazil is the Subsidiary of Time Cap Overseas Limited and interest in NATCO Pharma interest in NATCO Farma Do Brazil represents effective holding of the Group.

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.

iv. 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.

v. Principles of consolidation

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.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The accounting policies adopted in the preparation of consolidated financial statements are consistent with those of previous year. The financial statements of each of the subsidiaries and associates used for the purpose of consolidation are drawn up to same reporting date as that of the Company, i.e., year ended on 31 March.

b. Property, plant and equipment (PPE)

Recognition and initial measurement

Items of property, plant and equipment, are measured at cost (which includes capitalised borrowing costs, if any) less accumulated depreciation and accumulated impairment losses, if any. Cost of an item of property, plant and equipment includes its purchase price, duties, taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

The cost of a self-constructed item of property, plant and equipment comprises the cost of materials, direct labour and any other costs directly attributable to bringing the item to its intended working condition and estimated costs of dismantling, removing and restoring the site on which it is located, wherever applicable.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Notes to consolidated financial statements

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

Depreciation

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual value using straight line method over the useful lives of assets estimated by the Group. Depreciation rates followed by the Group coincides with rates prescribed in Schedule II to the Companies Act, 2013. Depreciation amount is recognised in the Statement of Profit and Loss. Depreciation for assets purchased / sold during the period is proportionately charged.

The estimated useful lives of items of property, plant and equipment are as follows:

Tangible assets	Estimated useful life (in years)	Companies Act life (in years)
Buildings	5 to 60	5 to 60
Plant and machinery	5 to 20	5 to 20
Computers	3 to 6	3 to 6
Vehicles	8 to 10	8 to 10
Office equipment	5	5
Furniture and fixtures	10	10

Freehold land is not depreciated.

The residual values, useful lives and methods of depreciation of property, plant and equipment 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 Statement of profit and loss, when the asset is derecognised.

Capital work-in-progress

Capital work-in-progress includes cost of property, plant and equipment under installation / under development as at the balance sheet date.

c. 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 capitalised software is amortised over a period of 6 years, on a straight-line basis. Amortisation on the addition/disposals is charged on pro-rata basis from/until the date of such addition/disposal.

d. Foreign currencies

Transactions in foreign currencies are initially recorded by the Group at its functional currency spot rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the functional currency spot rates of exchange at the reporting date. Exchange differences that arise on settlement of monetary items or on reporting at each balance sheet date are recognised as income or expenses in the period in which they arise. Non-monetary items which are carried at historical cost denominated in a foreign currency are reported using the exchange rates at the date of transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. assets and liabilities are translated at the closing rate at the date of the balance sheet,
2. income, expenses and cash flow items are translated at average exchange rates for the respective periods; and
3. All resulting exchange differences are recognised in OCI.

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount of exchange differences related to that foreign operation recognised in OCI is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes off part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is re-allocated to NCI. When the Group disposes off only a part of its interest in an associate while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to Statement of Profit or Loss.

Foreign currency translation reserve

The exchange differences arising from the translation of financial statements of foreign operations with functional currency other than Indian Rupee is recognised in other comprehensive income and is presented within equity in the foreign currency translation reserve.

e. Revenue recognition

The Group derives revenues primarily from sale of finished dosage formulations, active pharmaceutical ingredients (APIs), including niche and technically complex molecules.

The specific recognition criteria described below must also be met before revenue is recognised:

Sale of goods:

Revenue from sale of goods is recognised when a promise in a customer contract (performance obligation) has been satisfied by transferring control over the promised goods to the customer. Control is usually transferred upon shipment/ delivery to/ upon receipt of goods by the customer, in accordance with the delivery and acceptance terms agreed with the customers. The amount of revenue to be recognised is based on the consideration expected to be received in exchange for goods, excluding trade discounts, volume discounts, sales returns, chargeback, medicaid payments, rebates, shelf stock adjustments, where applicable and any taxes or duties collected on behalf of the government which are levied on sales such as goods and services tax, etc., where applicable. Revenue is only recognised to the extent that it is highly probable a significant reversal will not occur.

The Group from time to time enters into marketing arrangements with certain business partners for the sale of its products in certain markets. Under such arrangements, the Group sells its products to the business partners at a non-refundable base purchase price agreed upon in the arrangement and is also entitled to a profit share which is over and above the base purchase price. The profit share is typically dependent on the business partner's ultimate net sale proceeds or net profits, subject to any reductions or adjustments that are required by the terms of the arrangement. Such arrangements typically require the business partner to provide confirmation of units sold and net sales or net profit computations for the products covered under the arrangement.

Revenue in an amount equal to the base purchase price is recognised in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognised as revenue only to the extent that it is highly probable that a significant reversal will not occur.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Sale of services:

Revenue from sale of dossiers/ licenses/services, includes in certain instances, certain performance obligations and based on evaluation of whether or not these obligations are inconsequential or perfunctory, revenue is recognised in accordance with the terms of the contracts with the customers when the related performance obligation is completed at point in time or spread over a period of time, as applicable.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, it does not require to adjust any of the transaction prices for the time value of money.

f. Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of those property, plant and equipment which necessarily takes a substantial period of time to get ready for their intended use are capitalised. All other borrowing costs are expensed in the period in which they are incurred in the Statement of Profit and Loss.

g. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to revenue, it is recognised in the Statement of Profit and Loss on a systematic basis over the periods to which they relate. When the grant relates to an asset, it is presented as a reduction to the carrying value of the related asset.

Export benefits available under prevalent schemes are accrued in the year in which the goods are exported and no significant uncertainty exist regarding its ultimate collection.

h. Leases

i. Leases as a lessee

As a lessee, the Group recognises right-of-use assets and liabilities for most leases - i.e. these leases are on balance sheet. The Group decided to apply recognition exemptions to short-term leases. At inception of a contract, the Group

Notes to consolidated financial statements

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

assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in Ind AS 116.

The Group recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the Statement of profit and loss.

The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses incremental borrowing rate. For leases with reasonably similar characteristics, the Group, on a lease by lease basis, may adopt either the incremental borrowing rate specific to the lease or the incremental borrowing rate for the portfolio as a whole. The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Group is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. The Group recognises the amount of the re-measurement of lease liability due to modification as an adjustment to the right-of use asset and Statement of profit and loss depending upon the nature of modification. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the re-measurement in Statement of profit and loss.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'Financial liabilities' in the Balance sheet.

Short-term leases and leases of low-value assets

The Group has elected not to apply the requirements of Ind AS 116 Leases to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

ii. Leases as lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Group recognises lease payments received under operating leases as income on straight-line basis over the lease term as part of 'other income'.

i. Impairment of non-financial assets (Intangible assets and property, plant and equipment)

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets with indefinite useful life are tested annually for impairment. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the cash generating unit to which the asset belongs. If such assets are considered to be impaired, the impairment to be recognised in the Statement of Profit and Loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. An impairment loss is reversed in the Statement of Profit and Loss if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognised for the asset in prior years.

j. Financial instruments

i. Initial recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, that are not at fair value through profit or loss, are added to the fair value on initial recognition.

ii. Classification and subsequent measurement

Financial assets

The Group classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") on the basis of following:

- the entity's business model for managing the financial assets and
- the contractual cash flow characteristics of the financial asset.

Amortised Cost:

A financial asset shall be classified and measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Fair Value through OCI:

A financial asset shall be classified and measured at fair value through OCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Fair Value through Profit or Loss:

A financial asset shall be classified and measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through OCI.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of investments:

a. **Debt instruments at amortised cost** – A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

   - The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
   - Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

   After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method.

Notes to consolidated financial statements

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

b. **Equity investments –** All equity investments in scope of Ind-AS 109 are measured at fair value. Equity instruments which are held for trading are classified 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.

c. **Mutual funds –** All mutual funds in scope of Ind-AS 109 are measured at fair value through profit and loss (FVTPL).

Interest income and dividend income:

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in other income in the Statement of Profit and Loss.

Dividend income is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Financial liabilities

Financial liabilities are subsequently carried at amortised cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

iii. De-recognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and a new financial liability with modified terms is recognised in the Statement of Profit and Loss.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or realise the asset and settle the liabilities simultaneously.

v. 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.

k. Impairment of financial assets

The Group recognises loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. Further, need for incremental provisions have been evaluated on a case to case basis where forward-looking information on the financial health of a customer is available. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised as an impairment gain or loss in statement of profit or loss.

Notes to consolidated financial statements

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

l. Inventories

Inventories are valued at the lower of cost (including prime cost, non-refundable taxes and duties and other costs incurred in bringing the inventories to their present location and condition) and estimated net realisable value, after providing for obsolescence, where appropriate. The comparison of cost and net realisable value is made on an item-by-item basis. The net realisable value of materials in process is determined with reference to the selling prices less estimated cost of completion or selling expenses of related finished goods. Cost of inventories is determined using the weighted average cost method. Raw materials, packing materials and other supplies held for use in production of inventories are not written down below cost except in cases where material prices have declined, and it is estimated that the cost of the finished products will exceed their net realisable value.

The provision for inventory obsolescence is assessed regularly based on estimated usage and shelf life of products.

Work-in-progress is valued at input material cost plus conversion cost as applicable.

Finished goods, work-in-progress and stock-in-trade are valued at the lower of net realisable value and cost (including prime cost, non-refundable taxes and duties and other costs incurred in bringing the inventories to their present location and condition), computed on a weighted average basis.

m. Income taxes

Income tax comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to an item recognised directly in equity or in other comprehensive income.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of transaction.
- temporary differences related to investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. 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.

Deferred tax assets recognised or unrecognised are reviewed at each reporting date and are recognised / reduced to the extent that it is probable / no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

The Group offsets, the current tax assets and liabilities (on a year on year basis) and deferred tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity).

n. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three 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 to consolidated financial statements

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

o. Post-employment, long-term and short-term employee benefits

Defined contribution plan

A defined contribution plan is a post-employment benefit under which an entity pays a specific contribution to a separate entity and has no obligation to pay any further amounts. The Group's contribution to provident fund and employee state insurance schemes is charged to the Statement of profit and loss during the period in which the employee renders the related service. The Group's contributions towards Provident Fund are deposited with the Regional Provident Fund Commissioner under a defined contribution plan. The Group has no obligation, other than the contribution payable to these funds.

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 Group 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 million. Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Group 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 or loss in the year in which such gains or losses arise.

Short-term employee benefits

Short-term employee benefits comprise of employee costs such as salaries, bonus etc. is recognized on the basis of the amount paid or payable for the period during which services are rendered by the employee.

p. Share-based payments

Certain employees of the Group are entitled to remuneration in the form of equity settled instruments, for rendering services over a defined vesting period. Equity instruments granted are measured by reference to the fair value of the instrument at the date of grant. The fair value determined at the grant date is expensed over the vesting period of the respective tranches of such grants. The stock compensation expense is determined based on the Group's estimate of equity instruments that will eventually vest using fair value in accordance with Ind AS 102, Share based payment.

The employee benefits expense is measured using the fair value of the employee stock options and is recognised over vesting period with a corresponding increase in equity. The vesting period is the period over which all the specified vesting conditions are to be satisfied.

q. Provisions, contingent liabilities and contingent assets

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the expense relating to a provision is presented in the Statement of Profit and Loss, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities and Contingent assets

A disclosure for contingent liabilities is made where there is a possible obligation or a present obligation that may probably not require an outflow of resources. When there is a possible or a present obligation where the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are neither recognised nor disclosed. However, when realisation of income is virtually certain, related asset is recognised.

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Onerous contracts

Provision for onerous contracts. i.e. contracts where the expected unavoidable cost of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.

r. Earnings per share

Basic Earnings Per Share ('EPS') is computed by dividing the net profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless issued at a later date. In computing diluted earnings per share, only potential equity shares that are dilutive and that either reduces earnings per share or increases loss per share are included. The number of shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented in case of share splits.

s. Cash flow statement

Cash flows are reported using indirect method, whereby net profits before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments and items of income or expenses associated with investing or financing cash flows. The cash flows from regular revenue generating (operating activities), investing and financing activities of the Group are segregated.

t. Research and development

Expenditure on research activities are expensed as and when incurred. Development expenses which meet defined criteria for capitalisation are capitalised if its ability to generate future economic benefits is reasonably certain. All other development costs are expensed as and when incurred. Capital expenditure incurred on research and development is capitalised as property, plant and equipment and depreciated in accordance with the depreciation policy of the Group.

u. Events after reporting date

Where events occurring after the balance sheet date provide evidence of conditions that existed at the end of the reporting period, the impact of such events is adjusted within the standalone financial statements. Otherwise, events after the balance sheet date of material size or nature are only disclosed.

v. Recent pronouncements

On 24 March 2021, the Ministry of Corporate Affairs ("MCA") through a notification, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III and are applicable from 01 April 2021. Key amendments relating to Division II which relate to companies whose financial statements are required to comply with Companies (Indian Accounting Standards) Rules 2015 are:

Balance Sheet:

- Lease liabilities should be separately disclosed under the head 'financial liabilities' duly distinguished as current and non-current.
- Certain additional disclosures in the statement of changes in equity such as changes in equity share capital due to prior period errors and restated balances at the beginning of the current reporting period
- If a company has not used funds for the specific purpose for which it was borrowed from banks and financial institutions, then disclosure of details of where it has been used.
- Specific disclosure under 'additional regulatory requirement' such as compliance with approved schemes of arrangements, compliance with number of layers of companies, title deeds of immovable property not held in name of company, loans and advances to promoters, directors, key managerial personnel (KMP) and related parties, details of benami property held etc.

Statement of profit and loss:

- Additional disclosures relating to Corporate Social Responsibility (CSR), undisclosed income and crypto or virtual currency specified under the head 'additional information' in the notes forming part of the standalone financial statements.
- Specified format for disclosure of shareholding of promoters.
- Specified format for ageing schedule of trade receivables, trade payables, capital work-in-progress and intangible asset under development.
- The amendments are extensive and the Company will evaluate the same to give effect to them as required by law.

Notes to consolidated financial statements

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

4. Key accounting estimates and judgements

The preparation of financial statements in conformity with the Ind AS requires judgements, estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements, the reported amounts of revenues and expenses during the reporting period and the disclosures relating to contingent liabilities as of the date of the financial statements. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in outcomes different from the estimates. Difference between actual results and estimates are recognised in the period in which the results are known or materialise. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

Management considers the accounting estimates and assumptions discussed below to be its critical accounting estimates and, accordingly, provide an explanation of each below. The discussion below should also be read in conjunction with the Group's disclosure of significant accounting policies which are provided in Note 3 to the consolidated financial statements, 'Significant accounting policies'.

Judgments:

Leases: whether an arrangement contains a lease:

Significant judgements are involved at the inception of the contract to assess of whether a contract is, or contains a lease.

Assumptions and estimation uncertainties:

Impairment of investments:

Significant estimates and assumptions are involved in determining the estimated future cash flows from the investments to determine their value in use to assess whether there is any impairment in their carrying amounts as reflected in the consolidated financial statements.

Recognition of deferred tax assets – The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. The Group considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment.

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.

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, IT equipment and other plant and equipment.

Defined benefit obligation (DBO): Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

Fair value measurements: Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Provisions: A provision is recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

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

5. Property, plant and equipment

	Freehold land	Leasehold land	Buildings	Plant and equipment	Office equipment	Furniture	Vehicles	Computers	Right-of use	Total
Gross carrying amount										
As at 1 April 2019	2,091	262	4,435	9,262	65	220	225	185	-	16,745
Recognised on adoption of Ind AS 116 (Refer Note 39)	-	-	-	-	-	-	-	-	38	38
Reclassified on adoption of Ind AS 116 (Refer Note 39)	0	(262)	0	0	0	-	0	0	262	-
Additions	429	-	1,805	2,111	2	152	22	63	2	4,586
Disposals	(33)	-	-	(40)	(0)	(0)	(8)	-	-	(81)
Exchange difference	-	-	(15)	(11)	(0)	(1)	(0)	0	-	(27)
Balance as at 31 March 2020	**2,487**	**-**	**6,225**	**11,322**	**67**	**371**	**239**	**248**	**302**	**21,261**
Additions	103	-	2,749	2,673	2	70	9	56	8	5,670
Disposals	(114)	-	(0)	(32)	-	(1)	(5)	-	-	(152)
Exchange difference	-	-	(8)	(5)	(0)	(0)	(0)	(0)	-	(14)
Balance as at 31 March 2021	**2,476**	**-**	**8,966**	**13,958**	**69**	**439**	**243**	**304**	**310**	**26,765**
Accumulated depreciation										
As at 1 April 2019	-	11	847	3,310	39	86	118	149	-	4,560
Reclassified on adoption of Ind AS 116 (Refer Note 39)	-	(11)	-	-	-	-	-	-	11	-
Charge for the year	-	-	178	719	2	26	18	22	8	973
Disposals	-	-	-	(21)	(0)	(0)	(2)	-	-	(23)
Exchange difference	-	-	(2)	(3)	(0)	(0)	0	0	-	(5)
Balance as at 31 March 2020	**-**	**-**	**1,023**	**4,005**	**41**	**112**	**134**	**171**	**19**	**5,505**
Charge for the year	-	-	205	845	3	35	15	30	12	1,145
Disposals	-	-	-	(17)	-	(1)	(3)	-	-	(21)
Exchange difference	-	-	(1)	(2)	(0)	(0)	(0)	1	-	(2)
Balance as at 31 March 2021	**-**	**-**	**1,227**	**4,831**	**44**	**146**	**146**	**202**	**31**	**6,627**
Net book value as at 31 March 2020	2,487	-	5,202	7,317	26	259	105	77	283	15,756
Net book value as at 31 March 2021	**2,476**	**-**	**7,739**	**9,127**	**25**	**293**	**97**	**102**	**279**	**20,138**

(i) Contractual obligations

Refer to note 36(a) for disclosure of contractual commitments for the acquisition of property, plant and equipment.

(ii) Right-of-use assets consists of leasehold land from the State Industrial Development Corporation of Uttarakhand Limited for a period of 90 years, Uttar Pradesh State Industrial Development Corporation Limited for a period of 87 years and Ramky Pharma City (India) Limited for a period of 33 years which is renewable for a further period of 2 terms of 33 years each at the option of the Company.

(iii) Land parcels with an aggregate carrying amount of ₹ 4 (31 March 2019: ₹ 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 favourable outcome in this case and hence, no adjustments are made in these financial statements.

(iv) The following lands have come into the books of the Company pursuant to the merger of Natco Organics Limited and Karanth Pharma Chemical Labs Private Limited (transferor companies) with the Company in the earlier years. Hence, the name of the transferor companies are appearing in the title deeds of these lands.

i) Freehold land at Sanathnagar Industrial estate, Hyderabad.

ii) Freehold land at No. 74/7B, Vaikkadu TPP Salai, Manali, Chennai.

(v) During the previous year, the Company was provisionally allotted a parcel of land from Andhra Pradesh Industrial Infrastructure Corporation Limited ('APIIC') in Attivaram, Nellore District, Andhra Pradesh for a consideration of ₹ 66 which shall be registered in the name of the Company based on fulfilment of certain conditions laid down by APIIC.

(vi) Refer to note 39 for disclosure of leases under Ind AS 116.

(vii) Refer to note 16 for disclosure of security against borrowings.

Notes to consolidated financial statements

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

6. Intangible assets

	Computer Software	Total
Gross carrying amount		
As at 1 April 2019	**200**	**200**
Additions	29	29
Deletions	(3)	(3)
Foreign exchange adjustments	-	-
As at 31 March 2020	**226**	**226**
Additions	30	30
Deletions	-	-
As at 31 March 2021	**256**	**256**
Accumulated amortisation		
As at 1 April 2019	113	113
Charge for the year	25	25
As at 31 March 2020	**138**	**138**
Charge for the year	24	24
Deletions	0	-
As at 31 March 2021	**162**	**162**
Net carrying amount		
As at 31 March 2020	88	88
As at 31 March 2021	**94**	**94**

7. Investments

	As at 31 March 2021	As at 31 March 2020
I. Non-current		
At fair value through other comprehensive income		
a. Investment in equity instruments (fully paid-up)		
Unquoted		
139,451 (31 March 2020: 139,451) equity shares of ₹ 10 each, in OMRV Hospital Private Limited	105	105
21,769 (31 March 2020: 21,769) equity shares of ₹ 10 each, in Veda Seedsciences Private Limited	79	79
8,000 (31 March 2020: 8,000) equity shares of ₹ 10 each, in Cipher Oncology Private Limited	10	10
2,201 (31 March 2020: 978) equity shares of ₹ 10 each, in Medplus Health Services Private Limited	75	75
34,400 (31 March 2020: 34,400) equity shares of ₹ 10 each, in Pattancheru Enviro-Tech Limited	0	0
65,979 (31 March 2020: NIL) shares of Series Seed-2 Preferred Stock in ISCA, Inc	151	-
27,000 (31 March 2020: 27,000) equity shares of ₹ 10 each, in Jayalakshmi Spinning Mills Limited	0	0
4,054 (31 March 2020: 4,054) equity shares of 1USD NATIVITA Joint Limited Liability Company	0	0
30 (31 March 2020: 30) equity shares of Euro 0.5 per share of Pharnasanta B.V	0	0
750 (31 March 2020: 750) equity shares of ₹ 100 each, in Jeedimetla Effluent Treatment Limited	0	0
Less: Provision for impairment in value of investments	0	0
	420	**269**
b. Other investments		
Unquoted		
2000 (31 March 2020: 1,624) units of ₹ 10,000 each, in Endiya Trust	20	16
88,040 (31 March 2020: Nil) 0.001% compulsorily convertible preference shares (CCPS) of ₹ 20 each, in Medplus Health Services Private Limited	-	-
500,000 (31 March 2020: 5,00,000) 0.05% compulsorily convertible preference shares (CCPS) of ₹ 100 each, in OMRV Hospitals Private Limited	50	50
	70	**66**

Notes to consolidated financial statements

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

	As at 31 March 2021	As at 31 March 2020
At amortised cost		
Unquoted		
Investment in Corporate bond fund in Axis Bank Ltd	400	-
Quoted		
250,000 (31 March 2020:250,000) 9.25% non-convertible debentures (NCD) of ₹ 1,000 each, in Muthoot Finance limited	250	250
100,000 (31 March 2020: Nil) 6.75% non-convertible debentures (NCD) of ₹ 1,000 each, in Muthoot Finance limited	100	-
250 (31 March 2020: 250) 8.39% Series III Perpetual Bonds of ₹ 1,000,000 each, issued by State Bank of India	251	251
100 (31 March 2020: Nil) 7.73% Series III Perpetual Bonds of ₹ 1,000,000 each, issued by State Bank of India	103	-
	1,104	**501**
Total non-current investments	**1,594**	**836**
Aggregate book value of unquoted investments	890	335
Aggregate book value of quoted investments	704	501
Aggregate market value of quoted investments	712	512
Aggregate amount of impairment in the value of investments	0	0
II. Current		
Quoted		
Investments in equity instruments of others (fully paid-up)		
(At fair value through other comprehensive income)		
7,000 (31 March 2020: 10,000) equity shares of ₹ 10 each, in Neuland Laboratories Limited	15	3
5,500 (31 March 2020: 5,500) equity shares of ₹ 1 each, in Sun Pharmaceuticals Industries Limited	3	2
530(31 March 2020: 778) equity shares of ₹ 2 each, in Alkem Laboratories Limited	1	2
12,400 (31 March 2020: 15,000) equity shares of ₹ 1 each, in Cadila Healthcare Limited	5	4
350,000 (31 March 2020: 500,000) equity shares of ₹ 2 each, in Laurus Labs Limited	127	32
150,000(31 March 2020: 150,000) equity shares of ₹ 1 each, in Lanco Infratech Limited	0	0
22,700 (31 March 2020: 22,700) equity shares of ₹ 1 each, in GMR Infrastructure Limited	1	0
50,400 (31 March 2020: 50,400) equity shares of ₹ 1 each, in GVK Power & Infrastructure Limited	0	0
18,300 (31 March 2020: 50,000) equity shares of ₹ 1 each, in Panacea Biotech Limited	3	6
2,100 (31 March 2020: 3,176) equity shares of ₹ 1 each, in ICICI Prudential Life Insurance Company Limited	1	1
18,300 (31 March 2020: Nil) equity shares of ₹ 1 each, in Ravinder Height Limited	0	-
	156	**50**
Unquoted		
Investments in others (fully paid-up)		
(At amortised cost)		
Investment in Global Dynamic Opportunities Fund Limited	220	237
Investment in Guaranteed investment certificates in ICICI Bank Canada	877	-
400 (31 March 2020: Nil) 5.10% Commercial Paper (CP) of ₹ 500,000/- each, through issuer Julius Baer Capital (India) Private Limited	190	-
	1,287	**237**
Total current investments	**1,443**	**287**
Aggregate book value of unquoted investments	1,287	237
Aggregate cost of quoted investments	41	60
Aggregate market value of quoted investments	156	50

Notes to consolidated financial statements

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

8. Loans

	As at 31 March 2021	As at 31 March 2020
(Unsecured, considered good)		
Non-current		
Loans to others	14	20
Security deposits	144	141
Total non-current loans	**158**	**161**
Current		
Loans to employees	94	84
Loans to directors (Refer note 34)	37	-
Total current loans	**131**	**84**

9. Other financial assets

	As at 31 March 2021	As at 31 March 2020
(Unsecured, considered good)		
Non-current		
Deposits classified at amortised cost:		
- Bank deposits with maturity beyond 12 months*	35	36
- Interest on deposits and investments, accrued but not due	8	6
	43	**42**
* Bank deposits are given as margin money against bank guarantees/performance guarantees issued by banks.		
Current		
Deposits classified at amortised cost:		
- Deposits with financial institutions	3,861	8,112
- Interest on deposits, accrued but not due	362	469
Other receivables	47	7
	4,270	**8,588**

10. Other assets

	As at 31 March 2021	As at 31 March 2020
(Unsecured, considered good)		
Non-current		
(i) Capital advances	273	547
(ii) Advances other than capital advances		
- Balance with statutory authorities	12	12
	285	**559**
Current		
Advances other than capital advances		
- Advance to material/service providers	1,122	1,407
- Prepaid expenses	226	180
- Export incentives receivable	312	260
- Balance with statutory authorities	922	696
- Other advances	1	1
	2,583	**2,544**

Notes to consolidated financial statements

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

11. Inventories

	As at 31 March 2021	As at 31 March 2020
Raw materials [including goods-in-transit of ₹ 51 (31 March 2020: ₹ 26)]	3,422	1,627
Work-in-progress	1,834	1,566
Finished goods	1,303	1,140
Stock-in-trade	334	342
Stores and spares [including goods-in-transit of ₹ 9 (31 March 2020: ₹ 5)]	778	640
Packing materials [including goods-in-transit of ₹ 1 (31 March 2020: ₹ 1)]	311	265
	7,982	**5,580**

The write-down of inventories to net realisable value during the year amounted to ₹ 15 (31 March 2020: ₹ 31).

12. Trade receivables

	As at 31 March 2021	As at 31 March 2020
(Unsecured)		
Trade receivables:		
- Considered good	4,232	5,638
- Credit impaired	48	50
	4,280	**5,688**
Less: Allowance for credit losses	151	175
	4,129	**5,513**

13. Cash and bank balances

	As at 31 March 2021	As at 31 March 2020
Cash and cash equivalents:		
Cash on hand	5	11
Balance with banks:		
- Current accounts	253	187
	258	**198**
Other bank balances		
Bank deposits with original maturity beyond 3 months within 12 months	2,540	428
Unpaid dividend account	37	34
	2,577	**462**

14. Equity share capital

i. Authorised share capital

	As at 31 March 2021		As at 31 March 2020	
	Number	Amount	Number	Amount
Equity shares of ₹ 2 each	200,000,000	400	200,000,000	400

ii. Issued, subscribed and fully paid up

	As at 31 March 2021		As at 31 March 2020	
	Number	Amount	Number	Amount
Equity shares of ₹ 2 each	182,337,825	365	182,067,975	364
	182,337,825	**365**	**182,067,975**	**364**

Notes to consolidated financial statements

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

iii. Reconciliation of number of equity shares outstanding at the beginning and at the end of the year

	As at 31 March 2021		As at 31 March 2020	
	Number	Amount	Number	Amount
Equity shares				
Balance at the beginning of the year	182,067,975	364	182,746,479	365
Add: Equity shares issued pursuant to employee stock option plan (Refer note 14(viii))	269,850	1	305,840	1
Less: Bought back during the year and extinguished before balance sheet date (Refer note given below)	-	-	(984,344)	(2)
Balance at the end of the year	**182,337,825**	**365**	**182,067,975**	**364**

Note:

(a) During the year ended 31 March 2020, the Company bought back and extinguished 984,344 equity shares of ₹ 2 each for an aggregate purchase value of ₹ 536 at an average price of ₹ 544 per share, excluding transaction costs under the buy-back of equity shares plan approved by the Board of directors on 05 November 2018.

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 is subject to the approval of the shareholders in the ensuing general meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts in proportion of their shareholding.

v. Details of shareholder holding more than 5% share capital

Name of the equity shareholder	As at 31 March 2021		As at 31 March 2020	
	Number	% holding	Number	% holding
V C Nannapaneni *	28,027,975	15.37%	28,027,975	15.39%
Time Cap Pharma Labs Limited	17,175,420	9.42%	17,157,220	9.42%
V S Swathi Kantamani	15,983,340	8.77%	15,983,340	8.78%
Natsoft Information Systems Private Limited	15,767,500	8.65%	15,767,500	8.66%

*including shares held in the capacity of Karta of Hindu Undivided Family (HUF) aggregating 5,440,045 (31 March 2020: 5,440,045)

vi. Shares reserved for issuance under Stock Option Plans of the Company

	As at 31 March 2021		As at 31 March 2020	
	Number	% holding	Number	% holding
NATCO Employee Stock Option Plan:				
ESOP 2015	-	0.00%	74,810	0.04%
ESOP 2016	21,155	0.01%	87,310	0.05%
ESOP 2017	161,435	0.09%	364,580	0.20%
	182,590		**526,700**	

vii. Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:

	2020-21	2019-20	2018-19	2017-18	2016-17
Equity Shares issued under Stock Option Plans of the Company	269,850	305,840	268,735	185,600	133,555
Equity shares bought-back (Refer note 14(iii))	-	984,344	2,015,656	-	-

Notes to consolidated financial statements

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

viii. Share based payments

(a) The Company has instituted the NATCO Employee Stock Option Plan 'ESOP-2015', NATCO Employee Stock Option Plan 'ESOP-2016' and NATCO Employee Stock Option Plan 'ESOP-2017' ("the ESOP Schemes"). The ESOP Schemes were formulated in accordance with the Securities Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 issued by the Securities and Exchange Board of India ("SEBI"). Pursuant to the terms of the ESOP Schemes, the Board of Directors of the Company have granted 750,000 options (post split), 174,330 options and 600,000 options to eligible employees on 12 August 2015, 11 November 2016 and 2 November 2017 respectively. The terms of the ESOP Schemes provide that each option entitles the holder to one equity share of ₹ 2 each (post split) and that the options can be settled only by way of issue of equity shares. The options vest in a phased manner ranging from 1 to 5 years from the date of grant and the options are entirely time-based with no performance conditions.

(b) Assumptions used for ESOP Valuation

	ESOP 2015	ESOP 2016	ESOP 2017
Grant date	12-Aug-15	11-Nov-16	02-Nov-17
Fair value at grant gate	2,471	619	971
Exercise price	10	2	2
Expected volatility range	40.79% - 49.91%	37.28% - 43.76%	42.92% - 163.51%
Risk-free	7.14% - 8.18%	6.82% - 8.05%	6.14% - 6.61%
Time to maturity	5	5	4
Expected dividends yields	0.20%	0.20%	0.75%

(c) During the year ended 31 March 2021, the Company had accrued stock compensation cost of ₹ 126 (31 March 2020: ₹ 144) in respect of the ESOP Schemes.

(d) The details of options are as follows :

ESOP 2015, ESOP 2016 and ESOP 2017	As at 31 March 2021		As at 31 March 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of the year	526,700	2	848,315	2
Granted during the year	-	2	-	2
Forfeited during the year	54,405	2	-	2
Vested during the year	264,100	2	358,675	2
Exercised during the year	269,850	2	305,840	2
Expired during the year	19,855	2	15,775	2
Outstanding at the end of the year	182,590	2	526,700	2
Exercisable at the end of the year	37,000	2	43,005	-

The weighted average remaining contractual life of unvested options is 7.27 months (31 March 2020: 12.35 months).

The weighted average share price on the date of exercise of options during the years ended 31 March 2021 and 31 March 2020 was ₹ 859 and ₹ 562 per share, respectively.

There were no stock options granted by the Company for the years ended 31 March 2021 and 31 March 2020. The fair value of stock options granted in earlier years had been measured using the Black–Scholes option pricing model at the date of the grant. The Black-Scholes option pricing model includes assumptions regarding dividend yields, expected volatility, expected terms and risk free interest rates.

Notes to consolidated financial statements

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

ix. Dividend paid and proposed

Dividends on equity shares were declared and paid by the Company during the year:

	2020-21		2019-20	
	Dividend per Equity share (₹)	Amount	Dividend per Equity share (₹)	Amount
First interim dividend	1.25	228	1.25	227
Second interim dividend	3.00	547	1.00	182
Third interim dividend	1.00	182	3.50	638
Dividend distribution tax on above		-		215
Total		**957**		**1,262**

After the reporting dates the following dividend was proposed by the directors subject to the approval at the annual general meeting; the dividends have not been recognised as liabilities. Payment of dividends would be subject to deduction of tax at source when declared or paid.

	Year ended 31 March 2021		Year ended 31 March 2020	
	Dividend per Equity share (₹)	Amount	Dividend per Equity share (₹)	Amount
Fourth interim dividend	-	-	1	182
Total		**-**		**182**

15. Other equity

A Reserve and surplus

	As at 31 March 2021	As at 31 March 2020
Reserves and surplus		
Securities premium	13,915	13,729
Capital reserve	516	516
Capital redemption reserve	11	11
General reserve	595	595
Share options outstanding account	175	235
Retained earnings	25,682	22,391
Total reserves and surplus	**40,894**	**37,477**
Other comprehensive income		
Gain on FVTOCI equity securities	128	27
Foreign currency translation reserve	(171)	(133)
	(43)	**(106)**
	40,851	**37,371**

B Nature and purpose of other reserves

Securities premium

Securities premium is used to record the premium on issue of shares. The reserve is utilised in accordance with provisions of the Companies Act, 2013.

Capital reserve

Capital reserve was created on amalgamation of certain entities into the Company in the earlier years and the transactions with shareholders. The Group uses capital reserve for transactions in accordance with the provisions of the Companies Act, 2013.

Notes to consolidated financial statements

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

Capital redemption reserve

The Company had purchased its own shares and as per the provision of the applicable laws, a sum equal to the nominal value of the shares so purchased is required to be transferred to the capital redemption reserve. The Group uses capital redemption reserve for transactions in accordance with the provisions of the Companies Act, 2013.

General reserve

The Group 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 Group.

Share options outstanding account

This reserve represents the excess of the fair value of the options on the grant date over the strike price which is accumulated by the Group in respect of all options that have been granted. The Group transfers the proportionate amounts, outstanding in this account, in relation to options exercised to securities premium on the date of exercise of such options.

Fair value through other comprehensive income (FVTOCI) equity securities

The Group has elected to recognise the change in fair value of certain equity instruments in other comprehensive income. These changes are accumulated within the FVTOCI equity instruments reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity instruments are derecognised.

Retained earnings

Retained earnings mainly represent all current and prior year profits as disclosed in the statement of profit and loss and other comprehensive income pertaining to remeasurement gains/(losses) arising from the actuarial valuation of the defined benefit plan less dividend distribution.

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.

16. Borrowings

	As at 31 March 2021	As at 31 March 2020
Non-current		
Lease liabilities (refer note 39)	9	9
	9	**9**
Current		
Lease liabilites (refer note 39)	9	8
Loan repayable on demand from banks:		
Working capital loans (secured)	1,284	1,340
Working capital loans (unsecured)	1,374	1,802
	2,667	**3,150**

Notes:

(i) Working capital loans (secured) represents cash credit, bills purchased and discounted with various banks. These working capital loans are secured by joint pari-passu first charge on all the current assets and property, plant and equipment of: i) Land admeasuring 17.19 acres comprised in survey no. 70 of village Nandikonda, Mandal Peddavoora, District Nalgonda in the State of Telangana together with all buildings and structures thereon and all plant and equipment attached to the earth. ii) House/premise bearing municipal no. 8-2-120/112/A/33 and 8-2-120/112/A/32 in plot no. 100 admeasuring 1166 sq. yards with all its building and fixed assets situated at Road No.2, Banjara Hills, Hyderabad - 500033.

(ii) Working capital loans (unsecured) represents overdraft, bills purchased and discounted with various banks.

(iii) The rate of interest applicable was in the range of 0.60% to 8.05%.

Notes to consolidated financial statements

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

17. Other financial liabilities

	As at 31 March 2021	As at 31 March 2020
Non-current		
Deposits from customers	11	8
	11	**8**
Current		
Book overdraft	163	135
Capital creditors	350	403
Unpaid dividend *	37	34
Payroll related liabilities	263	247
Other payables	51	6
	864	**825**

* Investor Education and Protection Fund shall be credited when due.

18. Provisions

	As at 31 March 2021	As at 31 March 2020
Non-current		
Provision for employee benefits:		
Provision for gratuity (refer note (a))	610	564
Provision for compensated absences (refer note (b))	386	338
	996	**902**
Current		
Provision for employee benefits:		
Provision for gratuity (refer note (a))	70	52
Provision for compensated absences (refer note (b))	58	53
	128	**105**

(a) Gratuity

The Group 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 Group makes contributions to the Gratuity Fund.

The following tables sets out the status of the gratuity plan and the reconciliation of opening and closing balances of the present value and defined benefit obligation.

(i) Reconciliation of the present value of defined benefit obligation

	As at 31 March 2021	As at 31 March 2020
Opening balance	726	554
Current service cost	74	65
Interest cost	50	43
Benefits paid	(38)	(14)
Actuarial loss recognised in the other comprehensive income:		-
Experience adjustment	7	30
Change in demographic assumptions	-	-
Change in financial assumptions	-	48
Closing balance	**819**	**726**

Notes to consolidated financial statements

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

(ii) Reconciliations of present value of plan asset

	As at 31 March 2021	As at 31 March 2020
Opening balance	110	68
Interest income	8	5
Employer contribution	60	52
Benefits paid	(38)	(14)
Actuarial losses recognised in the other comprehensive income:		
Return on plan assets, excluding interest income	(1)	(1)
Closing balance	**139**	**110**

(iii) Reconciliation of net defined benefit obligation

	As at 31 March 2021	As at 31 March 2020
Present value of funded obligation	819	726
Fair value of plan assets	(139)	(110)
Amount recognised in the balance sheet	**680**	**616**

(iv) Expense recognised in the statement of profit and loss under employee benefit expense:

	Year ended 31 March 2021	Year ended 31 March 2020
Current service cost	74	65
Interest cost	50	43
Interest income	(8)	(5)
Net cost	**116**	**103**

(v) Remeasurments recognised in the statement of other comprehensive income

	Year ended 31 March 2021	Year ended 31 March 2020
Experience adjustment on funded obligation	7	78
Return on plan assets, excluding interest income	1	1
Net gratuity costs in other comprehensive income	**8**	**79**

(vi) Plan assets comprises of the following:

	As at 31 March 2021	As at 31 March 2020
Group gratuity fund with LIC	139	110

(vii) Summary of actuarial assumptions:

	As at 31 March 2021	As at 31 March 2020
Discount rate	6.85%	6.85%
Estimates rate of return on plan assets	6.85%	6.85%
Salary escalation rate	7.00%	7.00%
Mortality rate	Indian Assured Lives Mortality (2012-14)	Indian Assured Lives Mortality (2012-14)

Notes to consolidated financial statements

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

The estimates of future salary increase considered in actuarial valuation takes account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

(viii) Sensitivity analysis:

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate and the salary growth rate. The calculation of the net defined benefit liability is sensitive to these assumptions. However, the impact of these changes is not ascertained to be material by the management.

The sensitivity analysis of significant actuarial assumptions as at the end of the period is shown below.

		As at 31 March 2021	As at 31 March 2020
A.	Defined benefit obligation without effect of projected salary growth	819	726
B.	Salary escalation rate		
	Salary rate +100 basis points	87	78
	Salary rate -100 basis points	(76)	(68)
C.	Discount rate		
	Discount rate +100 basis points	99	(73)
	Discount rate -100 basis points	(82)	88

(ix) Expected contribution

The expected contributions for defined benefit plan for the next financial year will be in line with the contribution for the period and is expected by the Management to be ₹ 76 (31 March 2020: ₹ 60).

(x) Maturity profile of defined benefit obligation (valued on undiscounted basis):

	As at 31 March 2021	As at 31 March 2020
Within 1 year	70	66
2 to 5 years	181	162
6 to 10 years	364	300
More than 10 years	1,464	1,333

(xi) The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 11 years (Previous year: 11 years).

(b) Compensated absences:

The accrual for unutilised leave is determined for the entire available leave balance standing to the credit of the employees at the year-end. The value of such leave balances that are eligible for carry forward, is determined by an actuarial valuation as at the end of the year and is charged to the statement of profit and loss. The actual liability towards leave obligations as at 31 March 2021 is ₹ 444 (31 March 2020: ₹ 391). Expense recognised in the statement of profit and loss under employee benefit expense is ₹ 96 (31 March 2020: ₹ 99).

19. Other liabilities

	As at 31 March 2021	As at 31 March 2020
Current		
Statutory liabilities	89	94
Advance from customers	13	4
Others	20	36
	122	**134**

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

20. Trade payables

	As at 31 March 2021	As at 31 March 2020
Current		
Total outstanding dues of micro enterprises and small enterprises [Refer note below]	75	21
Total outstanding dues of creditors other than micro enterprises and small enterprises	1,387	2,533
	1,462	**2,554**

Note:

Under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from 2 October 2006, certain disclosures are required to be made relating to Micro and Small enterprises. On the basis of the information and records available with the Management, the outstanding dues to the Micro and Small enterprises as defined in the MSMED as set out in following disclosure.

Particulars	As at 31 March 2021	As at 31 March 2020
(i) the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;		
Principal amount due to micro and small enterprises	75	21
Interest due on above	-	-
(ii) the amount of interest paid by the buyer in terms of Section 16 of MSMED Act, 2006 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 MSMED Act, 2006;	-	-
(iv) the amount of interest accrued and remaining unpaid at the end of each accounting year; and	-	-
(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 the MSMED Act, 2006.	-	-

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 Group. This has been relied upon by the auditors.

21. Revenue from operations

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Revenue from contracts with customers:		
Sale of goods	16,649	17,125
Sale of services	153	1,451
Job work income	101	302
Total (a)	**16,903**	**18,878**
Other operating revenues:		
Export incentives	229	224
Budgetary Support	1	31
Compensation and Claims (refer note 1 below)	3,361	-
Scrap sales	27	17
Total (b)	**3,618**	**272**
Total revenue from operation (a+b)	**20,521**	**19,150**
Disaggregation of revenue		
Revenue based on Geography (product destination):		
India	5,820	7,218
USA	7,910	8,230

Notes to consolidated financial statements

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

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Rest of the world	3,173	3,430
	16,903	**18,878**
Timing of revenue recognition:		
Goods transferred at a point in time	16,649	17,125
Services transferred over time	254	1,753
	16,903	**18,878**
Reconciliation of revenue from operations with contract price:		
Revenue as per contracted price	17,222	20,310
Adjusted for:		
Sales returns	(110)	(399)
Trade discounts and rebates	(209)	(1,033)
Total revenue from operations	**16,903**	**18,878**

Contract liabilities resulting from advance payments by customers for delivery of goods are predominantly recognised as sales within one year. The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as on 31 March 2021 is ₹ 179 (31 March 2020: ₹ 4) resulting from advance payments and shown under other current liabilities.

Note 1:
Compensation and settlement income includes an income from settlement of claims received by Natco Pharma (Canada) Inc., Canada, a subsidiary of Natco Pharma Limited. under a settlement agreement entered with a party for a product in Canada.

22. Other income

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Dividend income from investments designated at FVTOCI	0	-
Provisions no longer required written back	-	29
Interest income from financial assets carried at amortised cost	566	791
Profit on sale of property, plant and equipment, net	320	163
Renewable Energy (Wind Power) income	40	-
Foreign exchange gain, net	40	51
Other receipts	70	40
	1,036	**1,074**

23. Cost of materials consumed

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Raw material consumed	3,452	3,018
Packing material consumed	277	272
	3,729	**3,290**

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

24. Changes in inventories of finished goods, work-in-progress and stock-in-trade:

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Opening stock:		
- Finished goods	1,140	735
- Work-in-progress	1,566	1,406
- Stock-in-trade	342	219
	3,048	**2,360**
Closing stock:		
- Finished goods	1,303	1,140
- Work-in-progress	1,834	1,566
- Stock-in-trade	334	342
	3,471	**3,048**
Currency translation adjustment	58	64
	(481)	**(752)**

25. Employee benefits expense

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Salaries, wages and bonus	3,530	3,129
Contribution to provident fund and other funds	238	223
Gratuity expense (Refer note 18)	116	103
Share based payment expense (Refer note 14(viii))	126	144
Staff welfare expenses	139	151
	4,149	**3,750**

Defined contribution plan:

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards provident fund and employee state insurance schemes which are defined contribution plans. The Company has no obligations other than to make the specified contributions. The contribution to provident fund charged to the statement of profit and loss is ₹ 238 (31 March 2020: ₹ 223).

26. Finance costs

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Interest expense on liabilities at amortised cost:		
- Bank overdraft and others	88	177
Other borrowing cost	45	38
	133	**215**

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

27. Other expenses

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Consumption of stores and spares	281	290
Power and fuel	611	624
Rental charges (Refer note 39)	30	33
Repairs and maintenance:		
- Buildings	31	55
- Plant and equipment	135	163
- Others	38	26
Insurance	199	147
Rates and taxes	340	366
Factory maintenance expenses	340	266
Clinical and analytical charges	251	469
Carriage and freight outward	133	45
Donations*	67	42
Corporate social responsibility (CSR) expenses (Refer note 33)	154	157
Corporate environment responsibility (CER) expenses	-	2
Communication expenses	59	76
Office maintenance	68	83
Travelling and conveyance	162	256
Legal and professional fees	298	356
Payment to auditors**		
- Audit fees	8	8
- Other certifications and engagements	1	-
- Expenses reimbursed	0	0
Product development and legal charges	1,262	-
Directors sitting fee	2	1
Allowance for doubtful receivables	(24)	175
Bad debts (net of related liabilities) written off	117	55
Foreign exchange loss, net	-	-
Royalty expense	93	259
Sales promotion	211	936
Research and development expenses (refer note 37)	211	633
Miscellaneous expenses	118	235
	5,196	**5,758**

* Includes political contributions of ₹ 19 (31st March 2020: ₹ 23) made in accordance with Section 182 of the Companies Act, 2013.

** Including audit fee of subsidiary companies.

Notes to consolidated financial statements

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

28. Income-tax

(A) Components of Income-tax expenses

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
(i) Tax expense recognised in profit and loss		
Current tax:		
Current year tax	1,408	1,271
Income-tax for earlier years	70	40
	1,478	**1,311**
Deferred tax charge/(credit) (net):		
Minimum Alternate Tax (MAT) credit utilisation (Refer note 28(E))	(250)	(382)
Origination and reversal of temporary differences	144	177
	(106)	**(205)**
Tax expense for the year	**1,372**	**1,106**
(ii) Tax recognised in other comprehensive income		
Items that will not be reclassified to profit and loss		
- Remeasurement of defined benefit plans	3	27
- Net gains / (losses) from investments in equity instruments designated at FVTOCI	(13)	7
	(10)	**34**

(B) Reconciliation of effective tax rate

The major components of income tax expense and the reconciliation of expected tax expense based on the domestic effective tax rate of the Company at 34.944% (31 March 2020: 34.944%) and the reported tax expense in the statement profit and loss are as follows:

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Profit before tax	**5,796**	**5,687**
Enacted tax rate applicable to the Company in India*	34.944%	34.944%
Tax using the Company's domestic tax rate	2,025	1,987
Tax effect of:		
Expense not deductible for tax purposes	29	74
Additional deduction allowed under Income-tax Act	(141)	(431)
Unrecognised deferred tax asset in subsidiaries	56	19
Additional allowances under Income-tax Act	-	(378)
Effect of change in tax laws and rate in jurisdictions outside India	(164)	60
Utilisation of previously unutilised MAT credit	(412)	(382)
Capital gain tax	(47)	(25)
Other timing differences	(44)	142
Tax pertaining to earlier years	70	40
Income tax expense	**1,372**	**1,106**

*The Taxation Laws (Amendment) Ordinance, 2019 ('Ordinance') was promulgated by the President of India on 20 September 2019. The Ordinance has amended the Income-tax Act, 1961 and Finance Act, 2019 to inter-alia provide an option to a domestic company in India to pay income tax at reduced rate of 22% plus applicable surcharge and cess subject to certain conditions. The Company has made an assessment of the impact of the Ordinance and decided to continue with the existing tax structure until utilisation of accumulated minimum alternative tax (MAT) credit.

Notes to consolidated financial statements

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

(C) Deferred tax assets and liabilities

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that created these differences is given below:

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Deferred tax assets/(liabilities):		
Minimum Alternate Tax*	201	40
Trade receivables	53	61
Property , plant and equipment	(1,046)	(711)
Provision for employee benefits	394	350
Investments	(15)	1
	(413)	**(259)**

* As per Indian tax laws, companies are liable for a Minimum Alternate Tax ("MAT" tax) when current tax, as computed under the provisions of the Income-tax Act, 1961 ("Tax Act"), is determined to be below the MAT tax computed under section 115JB of the Tax Act. The excess of MAT tax over current tax is eligible to be carried forward and set-off in the future against the current tax liabilities over a period of 15 years.

The Group offsets tax assets and liabilities year on year basis only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Significant management judgement is required in determining provision for income-tax, deferred tax assets and liabilities and recoverability of deferred tax assets. The recoverability of deferred tax assets is based on estimates of taxable income by each jurisdiction in which the relevant entity operates and the period over which deferred tax assets will be recovered.

(D) Movement in deferred tax assets and liabilities

The details of movement in deferred tax assets and liabilities for the year ended 31 March 2021:

	As at 1 April 2020	Recognised in profit and loss	Recognised in OCI	As at 31 March 2021
Deferred tax assets/(liabilities):				
Minimum Alternate Tax	40	161	-	201
Trade receivables	61	(8)	-	53
Property, plant and equipment	(711)	(335)	-	(1,046)
Provision for employee benefits	350	41	3	394
Investments	1	(3)	(13)	(15)
Net deferred tax assets/(liabilities)	**(259)**	**(144)**	**(10)**	**(413)**

The details of movement in deferred tax assets and liabilities for the year ended 31 March 2020:

	As at 1 April 2019	Recognised in profit and loss	Recognised in OCI	As at 31 March 2020
Deferred tax assets/(liabilities):				
Minimum Alternate Tax	-	40	-	40
Trade receivables	-	61	-	61
Property, plant and equipment	(403)	(308)	-	(711)
Provision for employee benefits	278	45	27	350
Investments	9	(15)	7	1
Net deferred tax assets/(liabilities)	**(116)**	**(177)**	**34**	**(259)**

Notes to consolidated financial statements

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

(E) Unrecognised deferred tax assets

	As at 31 March 2021	As at 31 March 2020
Unrecognised MAT credit entitlement	808	1,237
Carry forward losses of subsidiaries	140	153
	948	**1,390**

The Group did not recognise deferred tax assets of ₹ 808 million on MAT credit entitlement, as the Group is unable to estimate the availability of taxable profits with reasonable certainty after taking into consideration the tax holiday units/ benefits available including financial projections, business plans and availability of sufficient taxable income in foreseeable future. The above MAT credit expires at various dates ranging from 2030 through 2032.

29. Earnings per share (EPS)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Earnings:		
Profit attributable to equity share holders of the Company	4,409	4,608
Shares:		
Number of equity shares at the beginning of the year	182,067,975	182,746,479
Effect of equity shares issued on exercise of stock options	90,821	95,712
Effect of equity shares bought back during the year	-	(907,668)
Weighted average number of equity shares – Basic	**182,158,796**	**181,934,523**
Dilutive effect of stock options outstanding	336,103	521,079
Weighted average number of equity shares – Diluted	**182,494,899**	**182,455,602**
Earnings per equity share (face value of ₹ 2/- each):		
Basic (in ₹)	24.20	25.33
Diluted (in ₹)	24.16	25.26

30. Financial instruments - fair values

Accounting classification and fair values

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities including their levels in the fair value hierarchy.

As at 31 March 2021:

Particulars	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
A. Financials assets					
Financial assets measured at FVTOCI					
Non-current investments	7	490	-	-	490
Current investments	7	1,033	1,033	-	-
Financial assets measured at amortised cost					
Non-current investments	7	1,104	-	-	-
Current investments	7	410	-	-	-
Loans	8	289	-	-	-
Trade receivables	12	4,129	-	-	-
Cash and cash equivalents	13	258	-	-	-
Bank balances other than cash and cash equivalents	13	2,577	-	-	-
Other financial assets	9	4,313	-	-	-
		14,603	**1,033**	**-**	**490**

Notes to consolidated financial statements

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

Particulars	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
B. Financials liabilities					
Financial liabilities measured at amortised cost					
Borrowings (including lease liability)	16	2,676	-	-	18
Trade payables	20	1,462	-	-	-
Other financial liabilities	17	875	-	-	-
		5,013	**-**	**-**	**18**

As at 31 March 2020:

Particulars	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
A. Financials assets					
Financial assets measured at FVTOCI					
Non-current investments	7	335	-	-	335
Current investments	7	50	50	-	-
Financial assets measured at amortised cost					
Non-current investments	7	501			
Current investments	7	237	-	-	-
Loans	8	245	-	-	-
Trade receivables	12	5,513	-	-	-
Cash and cash equivalents	13	198	-	-	-
Bank balances other than cash and cash equivalents	13	462	-	-	-
Other financial assets	9	8,630	-	-	-
		16,171	**50**	**-**	**335**
B. Financials liabilities					
Financial liabilities measured at amortised cost					
Borrowings (including lease liability)	16	3,159	-	-	17
Trade payables	20	2,554	-	-	-
Other financial liabilities	17	833	-	-	-
		6,546	**-**	**-**	**17**

The Group's financial liabilities comprise of borrowings from banks, lease liabilities, trade payables and other financial liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include loans, trade receivables, other financial assets, cash and cash equivalents and other bank balances that derive directly from its operations. The Group also holds certain strategic investments in entities other subsidiaries.

The fair value of cash and cash equivalents, bank balances, trade receivables, loans, unquoted debentures and bonds, borrowings, trade payables and other financial assets and liabilities approximate their carrying amount largely due to the nature of these instruments. The Group's loans have been contracted at market rates of interest. Accordingly, the carrying value of such loans approximate fair value.

The following methods and assumptions were used to estimate the fair value :

Level 1: The fair value of the quoted investments are based on market price at the reporting date.

Level 3: The Investments measured at fair value and falling under fair value hierarchy Level 3 are valued on the basis of valuation reports provided by external valuers with the exception of certain investments, where the impact of fair valuation of investment is considered as insignificant and hence carrying value and fair value is considered as same.

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

Change in level 3 fair values

Particulars	FVTOCI Equity securities	
	31-Mar-21	31-Mar-20
Opening balance	335	196
Additions during the year	155	139
Net change in fair value	-	-
Closing balance	**490**	**335**

31. Financial risk management

The Group's financial risk management is an integral part of how to plan and execute its business strategies. The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The Group's primary focus is to foresee the unpredictability of financial markets and seek to minimise potential adverse effects on its financial performance. A summary of the risks have been given below.

A. Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risks: interest rate risk and currency risk. Financial instruments affected by market risk include borrowings, deposits, trade receivables and other financial instruments.

i. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's entire borrowings carried at amortised cost are variable rate instruments and are subject to fluctuation because of a change in market interest rates. The Group considers the impact of fair value interest rate risk on variable rate borrowings as not material.

The Group's variable rate borrowings are subject to interest rate risk. Below are the details of exposure to fixed rate and variable rate instruments:

Particulars	As at 31 March 2021	As at 31 March 2020
Fixed rate instruments		
Financial assets	9,034	9,334
Financial liabilities	18	17
Variable rate instruments		
Financial liabilities (other than lease liability)	2,658	3,142

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 is exposed to currency risk to the extent that there is mismatch between the currencies in which sales, purchase are denominated and the respective functional currencies of Group companies. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities.

The Group's exposure to foreign currency financial assets and financial liabilities expressed in ₹ are as follows:

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

Financial assets and financial liabilities:

	31 March 2021				31 March 2020			
	Trade receivables*	Borrowings*	Other financial liabilities	Trade payables	Trade receivables*	Borrowings*	Other financial liabilities	Trade payables
- USD	1,898	838	7	38	3,449	1,655	-	214
- EUR	23	22	9	1	47	16	-	22
- PHP	0	-	-	0	-	-	-	-
- CAD	193	5	-	5	123	-	-	-
- GBP	2	-	0	-	-	-	-	0
- SGD	43	-	-	-	8	-	-	-

* Includes bills purchased and discounted which are forming part of trade receivables and current borrowings amounting to ₹ 865 (31 March 2020: ₹ 1,671). These are realised amounts and hence there is no further foreign currency risk is involved.

Foreign currency sensitivity

A reasonably possible strengthening (weakening) of the Indian Rupee against various foreign currencies at 31 March would have affected the measurement of financial instruments denominated in foreign currencies and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

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 and loss after tax gain/(loss) for the year ended	
	31 March 2021	31 March 2020
USD sensitivity		
₹/USD - Appreciate by 10%	102	158
₹/USD - Depreciate by 10%	(102)	(158)

B. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and loans given. Credit risk arises from cash held with banks and financial institutions, as well as credit exposure to clients, including outstanding accounts receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Group assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

Trade and other receivables:

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Group grants credit terms in the normal course of business.

The maximum exposure to credit risk for trade receivables by geographic region was as follows:

	As at 31 March 2021	As at 31 March 2020
India	1,760	1,913
USA	1,619	2,713
Rest of the world	901	1,062
	4,280	**5,688**

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

The ageing of trade receivables are as follows:

	As at 31 March 2021	As at 31 March 2020
Neither past due nor impaired	3,376	3,745
Past due not impaired:		
1-180 days	665	1,830
More than 180 days	239	113
Allowance for credit losses	(151)	(175)
	4,129	**5,513**

Movement in allowance for credit losses

	As at 31 March 2021	As at 31 March 2020
Balance as at 01 April	175	-
Net remeasurement of loss allowance	93	230
Amount written off during the year	(117)	(55)
	151	**175**

As per simplified approach the Group makes provision of expected credit losses on trade receivable using a provision matrix to mitigate the risk of default payment and make appropriate provision at each reporting date wherever required.

Other financial assets:

Other financial assets primarily consist cash and cash equivalents and deposits. Credit risk on cash and cash equivalents and deposits with banks and financial institutions are generally low as the said deposits have been made with the banks and financial institutions who have been assigned high credit rating by international and domestic credit rating agencies. Investments in other than subsidiaries are strategic investments in the normal course of business of the Company.

C. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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 entities 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 requirements. 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 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.

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

As at 31 March 2021	Carrying value	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Financial liabilities					
Borrowings	2,658	2,658	-	-	2,658
Lease liabilities	18	9	13	386	408
Trade payables	1,462	1,462	-	-	1,462
Other financial liabilities	875	864	11	-	875
Total	**5,013**	**4,993**	**24**	**386**	**5,403**

As at 31 March 2020	Carrying value	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Financial liabilities					
Borrowings	3,142	3,142	-	-	3,142
Lease liabilities	17	8	7	393	408
Trade payables	2,554	2,554	-	-	2,554
Other financial liabilities	833	825	8	-	833
Total	**6,546**	**6,529**	**15**	**393**	**6,937**

32. Capital 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 Balance Sheet. Currently, the Group primarily monitors its capital structure on the basis of gearing ratio. Management is continuously evolving strategies to optimise the returns and reduce the risks. It includes plans to optimise the financial leverage of the Group.

The capital for the reporting year under review is summarised as follows:

	As at 31 March 2021	As at 31 March 2020
Total borrowings	2,676	3,159
Less: Cash and cash equivalents	(258)	(198)
Net debt [A]	**2,418**	**2,961**
Total equity [B]	41,234	37,847
Total capital [C=A+B]	**43,652**	**40,808**
Gearing ratio (%) [A/C]	6%	7%

33. Corporate social responsibility (CSR) expenses

During the year, the amount required to be spent on corporate social responsibility activities amounted to ₹ 152 (31 March 2020: ₹ 156) in accordance with Section 135 of the Act, 2013. The following amounts were actually spent during the current and previous year:

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Amount spent in cash:		
(i) Amount spent for other than for construction/ acquisition of any asset	-	-
(ii) On purposes other than (i) above*	154	157
Amount yet to be paid in cash	-	-
Total	**154**	**157**

*The Company has contributed the amount of ₹ 150 (Previous year: ₹ 157) to NATCO Trust towards CSR activities (Refer note 34).

Notes to consolidated financial statements

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

34. 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)

Nature of relationship	Names of the related parties
1. Entities in which Directors have control or have significant influence	Time Cap Pharma Labs Limited
	NATCO Trust
2. Key management personnel ("KMP")	
Chairman and Managing Director	Mr. V C Nannapaneni
Vice Chairman and Chief Executive Officer ("CEO")	Mr. Rajeev Nannapaneni
Wholetime Director	Mr. Potluri Prasad Sivaramakrishna
Wholetime Director	Mr. Lingarao Donthineni
Chief Financial Officer	Mr. S.V.V.N. Appa Rao
Company Secretary	Mr. Adinarayana M
3. Non-Executive Directors and Independent Directors	
Independent Director	Mr. Sreerama Murthy Gubbala
Independent Director	Mr. Govinda Prasad Dasu
Independent Director	Mr. Umamaheshwarrao Naidu Madireddi
Independent Director	Mr. Venkateswara Rao Thallapaka
Non-Executive Director	Mr. Sridhar Sankararaman
Independent Director	Mrs. Leela Digumarti
4. Relatives of KMP	Mrs. Durga Devi Nannapaneni
	Dr. N. Ramakrishna Rao
	Mrs. V S Swathi Kantamani

(b) Related party transactions during the year

	For the year ended 31 March 2021	For the year ended 31 March 2020
Time Cap Pharma Labs Limited		
Rental expense	5	5
NATCO Trust		
Donations	5	-
Contribution to corporate social responsibility activities	150	157
Mr. V.C. Nannapaneni		
Managerial remuneration*	18	18
Leave encashment paid	1	1
Rental expenses	2	2
Mr. Rajeev Nannapaneni		
Managerial remuneration*	17	17
Leave encashment paid	1	1
Rental expenses	3	3
Mr. Potluri Prasad Sivaramakrishna		
Managerial remuneration*	23	18
Leave encashment paid	0	0
Loan given	9	-
Mr. Lingarao Donthineni		
Managerial remuneration*	28	18
Leave encashment paid	0	0
Loan given	43	-

Notes to consolidated financial statements

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

	For the year ended 31 March 2021	For the year ended 31 March 2020
Mr. S.V.V.N. Appa Rao		
Managerial remuneration*	10	9
Leave encashment paid	0	-
Mr. Adinarayana M		
Managerial remuneration*	5	5
Leave encashment paid	0	-
Sitting fees		
Mr. Govinda Prasad Dasu	0	0
Mrs. Leela Digumarti	0	0
Mr. Umamaheshwarrao Naidu Madireddi	1	0
Mr. Sreerama Murthy Gubbala	1	0
Mr. Venkateswara Rao Thallapaka	0	0

*This aforesaid amount does not include amounts in respect of gratuity and compensated absences as the same are determined on actuarial basis for the Group as a whole.

(c) Related party closing balances as on balance sheet date receivable/(payable):

	As at 31 March 2021	As at 31 March 2020
Loan receivable		
Mr. Potluri Prasad Sivaramakrishna	3	-
Mr. Lingarao Donthineni	34	-
Managerial Remuneration		
Mr. V.C. Nannapaneni	(1)	-
Mr. Rajeev Nannapaneni	(0)	(1)
Mr. Lingarao Donthineni	(0)	(3)
Mr. Potluri Prasad Sivaramakrishna	(0)	(3)
Mr. S.V.N.N. Appa Rao	(0)	0
Mr. Adinarayana M	(0)	0

35. Segment reporting

Until the previous year, the operating segment of the Group was identified to be “Pharmaceuticals”, as the Chief Operating Decision Maker (‘CODM’) reviewed the business performance accordingly. The Group has commenced the Agro Chemicals division and the management expects completion of substantial portion of construction activity in the current financial year followed by commencement of commercial operations in near future. The CODM has started reviewing the Agro Chemicals segment from the current period. Hence, the Group has disclosed Agro Chemicals as a separate reportable segment and has restated previously reported information to conform to current period presentation.

The operating segments are reported in a manner consistent with the internal reporting provided to the Company’s Chief Operating Decision Maker (CODM). The CODM has been identified as the Chief Executive Officer (CEO) of the Group who reviews the internal management reports prepared based on an aggregation of financial information for all entities in the Group on a periodic basis.

Notes to consolidated financial statements

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

Information about reportable segments

	Year ended 31 March 2021	Year ended 31 March 2020
I. Segment revenue		
a. Pharmaceuticals	20,500	19,150
b. Agro chemicals	21	-
	20,521	**19,150**
Add: Unallocated	-	-
Total revenue from operations	**20,521**	**19,150**
II. Segment results		
a. Pharmaceuticals	5,941	5,902
b. Agro chemicals	(12)	-
Total segment result	**5,929**	**5,902**
Less:		
a. Finance cost	(133)	(215)
b. Net unallocated (income)/expenditure	-	-
Total profit before tax	**5,796**	**5,687**
III. Segment assets		
a. Pharmaceuticals	42,452	43,404
b. Agro chemicals	2,393	1,351
Total segment assets	**44,845**	**44,755**
Add: Unallocated	3,074	1,123
Total assets	**47,919**	**45,878**
IV. Segment liabilities		
a. Pharmaceuticals	3,499	4,467
b. Agro chemicals	84	61
Total segment liabilities	**3,583**	**4,528**
Add: Unallocated	3,102	3,503
Total liabilities	**6,685**	**8,031**

Geography-wise details of the Group's revenues from external customers and its non-current assets (other than financial instruments) and revenue from major customers are given below:

i. Revenue from Operations:

	Year ended 31 March 2021	Year ended 31 March 2020
India	6,077	7,490
USA	7,910	8,230
Rest of the world	6,534	3,430
	20,521	**19,150**

ii. Non-current assets*

	As at 31 March 2021	As at 31 March 2020
India	22,293	20,923
USA	-	-
Rest of the world	173	101
	22,466	**21,024**

* Non-current assets for this purpose consist of property, plant and equipments, Capital work-in-progress and intangibles.

Notes to consolidated financial statements

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

iii. Major customers

The Group has two customer who contributed more than 10% of the Group's total revenue during the current year and previous year. The revenue from such major customer(s) during the year is ₹ 4,868 (31 March 2020: ₹ 7,266).

36. Contingent liabilities and commitments

		As at 31 March 2021	As at 31 March 2020
(a)	**Commitments**		
	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	128	834
	Pending export obligation under EPCG Scheme	140	143
(b)	**Contingent liabilities**		
(i)	**Matters under appeals with tax authorities:**		
	Disputed sales tax liabilities	10	9
	Disputed customs liability	2	2

(ii) The Group is contesting certain patent infringement cases filed against it by the innovators in the ordinary course of business. A few of these cases pertain to products already launched by the Group in the market. These cases are pending before different authorities / courts and most of the claims involve complex issues. The outcome from these claims are uncertain due to a number of factors involved in legal trial such as stage of the proceedings and the overall length and extent of pre-trial discovery; the entitlement of the parties to an action to appeal a decision; clarity as to theories of liability; damages and governing law; uncertainties in timing of litigation; and the possible need for further legal proceedings to establish the appropriate amount of damages, if any. Often, these issues are subject to uncertainties and therefore the probability of a loss, if any, being sustained and an estimate of the amount of any loss is difficult to ascertain. Consequently, for a majority of these claims, it is not possible to make a reasonable estimate of the expected financial effect, if any, that will result from ultimate resolution of the proceedings. Further, at present, the management does not expect such liabilities to be significant.

(iii) The Hon'ble Supreme Court (SC) has clarified in the case of Vivekananda Vidyamandir and Others Vs. The Regional Provident Fund Commissioner (II) West Bengal that various allowances like conveyance allowance, special allowance, education allowance, medical allowance etc., paid uniformly and universally by an employer to its employees shall form part of basic wages for computation of the provident fund contribution. However, considering that there are numerous interpretative issues relating to this judgement, on the basis of internal evaluation, supported by a legal opinion from an independent legal expert, management of the Company has determined that the aforesaid ruling is applicable prospectively.

37. Amounts incurred on research and development expenses

	For the year ended 31 March 2021	For the year ended 31 March 2020
Salaries and wages	629	527
Consumption of materials, spares	225	210
Power and fuel	30	33
Other research and development expenses	541	773
Capital equipment	225	242
	1,650	**1,785**

The aforementioned expenditure, other than capital equipment, are included under the respective heads of the Statement of Profit and Loss.

Notes to consolidated financial statements

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

38. Capital work-in-progress

	As at 31 March 2021	As at 31 March 2020
Opening balance	**5,180**	**6,376**
Costs incurred toward construction activity	1,863	2,653
Expenses capitalised:		
Cost of materials consumed, net of trial run inventory recognised	7	10
Employee benefits expense	40	41
Power and fuel	5	38
Factory maintenance	18	73
Rates and taxes	1	22
Legal and professional charges	3	45
Others	16	18
Less:		
Capitalised during the year	(4,899)	(4,096)
	2,234	**5,180**

39. Leases

Transition to Ind AS 116

Effective 01 April 2019, the Group adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on 01 April 2019 using the modified retrospective method. Right-of-use of assets at 01 April 2019 for leases previously classified as operating leases were recognised and measured at an amount equal to lease liability (adjusted for related prepayments/ accruals). The Group recorded the lease liability at the present value of all future lease payments discounted at the incremental borrowing rate.

On 01 April 2019, the Group recognised lease liability of ₹ 20 (presented as a part of borrowings net of prepaid lease rent of ₹ 18) and right-of-use assets of ₹ 38 as at 1 April 2019 (presented as part of property, plant and equipment). The Group has reclassified the leasehold land of ₹ 251 (net of accumulated depreciation) to right-of-use asset as at 01 April 2019. The adoption of the standard did not have any material impact on the financial statements for the current period.

(a) Movement in lease liabilities

	As at 31 March 2021	As at 31 March 2020
Balance at the beginning	17	20
Additions	8	2
Deletions	-	-
Finance cost	5	3
Payment of lease liabilities	(12)	(8)
	18	**17**

(b) Current and non-current lease liabilities

	As at 31 March 2021	As at 31 March 2020
Current lease liabilities	9	8
Non current lease liabilities	9	9
	18	**17**

Notes to consolidated financial statements

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

(c) Undiscounted contractual maturities of lease liabilities

	As at 31 March 2021	As at 31 March 2020
Less than one year	9	8
One to five years	13	7
More than five years	386	393
	408	**408**

The company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and whey they fall due.

(d) Rental expense for short-term leases

	For the year ended 31 March 2021	For the year ended 31 March 2020
Variable lease expenses (other than short term)	-	-
Short-term lease expense	(30)	(33)
Low value lease expense	-	-
	(30)	**(33)**

(e) Amounts recognised in the statement of cash flows

	For the year ended 31 March 2021	For the year ended 31 March 2020
Payment of lease liabilities	(12)	(8)
Short-term lease expense	(30)	(33)
	(42)	**(41)**

40. Additional information as required under para 2 of General Instruction for the preparation of Consolidated Financial Statements of Schedule III, Division III to the Companies Act, 2013.

For the year ended 31 March 2021

Name of the entity	Net assets		Share in profit or loss		Share in other comprehensive income (OCI)		Share in total comprehensive income (TCI)	
	As a % of consolidated net assets	Amount	As a % of consolidated profit or loss	Amount	As a % of consolidated OCI	Amount	As a % of consolidated TCI	Amount
Parent company								
NATCO Pharma Limited	99%	40,906	70%	3,092	153%	133	72%	3,225
Foreign subsidiaries								
NATCO Pharma Inc.	1%	425	0%	13	-8%	(7)	0%	6
NATCO Lifesciences Philippines Inc.	0%	5	0%	(9)	0%	-	0%	(9)
Time Cap Overseas Limited	0%	116	-4%	(160)	0%	-	-4%	(160)
NATCO Pharma (Canada), Inc.	5%	1,923	34%	1,502	0%	-	33%	1,502
NATCO Pharma Asia Pte. Ltd.	0%	58	1%	47	0%	-	1%	47
NATCO Pharma Australia PTY Ltd.	0%	(54)	-2%	(79)	0%	-	-2%	(79)
Non-controlling interests								
Time Cap Overseas Limited	0%	-	0%	-	0%	-	0%	-
NATCO Pharma (Canada) Inc.	0%	(18)	0%	(15)	0%	-	0%	(15)
Adjustment arising out of consolidation	-5%	(2,129)	0%	18	-45%	(39)	0%	(21)
Total	**100%**	**41,234**	**100%**	**4,409**	**100%**	**87**	**100%**	**4,496**

Notes to consolidated financial statements

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

For the year ended 31 March 2020

Name of the entity	Net assets		Share in profit or loss		Share in other comprehensive income (OCI)		Share in total comprehensive income (TCI)	
	As a % of consolidated net assets	Amount	As a % of consolidated profit or loss	Amount	As a % of consolidated OCI	Amount	As a % of consolidated TCI	Amount
Parent company								
NATCO Pharma Limited	102%	38,695	103%	4,745	44%	(64)	105%	4,681
Foreign subsidiaries								
NATCO Pharma Inc.	1%	305	0%	1	1%	(1)	0%	(0)
NATCO Lifesciences Philippines Inc.	0%	8	0%	(9)	0%	-	0%	(9)
Time Cap Overseas Limited	-1%	(291)	-6%	(286)	0%	-	-6%	(286)
NATCO Pharma (Canada), Inc.	1%	329	1%	56	0%	-	1%	56
NATCO Pharma Asia Pte. Ltd.	0%	11	0%	(13)	0%	-	0%	(13)
NATCO Pharma Australia PTY Ltd.	0%	1	0%	(2)	0%	-	0%	(2)
Non-controlling interests								
Time Cap Overseas Limited	0%	(109)	1%	28	0%	-	1%	28
NATCO Pharma (Canada) Inc.	0%	(3)	0%	(1)	0%	-	0%	(1)
Adjustment arising out of consolidation	-3%	(1,099)	2%	89	55%	(80)	0%	9
Total	**100%**	**37,847**	**100%**	**4,608**	**100%**	**(145)**	**100%**	**4,463**

41. During the previous year ended 31 March 2020, pursuant to the Upside Sharing Agreement dated 16 May 2019 entered with CX Securities Limited ("the Investor"), the Group has received a voluntary amount of USD 6.83 million (₹ 474 million) from an equity participant. In accordance with the Applicable Accounting Framework, the aforementioned gain, received from the equity participant, is recognised as an increase in equity, net of tax.

42. In March 2020, the World Health Organisation declared COVID-19 to be a pandemic. The Group has adopted measures to curb the spread of infection in order to protect the health of its employees and ensure business continuity with minimal disruption. The Group has considered internal and external information while finalising various estimates and recoverability of assets in relation to its financial statement captions up to the date of approval of the financial statements by the Board of Directors. Considering the Group is in the business of manufacturing and supplying of pharmaceutical products which is categorised under essential goods, there has been a minimal disruption with respect to operations including production and distribution activities. The actual impact of the global health pandemic may be different from that which has been estimated, as the COVID-19 situation evolves in India and globally. The Group will continue to closely monitor any material changes to the future economic conditions.

43. The disclosures regarding details of specified bank notes held and transacted during 8 November 2016 to 30 December 2016 has not been made in these standalone financial statements since the requirement does not pertain to financial year ended 31 March 2021.

for **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration No. 116231W/ W-100024

Vikash Somani
Partner
Membership Number: 061272

Place: Hyderabad
Date: 17 June 2021

for and on behalf of the Board of Directors
NATCO Pharma Limited
CIN: L24230TG1981PLC003201

V C Nannapaneni
Chairman and Managing Director
DIN: 00183315

Rajeev Nannapaneni
Vice Chairman and CEO
DIN: 00183872

M. Adinarayana
Company Secretary

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 17 June 2021

Notice to Members

Notice is hereby given that the 38th Annual General Meeting of the members of the Company will be held on Thursday, the 30th day of September, 2021 at 9.00 a.m. IST through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") to transact the following business:

Ordinary Business:

1. Adoption of audited Annual Financial Statements for the Financial Year 2020-21

To consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution:

To receive, consider and adopt the Audited Financial Statements, both on Standalone and Consolidated basis of the Company for the Financial Year ended March 31, 2021, together with the reports of Board of Directors, and the Auditors and other reports thereon.

2. To confirm the already paid three interim dividends on equity shares during the Financial Year 2020-21 as final dividend

To consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution:

"**RESOLVED THAT** the interim dividend of ₹ 1.25 (Rupees one and paisa twenty five only) per equity share of ₹ 2/- each declared in the Board Meeting held on August 12, 2020 amounting to ₹ 22,75,84,968.75/- (Rupees twenty two crores seventy five lakhs eighty four thousand nine hundred sixty eight and paisa seventy five only) on 18,20,67,975 equity shares of ₹ 2/- each, second interim dividend of ₹ 3 (Rupee three only) per equity share of ₹ 2/- each declared in the Board Meeting held on November 12, 2020 amounting to ₹ 54,65,59,005/- (Rupees fifty four crores sixty five lakhs fifty nine thousand five only) on 18,21,86,335 equity shares of ₹ 2/- each and third interim dividend of ₹ 1 (Rupees one only) per equity share of ₹ 2/- each declared in the Board Meeting held on February 11, 2021 amounting to ₹ 18,23,37,825 (Rupees eighteen crore twenty three lakhs thirty seven thousand eight hundred and twenty five only) on 18,23,37,825 equity shares of ₹ 2/- each, thus total aggregating to Rs.95,64,81,798.75 (Rupees ninety five crores sixty four lakhs eighty one thousand seven hundred ninety eight and seventy five paisa only) be and is hereby approved as the final dividend for the Financial Year 2020-21."

3. Reappointment of Sri P.S.R.K Prasad (DIN: 07011140) as a Director liable to retire by rotation

To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

"**RESOLVED THAT** Sri P.S.R.K Prasad (DIN: 07011140) 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. Reappointment of Sri V.C. Nannapaneni (DIN: 00183315) as Chairman and Managing Director

To consider and, if thought fit, to pass the following resolution as a Special Resolution:

"**RESOLVED THAT** pursuant to the provisions of Sections 152, 196, 197, 198, and all other applicable provisions of the Companies Act, 2013 ("Act") read with the provisions of Schedule V thereto and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, (including any statutory modification(s) or re-enactment thereof, for the time being in force) and the SEBI (Listing obligations and disclosure Requirements) Regulations, 2015 as amended from time to time, the consent of the members of the Company be and is hereby accorded to the reappointment of Sri V.C. Nannapaneni (DIN: 00183315) as Chairman and Managing Director of the Company whose reappointment is recommended by the Nomination and Remuneration Committee of the Company and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act proposing his candidature for the office of Director, for a period of one (1) year from April 1, 2021 to March 31, 2022 with the remuneration as detailed below:

a) Salary not exceeding ₹ 1,95,00,000 (Rupees one crore ninety five lakhs only) per annum including dearness allowance and all other allowances.

b) Managerial commission not exceeding 0.5% of the net profits calculated as per Section 198 of the Act.

c) Perquisites:

   i. Reimbursement of Medical Expenses for major ailments not exceeding 50% of the salary.

   ii. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent either singly or put together are not taxable under Income Tax Act, 1961.

   iii. Gratuity payable at a rate not exceeding half month's salary for each completed year of service.

iv. Encashment of leave as per rules of the Company.

v. Special incentive not exceeding 20% of salary per annum in cash or kind.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to vary, alter or modify the remuneration as may be agreed by the Board of Directors and Sri V.C. Nannapaneni.

RESOLVED FURTHER THAT notwithstanding as above in the financial year closing on March 31, 2022, if the Company has no profits or if its profits are inadequate, the Company shall pay to Sri V.C. Nannapaneni the remuneration by way of salary, allowances and perks not exceeding the limits specified under Schedule V of the Act or any statutory modification(s) or re-enactment thereof.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may deem fit, necessary and delegate to any Director(s) or Company Secretary or any other Officer(s) of the Company for obtaining permissions and approvals, if any, in this connection."

5. Reappointment of Sri Rajeev Nannapaneni (DIN: 00183872) as Vice Chairman and Chief Executive officer

To consider and, if thought fit, to pass the following resolution as a Special Resolution:

"**RESOLVED THAT** pursuant to the provisions of Sections 152, 196, 197, 198, and all other applicable provisions of the Companies Act, 2013 ("Act") read with the provisions of Schedule V thereto and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, the consent of the members of the Company be and is hereby accorded to the reappointment of Sri Rajeev Nannapaneni (DIN: 00183872) as the Vice Chairman and Chief Executive Officer of the Company, whose reappointment is recommended by the Nomination and Remuneration Committee of the Company and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act proposing his candidature for the office of Director for a period of one (1) year from April 1, 2021 to March 31, 2022 with such remuneration as detailed below:

a) Salary not exceeding ₹ 1,80,00,000/- (Rupees one crore eighty lakhs only) per annum including dearness allowance and all other allowances.

b) Managerial commission not exceeding 0.5% of the net profits calculated as per Section 198 of the Act.

c) Perquisites:

i. Reimbursement of Medical Expenses for major ailments not exceeding 50% of the salary.

ii. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent either singly or put together are not taxable under Income Tax Act, 1961.

iii. Gratuity payable at a rate not exceeding half month's salary for each completed year of service.

iv. Encashment of leave as per rules of the Company.

v. Special incentive not exceeding 20% of salary per annum in cash or kind.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to vary, alter or modify the remuneration as may be agreed by the Board of Directors and Sri Rajeev Nannapaneni.

RESOLVED FURTHER THAT notwithstanding as above in the financial year closing on March 31, 2022, if the Company has no profits or if its profits are inadequate, the Company shall pay to Sri Rajeev Nannapaneni the remuneration by way of salary, allowances and perks not exceeding the limits specified under Schedule V of the Act or any statutory modification(s) or re-enactment thereof.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may deem fit, necessary and delegate to any Director(s) or Company Secretary or any other Officer(s) of the Company for obtaining permissions and approvals, if any, in this connection."

6. Reappointment of Sri P.S.R.K Prasad (DIN: 07011140) as Director and Executive Vice President (Corporate Engineering Services)

To consider and, if thought fit, to pass the following resolution as a Special Resolution:

"**RESOLVED THAT** pursuant to the provisions of Sections 152, 196, 197, 198, and all other applicable provisions of the Companies Act, 2013 ("Act") read with provisions of Schedule V thereto and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, the consent of the members of the Company be and is hereby accorded to the reappointment of Sri P.S.R.K. Prasad, (DIN: 07011140) as Director and Executive Vice

President (Corporate Engineering Services) of the Company, whose reappointment is recommended by the Nomination and Remuneration Committee of the Company and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act, proposing his candidature for the office of Director, for a period of one (1) year from April 1, 2021 to March 31, 2022 with such remuneration as detailed below:

a) Salary not exceeding ₹ 1,72,00,000 (Rupees one crore seventy two 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 as per rules of the Company.

v. Special incentive not exceeding 50% of salary per annum in cash or kind.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to vary, alter or modify the remuneration as may be agreed by the Board of Directors and Sri P.S.R.K. Prasad.

RESOLVED FURTHER THAT notwithstanding as above in the financial year closing on March 31, 2022, if the Company has no profits or if its profits are inadequate, the Company shall pay to Sri P.S.R.K. Prasad the remuneration by way of salary, allowances and perks not exceeding the limits specified under Schedule V of the Act or any statutory modification(s) or re-enactment thereof.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may deem fit, necessary and delegate to any Director(s) or Company Secretary or any other Officer(s) of the Company for obtaining permissions and approvals, if any, in this connection."

7. Reappointment of Dr. D. Linga Rao (DIN: 07088404) as Director and President (Tech. Affairs)

To consider and, if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 152, 196, 197, 198, and all other applicable provisions of the Companies Act, 2013 ("Act") ") read with provisions of Schedule V thereto and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, the consent of the members of the Company be and is hereby accorded to the reappointment of Dr. D. Linga Rao (DIN: 07088404) as Director and President (Tech. Affairs) of the Company, whose reappointment is recommended by the Nomination and Remuneration Committee of the Company and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act proposing his candidature for the office of Director, for a period of one (1) year from April 1, 2021 to March 31, 2022 with such remuneration as detailed below:

a) Salary not exceeding ₹ 1,72,00,000 (Rupees one crore seventy two 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 as per rules of the Company.

v. Special incentive not exceeding 80% of salary per annum in cash or kind.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to vary, alter or modify the remuneration as may be agreed by the Board of Directors and Dr. D. Linga Rao.

RESOLVED FURTHER THAT notwithstanding as above in the financial year closing on March 31, 2022, if the Company has no profits or if its profits are inadequate, the Company shall pay to Dr. D. Linga Rao the remuneration by way of salary, allowances and perks not exceeding the limits specified under Schedule V of the Act or any statutory modification(s) or re-enactment thereof.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may deem fit, necessary and delegate to any Director(s) or Company Secretary or any other Officer(s) of the

Company for obtaining permissions and approvals, if any, in this connection."

8. Ratification of remuneration of Cost Auditors

To consider and, if thought fit, with or without modifications, to pass 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 from time to time, the members be and hereby ratify the remuneration of ₹ 2,25,000/- (Rupees two lakhs twenty 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 March 31, 2022.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may deem fit, necessary and delegate to any Director(s) or Company Secretary or any other Officer(s) of the Company for obtaining permissions and approvals, if any, in this connection."

By Order of the Board
For **NATCO Pharma Limited**

M. Adinarayana
Company Secretary and
Vice President (Legal & Corp.
Affairs) (FCS:3808)

Date: June 17, 2021
Place: Hyderabad

NOTES

1. In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs ("MCA") has vide its Circular dated May 5, 2020 read with circulars dated April 8, 2020, April 13, 2020 and January 13, 2021 (collectively referred to as "MCA Circulars") permitted the holding of the Annual General Meeting ("AGM") through VC / OAVM, without the physical presence of the Members at a common venue. In compliance with the provisions of the Companies Act, 2013 ("Act"), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and MCA Circulars, the AGM of the Company is being held through VC / OAVM. The detailed procedure for participation in the meeting through VC/OAVM is as per Note no. 15 and available at the Company's website www.natcopharma.co.in.

2. An explanatory statement pursuant to Section 102(1) of the Companies Act, 2013 in respect of special businesses is annexed hereto.

3. Pursuant to the provisions of the Act, a Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a Member of the Company. Since this AGM is being held pursuant to the MCA Circulars through VC / OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.

4. Corporate/Institutional Members are encouraged to attend and vote in the AGM held through VC or OAVM. Hence Corporate/Institutional Members authorizing their representative to attend and vote at the AGM through VC / OAVM on its behalf are requested to send a duly certified copy of the Board resolution/power of attorney to the company or upload the same on VC or OAVM portal/ e-voting portal.

5. 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, Telangana, India** 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.

6. In compliance with the aforesaid MCA Circulars and SEBI Circular dated May 12, 2020, Notice of the 38th AGM along with the Annual Report for the FY 2020-21 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/ Depositories. Members may note that the 38th AGM Notice and Annual Report for the FY 2020-21 will also be available on the Company's website i.e., www.natcopharma.co.in and websites of the Stock Exchanges i.e., BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively and on the website of NSDL https:/www.evoting.nsdl.com

7. Members attending the AGM through VC / OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Act.

8. Members holding shares in electronic form may note that the Bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend, if any. The Company or its Registrars and share Transfer Agents cannot act on any request received directly from the members holding shares in electronic form for any changes of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participants.

9. Pursuant to Finance Act, 2020, dividend income will be taxable in the hands of shareholders w.e.f. April 1, 2020 and the Company is required to deduct tax at source from dividend paid to shareholders at the prescribed

rates. For the prescribed rates for various categories, the shareholders are requested to refer to the Finance Act, 2020 and amendments thereof. The shareholders are requested to update their PAN with the Company (in case of shares held physically)/depositories (in case of shares held in demat mode).

A Resident individual shareholder with PAN and who is not liable to pay income tax, by email to investor.relations@vccipl.com can submit a yearly declaration in Form No. 15G/15H, to avail the benefit of non-deduction of tax at source. Shareholders are requested to note that in case their PAN is not registered, the income tax will be deducted at a higher rate of 20%.

Non-resident shareholders can avail beneficial rates under tax treaty between India and their country of residence, subject to providing necessary documents i.e., No Permanent Establishment and Beneficial Ownership Declaration, Tax Residency Certificate, Form 10F or any other document which may be required to avail the tax treaty benefits by sending an email to investor.relations@vccipl.com.

10. 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.

11. 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, Circulars, etc., from the Company in electronic mode.

12. 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 and participate in the meeting.

13. The Register of Members and Share Transfer Books will remain closed for 4 (four) days i.e. from Monday, September 27, 2021 to Thursday, September 30, 2021 (both days inclusive).

14. Members who wish to claim Dividends, which remain unclaimed within a period of seven (7) years are requested to either correspond with the Legal & Secretarial Department at the Company's Registered Office or the Company's Registrars and Share Transfer Agents (i.e., M/s. Venture Capital and Corporate Investments Private Limited). Members are requested to note that dividends not en-cashed or claimed within seven (7) 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 un-encashed dividend warrants to the Company or to our Registrars for issue of new warrants/demand drafts. The Unpaid Dividend, Shares transferred to IEPF Authority are updated in our website www.natcopharma.co.in

15. Instructions for e-voting and joining the AGM are as follows:

A. Voting through electronic means

i) In compliance with the provisions of Section 108 of the Act, read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended from time to time and Regulation 44 of the SEBI Listing Regulations, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by NSDL, on all the resolutions set forth in this Notice. The instructions for e-voting are given herein below.

ii) The remote e-voting period commences on Monday, September 27, 2021 (9:00 a.m. IST) and ends on Wednesday, September 29, 2021 (5:00 p.m. IST). During this period, Members holding shares either in physical form or in dematerialized form, as on Thursday, September 23, 2021 i.e. cut-off date, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Those Members, who will be present in the AGM through VC / OAVM facility and have not cast their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through e-voting system during the AGM.

iii) The Members who have cast their vote by remote e-voting prior to the AGM may also attend/ participate in the AGM through VC / OAVM but shall not be entitled to cast their vote again.

iv) The voting rights of Members shall be in proportion to their shares in the paid-up equity share capital of the Company as on the cut-off date.

v) Any person, who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date, may obtain the login ID and password by sending a request at evoting@nsdl.co.in. However, if he/she is already registered with NSDL for remote e-voting then he/she can use his/her existing User ID and password for casting the vote.

vi) The details of the process and manner for remote e-voting are explained herein below:

Step 1: Log-in to NSDL e-voting system at https://www.evoting.nsdl.com/

Step 2: Cast your vote electronically on NSDL e-voting system.

Step 1: Access to NSDL e-Voting system

A) Login method for e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode

In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access e-Voting facility.

Login method for Individual shareholders holding securities in demat mode is given below:

<table>
<tr><th>Type of shareholders</th><th>Login Method</th></tr>
<tr><td>Individual Shareholders holding securities in demat mode with NSDL.</td><td>
1. Existing IDeAS user can visit the e-Services website of NSDL Viz. https://eservices.nsdl.com either on a Personal Computer or on a mobile. On the e-Services home page click on the "Beneficial Owner" icon under "Login" which is available under 'IDeAS' section , this will prompt you to enter your existing User ID and Password. After successful authentication, you will be able to see e-Voting services under Value added services. Click on "Access to e-Voting" under e-Voting services and you will be able to see e-Voting page. Click on company name or e-Voting service provider i.e. NSDL and you will be re-directed to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.
2. If you are not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com. Select "Register Online for IDeAS Portal" or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp
3. 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. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number hold with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on company name or e-Voting service provider i.e. NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.
4. Shareholders/Members can also download NSDL Mobile App "NSDL Speede" facility by scanning the QR code mentioned below for seamless voting experience.


</td></tr>
<tr><td>Individual Shareholders holding securities in demat mode with CDSL</td><td>
1. Existing users who have opted for Easi / Easiest, they can login through their user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are https://web.cdslindia.com/myeasi/home/login or www.cdslindia.com and click on New System Myeasi.
2. After successful login of Easi/Easiest the user will be also able to see the E Voting Menu. The Menu will have links of e-Voting service provider i.e. NSDL. Click on NSDL to cast your vote.
3. If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration
4. Alternatively, the user can directly access e-Voting page by providing demat Account Number and PAN No. from a link in www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the demat Account. After successful authentication, user will be provided links for the respective ESP i.e. NSDL where the e-Voting is in progress.
</td></tr>
<tr><td>Individual Shareholders (holding securities in demat mode) login through their depository participants</td><td>You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. upon logging in, you will be able to see e-Voting option. Click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on company name or e-Voting service provider i.e. NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.</td></tr>
</table>

Important note: Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL.

Login type	Helpdesk details
Individual Shareholders holding securities in demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30
Individual Shareholders holding securities in demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at 022-23058738 or 022-23058542-43

B) Login Method for e-Voting and joining virtual meeting for shareholders other than Individual shareholders holding securities in demat mode and shareholders holding securities in physical mode.

How to Log-in to NSDL e-Voting website?

1. 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.

2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section.

3. A new screen will open. You will have to enter your User ID, your Password/OTP 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.

4. 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***

5. Password details for shareholders other than Individual shareholders 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, please follow steps mentioned below in **process for those shareholders whose email ids are not registered**.

6. 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 etc.

    d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.

7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.

8. Now, you will have to click on "Login" button.

9. After you click on the "Login" button, Home page of e-Voting will open.

Step 2: Cast your vote electronically and join General Meeting on NSDL e-Voting system

How to cast your vote electronically and join General Meeting on NSDL e-Voting system?

1. After successful login at Step 1, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle and General Meeting is in active status.

2. Select "EVEN" of company for which you wish to cast your vote during the remote e-Voting period and casting your vote during the General Meeting. For joining virtual meeting, you need to click on "VC/OAVM" link placed under "Join General Meeting".

3. Now you are ready for e-Voting as the Voting page opens.

4. 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.

5. Upon confirmation, the message "Vote cast successfully" will be displayed.

6. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.

7. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

General Guidelines for shareholders

1. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to dvrao@dvraoassociates.com with a copy marked to evoting@nsdl.co.in.

2. 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.

3. 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 1020 990 and 1800 22 44 30 or send a request to evoting@nsdl.co.in

Process for those shareholders whose email ids are not registered with the depositories for procuring user id and password and registration of e mail ids for e-voting for the resolutions set out in this notice:

1. In case shares are held in physical mode please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested

scanned copy of Aadhar Card) by email to investor.relations@vccipl.com

2. In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) to investor.relations@vccipl.com. If you are an Individual shareholders holding securities in demat mode, you are requested to refer to the login method explained at **step 1 (A)** i.e. Login method for e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode.

3. Alternatively, shareholder/members may send a request to evoting@nsdl.co.in for procuring user id and password for e-voting by providing above mentioned documents.

4. In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are required to update their mobile number and email ID correctly in their demat account in order to access e-Voting facility.

THE INSTRUCTIONS FOR MEMBERS FOR e-VOTING ON THE DAY OF THE AGM ARE AS UNDER:-

1. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.

2. Only those Members/ shareholders, who will be present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system in the AGM.

3. Members who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.

4. The details of the person who may be contacted for any grievances connected with the facility for e-Voting on the day of the AGM shall be the same person mentioned for Remote e-voting.

INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:

1. Member will be provided with a facility to attend the AGM through VC/OAVM through the NSDL e-Voting system. Members may access by following the steps mentioned above for **Access to NSDL e-Voting system**. After successful login, you can see link of "VC/OAVM link" placed under **"Join General meeting"** menu against company name. You are requested to click on VC/OAVM link placed under Join General Meeting menu. The link for VC/OAVM will be available in Shareholder/Member login where the EVEN of Company will be displayed. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice to avoid last minute rush.

2. Members are encouraged to join the Meeting through Laptops for better experience.

3. Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.

4. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.

5. Members who would like to express their views or ask questions during the AGM may register themselves as a speaker by sending their request from their registered email address mentioning their name, DP ID and Client ID/folio number, PAN, mobile number at investors@natcopharma.co.in on or before Saturday, September 25, 2021 (5:00 p.m. IST). Those Members who have registered themselves as a speaker will only be allowed to express their views/ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.

16. The Company has appointed Sri CS Vasudeva Rao Devaki, Practicing Company Secretary (C.P. No. 12123) as Scrutinizer to scrutinize the voting process in a fair and transparent manner.

    a) The scrutinizer shall immediately after the conclusion of voting at the AGM, first unblock the votes cast at the meeting thereafter unblock the votes cast through e-voting 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. Since the AGM will be held through VC / OAVM, the Route Map is not annexed in this Notice.

19. Brief profile of Executive Directors who are seeking reappointment at the AGM

Name of the Director	Sri V.C. Nannapaneni	Sri Rajeev Nannapaneni	Sri P.S.R.K Prasad	Dr. D. Linga Rao
Category	Chairman & Managing Director	Vice Chairman & Chief Executive Officer	Director & Executive Vice President (Corporate Engineering Services)	Director & President (Tech. Affairs)
DIN	00183315	00183872	07011140	07088404
Birth date and Age	November 30, 1945, 75 years	June 22, 1977, 43 years	January 15, 1958, 63 years	October 29, 1952, 68 years
Qualifications	Master of Pharmacy & MS(Pharmaceutical Administration)	BA (Quantitative Economics) & B.A. (History)	B.E. Mechanical Engineering	M.Sc., Ph.D. in Chemistry (JNTU)
Past experience	Worked with a) Lit Drug Company, New Jersey, USA, b) Vitarine Fine Pharmaceuticals, New York, c) Time Cap Labs Inc., USA	Worked in a) Merill Lynch, USA b) Natco Systems USA LLC, USA	Worked with a) Ahmedabad Textiles Industries Research Association b) Mehta Inorganic & Marine Chemical Industries c) Coromandel Fertilizers Limited d) Shah Ceramics Limited e) Stiles India Limited f) Saudi Ceramic Co., Riyadh	Worked with a) Indian Drugs and Pharmaceuticals Limited, b) Novochem Laboratories Private Limited.
Date of appointment as Directors	September 19,1981	November 30, 2005	November 12, 2014	February 11, 2015
Nature of Appointment	Reappointment	Reappointment	Reappointment	Reappointment
Tenure of Appointment	April 1, 2021 to March 31, 2022	April 1, 2021 to March 31, 2022	April 1, 2021 to March 31, 2022	April 1, 2021 to March 31, 2022
Percentage of shares held	12.39%	0.62%	0.003%	0.003%
No. of board meetings attended out of 6 (Six) meetings held.	6 (Six)	6 (Six)	5 (Five)	6 (Six)
Relationship with other directors or KMP of the company	Father of Sri Rajeev Nannapaneni	Son of Sri V.C. Nannapaneni	None	None
Directorship in other companies	1. Natco Aqua Limited 2. NDL Infratech Private Limited 3. Natco Power Private Limited	1. Natco Aqua Limited 2. NATSOFT Information Systems Private Limited	None	None

Explanatory statement

(Pursuant to Section 102(1) of the Companies Act, 2013)

ITEM NO. 4

Reappointment of Sri V.C. Nannapaneni (DIN: 00183315) as Chairman and Managing Director

Sri V.C. Nannapaneni (DIN: 00183315) is associated with the Company as founder/promoter/mentor from incorporation of your Company has rich and varied experience in the Industry and driving the Company towards higher growth in terms of revenues as well as profitability. He is highly qualified.

Sri V.C. Nannapaneni attained the age of 75 years (DOB: November 30, 1945) as on November 30, 2020. Services of Sri V.C. Nannapaneni are very much essential for the Company's future prospects and further growth of the Company. He is taking care of new product developments and their launch, overall guidance in clinical trails and R&D. It would be in the interest of the Company to have his vast experience and professional services as Chairman and Managing Director to your Company. The Board believes that the Company will benefit from his professional expertise and rich varied experience.

As recommended by the Nomination and Remuneration Committee, the Board of Directors at their meetings held on February 11, 2021 and June 17, 2021 respectively after receiving the consent to act as Chairman and Managing Director, approved the reappointment and remuneration payable to Sri V.C. Nannapaneni as Chairman & Managing Director of the Company for a period of one (1) year from April 1, 2021 to March 31, 2022 subject to the consent of members which is just and reasonable to Sri V.C. Nannapaneni.

For additional information relating to Sri V.C. Nannapaneni we request to refer to the section on "Brief Profile of the Directors seeking reappointment at the Annual General Meeting" in Note No. 19.

Except Sri V.C. Nannapaneni & Sri Rajeev Nannapaneni, no other Director or Key Managerial Personnel or their relatives is/are concerned or interested in the said item of business.

The Board accordingly recommends the Special Resolution as set out in Item No.4 of the notice for approval of the members.

ITEM NO. 5

Reappointment of Sri Rajeev Nannapaneni (DIN: 00183872) as Vice Chairman and Chief Executive Officer

Sri Rajeev Nannapaneni, Vice Chairman and Chief Executive Officer is associated with the Company for the past 21 years and he is looking after all the functional operations of the Company including but not limited to Production, Financial, Legal & Secretarial, New Drug Launches, Domestic and International Marketing, Exports, Imports, etc.

As recommended by the Nomination and Remuneration Committee, the Board of Directors at their meeting held on February 11, 2021 and June 17, 2021 respectively, after receiving consent to act as a Vice Chairman and Chief Executive Officer, approved the reappointment and remuneration payable to Sri Rajeev Nannapaneni (DIN: 00183872) as Vice Chairman and Chief Executive Officer of the Company for a period of one (1) year with effect from April 1, 2021 to March 31, 2022 subject to the consent of members which is just and reasonable to Sri Rajeev Nannapaneni.

For additional information relating to Sri Rajeev Nannapaneni we request to refer to the section on "Brief Profile of the Directors seeking Reappointment at the Annual General Meeting" in note No. 19.

Except Sri V.C. Nannapaneni & Sri Rajeev Nannapaneni, no other Director or Key Managerial Personnel or their relative is/are concerned or interested in the said item of business.

The Board accordingly recommends the Special Resolution as set out in Item No. 5 of the Notice for approval of the members.

ITEM NO. 6

Reappointment of Sri P.S.R.K. Prasad (DIN: 07011140) as a Director and Executive Vice President (Corporate Engineering Services)

Sri P.S.R.K. Prasad has over 31 years of experience in various sectors such as textile, chemicals and pharmaceuticals and working with our Company for the past 26 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 see that the resources like manpower, material to be used in an optimum way and to ensure safety of life and property.

In view of the highly competitive employee market, inflationary trends and taking into consideration industry standards and other relevant factors and as recommended by the Nomination and Remuneration Committee, the Board of Directors at their meeting held on February 11, 2021 and June 17, 2021 respectively approved the reappointment and remuneration payable to Sri P.S.R.K. Prasad (DIN: 07011140) for a period of one (1) year on the Board of the Company with effect from April 1, 2021 to March 31, 2022 subject to the consent of members which is just and reasonable to Sri P.S.R.K. Prasad.

For additional information relating to Sri P.S.R.K. Prasad members are requested to refer to the section on "Brief Profile of the Directors seeking Reappointment at the Annual General Meeting" in note No. 19.

Except Sri P.S.R.K. Prasad, no Director or Key Managerial Personnel or their relatives is/are concerned or interested in the said item of business.

The Board accordingly recommends the Special Resolution as set out in Item No. 6 of the Notice for approval of the members.

ITEM NO. 7

Reappointment of Dr. D. Linga Rao (DIN: 07088404) as a Director & President (Tech. Affairs)

Dr. D. Linga Rao is working as Director and President (Technical Affairs) of the Company. He has over 41 years of experience in the pharmaceutical industry and has been working with our Company for over 28 years. He is in-charge of various departments like R&D, Quality Control, Quality Assurance and Regulatory affairs of Chemical Division(s).

In view of the job responsibilities, taking into consideration the industry standards and other relevant factors and as recommended by the Nomination and Remuneration Committee, the Board of Directors at their meeting held on February 11, 2021 and June 17, 2021 respectively approved the reappointment and remuneration payable to Dr. D. Linga Rao (DIN: 07088404) for a period of one (1) year on the Board of the Company with effect from April 1, 2021 to March 31, 2022 subject to the consent of members which is just and reasonable to Dr. D. Linga Rao.

For additional information relating to Dr. D. Linga Rao we request to refer to the section on "Brief Profile of the Directors seeking 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. 7 of the Notice for approval of the members.

ITEM NO. 8

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 March 31, 2022.

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 March 31, 2022.

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. 8 of the notice for approval of the members.

By Order of the Board
For **NATCO Pharma Limited**

M. Adinarayana
Company Secretary and
Vice President (Legal & Corp.
Affairs) (FCS:3808)

Date: June 17, 2021
Place: Hyderabad

NATCO PHARMA LIMITED
Natco House, Road No. 2, Banjara Hills,
Hyderabad – 500 034.
www.natcopharma.co.in
CIN: L24230TG1981PLC003201

/Concept, content and design at AICL (hello@aicl.in)