NATCO

Natco Pharma Limited

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

2nd September 2022

Corporate Relationship Department
The BSE Ltd.
Dalal Street, Fort
Mumbai 400 001.

Scrip Code: 524816

Manager – Listing
M/s. National Stock Exchange of India Ltd
"Exchange Plaza", Bandra – Kurla Complex
Bandra (E) Mumbai 400 051.

Scrip Code: NATCOPHARM

Dear Sir/Madam,

Sub: **Notice of 39th Annual General Meeting for the financial year 2021-22**

We wish to inform you that the 39th Annual General Meeting (AGM) for the Financial year 2021-22 of the Company will be held on **Friday, the 30th September, 2022 at 10.30 a.m.** Indian Standard Time (IST) through Video Conference (VC)/ Other Audio Visual Means (OAVM).

The details of Book closure and remote e-voting facility are as under:

S No.	Particulars
1	Book Closure for the Purpose of 39th AGM starting from **Tuesday, 27th September, 2022 to Friday 30th September, 2022 (both days inclusive).**
2	Cut-off date for determining the eligibility of members to vote by electronic means or during the AGM is Friday, 23rd September, 2022.
3	Commencement of the remote e-voting from **Tuesday, 27th September, 2022 at 9.00 A.M (IST) and ends on Thursday, 29th September, 2022 at 5.00 P.M (IST).**

Pursuant to Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed Notice convening the 39th AGM of the Company and Annual Report for the financial year 2021-22, which will be sent to the members through electronic mode.

The Annual Report is also uploaded on the website of the Company at www.natcopharma.co.in

This is for your information and records.

Thanking you,

Yours faithfully,
For NATCO Pharma Limited

Ch Venkat Ramesh
Company Secretary &
Compliance Officer

Encl: as above

NATCO PHARMA LIMITED
Annual Report **2021-22**

Proven
RESILIENCE
Unlocking
VALUE

Contents

FY 2021-22 Key Highlights

₹20,438 mn
Consolidated Revenue

₹3,625 mn*
EBITDA

₹1,700 mn
Profit After Tax

₹9.32
Basic Earnings Per Share

For more information scan the above QR code

Forward-looking Statements

We have exercised utmost care in the preparation of this report. It might include forecasts and/ or information relating to forecasts. Facts, expectations, and past data are typically the basis of forecasts. As with all forward looking statements, the actual result may deviate from the forecast. As a result, we can provide no assurance on the correctness, completeness, and up-to-date nature of the information for our forward-looking statements, as well as for those declared as taken from third parties. Reader discretion is advised. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise.

*after inventory write-off of ₹ 2,321 million and receivables of ₹ 470 million rupees

Over the years, we have made diligent investments in growing and stabilising our capacities as well as R&D capabilities. We are now expanding our portfolio and geographic reach with a sharp focus on the demand dynamics and strategic approaches in our core markets.

We have demonstrated strong resilience in FY22, despite repeated waves of the pandemic. As a result, we have been able to sustain our revenue during the reporting year. It was a year where we had the highest number of product launches in both domestic and international markets. We have built the foundation for the next phase of our growth journey.

Although the pandemic has dented the growth of certain existing products, the Company very nimbly, developed, produced and launched several new products, including ones that were important to pandemic inflicted patients. We have shown the ability to respond yet again to meet market demands.

Despite strong business headwinds and macroeconomic disruptions, we at NATCO, remain resilient with a clear focus on development and growth. Our proven resilience will hold us in good stead in our journey, and enable us to unlock value for all stakeholders.

Going forward, we expect our revenue momentum and profitability to strengthen due to multiple high-value product launches in the US, rebound in the domestic business with new product launches and growth in the Crop Health Sciences business.

NATCO Pharma Ltd – A Resilient Company

Strong R&D capabilities to fulfil market needs

A diversified enterprise, NATCO is a research-led pharmaceutical company involved in developing, manufacturing and marketing of finished dosage formulations and active pharmaceutical ingredients for domestic as well as international markets.

With around four decades of experience, NATCO is primarily focussed on manufacturing and marketing of finished dosage formulations (FDFs) supported by backward integration of active pharmaceutical ingredients (APIs). NATCO has shown the acumen to target complex generic products and bring them to market at affordable prices to patients in India, US and other geographies.

Today, the FDF products are mainly marketed in the US, India, Canada, Brazil and 50+ countries in the world. The API products are also sold directly to select customers across the globe. The Company thrives on its reputation of high-quality products using state-of-the-art manufacturing capabilities.

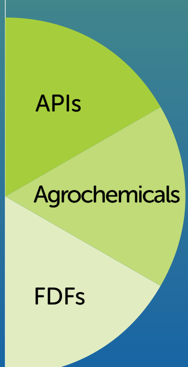
The Company has proven on several fronts, its ability to bring technically challenging products early to the market by sustainable ways that tend to benefit people at large. Leveraging on the Company's innate strengths in chemistry, and its understanding of the patent landscape, NATCO has segued into the agrochemical business, targeting high value and farmer desired products.

Enabling accessibility to affordable drugs for people through...

...our values and ethics

Mission
Making specialty medicines accessible to all

...our robust infrastructure and niche offerings



6
FDF manufacturing facilities

2
API manufacturing facilities

2
Crop Health Sciences units (technical and formulations)

2
R&D Centres

In-house R&D units with experienced scientists and professionals

State-of-the-art manufacturing units

Advanced technology in operations

Adequate capacity in manufacturing

...our value we provide for our stakeholders

Key products, Para IV ANDAs and DMFs under filings and approvals in the US

Bringing niche products to patients at affordable prices

Promoting health and safety of employees

Supporting underprivileged communities

Caring for environment by expanding renewable energy footprint

As on 31st March, 2022

At a glance
As on March 31, 2022

Indian Patents

Filed	Granted
251	97

International Patents

Filed	Granted
272	193

FDFs

US	India
Active	Active
44	50+

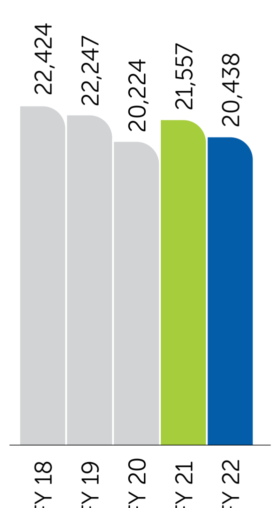
ANDAs - Abbreviated New Drug Applications
FDF - Finished Dosage Formulation
API - Active Pharmaceutical Ingredient
DMF – Drug Master File

Business Overview

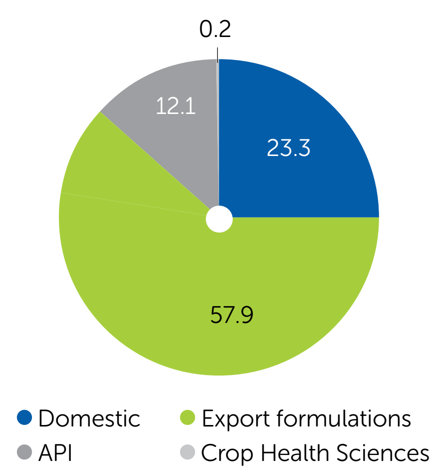
Performing with resilience and prudence

Leveraging our vertically integrated business model we have a strong foothold in domestic and international pharma markets. The next trajectory of growth has begun by unlocking high value products in the US market as we reposition strategically to grow in the domestic business. Our recent foray into agrochemicals will drive our business growth in the coming years with innovative products that will bring value to the agriculture sector.

FY 2022 Revenue
(₹ in million)



FY 2022 Revenue Composition* (%)



*Balance percentage is from other operating and non-operating income

Pharma

Finished Dosage Forms (FDFs)

INTERNATIONAL

- In a competitive global pharmaceutical industry, we have established our market presence in more than 50 countries, operating directly or through subsidiaries or stepdown susbidiaries.
- **6** Subsidiaries
- **2** Step down subsidiaries
- **50+** Countries of market presence

DOMESTIC

- The domestic FDF business is largely concentrated across three therapeutic areas of Oncology, Cardiology & Diabetology and Specialty Pharmaceuticals.
- **14** products launched in FY22

Active Pharmaceutical Ingredients (APIs)

We have created a niche portfolio of APIs addressing diverse therapeutic areas.

44
Active DMFs*

Agrochemicals

In 2 years since our strategic foray into agrochemicals, we are making progress into building a niche product pipeline that will drive business revenues in the coming years. Our focus is towards biopesticides and agrochemical products that tend to be less hazardous to the environment than most existing offerings to farmers.

Research & Development (R&D) – Key business enabler

We continue to strengthen our R&D capabilities with a strong pipeline of new products, taking strides towards achieving our long-term goals.

425+
Total R&D Strength*

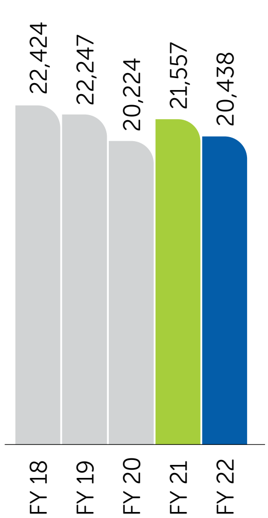
* All figures as at March 31, 2022

Financial and Operational Highlights

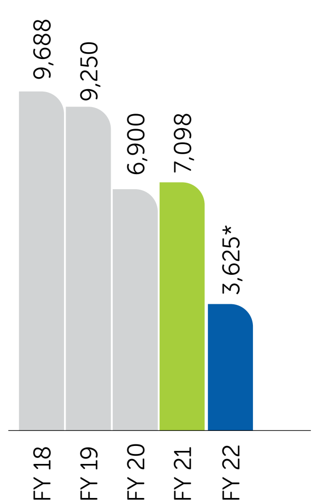
Strong resilience in our performance

Inspite of continuous headwinds for the last two years, our proven resilience is reflected in our financials. We remain largely unaffected in revenue and EBITDA and are committed to amplifying value for all stakeholders with a long term perspective.

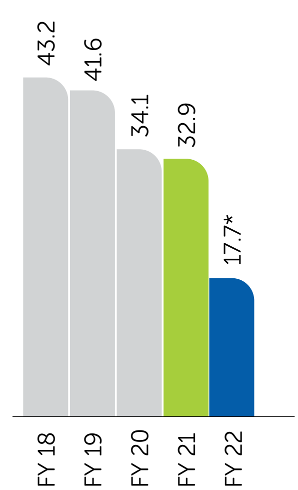
Revenue
(₹ in million)



EBITDA
(₹ in million)

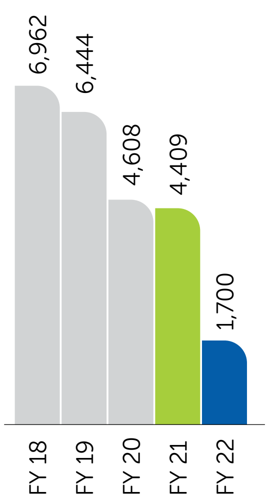


EBITDA margin
(%)

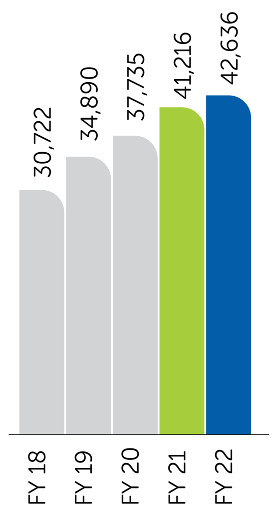


*after inventory write-off of ₹ 2,321 million and receivables of ₹ 470 million rupees

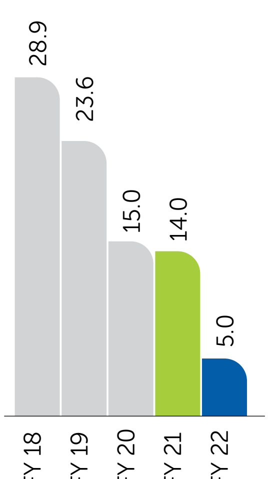
PAT
(₹ in million)



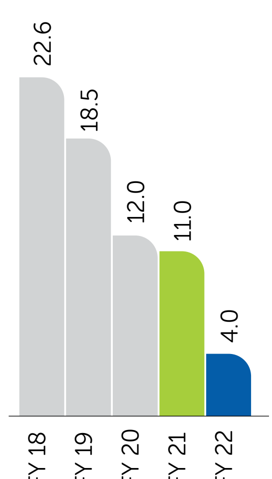
Net worth
(₹ in million)



ROCE
(%)



ROE
(%)



Management Message

Committed to sustainable growth

V.C. Nannapaneni
Managing Director

Rajeev Nannapaneni
Director and CEO

Dear Shareholders,

The core of sustainability at NATCO has been unlocking value with innovative ideas and resilient products as older approaches become common pathways for competition. As the world was phasing out of the pandemic, businesses were also repositioning to the new normal to ensure stability. At NATCO, we had seen significant pressure on our brands, erosion of margins and the need to reposition our product portfolio and geographies.

I am proud to state that in spite of all the challenges the company faced, we kept our topline stable, continued to bring out several new products to market, including the ones which help those affected by the pandemic. We also continued our contribution to the society as well as kept our employees safe and motivated.

In the pharmaceutical industry, it has become a natural progression of products to move from niche high value category to more competitive lower margin products. At NATCO, we remain sustained and resilient in such a transformational landscape by being action oriented, risk taking and nimble footed in decision making, keeping our mission to bring products that are accessible and affordable to patients at large.

I'm proud to state that the year in consideration, FY 2021-22 has been one of transitioning with resilience. While the pandemic continued to mount challenges on the supply chain, it was time to pause, reflect on the new reality, and quickly adapt. Our people focused on delivering Covid related drugs which was the need of the hour, intensified Research and Development and increased the number of regulatory filings.

We remained diligent and continued our progress in our newly incepted Crop Health Sciences division inspite of pandemic related challenges we faced at the field level that prevented us from communicating and meeting farmers directly.

As we exhibited resilience during the year, the Company managed to unlock the value of a significant product, the generic version of Lenalidomide. This was a product the Company had worked on for almost a decade before our efforts came to fruition.

During the last two years the Company made bold decisions to cater for pandemic related solutions by procuring high value raw materials and manufacturing products as the virus kept mutating. We were faced with the challenges of getting some of our bets wrong which led to an inventory write off and impacted our profitability. But we remained steadfast with our strategy.

We are confident that with the steps we have taken, in R&D, strategic investments in our subsidiaries and leveraging our expertise in pharma towards our agri business, the Company is well positioned for sustained growth.

Pharma business

Domestic

It has been a challenging year for NATCO's domestic pharma business which has been a key aspect of our recurring base business for the Company's revenue and profitability. The Oncology business was adversely affected both due to the fact that patients were reluctant to go to the hospitals as well as due to the pricing pressure on the products. In spite of the difficult environment, the Company has shown its resilience and surfaced with a stable performance.

We launched 14 new products during the year in the domestic India business. Our R&D backbone and supply chain network remain strong as ever, which enables us to quickly launch more products for other therapies at affordable prices for patients in need.

During the year we also launched NATCO Reach program in our C&D division which, we believe will enable us to expand our doctor reach and strengthen our domestic business.

International

The year in review, FY 2021-22 has marked a key milestone for the Company in our export and international business. We launched the long-awaited product, Lenalidomide in the US. The year had also seen launches of niche molecules such as Everolimus and Abiraterone and good performances in our Canadian and Brazilian subsidiaries. In the US, the Company has filed 4 potential first-to-file (FTF) products and 5 DMFs, all of which were niche products. With strategic long-term view in mind, the Company acquired a frontend marketing and distribution company in the US Dash Pharmaceuticals LLC.

We hope to leverage this presence in future by selling NATCO products directly in the US market. The Company is also confident of growth in its subsidiaries in Singapore and Australia in the near future.

Crop Health Sciences

With the second wave at its peak, coinciding with the Kharif season, which is the primary season for agri business, the resilience of NATCO was tested yet again. NATCO's approach on CHS product portfolio has been to target niche molecules, possibly with unmet needs of the farmer. We received a legal setback in one of the key molecules, Chlorantraniliprole (CTPR). We had also launched for the very first time, a product based on pheromone chemistry for the management of Pink Bollworm (PBW) for cotton pest. We conducted a soft launch in limited cotton growing areas. It was a digital launch due to Covid restrictions that mandated minimal direct interface with farmers and trade partners. We are strategically investing in people, processes and new registrations and are confident of unlocking value in this division soon.

Management Message (Contd.)

Emphasis on R&D

Our dedicated R&D backbone manages to perceive the evolving needs of our patients and manufacture innovative products. As the constraints and stress on outward activities increased during the year led by the pandemic, the NATCO R&D as well as regulatory team intensified its filings. The year in focus resulted in strong output in terms of number of launches in the domestic India business and niche filings in the US. During the year we further reinforced our commitment to R&D with an expenditure of ₹ 2,267 million.

We dedicated 12.82% of our standalone revenue towards R&D. We have also spent ₹ 2,279.85 million as capital expenditure, which was used to enhance our facilities.

Our regulatory filings and launches through our subsidiaries continue to remain strong during the year. With our strategy of global filing for products, we believe we are strongly positioned to bring high value product launches across several geographies around the globe.

Financial performance

In FY22, NATCO recorded consolidated total revenue of ₹ 20,438 million as against ₹ 21,557 million in the last year. Our EBITDA stood at ₹ 3,625 million, after inventory write-offs and receivables as compared to ₹ 7,098 million in the previous fiscal year. The net profit for the period, on a consolidated basis, was ₹ 1,700 million, as against ₹ 4,424 million last year.

Unlocking future growth

With strategic capital expenditures over the past several years in building capacity and unique capabilities, the Company is well positioned to cater to the growth of the pharma and Crop Health Sciences segments. The spend on R&D will continue to be strong and it will enable the launch of unique products and higher product registrations. With certain risky bets going in a negative manner in the past year, the Company is clear that the future investments have clarity of revenue outcome.

Our green initiatives

Our continuing integration of Safety, Health and Environmental policies into our operations continues to make a positive difference. The share of renewables in overall electricity consumption is 26.25 % and we will continue to focus on strengthening our core safety culture as it is the foundation for continued improvement and growth.

At NATCO, we have always considered sustainability as a critical component of our success over the years. We acknowledge the importance of safeguarding the environment as we seek to achieve our goal of providing improved patient care and creating value for our shareholders. We operate as a responsible Company, serving broader economic, societal, and environmental interests. To ensure sustainability we focus on reducing waste and stepping up our renewable energy efforts.

We acknowledge the importance of safeguarding the environment as we seek to achieve our goal of providing improved patient care and creating value for our shareholders.

Giving back

In FY 22, we took stock of the initiatives that enhance our social contributions. Amongst the range of initiatives we are engaged in, we gain immense satisfaction with our community work which addresses the education of more than 15000+ children and reaches 2,80,000+ people across five major government hospitals.

"Nannapaneni Lokadityudu and Sita Ravamma Comprehensive NATCO Cancer Centre" at Guntur General Hospital, is a state-of-the-art cancer care centre built over a spacious area of 80,000 sq. ft. which is the first of its kind government hospital in the State of Andhra Pradesh. NATCO Trust completed the construction of the new operation theatre complex, inaugurated in December 2021. This facility provides excellent healthcare to cancer patients.

Road ahead

With the beginning of monetisation of our blockbuster product Lenalidomide in the US, and new strategic initiatives in the domestic business and the germinating agro business, we believe that the Company is strongly positioned for the next orbit of growth.

We reiterate that our proven resilience has helped us to sustain our revenue and profitability in a challenging macroeconomic environment. We are now consolidating our capabilities to accelerate our next phase of growth in order to unlock significant value for all stakeholders.

Put together, we are inspired to do more and increase our stake in contributing to a better world. We commit to finding sustainable solutions for unmet medical needs as we work to make lives better for people. By continuing to work with our key stakeholders and prioritising sustainability, we will do our part to ensure a healthier tomorrow for future generations to come.

V.C. Nannapaneni
Managing Director

Rajeev Nannapaneni
Director and CEO

Our Presence

Growing our prominence worldwide

Subsidiaries

USA
- Natco Pharma Inc.
- Dash Pharmaceuticals LLC (Step-down subsidiary of Natco Pharma Inc.)

Australia
- Natco Pharma Australia Pty Ltd

Canada
- Natco Pharma (Canada) Inc.

Mauritius
- Time Cap Overseas Limited

Brazil
- Natcofarma Do Brasil Ltda (Step-down subsidiary of Time Cap Overseas Limited, Mauritius)

Singapore
- Natco Pharma Asia Pte Ltd

Philippines
- Natco Life Sciences Philippines Inc.

Manufacturing capabilities (FDFs)

Locations	Capabilities	Category	Certifications
Kothur, Telangana	• Oral solid dosages including Cytotoxic Orals • Cytotoxic Injectables	• Oncology • Gastroenterology • Central Nervous System • Antiviral • Cardiology	• WHO GMP (DCA) • USFDA • German Health Authority • Australia TGA • ANVISA (Brazil) • MOH Belarus • Health Canada
Nagarjunasagar, Telangana	• Lyophilised Injectables • Liquid injectables • Dry powder injectables • Large volume parenterals	• Oncology • Antibiotics • Antiviral	• WHO GMP • ANVISA • Kenya MOH • NDA Uganda • FMHCA Ethiopia • TMDA Tanzania • MOH Belarus
Pharma City, Dehradun, Uttarakhand	• Oral solid dosages, including cytotoxic orals • Cytotoxic injectables	• Oncology • Antiviral	• WHO GMP
UPSIDC Industrial Area, Dehradun, Uttarakhand	• Oral solid dosages, including cytotoxic orals	• Oncology	• WHO GMP • MOH Netherlands • MOH Belarus • FMHCA Ethiopia
Guwahati, Assam	• Oral solid dosages	• Gastroenterology	• GMP
Visakhapatnam, Andhra Pradesh	• Oral solid dosages	• Oncology • Central Nervous System Antiviral	• USFDA • ANVISA Brazil • Health Canada

Our Presence

Manufacturing capabilities (API and API Intermediaries)

Locations	Capabilities	Category	Certifications
Mekaguda, Telangana	• Active Pharmaceutical Ingredients (APIs) • API Intermediaries	• 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) • AIFA • ISO14001-2015 • ISO45001-2018
Manali, Chennai	• Active Pharmaceutical Ingredients (APIs) • API Intermediaries	• Oncology • Immunosuppressants • High potent antivirals	• WHO GMP (CDSCO) • USFDA • ISO14001-2015 • ISO45001-2018

Manufacturing capabilities (Agro)

Locations	Capabilities	Category	Certifications
Attivaram, Andhra Pradesh	Formulation	Suspension concentrate of Insecticide and Fungicide	Central Insecticide Board, Faridabad
Attivaram, Andhra Pradesh	Technical	Active Ingredient and Intermediates of Insecticide and Fungicide	Central Insecticide Board, Faridabad

Value Creation Model

Unlocking value with focused strategies

Business Segments

Markets

Pharmaceuticals

FDFs

India USA	South East Asia
Canada	South America

APIs

North America	South America
EU	India

Agrochemicals

India and international markets (proposed)

Resources

- Experienced and capable management
- Cutting-edge R&D department ,IP assessment team supported by diverse and well-trained workforce
- Strong balance sheet and liquidity
- Established network of partners, suppliers and distributors
- State-of-the-art and backward integrated manufacturing facilities with capabilities to make active ingredients and fixed dosage formulations
- Strong brand recognition for its quality
- Strong focus on Corporate Governance

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 around four 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

Corporate Governance

- Awarded the Corporate Governance Award by Moneylife Foundation

Outcomes

₹20,438 mn
Revenue

₹42,636 mn
Networth

₹9.32
Basic earnings per share

14
New products launched in the domestic markets

10+
Products launched internationally

1,00,000+
Beneficiaries from community healthcare outreach

As on March 31st, 2022

Positioned for growth

Domestic Business

Our domestic pharma business had 14 new product launches during the year, the maximum in any year since inception. The business showed resilience against mounting pricing pressure and pandemic related headwinds. With our focus on R&D as well as the strategy to reach wider pool of doctors we are confident of growth in the domestic business.

Equity
Enjoyed for decades in Oncology

#1
Ranked 25+ brands in indicated prescription

₹100 mn
in sales for 10+ brands

550
Sales force (India)

23.3%
Share in total revenue for FY22 (₹ 4,771 million)

Oncology

Our product portfolio consists of recognised brands with the product range widened from 6 in 2003-04 to 39 up to March 2022. The four new products launched in 2021-22: Xpreza tablets, Pazonat, Cazanat and Tipanat brands address the critical needs of patients suffering from liver, kidney and colorectal cancer.

Our engagement with the patients goes beyond access to medicines. We seek to empower them with awareness, and emotional well-being tools and help them access information and resources during their treatment regime mainly through digital education.

Unlocking value for patients through affordability, clinician workshops, patient investigation support and access programs

Azacitidine

Xpreza tablets

Expanding the spectrum of usage to benefit patients of blood cancer

Tipiracil and Trifluridine

Tipanat

First generic combination product as 3rd line treatment option for colorectal cancer and gastric adenocarcinoma

Cabozantinib

Cazanat

Novel treatment option for liver, kidney & thyroid cancer

Cardiology and Diabetology

NATCO's Cardiology and Diabetology division has forayed into many first time generics with products like Dabigatran, Ticagrelor, Vildanat and Apixaban. Apixaban has done well during the year, and has helped patients recover from Covid. We continue to focus on bringing new products and expanding our portfolio in this segment.

NATCO REACH - Unlocking value

With our USP being quality and affordability, NATCO REACH was designed to expand the reach of our C&D products to a wider net of doctors including general practitioners. We consolidated NATCO REACH with the addition of 250 people during the year. We plan to launch newer molecules in this segment which will strengthen the business.

Specialty Pharma

We demonstrated a quick pace in providing treatment options for COVID-19. We are also working to expand our footprint in this segment with different products.

Escalating growth

International Business

Decades of diligent work in building niche products and filings for the US market and strategic investments in subsidiaries has begun to unlock value in a significant way in our international business.

We have a presence in about a fifth of the world's countries, expanding our presence with complex and niche products – both in APIs and formulations. NATCO has emerged as a major pharma player in markets, with a growing number of companies eager to partner with us at their frontend.

We have a strong product portfolio in the US and Canada with sustainable monetisation capability. Our efforts in Brazil, Singapore and Philippines have also to show value realisation.

The year in review from the perspective of international business was remarkable especially due to many firsts. This include the very first launch in South Africa, Indonesia and Taiwan. The year has also seen a strategic move towards establishing NATCO's own frontend distribution network in the US.

The International Business Development (IBD) team has also increased focus in project management efforts to bring complex products to its markets.

57.9%

Share in total revenue in FY22

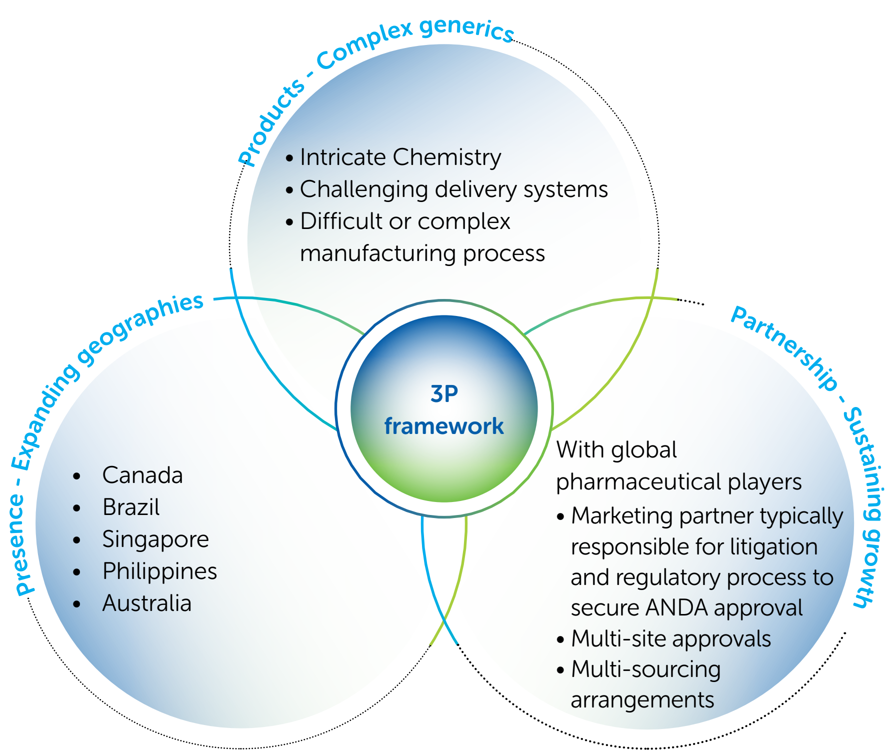
₹11,842 mn

Revenue in FY22

For us, responsible business translates into creating a better world. Being responsible means patient-centric actions – a cornerstone at NATCO. Hence, our unwavering focus on:

- **launching** affordable complex generic products (launched **4** products in the US),
- **expanding** presence in different geographies (Single product launched in **3** geographies)
- **sustaining** relationships with our partners (Filed **4** ANDAS and **10+** products)

Responsible Business



Our US product filings unlocks value for patients

In 2021-22, an important addition to our oncology product pipeline was made in the form of Lenalidomide, a remarkably effective first-line therapy for multiple myeloma. We also launched Everolimus in the US market. We put sustainable supply at the heart of serving patient needs and achieved it through cost optimisation.

Escalating growth (Contd.)

Resilient actions for a wider reach

Our step-down subsidiary DASH Pharmaceuticals LLC is giving us a new identity in the US pharmaceutical market.

As a result of this acquisition, we have evolved from being a collaborator to selling directly to the major generic drug wholesalers. We anticipate that our revised business approach will contribute to increased margins. We will continue to collaborate for certain complex generics, but parallely go through our own frontend presence in the US market and sell directly to the major generic drug wholesalers.

Canada and Brazil

Canada

In Canada, we offer a diverse product portfolio that includes oncology, cardiovascular, and CNS medicines through our subsidiary Natco Pharma Canada Inc. Among subsidiaries, the majority of revenue growth was generated from our Canadian subsidiary. During the year, revenue of Rs 1489 million was registered in Canada.

In Canada, the launch of generic Revlimid makes NATCO pursue new milestones that benefit myeloma patients. NATCO holds the majority share for products like NAT-Lanthanum, NAT- Abiraterone, NAT-Oseltamivir and NAT-Bendamustine. NATCO is expanding its portfolio in the coming year in newer and specialised therapeutic classes.

Brazil]

In Brazil, we have performed well during the year in review. In FY 2021-22, business revenue in Brazil totalled Rs 538 million. We file niche products and participate in local tenders as well as promote products via specialty clinics backed by a robust portfolio of Oncology products.

In Brazil, we hope to file high potential products in the near term. We launched the first generic of Oseltamivir in Brazil and there was further growth in market share of the sole generic of Everolimus. We have also increased the manpower at both Quality Control laboratory and warehouse at Vitoria, Brazil.

Longterm value - Regulatory filings

We have made a concerted effort over the last year to establish a global portfolio approach for product development and regulatory filing. To strengthen our foothold in the global markets, we have been focusing on Para IV and First-to-File molecules. As part of this approach, we incorporate elements in the design process and quality procedures that enable us to file and launch products across many locations.

Pharmerging markets and Rest of the World (RoW)

We are expanding our footprint in Asia and other ROW countries by registering our niche range of products. We have applied for six products in for the Chinese market, and we have got our first approval in China during the year.

With over ten product approvals in Singapore, we are creating a robust product portfolio in both the tender and private markets. Along with this, we have also started to win tenders in the Asian countries of Malaysia and Thailand.

In Philippines we launched our first product , Liposomal Doxorubicin. In Australia, we received approval for Lenalidomide and Pomalidomide.

- Sorafenib tablets: First generic launched in Taiwan with one year exclusivity
- Launched first generic of Abiraterone tablets in Taiwan & Indonesia
- Launched the Bendamustine Injection and Anastrozole tablets by our subsidiary Natco Lifesciences Philippines Inc
- Bosentan tablets hospital tender won and supplied in Hong Kong

Partnerships

We join forces and find solutions together. Be it our marketing partnerships or our procurement solutions addressing the supply of raw materials, intermediates, API and finished dosages. The emphasis within NATCO is on creating a sustainable network which prioritises procurement, manufacturing and front-end solutions that makes us live our promise of creating access to medicines.

"NATCO Pharma and Lupin Limited have had a successful association going back over a decade. We have collaborated on a variety of projects, ranging from Lanthanum Carbonate and Lapatinib tablets to Bosentan. NATCO has demonstrated a high level of competency in executing these projects."

Dr. Sofia Mumtaz

President – APAP & Canada, Head of Legal and Chief Scientific Officer

Lupin Ltd

Expanding horizons

Crop Health Sciences

By targeting high-potential products, we aspire to make swift inroads for expansion in the agrochemical space. During the year under review, NATCO has made a soft launch of its pheromone- based bio pesticide product, NATMATE PBW in the midst of the second wave of the pandemic and showing resilience, the product launch was managed mostly through digital marketing and limited field work.

₹1,920 mn

Capital investment in the Crop Health Sciences division

Initial footprints

During the year under review NATCO's CHS division made preliminary footprints by launching few products in select states of India. As the division began to build a team, sales channels and process, it had an opportunity to launch the first-of-its-kind pheromone based mating disruption product, in collaboration with a technology partner.

Under the brand NATMATE PBW, we launched the first green label pheromone solution for the successful management of pink bollworm (PBW) in cotton crops.

Product Portfolio

Pesticides

Biopesticides

Strategy

The approach to build a strong agro business is based on similar lines as the pharma segment - focus on products and technology that could take time to develop but would have a strong impact upon launch.

Two categories of products would be primarily targeted - bio pesticides, such as the pest specific pheromone and niche pesticides that could include herbicides, insecticides and fungicides.

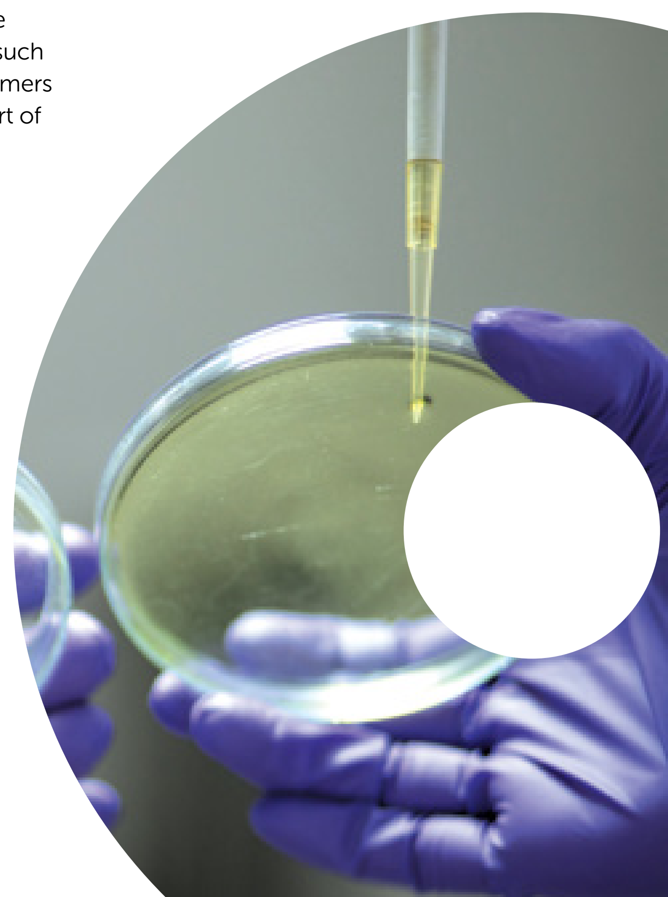
Research and Farmer awareness programs

Given NATCO's proven performance for developing niche products and utilising modern technology, we are building a product and market development team that will be instrumental in bringing unique products to farmers. Activities such as demonstration trials with farmers and adoption of villages are part of our outreach programmes.

The Company's R &D activity is conducted by leveraging the existing chemistry skills in pharma. The bio efficacy field trials are conducted by product development teams in fields across the country. We also collaborate with research institutes and agricultural universities as required to test new products.

Business forecast

NATCO has an approved registration for Chlorantraniliprole, (CTPR) , a molecule that has a high market demand. Pending the legal outcome of this product, we hope to enter the segment in a meaningful way. We also continue to be bullish about our bio-pesticide segment and look forward to develop our NATMATE brand along with similar unique solutions.



Leveraging skills

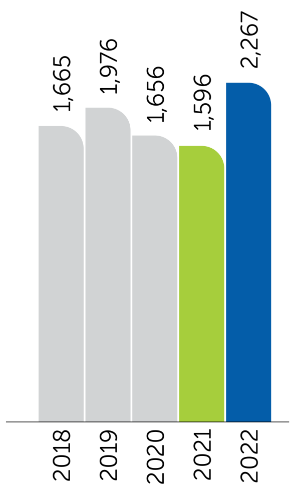
Research, Development and Manufacturing

It was a strong year for NATCO from an R&D and regulatory filing perspective. We had substantial filings in the US and our subsidiaries. Our quality of submissions improved significantly inspite of all the external headwinds in the market. A truly resilient R&D.

We are constantly on the lookout for innovative methods to improve the quality of our APIs and formulations while reducing our environmental impact.

44
Active DMFs

R&D Expenditure
(₹ in million)



API: Unlocking value for the generics industry

Credible
Working successfully with multi-step synthesis

Sustainable
Working with niche APIs, serving unmet patient needs in segments like muscular dystrophy

Relevant
Offer APIs in key segments - Oncology and Cardiology

Different
Oligonucleotide platform with regulatory and analytical breakthrough

A key element of NATCO's strategy in R&D has been to develop efficient processes to complete development of products and dossiers as well as understanding of the complete patent landscape around the products. We believe, the only way to sustain momentum in the business is to continuously evolve in the value chain by targeting complex and tricky products. The regulatory team has also taken an approach of global filing to maximise the return on R&D.

NATCO continues to intensify its efforts in analytical chemistry by increasing efforts in preparative HPLC, supercritical fluid chromatography amongst others. Cost optimisation has also been an important aspect of R&D. The team has focused on existing products in NATCO's portfolio as well as cost optimisation for agri related molecules.

Exhibiting core strengths

In the reporting year, NATCO successfully developed two difficult injectable products for the oncology segment - Erubulin and Trabectedin. Both Erubulin and Trabectedin dealt with very complex chemistry that has more than 50 synthetic steps and delicate formulations.

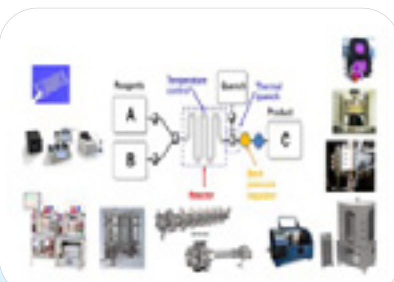
Our commercially launched product Everolimus, has gone through critical process improvement. Such activities serve as a strong testimony to our capability to carry-out R&D and be successful at launching complex products.

Leveraging skills (Contd.)

Innovating for continuous manufacturing

In one model reaction, the reagent under basic conditions with Raney Nickel catalyst generates a large amount of heat and frothing. In traditional batch process, the reaction took 150-180 min and had safety concerns. The process was successfully converted into continuous flow without compromising the quality and yield of the reaction with less than 10 min of reaction time and inherent safety features and additional cost advantages such as water reduction, increase of catalyst efficiency by 3 to 4 times, catalyst recovery and 24X7 operations with minimal manpower.

Flow chemistry equipment



Process Safety

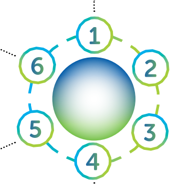
Our development efforts are aligned to the principles of safety. We have established a state-of-the-art Process Safety Engineering laboratory in our Research Centre. Our emphasis on process safety is at the highest levels, starting from assessing safety in the lab and eventually covers the manufacturing stage as well. We have a full fledged team that conducts adiabatic reactions and runaway chemistries.

Workflow in Process Safety

Basis for Safety
Engineering design and Operating procedures

Desktop screening
Literature survey, Chemical incompatibility

Process Safety Report for scale-up
Thermal, Electrostatic, Pressure, Powder, to powder explosion



Engineering design
Vent size calculations, scrubber design and quenching Chemical incompatibility

Production design
Process hazard analysis to establish plant & operating requirements

Development Process re-design
Eliminate and manage process hazards in the process chemistry

Manufacturing

In the reporting year, our facility at Vizag contributed in expanding our presence in new geographies. The facility at Nagarjuna Sagar received the approval of the regulatory body ANVISA and the fully functional facility at Vizag now supports manufacturing of both onco and non-onco products.

To maintain sustainability across our manufacturing process, we optimise processes to ensure maximum productivity and reduce its environmental impact.

The Company continues to follow stringent regulatory standards at all its manufacturing facilities. We enhance capacity wherever necessary and de-risk by initiating approvals for multiple products at different sites. Besides, our constant efforts in flow chemistry aims to reduce manufacturing time. The Company also proactively makes investments for capacity expansion and improvement of manufacturing infrastructure.

Safety in our Operations

We prioritise safety by identifying and addressing hazards and strive to create a workplace free from injuries and accidents. We continue to ensure our operations are safe and risk free through periodic Hazard and Operability Analysis (HAZOPs), Hazard Identification and Risk Assessment (HIRA), Qualitative Risk Analysis (QRA) and EHS design checklists. This year, a number of walk through observations were recorded, and corrective actions were implemented.

Material safety is always a prime concern for us. Corrective measures are applied at the development and manufacturing stages. Any change in process or facility is addressed through a well designed change management system to ensure safety at the workplace.

Industrial Hygiene program was initiated as part of the Safety management system to evaluate workplace noise levels and conduct quantitative assessments. Worker health is also monitored at regular intervals through periodic medical check-ups.

Sustainability in process development

During process development we assess through a lens of responsibility the choice of solvents, raw materials and process parameters to develop a streamlined and cost effective process which minimises waste. The philosophy to reduce, reuse, and recycle is ingrained across our processes, from the laboratory bench to the pilot stages and to commercialisation.

Board of Directors

Guiding Us

V.C. Nannapaneni*
Managing Director

G.S. Murthy*
Chairman & Independent Director

T.V. Rao
Independent Director

Rajeev Nannapaneni*
Director & 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

Dr. Pavan Bhat*
Director and Executive Vice President (Technical Operations)

*1. Sri V.C. Nannapaneni has been appointed as Managing Director, Sri G.S. Murthy has been appointed as Chairman and Sri Rajeev Nannapaneni has been appointed as Director & CEO of the Company w.e.f. 1st April, 2022.

2. Dr. Pavan Bhat has been appointed as Director & Executive Vice President (Technical Operations) (Additional Director) of the Company w.e.f. 9th August, 2022.

Management Team

Shaping Our Future

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

ADINARAYANA M.
Company Secretary & Vice President -
Legal & Corporate Affairs
(Superannuated w.e.f. 31st March, 2022)

DR S.S APTE
Vice President - R&D, NDDS
(Superannuated w.e.f. 31st March, 2022)

DR. GOPALAKRISHNAN VAIDYANATHAN
Senior Vice President - Analytical R&D

LAKSHMINARAYANA ARE
Vice President - HR & OD

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

RAJESH CHEBIYAM
Executive Vice President, Crop Health Sciences

RAMAKRISHNA SRIDHAR REDDY
Vice President - Q. A

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

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

DR. SATYANARAYANA K
Vice President - R&D
(Superannuated w.e.f. 31st December, 2021)

SRIVATSAVA K.
Vice President
Marketing & Sales, Domestic
(Superannuated w.e.f. 15th December, 2021)

SURESH PRABHAKAR KAMATH
Vice President
Operations (Visakhapatnam Unit)
(Superannuated w.e.f. 8th September, 2021)

DR. RAMI REDDY BHIMAVARAPU
Director, FDF
(Superannuated w.e.f. 31st December, 2021)

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

DR. SHANKAR REDDY BUDIDETI
Vice President - R&D, Chemical Synthesis
(Resigned w.e.f. 8th July, 2022)

SRINIVAS CH.
Vice President - Demand and Supply Planning

RAVI KIRAN NAMBURI
Vice President - Marketing & Sales, Domestic

SUBBA RAO MENTE
Vice President - Global Generics

SUNIL KOTARU
Vice President -Supply Chain Management

VENKATA RAO TUMMALA
Vice President - Manufacturing, Chemical Division

SANIVARAPU RAVIPRAKASH REDDY
Senior Vice President – Operations

SURESH BABU K
Vice President – QA

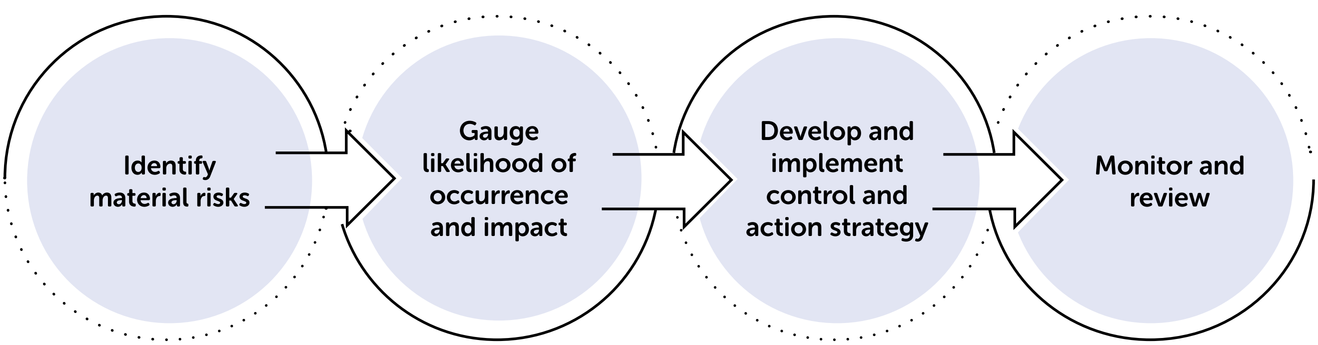
VENKAT RAMESH CH.
Company Secretary &
Compliance Officer
(Appointed w.e.f. 1st April, 2022)

Risk Management

Navigating through challenges

We take a proactive approach to risk management and are aware of the risks and opportunities that may occur in a fast changing business environment. As a result, we communicate with our stakeholders on a regular basis to identify possible roadblocks and smooth the way forward.

Risk Management Process



Risk	Nature of Risk	Control and Action
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	We usually set our prices at competitive rates. Any impact of price control is felt similarly by our competitors, which negates an adverse impact on us alone
Geographic Risk	Being excessively dependent on the domestic and the US market could affect sustainability in the long run	We expanded beyond our operations in India and the US, and are growing our business in Canada, South America, the Middle East and Asia Pacific

Risk	Nature of Risk	Control and Action
Regulatory Risk	An unfavourable facility inspection from USFDA or any other major regulatory body can lead to a significant delay in product exports	We have extensive internal processes and quality monitoring systems to ensure full compliance
Health, Safety and Environment	Being in the business of healthcare, it is imperative for our Company to ensure 'zero risk' with regard to the health and safety of our 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, we ensure flexible policies and enhanced healthcare coverage for every employee
Patent Risk	Our inability to defend patent challenges could prevent us from selling products or may result in financial liabilities	We entered 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 we carefully assess the risks before any launch
Business Portfolio Risk	We are exposed to the risk of revenue generation from limited therapeutic segments. This could have an impact on our financial viability	Our portfolio is currently diversified across multiple therapeutic segments in India, such as Oncology, Hepatology, Cardiology and Diabetology. For the US and many other markets, we have chosen molecules independent of the therapy segment. We have also diversified into agrochemicals via our Crop Health Sciences division
Human Capital Risk	Our success depends on our ability to retain and attract key qualified personnel. Our inability to retain them or recruit additional qualified personnel, may make it difficult to successfully develop our business	We provide an excellent working environment for our employees across all sections and encourage work-life balance. The compensation package is comparable to the best in the industry
Currency Volatility Risk	Fluctuations in foreign currency could result in variations in margins for us	We have a natural hedge for our imports, it being a net foreign exchange earner. With the expected depreciation in the rupee, we stand to gain on exports

Environment

For a better tomorrow

We realise our responsibility towards the environment and strive to reduce our environmental footprint through optimum utilisation of resources. Our sustainability endeavours have remained a driving force for our business and encompass every aspect of our operations.

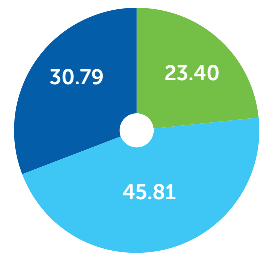
Water

We recognise the water scarcity threat affecting every continent. Water use has been growing globally at more than twice the rate of population increase in the last century. There is a deep urgency to tackle this critical stress and utilise water responsibly.

We employ the 4R principle of Reduce, Reuse, Recycle and Recharge to systemically manage our water consumption patterns and invest in water conservation endeavours. This is a unified approach across the R&D centre, API, and Finished dosage units. We have reduced the consumption of water through the up-gradation of fixtures, optimum cleaning cycles and measuring our water usage.

During the reporting year water source distribution is:

Water Source



- Surface Water
- Ground water/Third party supply
- Recycled water

Although groundwater is currently our major source of water (45.81%), we have progressively reduced our reliance on it. We stringently monitor the water footprint of our manufacturing processes to minimise our reliance on fresh water sources.

4R Philosophy driving water conservation initaitives

REDUCE

Water flow meters installed at R&D Centre to closely measure the daily water consumption

Installation of sensor based fixtures, efficient tap fixtures, overflow protection systems to water storage tanks, hydro jet cleaning systems, etc. Process equipment cleaning optimised with hydro jets

Water saving aerators fixed to the taps across our facilities and R&D Centre in the washrooms and canteen to reduce the water flow from 8Lts/Min to 3Lts/min.

In some of the API processes, a one-pot synthesis was adapted by clubbing 2-3 stages to improve the efficiency of the reaction, to reduce the usage of organic solvents, water consumption quantities, process time and energy

REUSE

Water was reused across our operational processes like reutilization of the water treatment rejects (RO reject/condensate/sanitation water/segregation of Multigrade Filter (MGF) backwash, etc) across our units.

Steam condensate recovery and reuse increased from 65% to 80% at Kothur and Vizag units. This initiative led to reduced fresh water intake and waste water generation

Rooftop rainwater collection, treatment and reuse

RECYCLE

Efficient Wastewater treatment to recycle it back to non-process applications (such as cooling towers make up, boilers, gardening, toilets flushing, etc)

Upgraded the ETPs at Sagar & Kothur units by spending about ₹ 10 crores to improve the treated effluent quality and make it reusable for horticulture, cooling towers make up,etc.

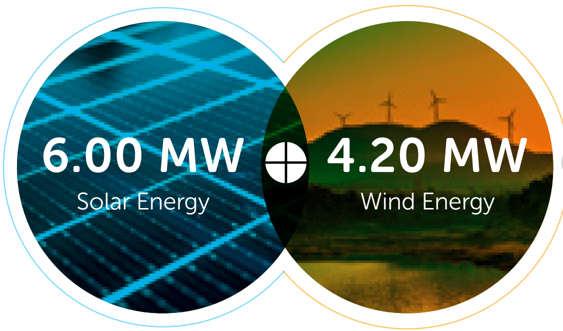
RECHARGE

Rainwater harvesting to enable groundwater recharge

Energy

Sustainability practices and embedding sustainability through the value chain has not been a tick box activity at NATCO; it is a part of our DNA. This is visible in how we continue to take steps to increase our renewable energy consumption consistently. In 2021-22, renewable energy contribution was at 26.25% of the total energy consumption, reducing 16,008 tCO_2e of GHG emissions. We are closely following the national renewable energy policies and shall take steps to plan our investments in clean and renewable energy sources.

Current renewable energy equation



+ = **70242 GJ** of Total Renewable Energy mix generated – **16008 Tons** CO_2e Emissions reduced by

Facility wise renewable energy contribution

6.00 MW
Solar Energy

26.25%
Renewable energy as part of total energy consumption

4.20 MW
Wind Energy

33.22%
Mekaguda 3.40 MW

20.49%
Nagarjunasagar 1.40 MW

4.76%
Kothur 0.8 MW

Installed yet to be commissioned
Attivaram 0.40 MW

94.5%
Vizag 2.10 MW

74.2%
Chennai 2.10 MW

Waste

In line with the philosophy of 'Zero Waste to Landfill', we successfully disposed the entire quantity of ETP sludge from our Mekaguda API facility to authorised facilities for pre-processing and followed by co-processioning in authorized cement kilns.

We are also adopting methods to dispose the evaporation salts and inorganic process waste. In compliance with the latest PWM regulations, 60MT of plastic waste was handled through an CPCB authorised EPR agency.

Energy conservation initiatives

We are undertaking steps in our operations to reduce emissions and improve our carbon footprint. In some of our API processes, energy conservation has been achieved by changing cryogenic temperature conditions to 0°C or ambient temperature conditions by adopting innovative process technologies. In one of our formulation plants, we achieved a reduction of 400 electrical units per day by customising the operations of compressor(s) during non- working hours.

Continual improvement

Driving sustainable results consistently over time and throughout the organisation requires a culture of continuous improvement. We invested our time and resources in supporting various initiatives at our facilities.

Some of the improvement initiatives are as follows :

- Emission reduction
- 360KLD effluent treatment plant installed at Kothur formulation facility. Installation of RO plant, MEE & ATFD are in progress to transition it to a Zero liquid discharge system. 100KLD capacity effluent treatment plant installed at Nagarjunasagar formulation facility
- ISO 14001 and ISO 45001 management systems certifications under process in the Kothur and Dehradun facilities and is being implemented at Vizag facility
- 5S program for workplace improvement at Kothur

Solvent Management

Solvent consumption and handling are one of the critical factors for the sustainable operation of API facilities. In this direction, we developed a robust Solvent Management Framework with focus on 3 – R (reduce, reuse and recycle) approach. The framework broadly consists of Solvent Management Review Committee (to guide and review) and Solvent Management Team (to identify the opportunities and implement) consisting of cross functional team members.

People

Empowering our human assets

At NATCO, we care about our people. We aim to hire and retain the best talent and provide a work environment where each person can thrive. It is through our people and culture that we create products that help consumers.

Our pursuit of building a resilient organisation is enabled through living our values. Our values have driven responsible actions for the benefit of our diverse stakeholders while keeping us steadfast on achieving our business goals. During the pandemic, we realised the value of nurturing an empowering culture. Despite the odds, our teams worked tirelessly to achieve organisational objectives.

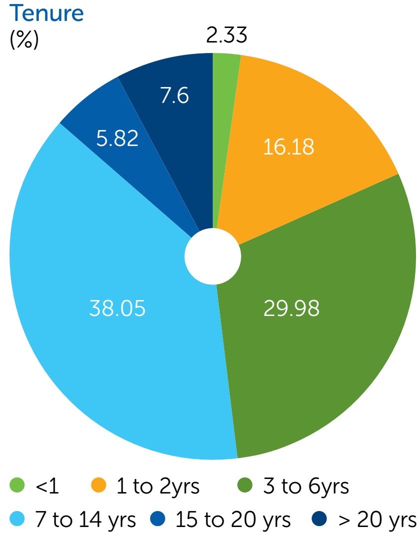
Making resilience happen together

We believe creating value for our employees is key to the long-term resilience and value of our business. We accelerate development of our people, grow and strengthen their leadership capabilities and enhance employee performance through strong engagement. Learning and development activity for our employees is a continuous process. We also emphasise on discipline and safety of our employees.

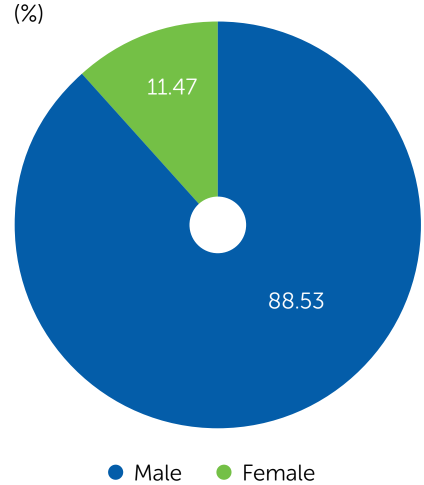
During the year, as the business conditions evolved, we have ensured right-sizing of the workforce.

Our team

Tenure
(%)



Gender
(%)



Unlocking potential

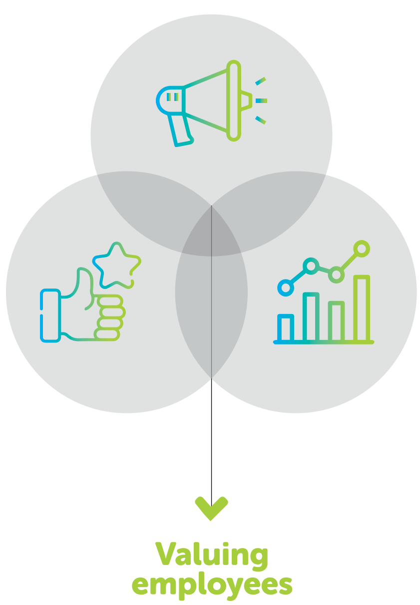
To be effective, we are setting the foundation for collective impact and are further defining how employees work together, and how progress happens. We are unleashing potential through synergistic actions which include performance management, training and leadership development.

Performance management

We are reinforcing the performance culture within the organisation and boosting employee morale. NATCO is digitising its PMS application to bring in transparency in goal setting and performance evaluation. The objective is to motivate our employees to deliver their best.

Performance Management System

Parts of a winnig value proposition



KRA setting

1. Detailed goal setting
2. Employees aligned to the organisational objectives

Employee performance review

1. Self appraisal
2. Periodic review
3. Focus on wins and develpoment areas

Employee development

1. Internal training
2. Competency framework
3. Assessment centre

Training

Training is an important foundation for unleashing talent. The focus of training is towards building functional competence, quality and safety. We also equally focus on leadership and managerial effectiveness training. For functional competence, we emphasise on-the-job training and engage the supervisors to carry out developmental activities on the shopfloor.

Average hours of training per person

56.5
Managers

48.6
Supervisors

53.5
Workmen

42.5
Middle management

Safety training

We organise safety training as per the annual plan, addressing the operations workforce, including contractual employees. The topics range from job specific issues, behaviour based safety, hazard and risk assessment, PPE and emergency procedures. The aim is to increase the safety competence in the manufacturing organisation and create a safety conscious culture. The training is conducted by internal trainers as well as external safety experts.

1300+
Number of safety trainings in factories

Sales training - Pharma

In the year 2021-22 we onboarded our sales team members through Initial Training Program (ITP). The ITP covers training on physiology, pharmacology, product information and skill building. The online meeting tools of Zoom, like white board, annotation, non-verbal communications, polling, break out room were used extensively to make the sessions lively and engaging.

Employee health & safety

Employee Health and Safety is of utmost priority to us. We have institutionalised a robust safety and health management system for our employees. As part of this system, we have various administrative controls comprising well-defined processes and standard operating procedures. Our health assessment and health promotion programmes include preventive, and advisory services for our employees. Pre-employment health check-ups are undertaken to ensure employees are physically fit for the role. We regularly conduct periodic health check-ups for our employees at the occupational health centre present across our facilities. We maintain health records of employees while ensuring confidentiality. We have also initiated Industrial Hygiene program with a focus on employee exposure to workplace environmental factors that can potentially impact their well-being.

100%

Of employees and workers at our facilities covered during the annual medical checkup

Communication

The Company's intranet, NatConnect and our annual magazine, Spandana, are our communication channels that allow us to touch the human spirit. We provide employees access to the latest company news and internal updates through these platforms. The various communication channels highlight opportunities for our employees to engage with each other. We also use our social media handles to communicate with stakeholders outside the organisation and update them about the company's activities.

Corporate Social Responsibility

Responsible Societal Actions

Since our inception, NATCO's approach to giving back to society has been a very organic part of our growth.

As we grew, our moral compass guided us to support our communities in upgrading their health and nutritional status, empowering them through education and creating livelihoods to narrow the divide in the regions we operate.

Through the NATCO Trust's inception in 1995, we are unlocking value for the community through our continuing pursuits in education, health, hygiene, sanitation, water, livelihoods, farming, institutional support, and need-based community infrastructure. NATCO Trust operates in 4 states: Telangana (Hyderabad, Ranga Reddy, Nalgonda, and Siddipet), Andhra Pradesh (Guntur and Visakhapatnam), Tamil Nadu (Chennai) and Uttar Pradesh. During the pandemic, NATCO Trust stood firmly in support of communities in need.

COVID 19 NATCO's assurance

We have proven our resilience during the pandemic by extending our support to the state governments, local bodies, communities, and employees.

Supporting State Governments

Donation of two oxygen plants to Gandhi hospital, Hyderabad, Telangana state and CMC hospital, Vellore, Tamil Nadu state

Supported state Governments by means of donations and COVID-19 essentials like medicines, PPE kits, hand gloves, N-95 face masks, sanitizers, etc.

Supporting communities and employees

Facilitated testing and vaccination for the community in collaboration with a government hospital, made provision for hospitalisation and counselling of people

18000+ meals were provided to patient attendees at TIMS (Telangana Institute of Medical Science) and ENT Hospitals, Hyderabad

Setting up Isolation wards

Setting up of COVID-19 isolation wards for the community with round-the-clock medical support to the employees and extended families belonging to the communities of Kothur and Ranga Reddy district, NATCO Govt High school, Borabanda

4 QUALITY EDUCATION

Education

Education is one of the critical pillars of NATCO Trust's interventions, executed with a holistic approach and focused on two layers. We embrace and nurture NATCO-run institutions and support government schools and anganwadis.

Two-layer approach

Education Highlights

NATCO nurtured schools

NATCO schools are committed to bringing the best out of their students and providing a favourable work environment for their employees.

NATCO High School

Strength

1000+ students

Location

Mekaguda village,
Kothur Mandal Hyderabad

Performance

100% students of Grade X passed their examination

Awards

3 students were awarded INSPIRE AWARD for being selected for softball championships at the district level and state-level championship

NATCO School of Learning

Strength

500+ students

Location

Gollamudipadu village,
Ponnuru Mandal of Guntur district

Performance

100% students of Grade X pass their examination

Awards

Grade IX student got the Best cadet award - NCC-Army wing, Guntur, Andhra Pradesh.
3 students reached the National level softball championship and received gold and silver medals, respectively.

Government schools and Anganwadis

By extending our support to government schools and Anganwadi centres, we fulfil the mission to empower children through educational initiatives, emphasising access, equity, and quality of education.

Government schools

9500+ children benefitted

1400+ children benefitted from after-school tuition programs

- NATCO Trust supports **39** government schools serving **9500+** students
- **25+** after-school tuition programs conducted benefitting children
- **100+** children were placed in Gurukulas
- **500+** students of class X were provided nutritional supplements.

Anganwadi centers

1900+ children benefitted

200+ children from Anganwadi centres have been enrolled in government primary schools

- NATCO Trust supports 104 Anganwadi centres (95 and 9 respectively) in Telangana and Andhra Pradesh
- 17000+ visits made to Anganwadi children's homes
- 250+ parents meetings organised

Health

NATCO Trust is committed to enhance the healthcare and well-being of the communities they engage with.

Community healthcare services

- Benefitted **42,000+** people through 2 mobile healthcare and 2 standalone satellite clinics
- Inducted **10,000+** people into health awareness programmes, including children from targeted villages
- Benefitted **2,80,000+** patients by providing manpower support to 5 major government general hospitals

Services extended in the government hospitals in 2021-22

01 OPD guidance to **2,70,000+** patients

02 Individual support to **500+** patients

03 Follow up cases for **250+** patients from villages

04 Connecting other hospitals/NGOs

05 Supported **40+** patients for cardiac screening

06 **175+** outreach healthcare services and **750+** follow ups through phone

07 **8,400+** cases supported in pathology department

08 Home care support to **300+** cancer patients

09 **2,500+** mothers benefitted in the maternity ward

10 **85+** visits to anganwadi centers

Support to Government Hospitals

Name of the Hospital	No. of people treated per day
Nilofer Hospital	300+
Osmania General Hospital	300+
Gandhi Hospital	425+
MNJ Cancer Hospital	100+
NATCO Cancer Center, Guntur General Hospital	150+

Nutrition-driven support programs

- **475+** beneficiaries (each day) in **27** villages were supported by **41** nutritional centres that provided supplementary food.
- **450+** households in **29** villages benefitted from the promotion of backyard kitchen gardens

Livelihoods

We empower our communities, especially the farmers and their ecosystem, through veterinary healthcare services, sustainable agricultural practices, vocational training and community engagement initiatives.

Veterinary healthcare services

- A total of **5400+** animals benefitted
- **23500+** animals benefitted through the Veterinary camps.
- Veterinary camps were conducted in **12** villages benefitting **750+** farmer families at Nagarjuna Sagar, Nalgonda district

Sustainable agricultural practices

- **100+** farmers benefitted through the support received for **128.35** acres of land under NPM (non-pesticide management) and **13.75** acres of land under ZBNF (zero-based natural farming) agriculture

Vocational training

- To enhance employability of women through vocational training, **20+** women underwent training on garment making
- Initiated a mini garment unit to stitch the uniforms for Anganwadi and primary school children and also to cater to the local needs

Community engagement initiatives

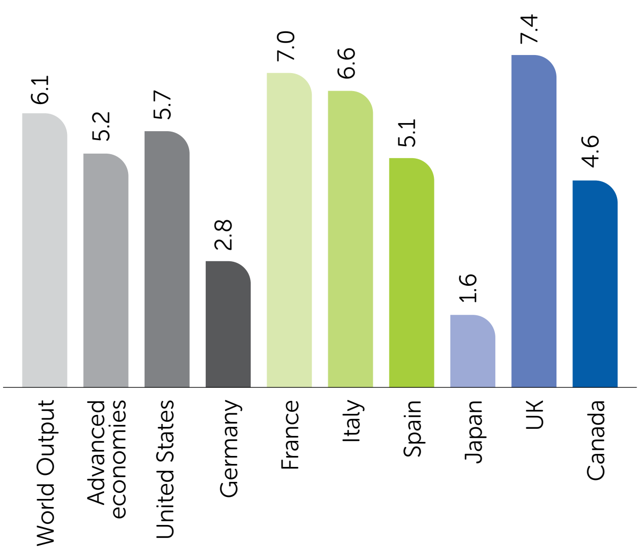
- **8000+** people benefitted from the **3** potable water plants (**1** installed at a rural area and **2** potable plants installed at urban areas) donated by NATCO Trust
- To encourage physical movement and fitness in rural communities, **2** gyms were donated to Mekaguda village, Ranga Reddy district, Telangana and Gollamudipadu village in Guntur, Andhra Pradesh
- Promoting sports in rural communities through rural sports meets wherein volleyball tournaments were conducted in **3** locations, **70** teams from **40** villages participated
- Delivered **35** solar streetlamps to a village panchayat in Assam state

Management Discussion and Analysis

Global economy review

The global economy, after contracting by 3.4% in 2020, registered a growth of 6.1% in 2021 which is the highest since 1976. This was driven largely due to a growth in household spending as well as investments, which had previously been subdued due to lockdown restrictions.

The recovery journey, however had not been very smooth with the second half of the year being dominated by supply chains disruptions that impacted global manufacturing—particularly in Europe and the United States. Additionally, prices of energy surged as a result of the recovery in demand and supply constraints. Attributing to the rising energy and commodity prices, inflation continued to rise considerably in the second half of 2021.



US

After a good start to economic recovery, the US economy was confronted with price rise owing to a rapid consumption of goods, disrupted supply chains as well as the Omicron variant in latter part of 2021.

The economic damage to the US is expected to lower gradually. Although inflation and related issues might continue to challenge businesses and policymakers, they are expected to subside eventually enabling businesses to restore inventories and boost demand growth. Moreover, important measures, like picking up of labor force participation, increasing employment opportunities will help the economy bounce back to pre-covid levels of growth.

Brazil

The GDP of Brazil grew by 4.6% in 2021[1] after being largely impacted due to Covid-19. The Brazilian Economy saw a recovery and emerged from recession towards the end of 2021 buoyed by rising raw material prices and services. This has brought some relief to a country largely impacted by high inflation and interest rates.

Despite the recovery, risks are tilted to the downside due to the cost rises and supply chain interruptions as a result of the Russia-Ukraine war, as well as tighter domestic financial conditions, which is projected to slow down the growth to 0.5% in 2022 and 1.5%[2] in 2023.

Canada

The Canadian economy recovered to pre-pandemic levels of activity in the last quarter of 2021, marking the quickest recovery of the prior three recessions. In the final quarter of 2021, the increase in real GDP –was at the second-fastest rate of growth in the G7 countries. The scale of the government's emergency economic assistance has aided companies, fostering a healthy recovery.

Although Canada has experienced a minor economic impact of the Russia-Ukraine conflict, the consequences are noticeable that have resulted in pricing pressures that might impact its near-term economic outlook.

Southeast Asia

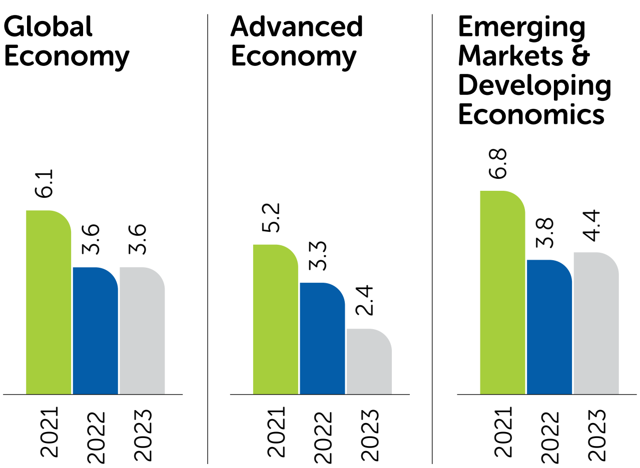
The Southeast Asian region's economic recovery resumed towards the end of 2021, but it remained uneven, with output still below pre-pandemic levels in several countries of the region.

The Southeast Asian economy, which is already recovering slowly, is exposed to further risks. The Russia-Ukraine conflict has heightened market volatility and uncertainty. Financial instability, fueled by the Federal Reserve's aggressive tightening, the emerging COVID-19 strains, and disruptions due to the People's Republic of China's (PRC) current covid outbreaks are threats to the region's outlook.

Outlook

Even as the global economy was on path to recovery from Covid-19 impact, the war escalation between Ukraine-Russia is triggered fresh challenges for growth to be sustained. A slew of enhanced lockdowns in China, due to resurgence of Covid-19 variants, including some key manufacturing hubs, have further slowed down the activity, adding to the already existing bottlenecks in global supply chains. Inflation is projected to persist longer in both developed and developing economies. Supply chain disruptions are projected to subside over the course of 2022 as demand is expected to be gradually rebalanced. Energy and food prices are projected to grow at moderate rates in 2022. Emerging economies might suffer output losses in the medium term compared to the developed economies, which are expected to reach their pre-pandemic levels. These factors are expected to subdue the global growth to 3.6% for 2022 and 2023.

[1] https://brazilian.report/liveblog/2022/03/04/gdp-grows-leaves-technical-recession/
[2] https://www.reuters.com/business/finance/brazils-economy-stagnant-growth-freeze-continue-2023-2022-04-22/



Indian economy review

The second advanced estimates by NSO have projected India's GDP growth at 8.9% as compared to a contraction in 2020-21.[3] A favourable pickup in private investment, strong industrial output, as well as widespread vaccination coverage have all contributed to India's economic growth in the fiscal. Introduction of broad range of fiscal, monetary and health reforms to address the challenges induced by Covid-19 pandemic have helped India stay resilient by mitigating a long-lasting adverse impact of the pandemic. Increased capital expenditure in infrastructure-intensive sector, buoyant tax revenues, rebound in exports and surplus liquidity provided the government some additional headroom to introduce fiscal policies and sustain the economic momentum.

Outlook

India is on track to become the world's fastest-growing major economy with an estimated GDP growth of 8-8.5% in FY2022-23. The increased investment in infrastructure sector and increased consumption activity will facilitate economic recovery. Agriculture and allied sectors are expected to grow by 3.9% backed by government's flexible and multi-layered response. Combination of high Foreign Exchange Reserves, sustained Foreign Direct Investment, and rising export earnings will provide an adequate buffer against possible global liquidity tapering in 2022-23. As financial markets remain strong and capital inflows support the build-in reserves, inflation and virus mutations still remain a threat to sustain a healthy economic growth.

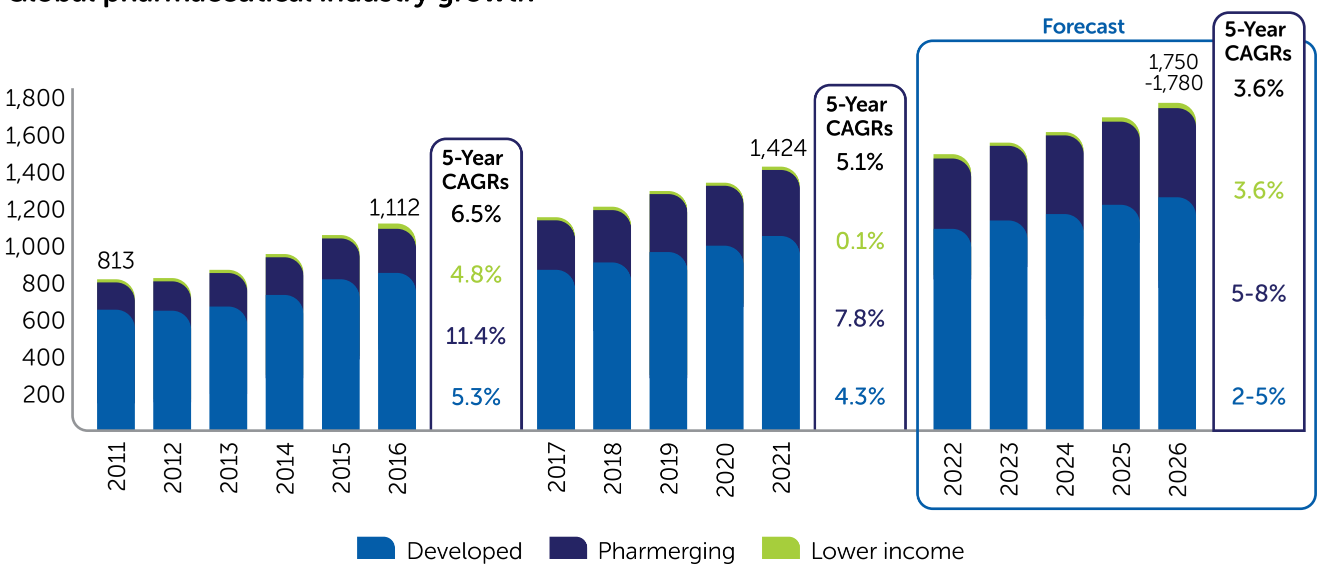
Global Pharmaceutical Market

Using current prices, the global medicine market is expected to grow at a 3-6% compound annual growth rate (CAGR) through 2026, reaching ~ $1.8 trillion in total market size by 2026, including COVID-19 vaccine spending.[4] The adoption of novel medicines, offset by patent lifecycles and competition from generics and biosimilars, is expected to be the primary variables influencing medicine spending and growth in developed countries. Significant improvements in healthcare access were previously the most important drivers of change in the use of medicines in developing countries, but the trend is moderating and will result in volume drops across many markets. As Covid-19 infections tapered down, access and treatment to existing therapies bounced back.

[3] https://rbidocs.rbi.org.in/rdocs/Bulletin/PDFs/0RBIBULAPRIL2022_F7993D9FA5B0B4D90B5D4C07010AC79C5.PDF

Pharmaceutical markets in the developed nations grew at a 4.9% CAGR from 2017 to 2021 and is expected to grow at a 2.5-5.5 % CAGR up to 2026. A total of 300 new medicines are likely to be released during the next five years, up from 200 on average over the previous decade, with a bias toward specialised, niche, and orphan treatments. New product released in the market will generate an estimated amount of $196 trillion in the next five years.[5]

Global pharmaceutical industry growth



Source: IQVIA Market Prognosis, Sep 2021; IQVIA Institute, Nov 2021

The Pharma emerging markets have reported a 7.8% CAGR in spending between 2017 and 2021, with a target of US$354.2 billion in 2021. Pharma emerging countries, led by China, are increasingly allowing access to newer medications manufactured by multinational corporations, often earlier and to a larger portion of their populations than in the past.

The COVID-19 disruption had hampered international markets. The pharmaceutical industry has been dealing with supply chain disruptions, product releases and adoption, decreased foot traffic in pharmacies and hospitals, and a slowdown in R&D activity. Biotech-pharmaceuticals will grow by 61 % over five years, with a 9-12% CAGR through 2026, contributing $237 billion to the global economy.[6]

Outlook

Manufacturing of pharmaceuticals and biopharmaceuticals will continue to face multiple headwinds including formulation and delivery challenges, non-availability of skilled labour and compressed schedule. One possible solution to these issues is the integration of sophisticated technologies. The pharmaceutical industry, which is currently dealing with the aftermath of the COVID-19 pandemic and evolving under changing conditions, is no exception. Data analytics, which will accelerate biotechnology innovation, and new operating models will provide much-needed agility to the sector.

COVID-19 has had an immediate impact on trends in medicine use and spending. Spending on COVID-19 vaccines and innovative therapies is expected to exceed $300 billion over the same time period, a $133 billion increase over projections prior to the pandemic.

US

The US health system demonstrated resilience and flexibility during the past two years, recovering to pre-pandemic levels of growth by the end of 2021. Prescription drug and telehealth for chronic and acute care drove the medicine use, reaching record levels. Spending on

[4] https://www.iqvia.com/newsroom/2021/12/global-medicine-spending-to-reach-18-trillion-in-2026-including-spending-on-covid-19-vaccines-accord
[5] https://www.iqvia.com/insights/the-iqvia-institute/reports/the-global-use-of-medicines-2022
[6] https://www.iqvia.com/insights/the-iqvia-institute/reports/the-global-use-of-medicines-2022

medicines rose sharply in 2021, up 12% to $407Bn due to the availability and uptake of COVID-19 vaccines and therapeutics, while the rest of the market grew at 5% on a net basis from steady net prices. The growing impact of biosimilars increased significantly and the offset increased use of branded medicines.

Outlook

The emergence of new technologies in pharmaceutical sector, position the US as global centre of pharma innovation. This would be applicable to new drugs and therapies to advanced manufacturing techniques for cell and gene therapies. Even as the regulatory environment stretched by new demands in last two years, supply chain security and spiralling healthcare costs have pressed the urgent need to innovate. On a net price basis, the U.S. market is forecast to grow between 0-3% CAGR over the next five years, down from 3.5% CAGR for the past five years. Historically high numbers of new products will contribute $114 billion in spending over five years, up from $93 billion the last five years but representing a smaller share of the market.

Pharmerging Market

Pharmerging countries have been ranked by IQVIA as high-growth pharmaceutical markets in the coming years. Even as new medicines sales made up of only 1.8% to pharmerging markets between 2015-2020, it is projected to garner a significant share in the near short-term. These countries now comprise an increasing share of global sales of medicines in therapeutic areas of Oncology, Antidiabetics, Anticoagulants, Antihypertensives and Antibacterials, to name a few.

Outlook

It is expected that the pharmaceutical industry will experience a growth of 10.4% in the period between 2021-2026. The major drivers of growth being increasing expenditure on healthcare and increasing number of private hospitals. Rising investments in R&D in biotechnology, immunology, oncology etc are some additional factors that would be major contributors in the growth of the industry. The industry remains pivotal to bringing patient well-being, with newer medicines being developed for an increasing number of therapeutics area. The rapid growth in market and research environment in emerging economies, such as Brazil, China and India, is leading to gradual migration of economic and research activities from existing advanced economies.

An insight to key therapeutic segments

Oncology

Oncology Market Size exceeded USD 270.5 billion in 2021 and is anticipated to grow at 10.2% CAGR between 2022 and 2028. Global oncology burden has increased as a result of rising alcohol and cigarette intake. Also, as the industry players lay a strong emphasis on developing novel drug candidates targeting different types of cancers.

The pandemic has impacted every element of cancer treatment and research, as screening and oncology care services have been categorised as low-priority services in various nations throughout the world.

Hepatitis

The global hepatitis B virus (HBV) market is expected to reach US$35.63 billion in 2030, increasing at a CAGR of 29.41%, for the period of 2021-2030. The market will rise owing to reasons such as the expansion of the pharmaceutical sector, ageing population, increase in healthcare spending, urbanisation leading to improved monitoring and screening processes, and an increase in liver cancer and cirrhosis deaths due to HBV. Rigid competition, managerial issues, a lack of diagnostic facilities, and the high expense of medical treatment, and regulatory regulations, would all provide barriers to market expansion.[7]

Diabetology

The diabetes care drugs market is anticipated to register a CAGR of over 4.5% during the forecast period (2020-2025). The market's considerable rise is expected to be due to factors like the rising prevalence of diabetes and the growing number of health awareness campaigns launched by various health organisations.

Indian Pharmaceutical Market

India has the third largest pharmaceutical market in terms of volume and 14th largest in terms of value. Amid the disruptions caused by the pandemic, the pharmaceutical industry contributed to a number of areas like preventive healthcare and sanitation wherein it has

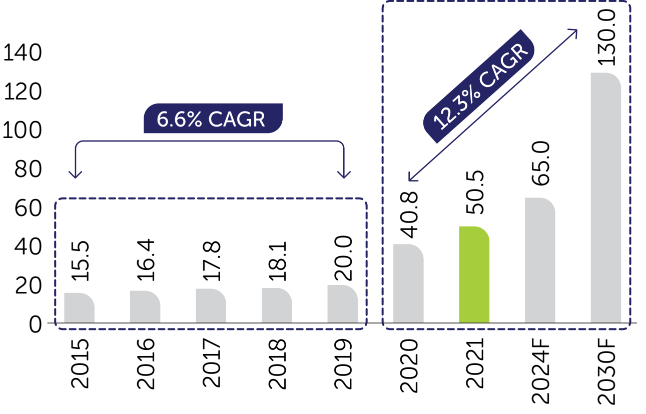
[7] https://www.researchandmarkets.com/reports/5264596/global-hepatitis-b-virus-hbv-market-10-year

shown its adaptability in the face of adversities. The Indian pharmaceutical industry is likely to reach $130 billion by 2030, growing at a CAGR of 12.3 per cent from $40.8 billion in 2020.

The resilience demonstrated by the Indian pharma sector to not only meet the domestic needs but cater to global pharma needs with critical medications, showcases the strength of the sector. A concentrated push for the Indian Pharmaceutical industry through initiatives such as Make in India, Ayushman Bharat Scheme, National Digital Health Mission etc. has positioned India as a leading country in global space. Even the recent Production Linked Incentive (PLI) and Bulk Drug and Medical Devices Park schemes will strengthen domestic pharma manufacturing space.

According to the Department of Pharmaceuticals, over 2.7 million people are employed by the industry either directly or indirectly in high-skill areas like research and development (R&D) and manufacturing. Further, industry's impressive foreign exchange revenues add to the forex reserves and contribute to economic growth of the nation.

The impressive growth of the sector is despite the COVID-19 pandemic and may be attributed to the industry's strong credentials in formulation development capabilities, trained workforce, and growing reputation in international markets such as North America and Europe.



(Source: Invest India, Department of Pharmaceuticals, KPMG in India analysis 2022)

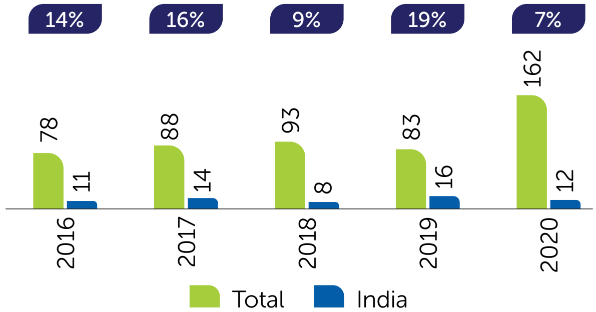
Megatrends in Indian Pharmaceutical space

1. PLI scheme that was set-up in 2020, that offers incentives on incremental sales for products that are manufactured in India. The scheme covers Active pharmaceutical ingredient (API), key starting materials (KSM), and Drug Intermediates. This scheme would promote manufacturing in India and increase production of the companies which are registered under the scheme.

2. Products worth USD 240 billion that are patented are expected to go off-patent over the next 5-6 years, till 2026. This allows Indian pharmaceutical companies to make generic versions of the patented drugs and increase the penetration. Moreover, costs of production, R&D and clinical trials are much lesser in India as compared to other developed countries.

3. Indian pharma companies continue to have a strong compliance mechanism in place, aligned to US FDA regulations. Even after an increase in audits by USFDA, adverse results have stayed low when compared to other countries.

Share of Warning letters (WL) issued by USFDA to India



Source: CARE ratings

Challenges

The COVID-19 pandemic highlighted some of the major gaps to be addressed in Indian pharmaceutical industry. Availability of manpower, ancillary materials such as packaging, rising input costs, and continuity of logistics are some of the factors that remain a challenge to the growth prospects of the sector.

Outlook

The Indian pharmaceutical sector has played a significant role in improving healthcare and economic growth of the country. As dependency on China reduces, it is creating a significant opportunity for growth. Pivotal changes in regulatory framework and stronger government support are expected to drive the industry forward.

Due to the ongoing rollout of Covid-19 vaccinations and a comeback in non-Covid related medical treatments, the value added output for Indian pharmaceuticals is expected to grow by more than 6% yearly in 2022 and 2023. However, near term risks prevail due to manufacturers facing pressure on gross margins due to high commodity and transport costs.[8]

Crop Health Sciences

The global market for conventional crop protection products is estimated to have increased by 4.7% in 2021 to reach $65,206 million. The economic recovery will have a significant impact on the worldwide market in 2021. Although the pandemic had a considerable impact on many businesses, agricultural economies were largely sheltered from the worst impacts given the essential nature of food production.

India has become one of the world's fastest growing economies due to recent increases in industrialisation and urbanisation. The demand for high-quality food items in the region is constantly expanding as the population's disposable income rises. The rising need for food has prompted the increasing adoption of crop protection technology to raise crop production per hectare. Moreover, India's agrochemical industry has been undergoing

[8] Industry trends Pharmaceutical 2022

structural changes as a result of growing demand for crop protection chemicals. Agriculture contributes 20.2 percent of India's gross domestic product (GDP) (GVA). Agriculture and related sectors are anticipated to employ 54.6 percent of the population. The actual production of all major fertilisers during FY22 is 330.84 LMT. A favourable policy environment enabling investments in the public, cooperative, and private sectors has aided the fast expansion of fertiliser production in the nation.

The Indian biopesticides market is projected to witness a CAGR of 7.3% during the forecast period (2022-2027). Biopesticides are bio-based insecticides that are mass-produced and used to manage plant pests. The Indian biopesticides market is divided into categories based on product (bioinsecticides, bioherbicides, biofungicides, and other products), formulation (liquid and dry), ingredient (microbial, plant, and biochemical), mode of application (foliar, seed treatment, and soil), and application method (foliar, seed treatment, and soil) (crop-based and non-crop-based).

Company overview

A diversified enterprise, NATCO is a research-led pharmaceutical company involved in developing, manufacturing and marketing of finished dosage formulations and active pharmaceutical ingredients for domestic as well as international markets. The Company concentrates on specialist therapeutic areas, giving it a distinct market leadership with presence in 50+ countries. Its offerings include Active Pharmaceutical Ingredients (API's) and Finished Dosage Forms (FDF's) to several advanced and emerging countries. In India, NATCO is among the leading companies in oncology segment with its own salesforce and a branding team that has helped garner a strong foothold in the domestic market.

NATCO has built state of the art production facilities throughout India which are accredited by key internationally recognised regulatory bodies. NATCO has six pharma formulation facilities including two in Dehradun (Uttarakhand), one in Kothur (Mahboobnagar, Telangana), one in Nagarjuna Sagar (Nalgonda Dist, Telangana), one in Visakapatnam (Andhra Pradesh), and one in Guwahati (Assam); and two API and API intermediaries manufacturing units in Mekaguda, Telangana and Manali, Chennai. In addition, dedicated R&D centres, NATCO Research Center (NRC) at Sanathnagar (Hyderabad) and Kothur (Telangana) provide the foundation for business excellence year-on-year. NATCO's agrochemical manufacturing operations are housed at two facilities located in Attivaram, Andhra Pradesh.

₹20,438 million

Revenue

₹3,625 million*

EBITDA

**after inventory write-off of ₹ 2,321 million and receivables of ₹ 470 million rupees*

₹1700 million

Profit After Tax

Business segments

Pharmaceuticals and agrochemicals are the two business segments of NATCO. The pharmaceutical business segment is an established business contributing a major portion of revenue. It comprises of FDFs and API's. The Company's API business remains a strategic pillar, driving inhouse captive requirements for key molecules as well as direct customer sales. Among several know-how capabilities, multistep synthesis oligonucleotides, semi-synthetic fusion technologies, high-potency APIs, and complex molecules are some of the key competences of the API division.

In addition, the Company's formulations business remains steadfast on serving international customers in the markets of United States, Europe, Brazil, Canada, and the Philippines. The R&D team continues to widen the therapeutic basket. With robust pipeline of drugs in areas of cancer, pharma specialities, cardiology, and diabetology, the prospects of business growth remain strong for the company.

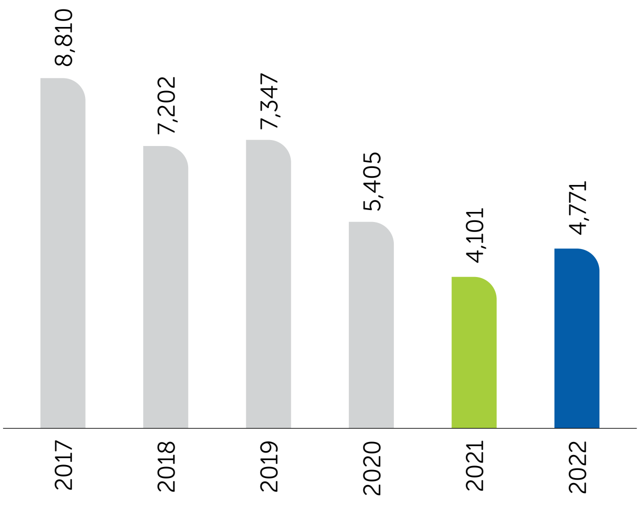
The Company's Crop Health Sciences division, is expected to grow with the launch of high value products in India.

Pharmaceuticals

Domestic formulations

NATCO's robust formulations business consists of strong pipeline of products under oncology and non-oncology products. The Company has a specialist sales force of nearly 550 personnel and over 800 distributors that help penetrate markets. NATCO has made considerable advancements in Cardiology and Diabetology (CnD) segments during the year. The Company strengthened its cardio and diabetes portfolio with 'NATCO Reach' – an additional focussed sales team with a clear-cut customer and geographical penetration program. The Company was able to mitigate the contraction in the pharma specialty sector and remains focused on filling the gaps in untapped markets.

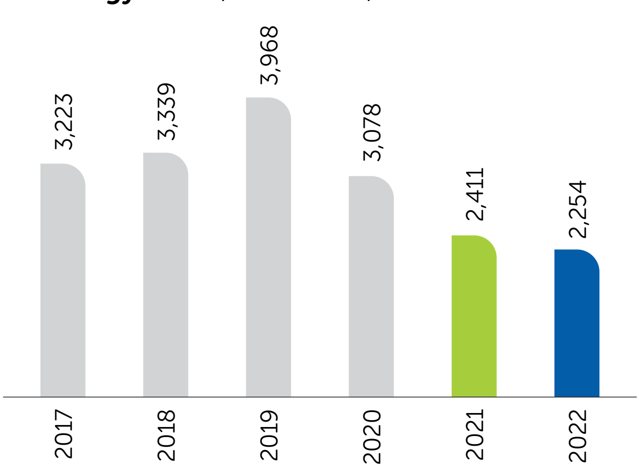
Domestic FDF sales (₹ in million)



Oncology

COVID-19 impacted the oncology segment as people were unable to travel for consultations and treatments. Despite challenges, oncology continues to account for the bulk of domestic sales for the company's revenue. NATCO's equity in terms of trust and market leadership has sustained for the last 18 years, with a strong market presence in oncology segment. The Company has expanded its product range from 6 in 2003 to 39 as on March 31, 2022 and now has a portfolio of well recognized brands. Over the last decade, oncology has had the greatest increase in medicine usage globally, and the category is likely to rebound as the impact of COVID-19 recedes. The year under review witnessed a wider basket of offerings by NATCO, covering targeted therapeutic segments. Since 2003, this approach has helped NATCO cover some novel therapeutic areas, transforming lives with more patients to be covered under treatment. The division generated a revenue of 2254 million during the year as compared to 2411 million in 2020-21.

Oncology sales (₹ in million)



Pharma specialities

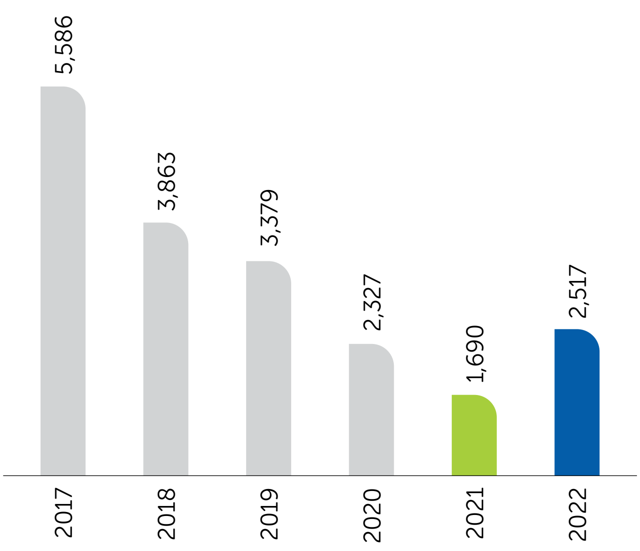
Pharma speciality therapeutics like Cardiology, Diabetology, Gastroenterology, Hepatology, Orthopaedics, Neurology, Critical care, and Covid care products make up NATCO's non-oncology business. The pharma specialty division generated ₹2517 million in revenue in FY 2021-22, compared to ₹1690 million in FY 2020-21.

The business is investing in the introduction of new compounds to address an unmet need in HIV, Covid, and anti-infective treatment. In the pharma specialty space, it targets to strengthen the product range through launch of anti-infective therapy molecules.

Cardiology and Diabetology

Portfolio of the cardio and diabetology segment consists of a few but strong set of products. We have strengthened the portfolio with anticoagulants as first-time generics. We are aspiring to grow the market of this division to a wider basket of doctors with emphasis on our NATCO Reach program.

Non-Oncology revenue (excludes third party) (₹ in million)



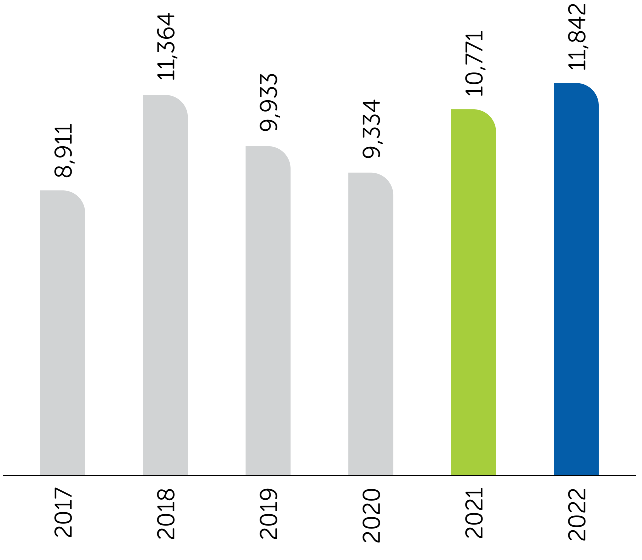
Export Formulations

NATCO has a strong presence in the US and has significant expertise in dealing with the country's regulatory standards and has effectively created a local presence through the reach of its partners for sustained growth of business. The Company, operates in certain geographies like Brazil, Canada, Singapore, Australia and Phillipines through its subsidiaries/stepdown subsidiaries. The Company has a strong portfolio of products in Canada covering Oncology, cardiovascular and CNS therapies. In Brazil, we continue to

expand our offerings with high-potential generic products, widening our revenues and profitability.

Revenue from export formulations amounted to 11,842 million in FY 2021-22 as compared to 10,771 million in FY 2020-21.

Export formulations revenue (₹ in million)



US

US is a key market for NATCO, and it has carved out a niche for itself by using its unique product range and local collaboration approach. NATCO intends to expand the number of filings in the United States. The Company focuses on products with high barriers to entry, such as those with difficult chemistries, complex production processes, or novel drug delivery methods. The Company has shown to be nimble and quick in most of its filings which is reflected in its high percentage of molecules in the US to be First-to-file (FTF).

In FY 2021-22, revenue from US business was ₹ 9,782 million, as compared to ₹ 7,910 million in FY 2020-21. During the year we filed for 4 ANDA's. The Company continues to develop and file strong Para IV products with potential First-to-file (FTF) launches in the US.

Dash Pharmaceuticals LLC, a front-end pharmaceutical sales, marketing, and distribution firm in the United States, was acquired by NATCO Pharma for USD 18 million. This acquisition gives NATCO a platform to directly engage with its customers in the United States for its future portfolio.

Niche Products in the current portfolio

Key Brand	Molecule	Therapeutic Segment / Primary Indication
Copaxone	Glatiramer Acetate	CNS/Multiple Sclerosis
Tamiflu	Oseltamivir	Anti-Viral/Influenza
Afinitor (2.5 mg, 5 mg, 7.5 mg and 10 mg)	Everolimus (higher strength)	Cancer/Breast
Fosrenol	Lanthanum Carbonate	Renal disease
Doxil	Liposomal Doxorubicin	Cancer/ Ovarian and other
Tykerb	LapatinibDitosylate	Cancer/Breast
Zortess	Everolimus (lower strength)	ImmuneSupression/OrganTransplant
Revlimid	Lenalidomide	Cancer/Multiple Myeloma

Product Pipeline

Key Brand	Molecule	Therapeutic Segment / Primary Indication
Nexavar	Sorafenib	Cancer/Kidney & Liver
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/Tipracil	Metastatic colorectal cancer
TracleerTFOS	Bosentan	Pulmonary Arterial Hypertension
Yondelis	Trabectedin	Advanced soft-tissue sarcoma/ovarian cancer
Calquence	Acalabrutinib	Cancer/Blood
Ozempic	Semaglutide pen	Diabetes
Zydelig	Idelalisib	Cancer

Canada

Natco Pharma (Canada) Inc registered a revenue of ₹ 1489 million as compared to ₹ 4242 million in the previous fiscal year. Sales were primarily led by products such as Lenalidomide, Abiraterone and Oseltamivir. The Company launched Nat-Lanthanum as one of the first generics in the market in the year. With 19 drugs in offerings, the Company has a strong foothold in Canadian pharmaceutical market.

19 Active Products

37 Total Filings

23 Approvals as of 31st March, 2022

Brazil

NATCOFARMA Do Brazil is NATCO's step-down subsidiary in Brazil. Brazil has a distinct patent landscape that allows for multiple early launches. The Company is concentrating on expanding its tender-based business as well as direct sales. After several years of diligent strategy and focus, the subsidiary has turned profitable and expects good growth going forward. The Company continues to file for approvals for high potential products in the near term. In FY 2021-22, business revenue in Brazil totalled ₹ 538 million.

5 Active Products

11 Total Filings

5 Approvals as of 31st March, 2022

Asian Markets

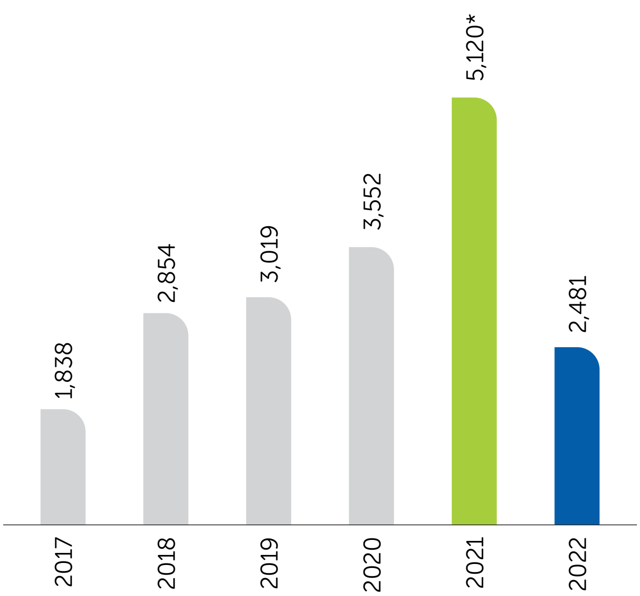
NATCO is working to expand its geographical reach and strengthen its presence in nations including Singapore, Taiwan, the Philippines, Thailand, Vietnam, China, and Australia. To maintain steady profitability and success, the Company is diversifying by expanding into newer regions. The Company has been able to build its presence in Singapore in both Tender and Private segments through branded generics and has also obtained 10+ product approvals. The Company also received its first approval in China and Philippines and is engaging new partners for certain products.

Active Pharmaceutical Ingredients

The Active Pharmaceutical Ingredient business for NATCO continues to be a strategic segment that primarily enables production of niche formulated products. The segment's revenues tend to vary year on year as per the launches in the US market wherein sometimes the API itself is directly exported triggering the elevation of revenues in the segment during that period.

One key molecule in the NATCO portfolio, Glatiramer Acetate, is shipped to our partner as active ingredient. The Company is determined to file new Drug Master Files, (DMF) every year to generate sustained growth in this segment. During the year we filed 5 new DMF's. As of 31st March, 2022, NATCO has a total of 44 active DMFs with the USFDA for products in the areas of oncology, cardiology and CNS therapies. Revenues from the API stood at ₹ 2,481 million as against ₹ 5120 million in the previous year.

API Revenues (Information to be provided)
(₹ in million)



*Includes trading turnover of ₹ 1938 million

Segmental Breakdown

Revenue division (₹ in million)	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
API Revenue	2,854	3,019	3,552	5,120	2,481
Formulations					
Domestic	7,202	7,347	5,405	4,101	4,771
International (including subsidiaries)	11,364	9,933	9,334	10,771	11,842
Crop Health Sciences	-	-	-	21	51
Other operating and non-operating incomes	1,004	1,948	1,933	1,544	1,293
Total revenue	**22,424**	**22,247**	**20,224**	**21,557**	**20,438**

Crop Health Sciences

NATCO's Crop Health Sciences (CHS) division originated by leveraging its core pharma skills in chemistry, patent expertise and quality consciousness. With these strengths in mind, over the past few years NATCO CHS has built state-of-the-art greenfield manufacturing facilities for agro technical and formulations near Tirupati, Andhra Pradesh. The business has initiated and received approvals for certain key high value products and hopes to generate strong revenues in the near future.

NATCO is focused on building its own brand of products in India and is in continuous process of filing for unique products that are in limited competition with a strong potential for global opportunity.

NATCO has launched its first pheromone based mating disruption product for management of Pink Bollworm pest in Kharif 2021 for cotton. It hopes to build a market around such products.

Financial Overview

NATCO's consolidated revenue from operations for the year FY 2021-22 stood at ₹ 20,438 million, at a CAGR of (0.34)%. Furthermore, EBIDTA for the year was ₹ 3625 million while EBIDTA margin amounted to (12)%. PAT stood at ₹ 1700 million as against ₹ 4409 million in FY21.

The market capitalisation of the Company stood at USD 1.82 billion dollars as on March 31, 2022. The Company declared three interim dividends for the FY 2021-22. The total dividend pay-out amounted to ₹ 822 million resulting in a pay-out of 59% of the standalone profit after tax of the Company.

Threats, Risks and Concerns

Our risk management systems are robust with a well-defined framework, that is governed by the Board and management. Our risk management framework seeks to balance shareholder expectations for risk-adjusted returns.

[Read more about Risk management on page 30 of the report]

Environment, health and safety

At NATCO people are the most valuable resource, therefore the company follows regulatory guidelines to contribute to a comprehensive and sustainable workplace for its employees. The Company is compliant with all regulations and the importance of environmental stewardship is stressed in all of the Company's employees.

The initiatives around recycling are:

- Wastewater recycling for cooling towers after treatment in ETP-ZLD.
- Sewage Treatment Plant (STP) for treating and reusing the domestic wastewater for gardening
- 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
- Autoclave Vacuum Pump Water Recirculation System installed to recirculate the Autoclave water of about 1000kl/annum
- Solvent recovery and reuse/ sent authorized solvent recovery units for further processing and for utilization in other applications.
- Hazardous wastes utilized for coprocessing in cement kilns instead of incineration/Landfilling.
- Non-hazardous solid wastes sent to authorized pro-processing facilities for utilization as AFRF in cement kilns.

Board's Report

The Board takes pleasure in presenting the 39th Annual Report of the Company along with the Audited Financial Statements and other reports for the year ended March 31, 2022.

Company Overview

Pharmaceuticals and agrochemicals are the two business segments of NATCO. The pharmaceutical business segment is an established business contributing a major portion of revenue. It comprises of FDFs and API's. The Company's API business remains a strategic pillar, driving inhouse captive requirements for key molecules as well as direct customer sales. Among several know-how capabilities, multistep synthesis oligonucleotides, semisynthetic fusion technologies, high-potency APIs, and complex molecules are some of the key competences of the API division. In addition, the Company's formulations business remains steadfast on serving international customers in the markets of United States, Europe, Brazil, Canada, and the Philippines. The R&D team continues to widen the therapeutic basket. With robust pipeline of drugs in areas of cancer, pharma specialities, cardiology, and diabetology, the prospects of business growth remain strong for the company. The Company's crop health sciences division, is expected to grow with the launch of high value products in India.

Financial Summary

(₹ in Millions)

Particulars	Standalone		Consolidated	
	Year ended 31st March 2022	Year ended 31st March 2021	Year ended 31st March 2022	Year ended 31st March 2021
Net Revenue /Income	18624	17546	20438	21557
Gross profit before interest and depreciation	3076	5187	3625	7098
Finance Cost	133	113	177	133
Profit before depreciation and amortisation - (Cash Profit)	**2943**	**5074**	**3448**	**6965**
Depreciation and Amortisation	1384	1152	1426	1169
PBT before exceptional items	1559	3922	2022	5796
Exceptional items	-	-	-	-
Profit before Tax (PBT)	1559	3922	2022	5796
Provision for Tax –Current	325	933	478	1478
Provision for Tax –Deferred	(157)	(106)	(156)	(106)
Profit after Tax	1391	3095	1700	4424
Other comprehensive income (OCI)	404	133	497	87
Total Comprehensive income for the year	1795	3228	2197	4511

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. 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.

Dividend

The Company declared three interim dividends for the FY 2021-22, the details of which are as follows:

(Amount in ₹)

S. No.	Date of Board Meeting	Date of payment	Interim Dividend Declared per equity share of face value ₹ 2/- each
1.	12th August, 2021	1st September, 2021	2.00
2.	11th November, 2021	2nd December, 2021	0.50
3.	14th February, 2022	4th March, 2022	2.00
	TOTAL		**4.50**

The total dividend pay-out amounted to ₹ 822 million resulting in a pay-out of 59% 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 2021-22. The Dividend Distribution Policy is available 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, 2022.

Share Capital

During the year under review 1,82,340 equity shares were issued and allotted under Employee Stock Option Schemes (ESOP- NATSOP 2016 & NATSOP 2017). Accordingly, the issued and subscribed share capital of the Company as on March 31, 2022, stood at ₹ 365 million divided into 18,25,20,165 equity shares of ₹ 2/- each as against ₹ 364 million divided into 18,23,37,825 equity shares of ₹ 2/- each as on March 31, 2021.

Deposits

During FY 2021-22, 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 Eight (8) international subsidiaries including (2) step-down subsidiaries as on 31st March,2022. 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.

During the FY 2021-22, the Company through NATCO Pharma Inc., USA a wholly owned Subsidiary of the Company has acquired Dash Pharmaceuticals LLC, USA on 1st January, 2022, and Dash Pharmaceuticals LLC, USA is a step-down wholly owned Subsidiary Company of the Company. Except the aforesaid acquisition, the Company has not acquired any other Subsidiary Company nor any of the existing Subsidiary Company(s) are ceased to become Subsidiary of the Company during the Financial Year 2021-22.

Further, a Statement containing the salient features of the financial statement of the Subsidiaries in the prescribed Form AOC-1, is attached as "Annexure - I" to the Board's Report. This Statement also provides the details of the performance and financial position of each Subsidiary.

In accordance with Section 136 of the Companies Act, 2013, the audited financial statements and related information of the subsidiaries, where applicable, will be available for inspection during regular business hours 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. None of the Subsidiary Companies are material subsidiary to the Company based on the income or net worth as on March 31, 2022.

However, NATCO Pharma (Canada) Inc., Canada is the material subsidiary of the Company based on the income or net worth of the Company for FY 2021-22 and will continue as material subsidiary as per Regulation 3 of SEBI (LODR) Regulations, 2015.

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 Regulation, 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. Accordingly, the said provision of the appointment of an Independent Director of the Company in the Board of the material subsidiary Company is not applicable as the prescribed limits are not exceeded by the 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 /other Companies 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 Mrs. D Renuka 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 other statutory authority to that effect is attached to this Annual Report.

Management Discussion and Analysis Report

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

Board of Directors

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

Sri Sridhar Sankararaman, (DIN: 06794418), Non-Executive and Non-Independent Director of the Company has resigned from the Directorship of the Company with effect from 15th February, 2022 due to his professional obligations and other pre occupations.

Board Evaluation

As per the 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 were put in place.

Appointment of Director(s), KMPs 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.

Sri G.S. Murthy, Independent Director of the Company has been appointed as Chairman of the Company with effect from 1st April, 2022.

Upon recommendation of the Nomination and Remuneration Committee, the Board of Directors at their meeting held on 14th February, 2022 approved the appointment/re-appointment of the Sri V.C. Nannapaneni, Managing Director, Sri Rajeev Nannapaneni, Director 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 two (2) year from 1st April, 2022 to 31st March, 2024 and the same has been approved by the members of the Company through Postal Ballot on 25th March, 2022.

CS M. Adinarayana (FCS 3808), Company Secretary & Vice President (Legal & Corporate Affairs) of the Company has been superannuated from the Company w.e.f. the closure of business hours of 31st March, 2022 and upon the recommendation of the Nomination and Remuneration Committee, the Board of Directors at their meeting held on 31st March, 2022 have appointed CS Venkat Ramesh Chekuri (A41964) as the Company Secretary and Compliance Officer of the Company w.e.f. 1st April, 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 2021-22 and attendance of the Directors is provided in the Corporate Governance Report, which forms part of the Annual report.

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

Meeting of Independent Directors

A separate meeting of the Independent Directors was held on 14th February, 2022, 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 and Sustainability Report

As recommended by SEBI, the Company has voluntarily adopted the Business Responsibility and Sustainability Report (BRSR) in the format specified by SEBI for FY 2021-22. The BRSR is forming part of this Annual Report.

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, 2022, 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 Director(s) and employee(s) 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 https://www.natcopharma.co.in/wp-content/uploads/2022/06/Whistle-Blower-Policy.pdf.

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

Internal Complaints Committee

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

Auditors

Statutory Auditors

The members of the Company at their Annual General Meeting held on 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, Proprietor, M/s. BK & Associates, a Practicing Company Secretary conducted the Secretarial Audit of the Company for FY 2021-22. 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) Proprietor, M/s. BK & Associates, a Practicing Company Secretary as Secretarial Auditor of the Company for the FY 2022-23.

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 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 2022-23. 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 2021-22 will be filed with the Central Government within the stipulated timeline and the relevant Cost Audit report for FY 2020-21 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 issued by the Statutory Auditors of the Company.

There is an observation by the Secretarial Auditor that as per Regulation 18(2)(a) of Listing Regulations, the Audit Committee shall meet at least four times in a year and not more than one hundred and twenty days shall elapse between two meetings. However, the gap between two consecutive Audit Committee Meetings was more than 120 days for quarter ended June 30, 2021, a system generated mail was received from National Stock Exchange of India Limited (NSE) in this regard and the Company gave prompt reply with explanation, no further action was taken or correspondence received from NSE till date in furtherance thereto.

Explanations or Comments by the Board on qualification, reservation or adverse remark or disclaimer made

As per SEBI Notification reference No. SEBI/HO/CFD/CMD1/P/CIR/2021/556 dated April 29, 2021 due to COVID-19 pandemic condition extended the deadline for announcing the Audited Financial Results for the Financial Year ended March 31, 2021 to June 30, 2021. Accordingly, your Company has conducted both the Audit Committee and Board of Directors Meeting on June 17, 2021 for consideration of Audited Financial Results for the FY 2020-21.

However, due to the severe pandemic situation and some unavoidable situations/circumstances, the gap between the two Audit Committee Meetings was more than 120 days (i.e., there was gap of 6 days). The gap that arose between the two meetings were unintentional for which your Company will take utmost care and caution in future.

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 2021-22, 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 2021-22 are discussed in a separate head Responsible Societal Actions which forms a part of this Annual Report.

The Annual Report on CSR activities of the Company is attached as Annexure – IV and Impact Assessment report issued by M/s. Poverty Learning Foundation, Hyderabad is available on the website of the Company at https://www.natcopharma.co.in/investors/Impactassessmentreport

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, 2022 is available on the Company's website on https://www.natcopharma.co.in/investors/annualreturn

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
Managing Director
DIN: 00183315

Rajeev Nannapaneni
Director & Chief Executive Officer
DIN: 00183872

Place: Hyderabad
Date: May 30, 2022

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)

	Natco Pharma Inc.	Dash Pharmaceuticals LLC, USA*	Time Cap Overseas Limited	Natcofarma Do Brasil Ltda*	Natco Pharma (Canada) Inc	Natco Pharma Asia Pte Ltd	Natco Pharma Australia Pty Ltd	Natco Life Sciences Philippines Inc
Share Capital	1,304.66	641.91	1,541.51	1,469.75	231.54	101.88	193.50	46.77
Reserves & Surplus	239.40	-503.70	-105.93	-968.09	2,041.25	-6.00	-190.46	-22.75
Total Assets	1,893.35	741.88	1,610.01	864.76	1,452.24	152.87	0.35	35.83
Total Liabilities	349.29	603.66	174.44	363.10	201.97	56.99	-2.69	11.82
Investments	-	-	-	-	1,022.52	-	-	-
Turnover	5.64	330.97	-	554.10	1,526.07	141.24	-	49.43
Profit before taxation	0.85	-36.38	-0.38	43.78	498.43	39.82	-41.69	14.11
Provision for taxation	0.34	-	-	-19.11	133.82	-	-	0.61
Profit after taxation	1.19	-36.38	-0.38	24.67	364.61	39.82	-41.69	14.72
Proposed Dividend	-	-	-	-	-	-	-	-
Reporting Currency	USD	USD	USD	BRL	CAD	SGD	AUD	PESO
Closing exchange rate	75.52	75.52	75.52	15.86	60.38	55.77	56.56	1.46
Average exchange rate	74.49	74.49	74.49	13.96	59.46	55.26	55.11	1.49
% of Shareholding	100%	100%	100%	100%	100%	100%**	100%	100%**

Note: Turnover includes Other revenue and Other Operating Revenue.
Profit/(Loss) figures do not include Other Comprehensive Income.
Total Assets includes investment in subsidary companies
Investements do not include investment in subsidiary companies

* Stepdown subsidiary companies

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

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

V.C. Nannapaneni
Managing Director
DIN: 00183315

Rajeev Nannapaneni
Director & Chief Executive Officer
DIN: 00183872

Place: Hyderabad
Date: May 30, 2022

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 particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length 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.	Sri. V.C. Nannapaneni, Chairman & Managing Director	Renewal of Lease Agreement	2 years	To locate Mumbai Administrative, Marketing and Distribution office of the Company. ₹3.00 million p.a.	11th February, 2021	Nil
2.	Sri. Rajeev Nannapaneni, Vice Chairman & CEO	Renewal of Lease Agreement	2 years	To locate Chennai Administrative, Marketing and Distribution Office of the Company. ₹3.00 million p.a.	11th February, 2021	Nil
3.	M/s. Time Cap Pharma Labs Private Limited Shareholding of Sri. V. C. Nannapaneni and Sri. Rajeev Nannapaneni	Renewal of Lease Agreement	2 years	To locate Delhi Administrative, Marketing and Distribution Office Rent payable ₹3.00 million p.a.	11th February, 2021	Nil
4.	M/s. Time Cap Pharma Labs Private Limited Shareholding of Sri. V. C. Nannapaneni and Sri. Rajeev Nannapaneni	Renewal of Lease Agreement	2 years	To locate godown at Kothur Mandal, Rangareddy Dist. Rent payable - ₹1.80 million p.a.	11th February, 2021	Nil
5.	M/s. Time Cap Pharma Labs Private Limited Shareholding of Sri. V. C. Nannapaneni and Sri. Rajeev Nannapaneni	Renewal of Lease Agreement	2 years	To locate Company's Solar Panel Production at Kothur, Rangareddy Dist. Rent payable - ₹1.80 million p.a.	11th February, 2021	Nil
6.	Natco Pharma (Canada) Inc., Wholly owned Subsidiary	Sales	1 year	To sell finished goods to Natco Pharma (Canada) Inc., ₹386.84 million p.a.	11th February, 2021	Nil

Sl. No.	Name(s) of the related party and nature of relationship	Nature of Contract / arrangements / transaction	Duration of the contracts / arrangements/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any in ₹ Million	Date(s) of approval by the Board if any	Amount paid as advances, if any in ₹
7.	Natco Pharma Asia Pte. Ltd., Subsidiary	Purchases/ Sales	1 year	To sell/purchase finished goods to Natco Pharma Asia Pte Ltd. ₹96.46 million p.a.	11th February, 2021	Nil
8.	Natcofarma Do Brasil Ltda, Step-down wholly owned Subsidiary	Sales	1 year	To sell finished goods to Natco Pharma Do Brasil Ltda. ₹266.58 million p.a.	11th February, 2021	Nil
9.	NATCO Lifesciences Philippines Inc- Subsidiary	Sales	1 year	To sell finished goods to NATCO Lifesciences Philippines Inc. ₹3.96 million p.a.	11th February, 2021	Nil
10.	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 – ₹0.55 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.

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

V.C. Nannapaneni
Managing Director
DIN: 00183315

Rajeev Nannapaneni
Director & Chief Executive Officer
DIN: 00183872

Place: Hyderabad
Date: May 30, 2022

Annexure-III to the Board's Report

Form MR-3

SECRETARIAL AUDIT REPORT

(For the financial year ended 31st March, 2022)

[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, 2022, 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, 2022 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 and Overseas Direct Investment;

(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 and Sweat Equity) Regulations, 2021;

(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 Securities) Regulations, 2021 and amendments thereto;

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

(k) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021.

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

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

(b) 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 read with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Rules, 2013

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

- Secretarial Standards as issued and notified by the Institute of Company Secretaries of India relating to Board Meetings, General Meetings, Dividends and Report on the Board of Directors.

- The Listing Agreement entered into by the Company with BSE Limited and National Stock Exchange of India Limited and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

a. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021;

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 Securities) Regulations, 2021;

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

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

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

I further 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 except to the extent as mentioned below:

The Corporate Governance Report pursuant to Regulation 18(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 submitted by the Company-Gap between two consecutive Audit Committee Meetings was more than 120 days for quarter ended June 30, 2021, a system generated mail was received from NSE in this regard and the company gave prompt reply with explanation, no further action was taken or correspondence received from NSE till date in furtherance thereto.

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 and 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 Board vide Resolution passed on 14th December, 2021 pursuant to Natco Employees Stock Option Scheme 2016 (NATSOP 2016) approved the allotment of Fifth Tranche of the options entitling 27,340 (Twenty Seven Thousand Three Hundred and Forty) 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 through its Resolution passed by way of circulation on 28th January, 2022 pursuant to Natco Employees Stock Option Scheme 2017 (NATSOP 2017) approved the allotment of fourth tranche of the options entitling 1,55,000 (One Lakh Fifty Five Thousand) 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: F011093D000428391

Place: Hyderabad
Date: 30.05.2022

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.

Annexure to Form MR-3

(For the financial year ended 31st March, 2022)

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: F011093D000428391

Place: Hyderabad
Date: 30.05.2022

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 & Chairman	3	3
2	Sri V.C. Nannapaneni	Managing Director	3	3
3	Sri Rajeev Nannapaneni	Director and Chief Executive Officer	3	3
4	Dr. Mrs. Leela Digumarti	Independent Director	3	3

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)

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 is carried out by M/s. Poverty Learning Foundation, Hyderabad. The Impact Assessment Report is available on the website of the Company at https://www.natcopharma.co.in/investors/Impactassessmentreport

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): ₹ 5,869.78 Million

7) (a) Two percent of average net profit of the Company as per Section 135(5): ₹ 117.50 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: ₹ 2.56 Million

(d) Total CSR obligation for the financial year (7a+7b-7c): ₹ 114.94 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
121.20	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, Guntur in Andhra Pradesh	2 year	63.63	63.63	Nil	No	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
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	Yes	Telangana, Andhra Pradesh and Tamil Nadu	Hyderabad, Nalgonda, Siddipet, Ranga Reddy in Telangana state and Guntur, Andhra Pradesh and Chennai in Tamil Nadu	1 year	41.07	41.07	Nil	No	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
		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										
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 and Andhra Pradesh	Ranga Reddy and Nalgonda districts of Telangana and Guntur district of Andhra Pradesh	1 year	3.38	3.38	Nil	No	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
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	2.58	2.58	Nil	No	Natco Trust	CSR00001101
5	Covid-19	Schedule VII, item N0. (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	4.07	4.07	Nil	No	Natco Trust	CSR00001101
6	Support to Government Departments	Schedule VII, item No. (vi)	No	Andhra Pradesh	Guntur	1 year	0.72	0.72	Nil	No	Natco Trust	CSR00001101
7	Rural Development	Schedule VII, item No. (x)	No	Telangana and Andhra Pradesh	Hyderabad and Guntur	1 year	0.50	0.50	Nil	No	Natco Trust	CSR00001101
	Total						**115.95**	**115.95**				

(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	Comprehensive free and subsidized medical services/treatment of high quality to the destitute and needy people and also for the expansion of Medical Facilities and purchase of Medical equipment for the Hospital	Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water (covered under clause (I) of Schedule VII of the Companies Act.	No	Gujarat	Valsad	1.50	No	Shrimad Rajchandra Hospital and Research Center with multispecialty Facilities at Dharampur, Dist Valsad, Gujarat -396050 CSR Registration Number is CSR00000266	
2	Society for Cyberabad Security Council (SCSC)	To support the CSR initiatives of Society for Cyberabad Security Council for the Safety of the People	Yes	Hyderabad	Telangana	2.50	No	Society for Cyberabad Security Council (SCSC) C/o Cyberabad Police Commissionerate, Mumbai Road, Jayabheri Pine Valley, Gachibowli, Hyderabad – 500032 CSR Registration Number is CSR00005045	
	Total					**4.00**			

(d) Amount spent in Administrative Overheads: ₹ 1.25 Million

(e) Amount spent on Impact Assessment, if applicable: Nil (₹ 0.94 Million payment has to be made to M/s. Poverty Learning Foundation)

(f) Total amount spent for the Financial Year (8b+8c+8d+8e): ₹ 121.20 Million

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

Sl. No.	Particular	Amount (in ₹)
(i)	Two percent of average net profit of the Company as per Section 135(5)	₹ 117.50 Million
(ii)	Total amount spent for the Financial Year	₹ 121.20 Million
(iii)	Excess amount spent for the financial year [(ii)-(i)]	₹ 3.70 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)]	₹ 3.70 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

Place: Hyderabad
Date: May 30, 2022

V.C. Nannapaneni
Managing Director
DIN: 00183315

G.S. Murthy
Chairman CSR Committee
DIN: 00122454

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 2021-22 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 2021-22
Sri V. C. Nannapaneni	Chairman and Managing Director	47	5.44
Sri Rajeev Nannapaneni	Vice Chairman and CEO	43	5.92
Sri P.S.R.K Prasad	Whole Time Director	45	-30.23
Dr. D Linga Rao	Whole Time Director	65	-12.01
Sri M. Adinarayana*	Company Secretary	13	-43.01
Sri S.V.V.N. Appa Rao	Chief Financial Officer	24	-29.46

Median remuneration of employees for the FY 2021-22 is ₹ 4,81,344/-.

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 6.34% in FY 2021-22.

(iii) The number of permanent employees on the rolls of Company as on March 31, 2022 is 4760.

(iv) The average increase in remuneration paid to employees is 9.71% for FY 2021-22 as compared to FY 2020-21.

(v) It is hereby affirmed that the remuneration paid during FY 2021-22 is as per the Remuneration Policy of the Company.

Note: * CS M. Adinarayana, Company Secretary & Vice President (Legal and Corporate Affairs) of the Company has been superannuated from the Company from the closing of business hours on March 31, 2022.

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

V.C. Nannapaneni
Managing Director
DIN: 00183315

Rajeev Nannapaneni
Director & Chief Executive Officer
DIN: 00183872

Place: Hyderabad
Date: May 30, 2022

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:

   Installed new high efficiency Utility equipment & Improvise the existing utility system during the last fiscal and achieved significant saving of ₹ 13 million in various utility areas.

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

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

   Propose to install 0.5 MW Solar plant at Mekaguda 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.

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
A: Power and Fuel Consumption		
1. Electricity		
a) Purchased Units	63642762	62893001
Total amount (₹ million)	478.55	448.96
Rate / Unit (₹)	7.52	7.14
b) Own Generation:		
i) Through Diesel		
Generator Units	1597064	1126146
Units / ltr. Of Diesel Oil	3.48	3.53
Cost / Unit (₹)	25.15	19.06
ii) Through Windmill		
Generator Units	8185034	4110598
Total Cost Per Year (₹ million)	17.06	7.04
Cost / per Unit (₹)	2.08	1.71

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
A: Power and Fuel Consumption		
iii) Through Solar		
Generator Units	6118773	6243768
Total Cost Per Year (₹ million)	14.42	13.01
Cost / per Unit (₹)	2.36	2.08
2. Coal D/C grade		
Quantity (Tonnes)	4683	4721
Total amount (₹ million)	53.11	44.95
Average rate per tonne (₹)	11340	9522
3. Furnace Oil		
Quantity (Ltr)	2674801	2606031
Total amount (₹ million)	119.59	84.36
Average rate per Ltr (₹)	44.71	32.37

(C) Expenditure on R&D

Amount (₹ in Million)

	Year ended March 31, 2022	Year ended March 31, 2021
R&D Expenditure	2267	1596
Total R&D Expenditure as percentage of standalone revenue	12.82%	9.65%

(D) Foreign Exchange Earnings and Outgo

The Company earned foreign exchange amounting to ₹ 8,881 million and used foreign exchange amounting to ₹ 3,882 million during the year ended 31st March, 2022.

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

V.C. Nannapaneni
Managing Director
DIN: 00183315

Rajeev Nannapaneni
Director & Chief Executive Officer
DIN: 00183872

Place: Hyderabad
Date: May 30, 2022

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.

Your Company has been awarded Corporate Governance Award for the year 2021 at the virtual event held on January 6, 2022 organised by Moneylife Foundation. Your Company has been selected from the nominations that it had received on its own from Moneylife readers, many top investors, analysts, fund managers, bankers, academics, and researchers. The award was presented by Sri M. Damodaran, former Chairman of SEBI.

Board of Directors

The Board of your Company is a combination of nine (9) 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 2021-22, six (6) Board Meetings were held through video conference on June 17, 2021, August 12, 2021, November 11, 2021, December 14, 2021, February 14, 2022 and March 31, 2022 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 2021-22		Attendance at the last AGM Held on September 30, 2021	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	NIL	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

Sl. No.	Name of the Director	DIN	Category	Number of Board meetings during FY 2021-22		Attendance at the last AGM Held on September 30, 2021	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
								Moschip Technologies Limited	Independent Director	2	1
								Suven Pharmaceuticals Limited	Independent Director	2	1
6.	Dr. Leela Digumarti	06980440	Independent Director	6	5	Yes	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	Yes	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[b]	06794418	Non-Executive and Non-Independent Director	5	4	Yes	NIL	NA	NA	NA	NA

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

(b) Sri Sridhar Sankararaman has resigned from the Directorship of the company with effect from 15th February, 2022.

(c) 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.

Separate Meeting for Independent Directors

The Independent Directors of your Company met on February 14, 2022 and considered those items of business as required under Schedule IV to the Act as well as the Listing Regulations. The Company Secretary of your Company facilitated the convening and holding of the meeting of Independent Directors.

Familiarisation Programme for Independent Directors

The Company has organised Familiarisation Programmes for the Independent Director(s) 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 of the Company at https://www.natcopharma.co.in/wp-content/uploads/2022/05/FAMILIARIZATION-PROGRAM-FOR-INDEPENDENT-DIRECTORS.pdf.

(d) Board Evaluation

A formal annual evaluation has been made by the Board of its own performance, Chairman of the Board, its Committee(s) and individual Director(s). 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 proactively contributes in to development of strategy and to risk management of the Company.

II. Managing Relationship:

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

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

III. Knowledge and Skill:

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

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

c) Director upholds ethical standards of integrity and probity.

d) Director is able to present his/ her views convincingly yet diplomatically in the interest of the Company.

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

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

g) Director has effectively assisted the Company in implementing best corporate governance practices and then monitors the same as per rules and regulations.

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

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

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

k) Director maintains high level of confidentiality, integrity and honesty.

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

IV. Personal Attributes

Director has maintained high standard of ethics and integrity.

(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	✓	✓	✓	✓	✓	✓

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 2021-22 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 except as reported below and the terms of reference of the Audit Committee are in line with the requirements under the Act and the Listing Regulations:

As per Regulation 18(2)(a) "the Audit Committee shall meet at least four times in a year and not more than one hundred and twenty days shall elapse between two meetings".

As per SEBI Notification reference No. SEBI/HO/CFD/CMD1/P/CIR/2021/556 dated April 29, 2021 due to COVID-19 pandemic condition extended the deadline for announcing the Audited Financial Results for the Financial Year ended March 31, 2021 to June 30, 2021. Accordingly, your Company has conducted both the Audit Committee and Board of Directors Meeting on June 17, 2021 for consideration of Audited Financial Results for the FY 2020-21.

However, due to the sever pandemic situation and some unavoidable situations/circumstance the gap between the two Audit Committee Meetings was more than 120 days (i.e., a gap of 6 days). The gap that arose between the two meetings were unintentional for which your Company will take utmost care and caution in future.

Details of Composition of the Audit Committee and attendance at the meetings held on June 17, 2021, August 12, 2021, November 11, 2021, December 14, 2021 and February 14, 2022 are given below:

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

Note: *The Audit Committee has been reconstituted on 11th November, 2021 and Sri V.C. Nannapaneni is ceased to be member of the Audit Committee due to reconstitution of the Committee.

** The Audit Committee has been reconstituted on 14th February, 2022 as Sri Sridhar Sankararaman has resigned from the Directorship of the Company and ceased to be member of the Committee w.e.f.15th February, 2022.

(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, 2021 and November 11, 2021 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.

The Nomination and Remuneration Policy of the Company is available on the website of the Company at https://www.natcopharma.co.in/wp-content/uploads/2022/06/Nomination-Remuneration-Policy.pdf

During the year four (4) meetings of the Committee were held on June 17, 2021, August 12, 2021, February 14, 2022 and March 31, 2022.

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	4	4
Sri V.C. Nannapaneni*	Executive Director	2	2
Sri Sridhar Sankararaman**	Non-Executive and Non-independent Director	4	3
Dr. M.U.R. Naidu	Independent Director	4	4
Sri T.V. Rao***	Independent Director	4	1

Note: *The Nomination and Remuneration Committee has been reconstituted on 11th November, 2021 and Sri V.C. Nannapaneni is ceased to be member of the Committee.

** The Nomination and Remuneration Committee has been reconstituted on 14th February, 2022 and Sri Sridhar Sankararaman ceased to be member of the Committee due to resignation from the Directorship of the Company w.e.f. 15th February, 2022.

***Sri T.V. Rao has been appointed as Members of the Committee w.e.f. 15th February, 2022.

(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.

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.

During the financial year 2021-22, there were no meetings of the Compensation Committee. However, the Committee had passed the Resolution by Circulation on January 28, 2022 wherein the Committee had allotted the fourth tranche of options under Natco Employee Stock Option Scheme, 2017 (NATSOP 2017) to the eligible employees of the Company.

(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 three (3) meetings of the Committee were held on June 17, 2021, November 11, 2021 and February 14, 2022.

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	3	3
Sri V.C. Nannapaneni	Executive Director	3	3
Sri Rajeev Nannapaneni	Executive Director	3	3
Dr. Leela Digumarti	Independent Director	3	3

(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(s) etc., are in line with the requirements of the Listing Regulations. The Risk Management Committee meetings were held on September 15, 2021 and March 5, 2022 during the year. The composition of the Committee is as follows:

Name of the Director	Category	Risk Management Committee attendance	
		Held	Attended
Sri V.C. Nannapaneni (Chairman)	Executive Director	2	2
Sri Rajeev Nannapaneni	Executive Director	2	2
Dr. M.U.R. Naidu	Independent Director	2	2
Sri P.S.R.K. Prasad	Executive Director	2	2
Dr. D. Linga Rao	Executive Director	2	2
Sri A. Lakshminarayana	Vice President – HR	2	2
Sri S.V.V.N. Appa Rao	Chief Financial Officer	2	2
Dr. B. Rami Reddy*	Director – Formulations	2	1
Dr. M. Pulla Reddy	Executive Vice President – R&D	2	2

Note: * Dr. B. Rami Reddy has been superannuated from the Company w.e.f. December 31, 2021.

(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 were three (3) meetings held during the year on September 8, 2021, January 10, 2022 and March 23, 2022, all the members of the Committee were present at the meetings.

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

During the financial year 2021-22, 4 (four only) instruments of transmission of equity shares for 400 (Four hundred only) equity shares and 3 (three only) instruments of transposition and name deletion for 700 (seven 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 Committee(s) 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 2021-22, 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

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
2020-21	30th September, 2021	Held through Video Conference at the Registered office of the Company situated at NATCO House, Road No. 2, Banjara Hills, Hyderabad - 500034	9.00 A.M.	4
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

(c) Postal ballot

The following Special Resolution(s) were passed during the FY 2021-22 through Postal Ballot:

(i) Person who conducted the Postal ballot exercise

The Company has appointed Sri Kiran Kumar Bodla, Proprietor, BK & Associates, Practising Company Secretary (Membership No. FCS 11093 and CP No. 15876) as Scrutinizer to conduct the Postal Ballot voting process in accordance with the law and in a fair and transparent manner.

(ii) Procedure for Postal Ballot

Pursuant to Section 108, Section 110 and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") read with Rule 20 and 22 of the Companies (Management and Administration) Rules, 2014, read with General Circular No. 14/2020 dated April 8, 2020, the General Circular No. 17/2020 dated April 13, 2020, the General Circular No. 22/2020 dated June 15, 2020, the General Circular No. 33/2020 dated September 28, 2020, the General Circular No. 39/2020 dated December 31, 2020, General Circular No. 02/2021 dated January 13, 2021, the General Circular No. 10/2021 dated June 23, 2021 and the General Circular No. 20/2021 dated December 8, 2021 issued by Ministry of Corporate Affairs ("MCA Circulars"), read with Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standards on General Meetings (SS-2) including any statutory modification or re-enactment thereof for the time being in force and pursuant to other applicable laws and regulations, that the following Special Resolutions were passed by the Members of the Company through Postal Ballot by remote e-voting process during the Financial Year 2021-22.

The e-voting facility to Members was provided through National Securities Depository Limited (NSDL). The e-voting period commenced at 9:00 Hours (IST) on Thursday, February 24, 2022 to 17:00 Hours (IST) on Friday, March 25, 2022. A newspaper advertisement as required under the Companies Act, 2013 was published in Business Standard all editions and Nava Telangana (regional newspaper – Telugu Language) newspapers on February 23, 2022.

The Scrutinizer submitted his report on postal ballot by remote e-voting process to the Chairman of the Company on March 26, 2022.

(iii) Special Resolutions passed last year through Postal Ballot and its Voting Results:

1. To appoint Sri V.C. Nannapaneni (DIN: 00183315) as Managing Director of the Company for a period of two years from 1st April, 2022 to 31st March, 2024:

Promoters / Public	Mode of Voting Type	No of Shares held (1)	No of Votes Polled (2)	% of Votes Polled on shares held (3) = ((2)/ (1)*100)	No. of Votes in Favour (4)	No of Votes -Against (5)	% of Votes in favour on Votes Polled (6)= ((4)/ (2)*100)	% of Votes against on Votes Polled (7)= ((5)/ (2)*100)
Promoter and Promoter Group	E-voting	89103545	88703225	99.55	88703225	0	100.00	0.00
Public- Institutional Holders	E-voting	55013762	36345346	66.07	32507739	3837607	89.44	10.56
Public - Others	E-voting	38402858	3947053	10.28	3937157	9896	99.75	0.25
Total		**182520165**	**128995624**	**70.67**	**125148121**	**3847503**	**97.02**	**2.98**

2. To appoint Sri Rajeev Nannapaneni (DIN: 00183872) as Director and Chief Executive Officer for a period of two years from 1st April, 2022 to 31st March, 2024

Promoters / Public	Mode of Voting Type	No of Shares held (1)	No of Votes Polled (2)	% of Votes Polled on shares held (3) = ((2)/ (1)*100)	No. of Votes in Favour (4)	No of Votes -Against (5)	% of Votes in favour on Votes Polled (6)= ((4)/ (2)*100)	% of Votes against on Votes Polled (7)= ((5)/ (2)*100)
Promoter and Promoter Group	E-voting	89103545	88703225	99.55	88703225	0	100.00	0.00
Public- Institutional Holders	E-voting	55013762	36345346	66.07	33228414	3116932	91.42	8.58
Public - Others	E-voting	38402858	3946953	10.28	3935128	11825	99.70	0.30
Total		**182520165**	**128995524**	**70.67**	**125866767**	**3128757**	**97.57**	**2.43**

3. To reappoint Sri P.S.R.K Prasad (DIN: 07011140) as Director and Executive Vice President (Corporate Engineering Services) for a period of two years from 1st April, 2022 to 31st March, 2024

Promoters / Public	Mode of Voting Type	No of Shares held (1)	No of Votes Polled (2)	% of Votes Polled on shares held (3) = ((2)/ (1)*100)	No. of Votes in Favour (4)	No of Votes -Against (5)	% of Votes in favour on Votes Polled (6)= ((4)/ (2)*100)	% of Votes against on Votes Polled (7)= ((5)/ (2)*100)
Promoter and Promoter Group	E-voting	89103545	88703225	99.55	88703225	0	100.00	0.00
Public- Institutional Holders	E-voting	55013762	36345346	66.07	27716550	8628796	76.26	23.74
Public - Others	E-voting	38402858	3946933	10.28	3932293	14640	99.63	0.37
Total		**182520165**	**128995504**	**70.67**	**120352068**	**8643436**	**93.30**	**6.70**

4. To reappoint Dr. D. Linga Rao (DIN: 07088404) as Director and President (Tech. Affairs) for a period of two years from 1st April, 2022 to 31st March, 2024

Promoters / Public	Mode of Voting Type	No of Shares held (1)	No of Votes Polled (2)	% of Votes Polled on shares held (3) = ((2)/ (1)*100)	No. of Votes in Favour (4)	No of Votes -Against (5)	% of Votes in favour on Votes Polled (6)= ((4)/ (2)*100)	% of Votes against on Votes Polled (7)= ((5)/ (2)*100)
Promoter and Promoter Group	E-voting	89103545	88703225	99.55	88703225	0	100.00	0.00
Public- Institutional Holders	E-voting	55013762	36345346	66.07	27716550	8628796	76.26	23.74
Public - Others	E-voting	38402858	3946953	10.28	3935334	11619	99.71	0.29
Total		**182520165**	**128995524**	**70.67**	**120355109**	**8640415**	**93.30**	**6.70**

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 the remuneration paid to them for the financial year 2021-22 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:

Sl. No.	Name	Designation	Total amount (₹ in Million per annum)*
1	Sri V. C. Nannapaneni	Chairman & Managing Director	22.68
2	Sri Rajeev Nannapaneni	Vice Chairman & CEO	20.92
3	Sri P.S.R.K. Prasad	Director & Executive Vice President (Corp. Engg. Services)	21.52
4	Dr. D. Linga Rao	Director & President (Tech. Affairs)	31.48
		Total	**96.6**

* Includes Employer contribution to PF

Non-Executive Directors

Sitting fees is 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 the Act. The details of the sitting fees paid to Non-Executive Directors of the Company for the Financial Year 2021-22 is given below:

Sl. No.	Name	Designation	Total amount (₹ in Million per annum)
1.	Sri G.S. Murthy	Independent Director	0.70
2.	Sri T.V. Rao	Independent Director	0.48
3.	Sri D.G. Prasad	Independent Director	0.46
4.	Dr. Mrs. Leela Digumarti	Independent Director	0.36
5.	Dr. M.U.R. Naidu	Independent Director	0.58
6.	Sri Sridhar Sankararaman*	Non-Executive and Non-Independent Director	Nil
		Total	**2.58**

* 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, 2022. 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 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 https://www.natcopharma.co.in/wp-content/uploads/2020/10/CODE-OF-CONDUCT-TO-REGULATE-MONITOR-AND-REPORT-TRADING-BY-DESIGNATED-PERSONS.pdf

COMPLIANCES

a. Reconciliation of Share Capital Audit Report

The Reconciliation of Share Capital Audit Report was prepared on a quarterly basis by Mrs. D. 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 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. The Whistle Blower Policy of the Company is available on the website of the Company at https://www.natcopharma.co.in/wp-content/uploads/2022/06/Whistle-Blower-Policy.pdf

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 programmes conducted to create awareness among our employees & all our stakeholders. Our well-defined Environment, Health and Safety (EHS) policy over the year built a framework 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 2021-22 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, 2022. The Company had formulated a Related Party Transactions Policy which is available on the Company's Website at the following link: https://www.natcopharma.co.in/wp-content/uploads/2022/03/Related-Party-Transaction-Policy.pdf

Materiality Policy

The Company's Policy for determination o f materiality of an event or information is available on the website of the Company at https://www.natcopharma.co.in/wp-content/uploads/2022/06/Materiality-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
NATSOP2016	Opening Balance as on April 1, 2021	53,765
	Options vested and Exercised during the year	27,340
	Closing Balance of Options as March 31, 2022	26,425*
NATSOP2017	Opening Balance as on April 1, 2021	2,52,580
	Options vested and Exercised during the year	1,55,000
	Closing Balance of Options as March 31, 2022	97,580*

*NATSOP2016 Scheme has been closed during FY 2021-22 and balance Options were lapsed.

As per NATSOP2017 Scheme the Company has allotted 37,000 equity shares on 16th May, 2022 and the Scheme has been closed during FY 2022-23 and balance Options were lapsed.

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, 2022
2015-16	Interim	1.25	February 11, 2016	March 19, 2023	14,62,765.00
2016-17	1st Interim	0.75	August 9, 2016	September 15, 2024	8,79,256.00
	2nd Interim	6.00	February 14, 2017	March 23, 2024	50,83,482.00
2017-18	1st Interim	1.25	August 7, 2017	September 13, 2024	14,14,621.25
	2nd Interim	7.00	February 6,2018	March 15, 2025	40,27,744.00
2018-19	1st Interim	1.50	August 8, 2018	September 14, 2025	9,80,589.00
	2nd Interim	3.50	February 12, 2019	March 15, 2026	21,50,652.00
	3rd Interim	1.25	May 27, 2019	July 6, 2026	8,61,658.75
2019-20	1st Interim	1.25	August 9, 2019	September 7, 2026	8,04,292.50
	2nd Interim	1.00	November 12, 2019	December 11, 2026	6,58,560.00
	3rd Interim	3.50	February 12, 2020	March 12, 2027	22,33,952.00
	4th Interim	1.00	June 17, 2020	July 17, 2027	6,40,724.65
2020-21	1st Interim	1.25	August 12, 2020	September 11, 2027	6,57,561.85
	2nd Interim	3.00	November 12, 2020	December 11, 2027	13,76,843.15
	3rd Interim	1.00	February 11, 2021	March 12, 2028	8,53,448.31
2021-22	1st Interim	2.00	August 12, 2021	September 11, 2028	12,44,319.98
	2nd Interim	0.50	November 11, 2021	December 10, 2028	3,38,144.72
	3rd Interim	2.00	February 14, 2022	March 15, 2029	10,70,235.75

** The 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 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
2010-2011	February 14,2011	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
2014-2015	February 11, 2015	10,41,030.00	March 19, 2022

MEANS OF COMMUNICATION

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

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

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

For Quarter ended	Date of Board meeting	Date of Publication	Name of the English Daily Newspaper	Name of the Regional Daily Newspaper
June 30, 2021	August 12, 2021	August 13, 2021	Business Standard	Nava Telangana
September 30, 2021	November 11, 2021	November 12, 2021	Business Standard	Nava Telangana
December 31, 2021	February 14, 2022	February 15, 2022	Financial Express	Nava Telangana
March 31, 2022	May 30, 2022	May 31, 2022	Business Standard	Nava Telangana

GENERAL SHAREHOLDER INFORMATION

(a) Details regarding Annual General Meeting

Date	Friday, September 30, 2022
Time	10:30 am
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	Tuesday, the September 27, 2022 to Friday, the September 30, 2022 (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 2021-22 to the above mentioned Stock Exchanges and the custodial fee for the year 2021-22 to both the Depositories, namely National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL).

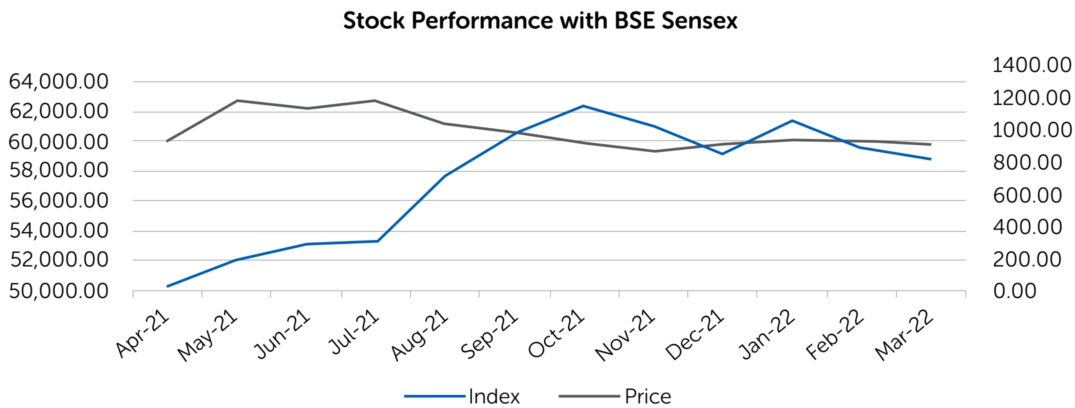
(d) Market Price Data

The market price data (high and low closing prices during each month) for the Financial Year 2021-22 is as below:

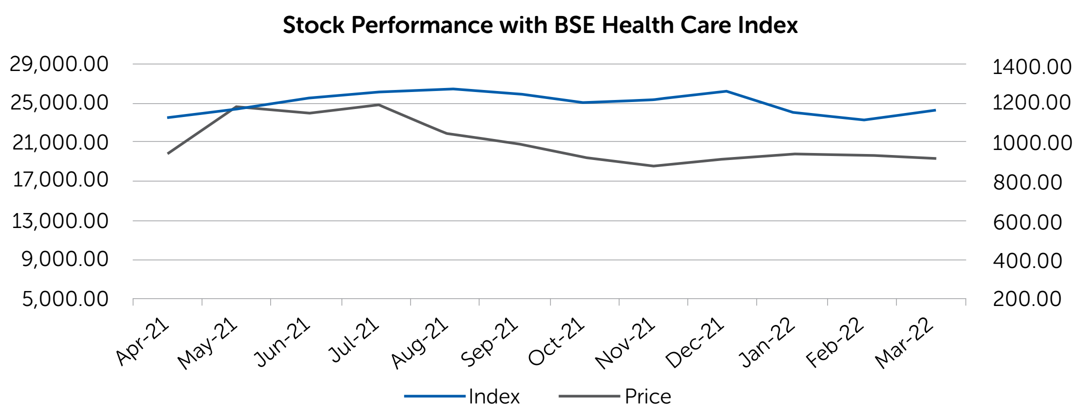
Month	Bombay Stock Exchange		National Stock Exchange	
	High ₹	Low ₹	High ₹	Low ₹
April, 2021	950.00	825.55	948.85	825.00
May, 2021	1,188.95	911.40	1,188.05	910.30
June, 2021	1,149.00	1,022.10	1,149.00	1,022.00
July, 2021	1,188.05	1,002.00	1,189.00	1,002.10
August, 2021	1,049.00	883.40	1,049.00	884.60
September, 2021	993.45	871.25	993.95	871.10
October, 2021	926.10	811.00	926.95	810.00
November, 2021	880.40	793.35	881.60	792.30
December, 2021	913.15	814.65	913.80	812.45
January, 2022	942.15	853.25	944.00	852.35
February, 2022	936.50	750.45	938.80	751.90
March, 2022	920.00	751.80	919.50	752.10

(e) Performance in comparison to broad-based indices

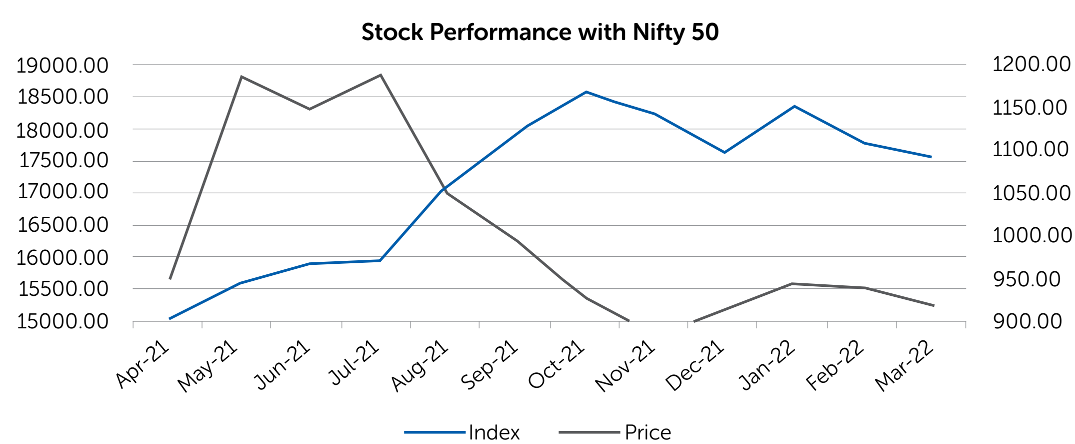
(i) Compared to BSE Sensex



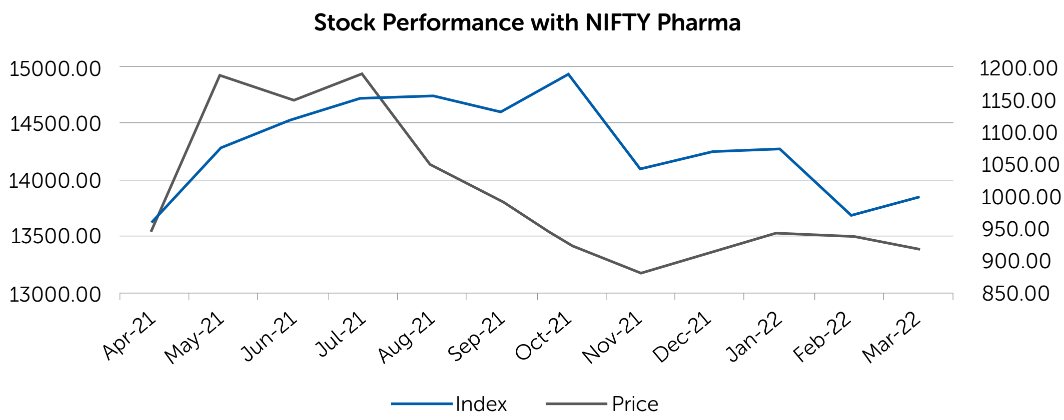
ii) Compared to S&P BSE HEALTHCARE INDEX



(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 (in special circumstances) 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, 2022, 99.67% of the shares of the 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.

(h) Distribution of Shareholding

Nominal Value ₹	Shareholders		Amount ₹	
	Number	% to Total	In ₹	% to Total
Upto - 5000	83824	97.65	26819720	7.35
5001 - 10000	932	1.09	6958962	1.91
10001 - 20000	472	0.55	6906524	1.89
20001 - 30000	161	0.19	3972748	1.09
30001 - 40000	89	0.1	3069092	0.84
40001 - 50000	62	0.07	2815826	0.77
50001 - 100000	108	0.13	7592202	2.08
100001 and above	194	0.23	306905256	84.07
Total	85842	100.00	365040330	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, 2021	1581	214600
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 2021-22	64	7700
Aggregate number of shareholders and outstanding shares held in the Unclaimed Suspense Account as on March 31, 2022	104	24500

(k) Plant Locations

i)	**Pharma and R&D 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** 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 Visakapat-nam-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.56,APIIC Industrial Park, Attivaram Village, Ozili, Mandal, SPSR Nellore, Andhra Pradesh – 524421, India.		

(l) Compliance Officer

CS Venkat Ramesh Chekuri (ACS 41964)
Company Secretary & Compliance Officer
Email: venkatramesh.ch@natcopharma.co.in

(m) Address for correspondence at Registered Office:

Mr. S. Dasaradhi, Assistant General Manager –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 consolidated basis, to the Statutory Auditor for the financial year ended March 31, 2022 as follows:

Particulars	Amount (₹ in millions)
Audit Fees	₹ 8.00
Certification Fees	₹ 3.00
Reimbursement of expenses	₹ 0.00
Total	₹ 11.00

(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, Senior Management and Employees 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, 2022.

For NATCO Pharma Limited

Rajeev Nannapaneni
Director & CEO
DIN: 00183872

Place: Hyderabad
Date: May 30, 2022

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, 2022 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.

Place: Hyderabad
Date: May 30, 2022

Rajeev Nannapaneni
Director & Chief Executive Officer

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

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, 2022 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 except as given below:

In the Corporate Governance Report pursuant to Regulation 18(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 submitted by the Company, a gap between two consecutive Audit Committee Meetings was more than 120 days for quarter ended June 30, 2021 and a system generated mail was received from NSE in this regard and the Company gave reply with explanation, no further action was taken or correspondence received from NSE till date in furtherance thereto.

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, PR No. 1077/2021
UDIN:A011963D000422879

Place: Hyderabad
Date: 30th May, 2022

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, 2022 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	Rajeev Nannapaneni	00183872	November 30, 2005
4	Venkateswara Rao Thallapaka	05273533	April 18, 2014
5	Govinda Prasad Dasu	00160408	February 14, 2014
6	Leela Digumarti	06980440	September 22, 2014
7	Potluri Prasad Sivaramakrishna	07011140	November 12, 2014
8	Umamaheshwarrao Naidu Madireddi	05111014	February 11, 2015
9	Lingarao Donthineni	07088404	February 11, 2015

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, PR No. 1077/2021
UDIN:A011963D000422890

Place: Hyderabad
Date: 30th May, 2022

Business Responsibility & Sustainability Report 2021-22

Overview

This is NATCO's first Business Responsibility Sustainability Report (BRSR) FY 2021-22 and the Company has adopted this disclosure on a voluntary basis.

BRSR is applicable to the top 1000 listed entities (by market capitalization), for reporting on a mandatory basis from FY 2022 – 23. The Securities and Exchange Board of India (SEBI) introduced new requirements for sustainability reporting by listed entities. The new reporting called the Business Responsibility and Sustainability Report (BRSR) will replace the existing Business Responsibility Report (BRR).

In line with the Company's mission of "Making specialty medicines accessible to all", NATCO is guided by its strong belief to embed sustainability across the dimensions of Environment, Social and Governance aspects.

Through this Report we intend to bring in more transparency on the material ESG related opportunities and risks the Company faces and incorporate the BRSR as a part of the Company's annual disclosure.

SECTION A: General Disclosures

I. Details of the listed entity

1	Corporate Identity Number (CIN) of the Listed Entity:	L24230TG1981PLC003201
2	Year of incorporation:	1981
3	Name of the Listed Entity:	Natco Pharma Limited
4	Registered office address:	NATCO House, Road No. 2, Banjara Hills, Hyderabad - 500034
5	Corporate address:	NATCO House, Road No. 2, Banjara Hills, Hyderabad - 500034
6	E-mail:	investors@natcopharma.co.in
7	Telephone:	040 23547532
8	Website:	www.natcopharma.co.in
9	Financial year for which reporting is being done:	April 1,2021 to March 31,2022 (FY22)
10	Name of the Stock Exchange(s) where shares are listed:	Equity shares are listed on BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE)
11	Paid-up Capital:	₹ 365 million
12	Name and contact details (telephone, e-mail address) of the person who may be contacted in case of any queries on the BRSR report:	**Mr PSRK Prasad,** Director and Executive VP, Corporate Engineering Services Tel: 8542 226611 psrk@natcopharma.co.in **Mr Rajesh Chebiyam,** Executive Vice President, Crop Health Sciences Tel: 040 2354 7532 Rajesh.chebiyam@natcopharma.co.in
13	Reporting boundary - Are the disclosures under this report made on a standalone basis (i.e. only for the entity) or on a consolidated basis (i.e. for the entity and all the entities which form a part of its consolidated financial statements, taken together):	Disclosures made in this report are standalone basis pertaining only to NATCO Pharma Limited.

II. Products/services

14. Details of business activities (accounting for 90% of the turnover):

S. No.	Description of Main Activity	Description of Business Activity	% of Turnover of the entity
	Manufacturing and sale of pharmaceutical products	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)	99%

15. Products/Services sold by the entity (accounting for 90% of the entity's Turnover):

S. No.	Product/Service	NIC Code	% of total Turnover Contributed
	Manufacture of pharmaceuticals, medicinal chemicals including Active Pharmaceutical Ingredients (API) and Finished Dosage Formulations	210	>90%

III. Operations

16. Number of locations where plants and/or operations/offices of the entity are situated:

Location	Number of plants	Number of offices	Total
National	10 manufacturing facilities and 2 R&D centers	1 Corporate office	13
International	Not applicable	Not applicable	Not applicable

17. Markets served by the entity:

a. Number of locations

Locations	Number
National (No. of States)	All
International (No. of Countries)	50+

b. What is the contribution of exports as a percentage of the total turnover of the entity?

For FY22 the contribution of exports is 63.7% (including export of APIs and FDFs) of the total turnover.

c. A brief on types of customers : Distributors, Stockists, Hospitals, Government agencies and other pharma companies

IV. Employees

18. Details as at the end of Financial Year:

a. Employees and workers (including differently abled):

S. No.	Particulars	Total (A)	Male		Female	
			No. (B)	% (B / A)	No. (C)	% (C / A)
		Employees				
1.	Permanent (D)	3512	3157	89.89	355	10.11
2.	Other than Permanent (E)	735	638	86.80	97	13.19
3.	**Total employees (D + E)**	**4247**	**3795**	**89.36**	**452**	**10.64**
		Workers				
4.	Permanent (F)	513	419	81.67	94	18.32
5.	Other than Permanent (G)	0	0	0	0	0
6.	**Total workers (F + G)**	**513**	**419**	**81.67**	**94**	**18.32**

b. Differently abled Employees and workers:

S. No.	Particulars	Total (A)	Male		Female	
			No. (B)	% (B / A)	No. (C)	% (C / A)
		Differently Abled Workers				
4.	Permanent (D)	1	1	1	0	0
5.	Other than					
6.	**Total differently abled workers (F + G)**	**1**	**1**	**1**	**0**	**0**

19. Participation/Inclusion/Representation of women

Particulars	Total (A)	No. and percentage of Females	
		No. (B)	% (B / A)
Board of Directors	9	1	11%
Key Management Personnel	20+	-	-

20. Turnover rate for permanent employees and workers

(Disclose trends for the past 3 years)

Particulars	FY 2021-22			FY 2020-21			FY 2019-20		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent Employees	16.13%	1.71%	17.84%[1]	9.49%	0.89%	10.38%	7.99%	1.04%	9.02%
Permanent Workers	0.38%	0.01%	0.39%	0.23%	0.14%	0.37%	0.10%	0.10%	0.20%

[1] In FY21-22, as business conditions evolved we have ensured right-sizing of the workforce

V. Holding, Subsidiary and Associate Companies (including joint ventures)

21 (a) Names of holding / subsidiary / associate companies / joint ventures

S. No.	Name of the holding / subsidiary / associate companies / joint ventures (A)	Indicate whether holding/ Subsidiary/ Associate/ Joint Venture	% of shares held by listed entity	Does the entity indicated at column A, participate in the Business Responsibility initiatives of the listed entity? (Yes/No)
1	Natco Pharma Inc.	Wholly Owned Subsidiary Company	100	No
2	Natco Pharma (Canada) Inc.	Wholly Owned Subsidiary Company	100	No
3	Time Cap Overseas Limited	Wholly Owned Subsidiary Company	100	No
4	Natcofarma Do Brasil Ltda	Step-down Wholly Owned Subsidiary of the Company	100	No
5	Natco Pharma Asia Pte Ltd	Subsidiary Company	100*	No
6	Natco Pharma Australia Pty Ltd	Wholly Owned Subsidiary Company	100	No
7	Natco Life Sciences Philippines Inc.	Subsidiary Company	100*	No
8	Dash Pharmaceuticals LLC	Step-down Wholly Owned Subsidiary of the Company	100	No

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

VI. CSR Details

22 (i) Whether CSR is applicable as per section 135 of Companies Act, 2013: Yes

(ii) Turnover in ₹ 20438 Million

(iii) Net worth in ₹ 42636 Million

VII. Transparency and Disclosures Compliances

23. Complaints/Grievances on any of the principles (Principles 1 to 9) under the National Guidelines on Responsible Business Conduct

Stakeholder group from whom complaint is received	Grievance Redressal Mechanism in Place (Yes/No) (If Yes, then provide web-link for grievance redress policy)	FY 2021-22 Current Financial Year			FY 2020-21 Previous Financial Year		
		Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks	Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks
Investors (other than shareholders)	No*	2	0	-	5	0	-

*There is no specific Grievance Redressal Policy of the Company. However, the Company follows the SEBI Regulations and Companies Act provisions to redressal of Investor Grievances.

24. Overview of the entity's material responsible business conduct issues

Please indicate material responsible business conduct and sustainability issues pertaining to environmental and social matters that present a risk or an opportunity to your business, rationale for identifying the same, approach to adapt or mitigate the risk along-with its financial implications, as per the following format

S. No	Material issue Identified	Indicate whether risk or opportunity (R/O)	Rationale for identifying the risk / opportunity	Incase of risk, approach to adapt or mitigate	Financial implications of the risk or opportunity (Indicate positive or negative implications)
1	Renewable energy	Opportunity	Renewable energy initiatives forms an important aspect of the Company's sustainability driven pursuits, which is also a promising solution to climate change problem.	-	Positive, Even though the ROI is longer it has instore inevitable benefits of i) Reduction in overall energy cost ii) Reduction in emissions Currently the Company's renewable energy contribution is 26.52% of the total energy requirement.
2	Conservation – water, energy and waste recycling	Opportunity	Responsible use of resources that includes water conservation efforts, improving energy efficiency, reducing GHG emissions, efficient waste disposal approaches, designing innovative solutions to reduce, reuse and recycle, supports the Company's actions towards sustainable growth.	-	Positive, Conservation of resources leads to - Positive economic benefit as it brings about cost saving - Efficient usage of resources, - Regulatory compliance and beyond
3	Planning and measurement of social impact	Opportunity	Measuring the social impact of the Company's social responsibility initiatives is a critical driver to; i) Understand effectiveness and reach of the program, ii) Enable scale up iii) Set in a systemic approach iii) Ensure long term sustainability of the program	-	Positive - Identifying initiatives that are not performing well, so that they can be recalibrated and improved, thereby ensuring the investment finds true purpose - Effective programs can continue to receive funding, enable scale up to include more communities and impact more lives
4	Learning and development	Opportunity	The Company believes training is one of the key factors in equipping employees to contribute sustainably.		Positive, Consistent efforts towards training in the areas of Quality, cGMP, and EHS equips the work force to meet a surge in demand of the business We follow a process of training needs analysis based on which the annual training calendar is prepared.

SECTION B: Management and Process Disclosures

This section is aimed at helping businesses demonstrate the structures, policies and processes put in place towards adopting the NGRBC Principles and Core Elements.

S. No.		P1	P2	P3	P4	P5	P6	P7	P8	P9
Policy and management processes										
1.	a. Whether your entity's policy/policies cover each principle and its core elements of the NGRBCs. (Yes/No)	Y	Y	Y	Y	Y	Y	Y	Y	Y
	b. Has the policy been approved by the Board? (Yes/No)	Y	Y	Y	Y	Y	Y	Y	Y	Y
	c. Web Link of the Policies, if available									
2.	Whether the entity has translated the policy into procedures. (Yes / No)	Y	Y	Y	Y	Y	Y	Y	Y	Y
3.	Do the enlisted policies extend to your value chain partners? (Yes/No)	Y	Y	Y	Y	Y	Y	Y	Y	Y
4.	Name of the national and international codes/ certifications/labels/ standards (e.g. Forest Stewardship Council, Fairtrade, Rainforest Alliance, Trustea) standards (e.g. SA 8000, OHSAS, ISO, BIS) adopted by your entity and mapped to each principle.	-	ISO 14001	ISO 45001	-	-	-	As per the CSR Rules - Companies Act, 2013	-	-
5.	Specific commitments, goals and targets set by the entity with defined timelines, if any.	We are in a process of developing a mechanism to harmonise commitments, goals and targets across the facilites.								
6.	Performance of the entity against the specific commitments, goals and targets along-with reasons in case the same are not met.									-
Governance, leadership and oversight										
7.	Statement by director responsible for the business responsibility report, highlighting ESG related challenges, targets and achievements (listed entity has flexibility regarding the placement of this disclosure) NATCO is committed to lead its business in a sustainable manner. As we aspire to grow, we are keen on leaving our footprints in a manner that is conducive to all our stakeholders. At NATCO, we have always considered sustainability as a critical component of our success over the years. We acknowledge the importance of safeguarding the environment as we seek to achieve our goal of providing improved patient care and creating value for our shareholders. We operate as a responsible Company, serving broader economic, societal, and environmental interests. To ensure sustainability, we focus on reducing waste and stepping up our renewable energy efforts.									
8.	Details of the highest authority responsible for implementation and oversight of the Business Responsibility policy (ies).	Board of Directors								
9.	Does the entity have a specified Committee of the Board/ Director responsible for decision making on sustainability related issues? (Yes / No). If yes, provide details.	We have constituted a Sustainability Working Group that comprises senior leaders and key management personnel as members.								

10. Details of Review of NGRBCs by the Company:

Subject for review	Indicate whether review was undertaken by Director / Committee of the Board/ Any other Committee				Frequency (Annually/ Half yearly/ Quarterly/ Any other – please specify)				
S. No.	**P1**	**P2**	**P3**	**P4**	**P5**	**P6**	**P7**	**P8**	**P9**
Performance against above policies and follow up action	The Company reviews all the policies on a need basis by the Key Managerial Personnel or BOD. The policies are reviewed for their applicability, updated and communicated within the organisation to the relevant stakeholders.								
Compliance with statutory requirements of relevance to the principles, and, rectification of any non-compliances	The Company is complying with the relevant statutory requirements.								
11. Has the entity carried out independent assessment/ evaluation of the working of its policies by an external agency? (Yes/No). If yes, provide name of the agency.	N	Y	Y	N	N	N	N	Y	N

12. If answer to question (1) above is "No" i.e. not all Principles are covered by a policy, reasons to be stated:

The Company related policies, statutory requirements, processes, based on the need are assessed by an internal mechanism. 3rd party assessment are undertaken in the case of ISO 14001, ISO 45001 conducted by DNV and a CSR assessment conducted by Poverty Learning Foundation.

SECTION C: Principle wise Performance Disclosure

This section is aimed at helping businesses demonstrate the structures, policies and processes put in place towards adopting the NGRBC Principles and Core Elements.

PRINCIPLE 1 Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable.

Essential Indicators

1. Percentage coverage by training and awareness programmes on any of the Principles during the financial year: To elaborate this section

Segment	Topics /principles covered under the training and its impact
Board of Directors (BoD) / Key Managerial Personnel	• Familiarisation Programme conducted to the Directors. The Principles form a part of Company Overview, presentation and induction programs and include the Code of Business Conduct and Ethics. • Updates on legal aspects, market dynamics and investors, and changes in the regulations are communicated on a need basis. • Improvements/concerns on Environmental Safety Health performance, products and processes -related strategies are communicated during the quarterly updates along with financial results and overall business compliance.
Employees other than BoD and KMPs	• Policy on Sexual Harassment, Code of conduct for Employees, ongoing training on CGMP, GMP, Safety, and Emergency preparedness conducted by following the yearly training schedule. Due to the pandemic, some of the training could not be conducted as per the plan

Segment	Topics /principles covered under the training and its impact
Workers	• Policy on Sexual Harassment, Code of conduct for Employees, ongoing training on CGMP, GMP, Safety, and Emergency preparedness conducted by following the yearly schedule. Due to the pandemic, some of the training could not be conducted as per the plan

2. Details of fines / penalties /punishment/ award/ compounding fees/ settlement amount paid in proceedings (by the entity or by directors / KMPs) with regulators/ law enforcement agencies/ judicial institutions, in the financial year, in the following format (Note: the entity shall make disclosures on the basis of materiality as specified in Regulation 30 of SEBI (Listing Obligations and Disclosure Obligations) Regulations, 2015 and as disclosed on the entity's website):

	Monetary				
	NGRBC Principle	Name of the regulatory/ enforcement agencies/ judicial institutions	Amount (In ₹)	Brief of the Case	Has an appeal been preferred? (Yes/No)
Penalty/Fine	NIL	NIL	NIL	NIL	NIL
Settlement	NIL	NIL	NIL	NIL	NIL
Compounding fee	NIL	NIL	NIL	NIL	NIL

	Non-Monetary			
	NGRBC Principle	Name of the regulatory/ enforcement agencies/ judicial institutions	Brief of the Case	Has an appeal been preferred? (Yes/No)
Imprisonment	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL

3. Of the instances disclosed in Question 2 above, details of the Appeal/ Revision preferred in cases where monetary or non-monetary action has been appealed.

Case Details	Name of the regulatory/ enforcement agencies/ judicial institutions
NA	NA

4. Does the entity have an anti-corruption or anti-bribery policy? If yes, provide details in brief and if available, provide a web-link to the policy.

The Company has no specific anti-corruption or anti-bribery policy. However, the anti-corruption or anti-bribery clauses/aspects are covered under Companies Code of Conduct for the Board, Senior Management Personnel and under Employee Code of Conduct for employees.

The policy reiterates not to adopt practices that are abusive, corrupt, or anti-competitive. The policy reinforces that the Company shall strive to uphold highest standards of integrity and transparency in its transactions and any bribery and corruption is disallowed which would influence the decision making mechanism of the Company.

This policy applies to the Board of Directors, Senior Management Personnel and all the employees and shall be abided by the Company Code of Conduct and Employee Code of Conduct at all times.

The policy can be accessed on the Company's website, https://www.natcopharma.co.in/responsibility/business-responsibility-policies-2/

5. Number of Directors/KMPs/employees/workers against whom disciplinary action was taken by any law enforcement agency for the charges of bribery/ corruption:

	FY 2021-22 (Current Financial Year)	FY 2020-21 (Previous Financial Year)
Director	Nil	Nil
KMPs	Nil	Nil
Employees	Nil	Nil
Workers	Nil	Nil

6. Details of complaints with regard to conflict of interest:

   During the FY 2021-22, the Company did not receive any complaints with regard to conflict of interest.

7. Provide details of any corrective action taken or underway on issues related to fines / penalties / action taken by regulators/ law enforcement agencies/ judicial institutions, on cases of corruption and conflicts of interest

   During the FY 2021-22, the Company did not receive any complaints with regard to conflict of interest.

PRINCIPLE 2 Businesses should provide goods and services in a manner that is sustainable and safe.

Essential Indicators

1. Percentage of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of product and processes to total R&D and capex investments made by the entity, respectively:

   The Company information furnished as per Annexure VI to Board report – Annual report annexures and Note 39 of AR.

2. a. Does the entity have procedures in place for sustainable sourcing? (Yes/No)

   b. If yes, what percentage of inputs were sourced sustainably?

   No. However as a part of the sustainable sourcing strategy, we follow the following practices:

   (i) Identifying more than one supply source for key starting materials is prioritized.

   (ii) In addition to stringent quality checks vendors are qualified on EHS performance.

3. Describe the processes in place to safely reclaim your products for reusing, recycling and disposing at the end of life, for (a) Plastics (including packaging) (b) E-waste (c) Hazardous waste and (d) other waste.

   - E-wastes disposed to authorized e-waste recyclers/collection centers/authorized dismantlers.
   - Hazardous wastes disposed to authorized cement industries/authorized pre-processing facilities /authorized TSDF (Treatment Storage Disposal Facility).
   - Non-hazardous wastes sent to pre-processing facilities/recyclers.
   - Plastic wastes sent to recyclers

4. Whether Extended Producer Responsibility (EPR) is applicable to the entity's activities (Yes / No). If yes, whether the waste collection plan is in line with the Extended Producer Responsibility (EPR) plan submitted to Pollution Control Boards? If not, provide steps taken to address the same.

   - Yes. Extended Producer Responsibility (EPR) is applicable
   - Extended Producer Responsibility (EPR) action plan is in place and is in line with the CPCB guidelines. Registered with CPCB under Plastic waste Rules as "Brand Owner".

PRINCIPLE 3 Businesses should respect and promote the well-being of all employees, including those in their value chains

Essential Indicators

1. a. Details of measures for the well-being of employees:

Category	Total (A.)	% of employees covered by									
		Health insurance		Accident insurance		Maternity Benefits[2]		Paternity Benefits[3]		Day Care Facilities[4]	
		Number (B)	%(B/A)	Number (C)	%(C/A)	Number (D)	%(D/A)	Number (E)	%(E/A)	Number (F)	%(F/A)
Permanent employees											
Male	3157	2606	82.54%	3157	100%	20	0.63%	22	0.70%	-	-
Female	355	236	66.48%	355	100%	17	4.79%	0	0.00%	-	-
Total	**3512**	**2842**	**80.92%**	**3512**	**100%**	**37**	**1.05%**	**22**	**0.63%**	**-**	**-**

[2] Maternity benefits for eligible employees were given as per the statutory requirements.

[3] Employees are provided with Paternity Benefits on a need basis.

[4] Day care (Creche) facilities are available at the formulation's facilities (Kothur & Nagarjunasagar) and R&D Center but have not been utilised since the pandemic

b. Details of measures for the well-being of workers:

Category	Total (A.)	% of workers covered by									
		Health insurance		Accident insurance		Maternity Benefits		Paternity Benefits		Day Care Facilities	
		Number (B)	%(B/A)	Number (C)	%(C/A)	Number (D)	%(D/A)	Number (E)	%(E/A)	Number (F)	%(F/A)
Permanent workers											
Male	419	410	97.85%	419	100%	1	0.24%	-	-	-	-
Female	94	86	91.48%	94	100%	0	0	-	-	-	-
Total	**513**	**496**	**96.68%**	**513**	**100%**	**1**	**0.20%**		**-**	**-**	**-**
Other than Permanent workers											
Male	638	0	-	638	100%	0	0	-	-	-	-
Female	97	0	-	97	100%	0	0	-	-	-	-
Total	**735**	**0**	**-**	**735**	**100%**	**0**	**0**	**-**	**-**	**-**	**-**

2. Details of retirement benefits, for Current and Previous Financial Year

Benefits	FY 2021-2022			FY 2020-2021		
	No. of employees covered as a % of total employees	No. of workers covered as a % of total workers	Deducted and deposited with the authority (Y/N/N.A.)	No. of employees covered as a % of total employee	No. of workers covered as a % of total workers	Deducted and deposited with the authority (Y/N/N.A.)
PF	100%	100%	Y	100%	100%	Y
Gratuity	100%	100%	Y	100%	100%	Y
ESI	31.15%	6.0%	Y	39.62%	7.15%	Y

3. **Accessibility of workplaces**

Are the premises / offices of the entity accessible to differently abled employees and workers, as per the requirements of the Rights of Persons with Disabilities Act, 2016? If not, whether any steps are being taken by the entity in this regard.

Yes, Various sections of the manufacturing facilities have ramps for easy movement of differently abled people. Wheelchair accessible restrooms are available in the manufacturing facilities.

4. Does the entity have an equal opportunity policy as per the Rights of Persons with Disabilities Act, 2016? If so, provide a web-link to the policy.

No, we adhere to the requirements stipulated as per the Industrial laws.

5. Return to work and Retention rates of permanent employees and workers that took parental leave.

Our policy for maternity benefits as per the regulatory requirement, is covered for female employees.

6. Is there a mechanism available to receive and redress grievances for the following categories of employees and worker? If yes, give details of the mechanism in brief.

The Company encourages an open-door policy to receive and redress grievances for both employees and workers. The concerned employee or worker approaches the supervisor and based on the need it shall be escalated to the Human Resources Head at the facility and in turn represented to Management until the grievance is resolved amicably.

7. Membership of employees and worker in association(s) or Unions[5] recognized by the listed entity:

Category	FY 2021-2022			FY 2020-2021		
	Total employee/ workers in respective categories (A)	No. of employees / workers in respective category, who are part of association(s) or Union (B)	% (B/A)	Total employee/ workers in respective categories (C)	No. of employees / workers in respective category, who are part of association(s) or Union (D)	% (D/C)
Total Permanent Employees	NA	NA	-	NA	NA	-
- Male	NA	NA	-	NA	NA	-
- Female	NA	NA	-	NA	NA	-
Total Permanent Workers[6]	513			513		
- Male	419	419	81.67	433	433	81.54
- Female	94	94	18.32	98	98	18.46

[5] Unions (Mekaguda, Kothur, Nagarjunasagar and R&D)

[6] In Permanent Employees & Workers we did not consider the casual workers data.

8. Details of training given to employees and workers:

Category	FY 2021-2022 Current Financial Year					FY 2020-2021 Previous Financial Year				
	Total (A)	On Health and safety measures		On Skill Upgradation		Total (D)	On Health and safety measures		On Skill Upgradation	
		No. (B)	% (B/A)	No. (C)	% (C/A)		No. (E)	% (E/D)	No. (F)	% (F/D)
Employees										
Male	**3157**	1631	51.66	1731	54.83	2929	2472	84.40	1668	56.95
Female	355	181	50.99	182	51.27	342	263	76.90	136	39.77
Total	3512	1812	51.59	1837	52.31	3271	2735	83.61	1804	55.15
Workers+ Casuals										
Male	**1057**	1214	114.85	1160	109.74	1555	1389	89.32	1371	88.17
Female	191	114	59.69	118	61.78	220	70	31.82	96	43.64
Total	1248	1328	106.41	1278	102.40	1775	1459	82.20	1467	82.65

9. Details of performance and career development reviews of employees and worker:

   Based on PMS process the Company identifies the potential employees and provides them appropriate training to update their competencies as per the requirements of the Company. Last two years, due to Covid-19 pandemic, the related programs were not conducted.

10. Health and safety management system:

    a. Whether an occupational health and safety management system has been implemented by the entity? (Yes/ No). If yes, the coverage such system?

       Yes.

       ISO 45001-2018: Occupational Health & Safety Management system implemented – at the Company's API facilities at Mekaguda and Chennai. The ISO 45001-2018 implementation is under progress at the R&D division and 4 of the formulation facilities at Kothur, Dehradun, Vizag and Nagarjunasagar

    b. What are the processes used to identify work-related hazards and assess risks on a routine and non-routine basis by the entity?

       The Company has a process to identify work-related hazards and assess risks on a routine and non-routine basis through the following methods / processes:

       - Hazard Identification & Risk Assessment (HIRA) for all activities
       - HAZOP for all processes
       - Risk Based Exposure assessment for all chemicals
       - Walkthrough observations
       - Plant Safety inspections
       - Internal Safety Audits
       - External Safety Audits

    c. Whether you have processes for workers to report the work-related hazards and to remove themselves from such risks. (Y/N)

       Yes

       - Walk through observation program
       - Safety Suggestion programs
       - Safety Committee meetings
       - Near miss reporting
       - Incident reporting systems

    d. Do the employees/ worker of the entity have access to non-occupational medical and healthcare services? (Yes/ No)

       Yes

       - Onsite Occupational Health Center is in place.
       - Group Medical insurance schemes (Mediclaim)
       - Employee State Insurance schemes (ESI)

11. Details of safety-related incidents, in the following format:

Safety Incident/ Number	Category	FY:2021-22	FY:2020-21
Lost Time Injury Frequency Rate (LTIFR) (per one million-person hours worked)	Employees	0	0
	Workers	0	0
Total recordable work-related Injuries	Employees	0	0
	Workers	0	0
No. of fatalities	Employees	0	0
	Workers	0	0
High consequence work-related injury or ill-health (excluding fatalities)	Employees	0	0
	Workers	0	0

12. Describe the measures taken by the entity to ensure a safe and healthy workplace.

- The Company has an Environment, Health, and Safety policy, duly signed by Chairman & Managing Director. The EHS policy is being reviewed periodically.
- To achieve the objectives outlined in the EHS policy, Natco integrates EHS goals and objectives into its business planning, decision making, performance tracking and governance processes.
- The Company is promoting a culture in the organization that supports the EHS Management System. It provides the necessary resources and support for appropriate EHS initiatives and programs to ensure the implementation of the EHS policy in line with our business objectives and compliance obligations.
- The measure taken by the Company to ensure a safe and healthy workplace are:
  - Visible Leadership commitment and ongoing communication
  - Involving all employees in the relevant EHS plans for activities.
  - Assessing the existence and effectiveness of EHS programs through appropriate audits and reviews.
  - Effectively reviewing and tracking corrective actions for all incidents, defects, hazards, inadequacies of procedures and suggested improvements
  - Reviewing EHS performance to ensure Company objectives and expectations are met
  - Reviewing the EHS system to ensure its continuing suitability, adequacy, effectiveness.
  - Training will be based on experience, skill levels, capabilities and regulatory requirements and are being tracked
  - Evaluation of EHS performance of individuals at different levels while considering their career advancement.
  - Purchasing materials and services that meet necessary Standards

13. Number of Complaints on the following made by employees and workers:

	FY: 2021-22			FY:2020-21		
	Filed during the year	Pending resolution at the end of year	Remarks	Filed during the year	Pending resolution at the end of year	Remarks
Working Conditions	8	0	-	11	0	-
Health & Safety	0	0	-	0	0	-

14. Assessments for the year:

	% of your plants and offices that were assessed (by entity or statutory authorities or third parties)
Health & Safety	100%
Working Conditions	100%

15. Provide details of any corrective action taken or underway to address safety-related incidents (if any) and on significant risks / concerns arising from assessments of health & safety practices and working conditions.

- All near-miss incidents are being recorded, investigated and corrective actions implemented.
- Provided a guard to the coal belt conveyor by covering the nip points.
- Provided the pull chord throughout the length of the conveyor.
- All the Gaps/openings around the screener & conveyor ducts are covered with metal sheets.
- Extended the Fire hydrant system up to boiler coal shed.
- All ball valves removed under the safety relief valves of all air receivers

PRINCIPLE 4: Businesses should respect the interests of and be responsive to all its stakeholders

Essential Indicators

1. Describe the processes for identifying key stakeholder groups of the entity.

Stakeholders are an integral part of the Company's business. Our engagements with our stakeholders have shaped understanding our expectations from them. We identify stakeholders on basis of their contribution in the value chain and who influence our business or are part of it.

2. List stakeholder groups identified as key for your entity and the frequency of engagement with each stakeholder group.

Stakeholder Group	Whether identified as Vulnerable & Marginalized Group (Yes/No)	Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Other	Frequency of engagement (Annually/ Half yearly/ Quarterly / others – please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement
Investors and shareholders	No	Annual Report, Media Releases, company website, investor meets etc.	Annual and Quarterly	Financial performance and Business sustainability
Regulators	No	Audits, filing of statutory records and one on one meetings	Site visits	Permits and mandatory submissions
Vendors	No	Scheduled meetings, emails and calls	Need based	Contracts and audits
Employees	No	Health camps, meets, training programs, Intranet and reviews	Need based	Policies, benefits and training
Patients	No	Assistance programs like NATREACH. Patient education leaflets	Need based	Educating the patients

Stakeholder Group	Whether identified as Vulnerable & Marginalized Group (Yes/No)	Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Other	Frequency of engagement (Annually/ Half yearly/ Quarterly / others – please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement
Local Communities	No	Engagement with CSR projects, direct engagement through Natco Trust	Need based	Understanding the well being of the people and working to improve their lives and livelihoods
Doctors	No	One On One meeting through patient assistance program	New launches, updates on products	Educating them about newer therapies

PRINCIPLE 5 Businesses should respect and promote human rights

Essential Indicators

1. Employees and workers who have been provided training on human rights issues and policy(ies) of the entity, in the following format:

   The Company follows all the rules and regulations related to Human rights issues and Human Rights Policy stipulated as per Industrial Laws. However due to COVID related challenges, the Company could not adhere to the scheduled trainings on human rights issues and policies during the FY. Awareness on the policy was given during informal interactions with employees and workers. For new joinees (employees / workers), induction program covers Company related Human Rights Policy and awareness on related issues.

2. Details of minimum wages paid to employees and workers, in the following format:

Category	FY 2021-22					FY 2020-21				
	Total (A)	Equal to Minimum Wage		More than Minimum Wage		Total (D)	Equal to Minimum Wage		More than Minimum Wage	
		No. (B)	% (B/A)	No. (C)	% (C/A)		No. (E)	% (E/D)	No. (F)	% (F/D)
Employees										
Permanent										
Male	3157	0	0	3157	100%	3314	0	0	3314	100%
Female	355	0	0	355	100%	355	0	0	355	100%
Workers										
Permanent										
Male	419	0	0	419	100%	433	0	0	433	100%
Female	94	0	0	94	100%	98	0	0	98	100%

3. Details of remuneration/salary/wages, in the following format:

	Male		Female	
	Number	Median remuneration/ salary/ wages of respective category	Number	Median remuneration/ salary/ wages of respective category
Board of Directors[8] (BoD)	-	-	-	-
Key Managerial Personnel	24	85,50,024.00	-	-
Employees other than BOD and KMP	3722	4,61,244.00	451	3,05,052.00
Workers	468	6,26,592.00	95	6,51,408.00

[8] Refer Annexure V of annual report

4. Do you have a focal point (Individual/ Committee) responsible for addressing human rights impacts or issues caused or contributed to by the business? (Yes/No)

   Yes

5. Describe the internal mechanisms in place to redress grievances related to human rights issues.

   The Company adopts an open-door policy to redress any grievances encouraging two-way communication. The Company specifically addresses grievances related to Human Rights by presenting the issue with supervisor, in turn approaches the Human Resources Head at the facility and represents the case to Management.

6. Number of Complaints on the following made by employees and workers:

Category	FY 2021-22 Current Financial Year			FY 2020-21 Previous Financial Year		
	Filled during the year	Pending resolution at the end of year	Remarks	Filled during the year	Pending resolution at the end of year	Remarks
Sexual Harassment	No			No		
Discrimination at workplace	No			No		
Child Labour	No			No		
Forced Labour/ Involuntary Labour	No			No		
Wages	No			No		
Other human rights related issues	No			No		

7. Mechanisms to prevent adverse consequences to the complainant in discrimination and harassment cases.

   - The Company deals with Discrimination and harassment cases with seriousness and treated with respect and in confidence.
   - The Company has a Policy on sexual harassment of employees (As per the "Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act 2013.
   - This policy is applicable to all the employees and workers of the Company.
   - The Company has constituted a dedicated ICC (Internal Complaints Committee) at every facility, R&D and HQ to redress complaints through a well-defined process of investigation with written recommendation to Management along with a correction action plan safeguarding the interest of the complainant.

8. Do human rights requirements form part of your business agreements and contracts? (Yes/No)

   No, However, we have proposed to include a clause that shall be included in future agreements.

9. Assessment of the year:

	% of your plants and offices that were assessed (by entity or statutory authorities or third parties)
Child Labour	State Labour Department
Forced Labour/ Involuntary Labour	State Labour Department
Sexual Harassment	District Administration Officers
Discrimination at workplace	State Labour Department
Wages	State Labour Department
Others – please specify	

10. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 9 above.

    No observations from the Statutory authorities.

PRINCIPLE 6: Businesses should respect and make efforts to protect and restore the environment

Essential Indicators

1. Details of total energy consumption (in Joules or multiples) and energy intensity, in the following format:

Parameter	FY:2021-22	FY:2020-21
Total electricity consumption (A)	197308GJ	196120GJ
Total fuel consumption (B)	173315 GJ	169531GJ
Energy consumption through Renewable sources (Solar & Wind Energy) (C)	70242GJ	67789GJ
Total energy consumption (A+B+C)	**440865GJ**	**433440GJ**

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

The Company has not undergone any independent assessment / evaluation / assurance by an external agency

2. Does the entity have any sites / facilities identified as designated consumers (DCs) under the Performance, Achieve and Trade (PAT) Scheme of the Government of India? (Y/N) If yes, disclose whether targets set under the PAT scheme have been achieved. In case targets have not been achieved, provide the remedial action taken, if any.

No

3. Provide details of the following disclosures related to water, in the following format:

Parameter	FY:2021-22	FY:2020-21
Water withdrawal by source (in kiloliters)		
(i) Surface water	69173KL	66016KL
(ii) Groundwater	91630KL	81143KL
(iii) Third party water	43800KL	28630KL
Total volume of water withdrawal (in kiloliters) (i + ii + iii)	**204603KL**	**175789KL**
Total volume of water consumption (in kiloliters)	**204603KL**	**175789KL**

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

The Company has not undergone any independent assessment / evaluation / assurance by an external agency

4. Has the entity implemented a mechanism for Zero Liquid Discharge? If yes, provide details of its coverage and implementation.

Yes.

Implemented Zero Liquid Discharge (ZLD) in Two API Division facilities (Mekaguda (450KL/D) & Chennai (200KL/D) units. Implementation of 360 KL/D ZLD system commissioning is under progress at Kothur formulations facility.

5. Please provide details of air emissions (other than GHG emissions) by the entity, in the following format:

Parameter	Please specify unit	FY:20021-22	FY: 2020-21
NOx	mg/nm3	140	145
Sox	mg/nm3	220	220
Particulate Matter (PM)	mg/nm3	45	50
Volatile organic compounds (VOC)	ppm	<5	<5

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

The Company has not undergone any independent assessment / evaluation / assurance by an external agency

6. Provide details of greenhouse gas emissions (Scope 1 and Scope 2 emissions) & its intensity, in the following format:

Parameter	Unit	FY:2021-22	FY:2020-21
Total Scope 1 emissions (Break-up of the GHG into CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, if available)	Metric tonnes of CO2 equivalent	13477	13265
Total Scope 2 emissions (Break-up of the GHG into CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, if available)	Metric tonnes of CO2 equivalent	44967	44696

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

The Company has not undergone any independent assessment / evaluation / assurance by an external agency

7. Does the entity have any project related to reducing Green House Gas emission? If then provide details.

Yes.

The Company have been investing in setting up renewable energy facilities at the Company's manufacturing facilities, both solar energy and wind energy. FY 2021-22, the Renewable energy mix is at 26.25% of the total energy consumption, reducing 16,008 tCO2e of GHG emissions. The company's total solar energy capacity is at 6.0MW and Wind energy is at 4.2MW. The facility-wise details are available in the section on Responsible Operations.

8. Provide details related to waste management by the entity, in the following format:

Parameter	FY:2021-22	FY:2020-21
Total Waste generated (in metric tons)		
Plastic waste (A)	60 MT	60MT
E-waste (B)	1.578MT	2.585MT
Bio-medical waste (C)	19.865MT	16.147MT
Construction and demolition waste (D)	0	0
Battery waste (E)	427nos	208nos
Radioactive waste (F)	0	0
Other Hazardous waste. Please specify, if any. (G)	1955MT	2196MT
Total (A+B + C + D + E + F + G + H) [9] *Does not account for battery waste*	2036.443MT[9]	2274.732MT[9]
For each category of waste generated, total waste recovered through recycling, re-using or other recovery operations (in metric tonnes)		
Category of waste		
(i) Recycled	642MT	785MT
(ii) Re-used	-	-
(iii) Other recovery options	65MT	139MT
Total	707MT	924MT
For each category of waste generated, total waste recovered through recycling, re-using or other recovery operations (in metric tonnes)		
Category of waste		
(i) Incineration	57MT	49MT
(ii) Landfilling	1191MT	1123MT
(iii) Composting	83MT	78MT
Total	1331MT	1250MT

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

The Company has not undergone any independent assessment / evaluation / assurance by an external agency

9. Briefly describe the waste management practices adopted in your establishments. Describe the strategy adopted by your company to reduce usage of hazardous and toxic chemicals in your products and processes and the practices adopted to manage such wastes.

   Following is the Company's waste management practices for hazardous, non-hazardous and biodegradable waste:

   (i) Hazardous wastes are disposed to authorized disposal facilities:

   - Organic Liquid & Solid wastes spent carbon sent to authorized cement industries for co-processing.
   - Dried ETP sludge, organic semi-solid residues sent to authorized pre-processing facilities pre-processing followed by coprocessing in cement kilns.
   - Inorganic solid wastes sent to TSDF for secured landfilling.
   - Waste oil/used oil sent to authorized re-processors
   - E-waste sent to authorized recycling facilities.
   - Used batteries sent back to manufacturers on buy back basis.

   (ii) Non-hazardous wastes are sent to recyclers/composting/end users:

   - Garbage/general waste(combustible) sent to authorized pre-processing facilities for pre-processing followed by co-processing in cement kilns.
   - Paper waste sent to ITC for recycling.
   - Metal scrap (SS/ MS) sent to recyclers.
   - HDPE carboys/drums sent to end users/recyclers
   - Glass waste sent to recyclers.

   (iii) Biodegradable wastes from canteen is converted as compost by using organic waste converter and used as manure for green belt.

10. If the entity has operations/offices in/around ecologically sensitive areas (such as national parks, wildlife sanctuaries, biosphere reserves, wetlands, biodiversity hotspots, forests, coastal regulation zones etc.) where environmental approvals / clearances are required, please specify details in the following format:

    Not Applicable

11. Details of environmental impact assessments of projects undertaken by the entity based on applicable laws, in the current financial year:

    Not Applicable

12. Is the entity compliant with the applicable environmental law/ regulations/ guidelines in India, such as the Water (Prevention and Control of Pollution) Act, Air (Prevention and Control of Pollution) Act, Environment protection act and rules thereunder (Y/N). If not, provide details of all such non-compliances, in the following format:

    Yes. The Company is compliant with the applicable environmental law/regulations/guidelines.

PRINCIPLE 7: Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent

Essential Indicators

1. a. Number of affiliations with trade and industry chambers/ associations.

   The Company is a member of 9 trade and industry chambers / associations.

   b. List the top 10 trade and industry chambers/ associations (determined based on the total members of such body) the entity is a member of/ affiliated to.

S. No	Name of the trade and industry chambers/ associations	Reach of trade and industry chambers/ associations (State/National)
1.	Federation of Indian Chambers of Commerce & Industry (FICCI)	National
2.	Federation of Telangana Chambers of Commerce and Industry (FTCCI)	State
3.	Bulk Drug Manufacturers Association of India (BDMA)	National
4.	Indian Pharmaceutical Alliance (IPA)	National
5.	Indian Drug Manufacturing Association (IDMA)	National
6.	Confederation of Indian Industry (CII)	National
7.	Pharmaceuticals Export Promotion Council of India (PHARMEXCIL)	National
8.	Agro Chem Federation of India (ACFI)	National
9.	Hyderabad Management Association (HMA)	State

2. Provide details of corrective action taken or underway on any issues related to anti- competitive conduct by the entity, based on adverse orders from regulatory authorities:

   Not applicable

PRINCIPLE 8: Businesses should promote inclusive growth and equitable development

Essential Indicators

1. Details of Social Impact Assessments (SIA) of projects undertaken by the entity based on applicable laws, in the current financial year

   Not applicable

2. Provide information on project(s) for which ongoing Rehabilitation and Resettlement (R&R) is being undertaken by your entity, in the following format:

   Not applicable

3. Describe the mechanisms to receive and redress grievances of the community.

   The mechanism to receive and redress the grievances of the community has been through formal and informal dialogues.

4. Percentage of input material (inputs to total inputs by value) sourced from suppliers:

	FY 2021-22
Directly sourced from MSMEs/ small producers	11.35%
Sourced directly from within the district and neighboring districts (Within Telangana)	31%

PRINCIPLE 9: Businesses should engage with and provide value to their consumers in a responsible manner

Essential Indicators

1. Describe the mechanisms in place to receive and respond to consumer complaints and feedback.

   All consumer related complaints and feedback are handled by the Marketing department. The Marketing Department receives consumer complaints. It forwards them to the Quality Assurance Department, which investigates the complaint received and in turn the Marketing Department responds back to the consumer. A similar process is followed in case of feedback received from consumer.

2. Turnover of products and/ services as a percentage of turnover from all products/service that carry information about.

	As a percentage to total turnover
Environmental and social parameters relevant to the product	Not available
Safe and responsible usage[10]	100%
Recycling and/or safe disposal	Not available

[10] The Company displays all the product information on the product label, which is mandatory. The Company also displays general information for patients in order to guide them with respect to usage of certain products.

3. Number of consumer complaints in respect of the following

	FY 2021-22			FY 2020-21		
	Received during the year	Pending resolution at end of year	Remarks	Received during the year	Pending resolution at end of year	Remarks
Cyber-security	None	None		None	None	
Other-						
(i) Quality complaints	26	0	Nil	27	0	Nil
(ii) Packing complaints	20	0	Nil	28	0	Nil
(iii) Medical complaints	04	0	Nil	03	0	Nil

4. Details of instances of product recalls on account of safety issues:

   The Company did not have any product recalls on account of safety issues in the FY 2021-22

5. Does the entity have a framework/ policy on cyber security and risks related to data privacy? (Yes/No) If available, provide a web-link of the policy.

   Yes

   - The Company has an Information security and Data Integrity policy in place to protect the Company's information assets and information resources.
   - The Policy is applicable to all the employees, contract staff and vendors who use the IT assets and IT resources of the Company to conduct their work internally or externally
   - The employees are required to abide by the policy and procedures laid down and therefore ensure protection of the Confidentiality and Integrity of Information.
   - The Company reserves the right to question, audit employee action and take appropriate action if the violation is proved.

   The policy is accessible to the employees and is placed on the Company intranet

6. Provide details of any corrective actions taken or underway on issues relating to advertising, and delivery of essential services; cyber security and data privacy of customers; re-occurrence of instances of product recalls; penalty / action taken by regulatory authorities on safety of products / services.

   During the FY2021-22, the Company has not been served penalty/action taken by regulatory authorities on safety of products / services or on any other business-related issues

Sustainability Performance Table

Disclosures as per GRI	UNIT	2021- 22
ECONOMIC PERFORMANCE[1]		
Revenue	₹ Million	20438
Operating cost	₹ Million	13630
Employee compensation	₹ Million	4448
Payments to provider of capital	₹ Million	177
Payments to Govt. (Tax)	₹ Million	322
Community investments	₹ Million	161
Economic Value retained (PAT)	₹ Million	1700
Financial assistance received from Govt.	₹ Million	326
Payments to provider of capital (Dividend)	₹ Million	822
ENVIRONMENT PERFORMANCE[2]		
Materials		
Raw materials used in API[3]	Tonnes	1296
Raw materials used in formulations[4]	Tonnes	20.46
Energy		
Total fuel consumption from non-renewable sources	GJ	370623
Total fuel consumption from renewable sources	GJ	70242
Percentage of Renewable Energy Contribution	%	
GHG emissions[5]		
Direct (Scope 1) emissions	t CO2 eq.	13477
Water		
Total water withdrawal	KL	204603
Total volume of planned discharges	KL	107493
Waste		
Hazardous waste		
Recovery[6]	Tonnes	65
Landfill	Tonnes	1180
Incineration	Tonnes	68
Recycle[7]	Tonnes	642
Non-hazardous waste		
Composting[8]	Tonnes	83
EMPLOYEE DATA[9]		
Total workforce-gender wise		
Male	%	88.53
Female	%	11.47
Total workforce - age wise		
<30	%	27.35
30-50	%	66.66
>50	%	6.05
Total workforce - employee type		
Managerial	%	29.54
Supervisory	%	36.07
Workmen	%	18.11
Contract workers	%	16.28
New employee hire - gender wise		
Male	%	9.89
Female	%	1.43
New employee hire - age wise		
< 30	%	8.63

Disclosures as per GRI	UNIT	2021- 22
30-50	%	2.58
>50		0.11
Employee turnover rate %***	%	18.89
Average hours of training		
Workmen	Hours	53.5
Supervisory	Hours	48.61
Middle management (Executive to Deputy Manager)	Hours	56.5
Managers and above	Hours	42.5
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]		0
MTC[14]		4
First Aid Cases		172

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)
*** includes advanced retirement scheme

Financial Statements

Independent Auditor's 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 2022, 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 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 2022, and its 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 obtained by us 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

See Note 3(d) and Note 23 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 before the control has been transferred to the customer. The Company routinely enters into development and commercialisation arrangements relating to research and development of new products in the pharmaceutical sector including collaboration with other pharmaceutical companies	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) Assessed 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 key controls over measurement, timing and recognition of revenue in accordance with customer contracts. 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), by verifying the underlying documents, which included sales invoices, contracts and shipping documents, as applicable.

The key audit matter	How the matter was addressed in our audit
leading to recognition of revenue from sale of services. The Company also enters into product supply agreements and other types of complex agreements which requires revenue to be recognised on profit sharing basis in certain cases. The nature of these arrangements are often inherently complex. Considering the complexity involved, recognition of revenue from such contracts has also been considered as key audit matter.	4) Analysed the terms of development and commercialisation arrangements to determine that revenue is recognised for the rights transferred under the contract having regard to the performance obligations under the contract. 5) Verified confirmations received by the Company directly from the marketing partner for revenue recognised during the year in relation to product supply agreements. 6) Tested manual journals posted to revenue to identify unusual transactions.

2) Assessment of recoverability of the carrying value of investment in NATCO Pharma Australia PTY. Ltd., and NatcoFarma do Brasil Ltda., (through Time Cap Overseas Limited and NATCO Pharma Inc.)

See Note 7 to the standalone financial statements

The key audit matter	How the matter was addressed in our audit
As at 31 March 2022, the Company has investments in various subsidiaries. These investments are evaluated at the end of each reporting period to determine if any indicators of impairment exist. If such evidence exists, impairment loss is determined and recognised in accordance with the accounting policies. Accordingly, the Company has tested the carrying value of investments in NATCO Pharma Australia PTY. Ltd., ('NATCO Australia') and NatcoFarma do Brasil Ltda., (through Time Cap Overseas Limited and NATCO Pharma Inc.) for impairment. We identified assessing potential impairment of investment in the subsidiaries as a key audit matter considering: - the significance of carrying value of investment in NATCO Australia and NatcoFarma do Brasil Ltda., (through Time Cap Overseas Limited and NATCO Pharma Inc.); - Performance and net worth of these entities; - 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 design, implementation and operating effectiveness of Company's key controls over impairment analysis. Evaluated the accuracy of prior period cash flow forecasts of the Company by reference to actual performance. 2) Challenged significant assumptions and judgements incorporated in valuation report of the subsidiary, specifically in relation to forecast revenue, margins, terminal growth and discount rates with the assistance of our internal valuations specialists. Our internal 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 and the discount rate used by the Company in determining value in use. Evaluated the resulting impact on the impairment testing and indicators of management bias in the selection of these key assumptions. 4) Evaluated the adequacy of disclosures in accordance with the relevant accounting standards.

3) Deferred tax asset on Minimum Alternate Tax ('MAT') credit entitlement

See Note 30 (D) and (E) to the standalone financial statements

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. 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 design, implementation and operating effectiveness of the Company's key controls over recognition of deferred tax asset on MAT. 2) Challenged the key business assumptions like profit margins in the foreseeable future years against historical data and trends, to assess their reasonableness. 3) Verified the tax computation for the foreseeable future years and considered whether the tax losses and MAT credit would expire in accordance with the provisions of Income tax Act, 1961. 4) Analysed origination of MAT credit entitlement and assessed the reasonableness of Company's assessment in relation to its utilisation within the period allowed for carry forward and set off against foreseeable forecast taxable income streams. 5) Evaluated appropriateness of taxation disclosures in the standalone financial statements, including the disclosures made in respect of the utilisation period of deferred tax assets in relation to MAT credit entitlement.

4) Allowance for slow moving, obsolete and non-moving inventories

See note 12 to the standalone financial statements

The key audit matter	How the matter was addressed in our audit
The Company makes provision for inventory based on policy, past experience, current trend and future expectations of materials depending upon the category of goods. Significant judgment is required in assessing the appropriate level of the provision for obsolete, slow-moving inventory and inventory not suitable for use. Accordingly, we have identified allowance for slow moving, obsolete and non-moving inventory as key audit matter because of the judgement applied in the identification and valuation of such inventory.	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 design, implementation and the operating effectiveness of the relevant key financial controls with respect to identification and provisioning for obsolete, slow-moving inventory and inventory not suitable for use. 2) Compared the methodology used to calculate the inventory provision and its consistency with prior periods. 3) Obtained an understanding of Holding Company's estimate of business impact of COVID-19 pandemic on provision on inventories. 4) For specific provisions made, on a sample basis, assessed the basis and tested the relevant approvals. 5) Evaluated the adequacy of disclosures in accordance with the relevant accounting standards.

5) Impairment of Property, plant and equipment including capital work in progress of Agro chemicals division (identified as cash generating unit ('CGU').

See note 5 to the standalone financial statements

The key audit matter	How the matter was addressed in our audit
The Company has significant property, plant and equipment with respect to a particular CGU where products are yet to be commercialised as at 31 March 2022. Pending commercialisation of the products, there is a risk of impairment that the carrying amount of the aforesaid assets are lower than its recoverable value. Company's assessment of recoverable value to test for impairment involve significant judgements and estimates including weighted average cost of capital, revenue growth and expected market share. Changes in these assumptions could lead to an impairment to the carrying value of assets of this CGU. Accordingly, impairment of property, plant and equipment including capital work-in-progress in the CGU is identified as a key audit matter.	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 design, implementation and the operating effectiveness of the relevant key financial controls over impairment analysis of CGU. 2) Challenged significant assumptions and judgements incorporated in determination of value in use of the CGU, specifically in relation to forecast revenue, margins, terminal growth and discount rates with the assistance of our internal valuations specialists. Our internal 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 and the discount rate used by the Company in determining value in use. Evaluated the resulting impact on the impairment testing and indicators of management bias in the selection of these key assumptions.

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 auditor's report thereon. The 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 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 necessary actions, as applicable under applicable laws and regulations.

Management's and Board of Directors' Responsibilities 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 the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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 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 in preparation of standalone 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 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order") issued by the Central Government of India in terms of Section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, 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 2022 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2022 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 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:

   a) The Company has disclosed the impact of pending litigations as at 31 March 2022 on its financial position in its standalone financial statements - Refer Note 38 to the standalone financial statements.

   b) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

   c) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

   d) (i) The Management has represented that, to the best of it's knowledge and belief, other than as disclosed in the Note 43(ii) to the standalone financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other persons or entities, including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall:

      - directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or

      - provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

   (ii) The Management has represented that, to the best of it's knowledge and belief, as disclosed in the Note 43(iii) to the standalone financial statements, no funds have been received by the Company from any persons or entities, including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall:

      - directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or

      - provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

   (iii) Based on the audit procedures performed that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e) contain any material mis-statement.

a) The interim dividend declared and paid by the Company during the year is in accordance with Section 123 of the Act.

(C) With respect to the matter to be included in the Auditor's Report under Section 197(16) of the Act:

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) of the Act which are required to be commented upon by us.

For **B S R & Associates LLP**
Chartered Accountants
ICAI Firm's Registration No. 116231W/ W-100024

Vikash Somani
Partner
Membership No.: 061272
UDIN: 22061272AJWVZF3896

Place: Hyderabad
Date: 30 May 2022

Annexure A to the Independent Auditors' Report on the standalone financial statements of NATCO Pharma Limited for the year ended 31 March 2022

(Referred to in Paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our Report of even date)

(i) (a) (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment.

(a) (B) The Company has maintained proper records showing full particulars of intangible assets.

(b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has a regular programme of physical verification of its Property, Plant and Equipment by which all property, plant and equipment are verified in a phased manner over a period of three years. In accordance with this program, certain property, plant and equipment were verified during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties (other than immovable properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) disclosed in the standalone financial statements are held in the name of the Company, except for the following which are not held in the name of the Company:

Description of property	Gross carrying value (amount in INR million)	Held in the name of	Whether promoter, director or their relative or employee	Period held-indicate range, where appropriate	Reason for not being held in the name of the Company
Freehold Land at Attivaram	66	Andhra Pradesh Industrial Infrastructure Corporation Limited	No	4 years	The Company is in the process of getting the land registered in its name and the same is expected to get completed in due course.

(d) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not revalued its Property, Plant and Equipment (including Right of Use assets) or intangible assets or both during the year.

(e) According to information and explanations given to us and on the basis of our examination of the records of the Company, there are no proceedings initiated or pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 (as amended in 2016) and rules made thereunder.

(ii) (a) The inventory, except goods-in-transit and stocks lying with third parties, has been physically verified by the management during the year. For stocks lying with third parties at the year-end, written confirmations have been obtained and for goods-in-transit subsequent evidence of receipts has been linked with inventory records. In our opinion, the frequency of such verification is reasonable and procedures and coverage as followed by management were appropriate. No discrepancies were noticed on verification between the physical stocks and the book records that were more than 10% in the aggregate of each class of inventory.

(b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has been sanctioned working capital limits in excess of five crore rupees, in aggregate, from banks or financial institutions on the basis of security of current assets.

In our opinion, the quarterly returns or statements filed by the Company with such banks or financial institutions are in agreement with the books of account of the Company except as follows:

Quarter	Name of bank	Particulars	Amount as per books of account (in INR mns)	Amount as reported in the quarterly return/ statement (in INR mns)	Amount of difference	Whether return/ state-ment subsequently rectified
31.03.2021	Indian Bank, Citi Bank NA, Union Bank of India, Punjab National Bank, Yes Bank Limited, Axis Bank Limited, IndusInd Bank Limited, Kotak Mahindra Bank, State Bank of India	Inventory	7,692	6,550	1,142	Yes
30.06.2021			8,246	7,940	306	Yes
30.09.2021			8,785	8,372	413	Yes
31.12.2021			8,853	8,475	378	Yes
31.03.2021		Trade receivables	3,998	1,517	2,481	Yes
30.06.2021			4,286	2,141	2,146	Yes
30.09.2021			4,564	2,045	2,519	Yes
31.12.2021			3,870	879	2,990	Yes
31.03.2021		Trade Payables	1,395	968	428	Yes
30.06.2021			1,714	1,334	380	Yes
30.09.2021			1,416	1,495	(79)	Yes
31.12.2021			1,772	1,026	746	Yes

(iii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has made investments, provided guarantee, and granted unsecured loans to companies, in respect of which the requisite information is as below. The Company has not provided any security or advances in the nature of loans, secured or unsecured, to Companies or limited liability partnership or any other parties during the year. Further, the Company has not made investments, provided guarantee or granted loans, secured or unsecured, to limited liability partnership or any other parties during the year.

(a) Based on the audit procedures carried on by us and as per the information and explanations given to us, the Company has provided loans or stood guarantee to entities as below:

(in INR mns)

Particulars	Guarantees	Security	Loans	Advances in nature of loans
Aggregate amount during the year				
Subsidiaries	152	-	4	-
Others	-	-	-	-
Balance outstanding as at the balance sheet date				
Subsidiaries	299	-	4	-
Others	-	-	10	-

The Company has not provided security or given advances in the nature of loans to any party.

(b) According to the information and explanations given to us and based on the audit procedures conducted by us, in our opinion the investments made, guarantees provided during the year and the terms and conditions of the grant of loans are, prima facie, not prejudicial to the interest of the Company. Further, the Company has not provided any security or given advances in the nature of loans during the year.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, in the case of loans given, in our opinion the repayment of principal and payment of interest has been stipulated and the receipts have been regular, except for the following.

(in INR mns)

Name of the entity	Amount in INR mns	Due Date	Extent of delay	Remarks, if any
OMRV Hospitals Private Limited	11	Multiple dates	Yet to be received as on 31 March 2022.	Nil

Further, the Company has not given any advance in the nature of loan to any party during the year.

(d) According to the information and explanations given to us and on the basis of our examination of the records of the Company, there is no overdue amount for more than ninety days in respect of loans given, except an amount of INR 10 million (principal amount) and INR 1 million (interest amount) overdue for more than ninety days as at 31 March 2022. In our opinion, reasonable steps have been taken by the Company for recovery of the principal and interest. Further, the Company has not given any advances in the nature of loans to any party during the year.

(e) According to the information and explanations given to us and on the basis of our examination of the records of the Company, there is no loan granted falling due during the year, which has been renewed or extended or fresh loans granted to settle the overdues of existing loans given to same parties. Further, the Company has not given any advances in the nature of loans.

(f) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not granted any loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment.

(iv) According to the information and explanations given to us and on the basis of our examination of records of the Company, in respect of investments made and loans and guarantees given by the Company, in our opinion the provisions of Section 185 and 186 of the Companies Act, 2013 ("the Act" have been complied with. According to the information and explanations given to us, the Company has not provided security to any parties covered under Section 188 of the Act.

(v) The Company has not accepted any deposits or amounts which are deemed to be deposits from the public. Accordingly, Clause 3(v) of the Order is not applicable.

(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(1) of the Act in respect of its manufactured goods and services provided by it and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not carried out a detailed examination of the records with a view to determine whether these are accurate or complete.

(vii) (a) The Company does not have liability in respect of Service tax, Duty of excise, Sales tax and Value added tax during the year since effective 1 July 2017, these statutory dues has been subsumed into Goods and Services Tax ('GST').

According to the information and explanations given to us and on the basis of our examination of the records of the Company, in our opinion amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Goods and Services Tax ('GST'), Provident fund, Employees' State Insurance, Income-Tax, Duty of Customs, and other statutory dues have generally been regularly deposited with the appropriate authorities, during the year.

According to the information and explanations given to us and on the basis of our examination of the records of the Company, no undisputed amounts payable in respect of Goods and Services Tax ('GST'), Provident fund, Employees' State Insurance, Income-Tax, Duty of Customs, and other statutory dues were in arrears as at 31 March 2022 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, statutory dues relating to Goods and Service Tax, Provident Fund, Employees State Insurance, Income-Tax, Duty of

Customs, Central Sales Tax or or other statutory dues which have been deposited with appropriate authorities on account of any dispute, except for following:

Name of the statute	Nature of the dues	Amount (in INR mns)	Period to which the amount relates	Forum where dispute is pending	Remarks, if any
Central Sales Tax Act, 1956	Central Sales Tax	10 (3)*	Financial Years - 1997-98, 2014-15, 2015-16 and 2017-18	High Court of Telangana	Nil
The Customs Act, 1962	Customs Duty	2 (0)*	July 2006 to June 2010	The Customs Excise and Service Tax Appellate Tribunal	Nil
The Income Tax Act, 1961	Income Taxes	68	Assessment Year 2018-19	Commissioner of Income-tax (Appeals)	Nil

*Represents amount paid under protest

(viii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not surrendered or disclosed any transactions, previously unrecorded as income in the books of account, in the tax assessments under the Income tax Act, 1961 as income during the year.

(ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not defaulted in repayment of loans and borrowing or in the payment of interest thereon to any lender.

(b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not been declared a wilful defaulter by any bank or financial institution or government or government authority.

(c) According to the information and explanations given to us by the management, the Company doesn’t have any term loans. Accordingly, clause 3(ix)(c) of the Order is not applicable.

(d) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term purposes by the Company.

(e) According to the information and explanations given to us and on an overall examination of the standalone financial statements of the Company, we report that the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries as defined under the Act.

(f) According to the information and explanations given to us and procedures performed by us, we report that the Company has not raised loans during the year on the pledge of securities held in its subsidiaries (as defined under the Act).

(x) (a) The Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments) Accordingly, clause 3(x)(a) of the Order is not applicable.

(b) According to the information and explanations given to us and on the basis of 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, clause 3(x)(b) of the Order is not applicable.

(xi) (a) Based on examination of the books and records of the Company and according to the information and explanations given to us, no fraud by the Company or on the Company has been noticed or reported during the course of the audit.

(b) According to the information and explanations given to us, no report under sub-section (12) of Section 143 of the Act has been filed by the auditors in Form ADT-4 as prescribed under Rule 13 of the Companies (Audit and Auditors) Rules, 2014 with the Central Government.

(c) As represented to us by the management, there are no whistle blower complaints received by the Company during the year.

(xii) According to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, clause 3(xii) of the Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us, the transactions with related parties are in compliance with Section 177 and 188 of the Act, where applicable, and the details of the related party transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards.

(xiv) (a) Based on information and explanations provided to us and our audit procedures, in our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(b) We have considered the internal audit reports of the Company issued till date for the period under audit.

(xv) In our opinion and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with the directors or persons connected to its directors and hence, provisions of Section 192 of the Act are not applicable to the Company.

(xvi) (a) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, Clause 3(xvi)(a) and (b) of the Order are not applicable.

(b) The Company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India. Accordingly, Clause 3(xvi)(c) of the Order is not applicable.

(c) The Company is not part of any group (as per the provisions of the Core Investment Companies (Reserve Bank) Directions, 2016 as amended). Accordingly, the requirements of clause 3(xvi)(d) are not applicable.

(xvii) The Company has not incurred cash losses in the current and in the immediately preceding financial year.

(xviii) There has been no resignation of the statutory auditors during the year. Accordingly, clause 3(xviii) of the Order is not applicable.

(xix) According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that the Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.

Also refer to the Other Information paragraph of our main audit report which explains that the other information comprising the information included in the Annual report is expected to be made available to us after the date of this auditor's report.

(xx) In our opinion and according to the information and explanations given to us, there is no unspent amount under sub-section (5) of Section 135 of the Act pursuant to any project. Accordingly, clauses 3(xx)(a) and 3(xx)(b) of the Order are not applicable.

For **B S R & Associates LLP**
Chartered Accountants
ICAI Firm's Registration No. 116231W/ W-100024

Vikash Somani
Partner
Membership No.: 061272
UDIN: 22061272AJWVZF3896

Place: Hyderabad
Date: 30 May 2022

Annexure B to the Independent Auditors' report on the standalone financial statements of NATCO Pharma Limited for the year ended 31 March 2022.

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 2(A)(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 2022 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 2022, 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 standalone 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 standalone financial statements to future periods are subject to the risk that the internal financial controls with reference to standalone 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's Registration No. 116231W/ W-100024

Vikash Somani
Partner
Membership No.: 061272
UDIN: 22061272AJWVZF3896

Place: Hyderabad
Date: 30 May 2022

Standalone Balance Sheet

as at 31 March 2022 (All amounts in ₹ millions, except share data and where otherwise stated)

Particulars	Notes	As at 31 March 2022	As at 31 March 2021
I. Assets			
(1) Non-current assets			
(a) Property, plant and equipment	5	21,581	19,965
(b) Capital work-in-progress	40	1,287	2,234
(c) Intangible assets	6	161	94
(d) Investments in subsidiaries	7	3,441	1,830
(e) Financial assets			
(i) Investments	8	863	1,119
(ii) Loans	9	5	128
(iii) Other financial assets	10	191	185
(f) Other non-current assets	11	469	285
Total non-current assets		**27,998**	**25,840**
(2) Current assets			
(a) Inventories	12	6,977	7,692
(b) Financial assets			
(i) Investments	8	1,196	421
(ii) Trade receivables	13	5,756	3,998
(iii) Cash and cash equivalents	14	59	51
(iv) Bank balances other than (iii) above	14	950	2,577
(v) Loans	9	104	129
(vi) Other financial assets	10	3,818	4,280
(c) Other current assets	11	2,922	2,537
Total current assets		**21,782**	**21,685**
Total assets		**49,780**	**47,525**
II. EQUITY AND LIABILITIES			
(1) Equity			
(a) Equity share capital	15	365	365
(b) Other equity	16	41,554	40,546
Total equity		**41,919**	**40,911**
(2) Liabilities			
(A) Non-current liabilities			
(a) Financial liabilities			
(ia) Lease liabilities	18	79	9
(ii) Other financial liabilities	19	13	11
(b) Provisions	20	957	996
(c) Deferred tax liabilities, (net)	30	300	413
Total non-current liabilities		**1,349**	**1,429**
(B) Current liabilities			
(a) Financial liabilities			
(i) Borrowings	17	3,890	2,551
(ia) Lease liabilities	18	26	4
(ii) Trade payables	22		
- Dues of micro enterprises and small enterprises		132	75
- Dues of creditors other than micro enterprises and small enterprises		1,280	1,320
(iii) Other financial liabilities	19	810	807
(b) Other current liabilities	21	204	300
(c) Provisions	20	170	128
(d) Current tax liabilities, (net)		-	-
Total current liabilities		**6,512**	**5,185**
Total liabilities		**7,861**	**6,614**
Total equity and liabilities		**49,780**	**47,525**
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: 30 May 2022

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

V C Nannapaneni
Managing Director
DIN: 00183315

Rajeev Nannapaneni
Director and Chief Executive Officer
DIN: 00183872

Venkat Ramesh Chekuri
Company Secretary

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 30 May 2022

Standalone Statement of Profit and Loss

for the year ended 31 March 2022 (All amounts in ₹ millions, except share data and where otherwise stated)

Particulars	Notes	For the year ended 31 March 2022	For the year ended 31 March 2021
1. Income			
(a) Revenue from operations	23	17,678	16,535
(b) Other income	24	946	1,011
Total income		**18,624**	**17,546**
2. Expenses			
(a) Cost of materials consumed	25	5,192	3,729
(b) Purchases of stock-in-trade		209	1,740
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	26	(55)	(469)
(d) Employee benefits expense	27	4,101	3,800
(e) Finance costs	28	133	113
(f) Depreciation and amortisation expense	5 and 6	1,384	1,152
(g) Other expenses	29	6,101	3,559
Total expenses		**17,065**	**13,624**
3. Profit before tax (1-2)		**1,559**	**3,922**
4. Tax expense:	30		
(a) Current tax		325	933
(b) Deferred tax		(157)	(106)
Total tax expenses		**168**	**827**
5. Profit for the year (3-4)		**1,391**	**3,095**
6. Other comprehensive income			
(a) Items that will not be reclassified subsequently to profit or loss			
(i) Remeasurement of defined benefit plans		6	(8)
Tax on remeasurement of defined benefit plans		(2)	3
(ii) Net gains from investments in equity instruments designated at FVTOCI		442	153
Tax impact on equity instruments designated at FVTOCI		(42)	(15)
Other comprehensive income, net of tax		**404**	**133**
7. Total comprehensive income for the year (5+6)		**1,795**	**3,228**
8. Earnings per equity share (Face value of ₹ 2 each)	31		
Basic (in ₹)		7.63	16.99
Diluted (in ₹)		7.63	16.96
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: 30 May 2022

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

V C Nannapaneni
Managing Director
DIN: 00183315

Rajeev Nannapaneni
Director and Chief Executive Officer
DIN: 00183872

Venkat Ramesh Chekuri
Company Secretary

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 30 May 2022

Standalone Statement of Cash Flows

for the year ended 31 March 2022 (All amounts in ₹ millions, except share data and where otherwise stated)

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Cash flows from operating activities		
Profit before tax	1,559	3,922
Adjustments :		
Depreciation and amortisation expense	1,384	1,152
Finance costs	133	113
Share based payment expense	22	126
Interest income	(377)	(562)
Allowance for credit losses	271	(24)
Bad debts written off	199	117
Profit on sale of property, plant and equipment, net	(427)	(320)
Guarantee income	(9)	(5)
Dividend income	(2)	(0)
Unrealised foreign exchange loss/(gain), net	(9)	(13)
Operating profit before working capital changes	**2,744**	**4,506**
Working capital adjustments:		
Decrease/ (increase) in inventories	715	(2,447)
(Increase)/ decrease in trade receivables	(2,216)	1,292
Decrease/ (increase) in loans	34	(51)
Decrease/ (increase) in other financial assets	15	(40)
Increase in other assets	(376)	(33)
Increase/ (decrease) in trade payables	17	(947)
Increase in provisions	9	110
Increase in other financial liabilities	56	49
(Decrease)/ increase in other liabilities	(96)	165
Cash generated from operating activities	**902**	**2,604**
Income taxes paid, net of refund	(325)	(769)
Net cash generated from operating activities (A)	**577**	**1,835**
Cash flows from investing activities		
Purchase of property, plant and equipment (Refer note b below)	(2,255)	(2,399)
Proceeds from sale of property, plant and equipment	538	451
Acquisition of intangible assets	(99)	(29)
Investments in subsidiaries	(1,608)	(787)
Loans given to subsidiary companies	(4)	-
Repayment of loans by subsidiary companies	114	410
Repayment of loans by others	4	6
Proceeds from sale of investments	118	73
Purchase of investments	(180)	(578)
Deposits with Banks	(913)	(3,060)
Redemption of deposits with Banks	2,540	950
Interest received	495	680
Dividend received	2	0
Redemption of deposits with financial institutions	3,861	8,112
Deposits with financial institutions	(3,538)	(3,861)
Net cash used in investing activities (B)	**(925)**	**(32)**
Cash flows from financing activities		
Proceeds from issue of shares	0	1
Net proceeds from/ (repayment of) short-term borrowings (refer note c below)	1,339	(572)
Dividends paid	(821)	(1,140)
Interest paid	(139)	(112)
Payment of lease liability (refer note c below)	(23)	(8)

Standalone Statement of Cash Flows

for the year ended 31 March 2022 (All amounts in ₹ millions, except share data and where otherwise stated)

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Net cash generated from/ (used in) financing activities (C)	**356**	**(1,831)**
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	**8**	**(28)**
Cash and cash equivalents as at the beginning of the year	51	79
Cash and cash equivalents as at the end of the year	**59**	**51**
Components of cash and cash equivalents		
Cash and cash equivalents:		
Cash on hand	4	5
Balance with Banks:		
- Current accounts	55	46
	59	**51**

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, capital creditors and right of use assets.

c) Debt reconciliation in accordance with Ind AS 7:

Particulars		For the year ended 31 March 2022	For the year ended 31 March 2021
Short-term borrowings:			
Opening balance		2,551	3,123
Net proceeds from/ (repayment of) short-term borrowings		1,339	(572)
Non-cash items (Foreign exchange changes)		0	(0)
Closing balance		**3,890**	**2,551**
Lease liabilities:			
Opening balance		13	17
Additions and interest accrued during the year		115	4
Deletions during the year		(0)	-
Payment of lease liability		(23)	(8)
Closing balance		**105**	**13**
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: 30 May 2022

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

V C Nannapaneni
Managing Director
DIN: 00183315

Rajeev Nannapaneni
Director and Chief Executive Officer
DIN: 00183872

Venkat Ramesh Chekuri
Company Secretary

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 30 May 2022

Standalone Statement of Changes in Equity

for the year ended 31 March 2022 (All amounts in ₹ millions, except share data and where otherwise stated)

A. Equity Share Capital

Particulars	Number of Shares	Amount
As at 1 April 2020	18,20,67,975	364
Changes in equity share capital due to prior period errors	-	-
Restated balance at the beginning of current period	**18,20,67,975**	**364**
Changes in Equity during the year	2,69,850	1
As at 31 March 2021	**18,23,37,825**	**365**
Changes in equity share capital due to prior period errors	-	-
Restated balance at the beginning of current period	**18,23,37,825**	**365**
Changes in Equity during the year	1,82,340	0
As at 31 March 2022	**18,25,20,165**	**365**

B. Other Equity

Particulars	Reserves and Surplus						Other comprehensive income	Total
	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 2020	**13,729**	**516**	**11**	**595**	**236**	**23,225**	**19**	**38,331**
Changes in accounting policy or prior period errors	-	-	-	-	-	-	-	-
Restated balance at the beginning of the prior period	**13,729**	**516**	**11**	**595**	**236**	**23,225**	**19**	**38,331**
Profit for the year	-	-	-	-	-	3,095	-	3,095
Other comprehensive income (net of taxes)	-	-	-	-	-	(3)	136	133
Profit on sale of investments	-	-	-	-	-	25	(25)	-
Employee stock option expense	-	-	-	-	126	-	-	126
Dividend paid	-	-	-	-	-	(1,139)	-	(1,139)
Share options exercised	186	-	-	-	(186)	-	-	-

Standalone Statement of Changes in Equity

for the year ended 31 March 2022 (All amounts in ₹ millions, except share data and where otherwise stated)

B. Other Equity (Contd..)

Particulars	Reserves and Surplus						Other comprehensive income	Total
	Securities premium	Capital reserve	Capital redemption reserve	General reserve	Share options outstanding account	Retained earnings	Gain/(loss) on FVTOCI equity securities	
As at 31 March 2021	**13,915**	**516**	**11**	**595**	**176**	**25,203**	**130**	**40,546**
Changes in accounting policy or prior period errors	-	-	-	-	-	-	-	-
Restated balance at the beginning of the prior period	**13,915**	**516**	**11**	**595**	**176**	**25,203**	**130**	**40,546**
Profit for the year	-	-	-	-	-	1,388	-	1,388
Other comprehensive income (net of taxes)	-	-	-	-	-	19	400	419
Profit on sale of investments	-	-	-	-	-	79	(79)	-
Employee stock option expense	-	-	-	-	22	-	-	22
Dividend paid	-	-	-	-	-	(821)	-	(821)
Share options exercised	163	-	-	-	(163)	-	-	0
As at 31 March 2022	**14,078**	**516**	**11**	**595**	**35**	**25,868**	**451**	**41,554**

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: 30 May 2022

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

V C Nannapaneni
Managing Director
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Director and Chief Executive Officer
DIN: 00183872

Venkat Ramesh Chekuri
Company Secretary

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 30 May 2022

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 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 and finished dosage formulations. The Company has manufacturing facilities in India which caters to both domestic and international markets including regulated markets like United States of America and Europe.

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 2022 were authorised and approved for issue by the Company's Board of Directors on 30 May 2022.

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 adopted by the Company have been reflected as '0' in relevant notes in the standalone financial statements.

C. Operating cycle

The Company 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.

D. 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	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.

E. 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

Notes to Standalone Financial Statements

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

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.

F. 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.

Notes to Standalone Financial Statements

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

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 capitalisation 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, 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, 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.

Notes to Standalone Financial Statements

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

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. These arrangements typically consist of an initial upfront payment on inception of the agreement and subsequent payments dependent on achieving certain milestones in accordance with the terms prescribed in the agreement. Milestone payments which are contingent on achieving certain milestones are recognised as revenues either on achievement of such milestones or over the performance period depending on the terms of the contract.

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

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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 right-of-use assets is 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 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

Notes to Standalone Financial Statements

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

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 recognised 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 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 amortisation 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

Notes to Standalone Financial Statements

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

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.

Notes to Standalone Financial Statements

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

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. 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.

Notes to Standalone Financial Statements

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

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.

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.

Notes to Standalone Financial Statements

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

Defined benefit plan

The Company has gratuity as defined benefit plan where the amount that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The liability recognised in the balance sheet for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date net of fair value of plan assets. Management estimates the DBO annually with the assistance of independent actuaries, by adopting the projected unit credit method. Actuarial gains and losses resulting from re-measurements of the liability are included in other comprehensive income.

The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC). Under the said policy, the eligible employees are entitled for gratuity upon their resignation, retirement or in the event of death in lumpsum after deduction of necessary taxes upto a maximum limit of ₹2 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.

Notes to Standalone Financial Statements

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

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 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 accounting pronouncements

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On 23 March 2022, MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2022, applicable from 01 April 2022, as below:

Ind AS 103 – Reference to Conceptual Framework

The amendments specify that to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual Framework) issued by the Institute of Chartered Accountants of India at the acquisition date. These changes do not significantly change the requirements of Ind AS 103. The Company does not expect the amendment to have any significant impact in its financial statements.

Ind AS 16 – Proceeds before intended use

The amendments mainly prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss. The Company does not expect the amendments to have any impact in its recognition of its property, plant and equipment in its financial statements.

Ind AS 37 – Onerous Contracts - Costs of Fulfilling a Contract

The amendments specify that that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts. The amendment is essentially a clarification and the Comany does not expect the amendment to have any significant impact in its financial statements.

Notes to Standalone Financial Statements

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

Ind AS 109 – Annual Improvements to Ind AS (2021)

The amendment clarifies which fees an entity includes when it applies the '10 percent' test of Ind AS 109 in assessing whether to derecognise a financial liability. The Company does not expect the amendment to have any significant impact in its financial statements.

Ind AS 106 – Annual Improvements to Ind AS (2021)

The amendments remove the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives were described in that illustration. The Company does not expect the amendment to have any significant impact in its financial statements.

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 Company's disclosure of significant accounting policies which are provided in Note 3 to the standalone financial statements, 'Significant accounting policies'.

Critical judgments:

Taxes on income:

Significant judgments are involved in determining the provision for income taxes, including possibility of utilisation of Minimum Alternate Tax (MAT) credit in future.

Impairment of investments:

Significant judgment is 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 standalone financial statements.

Impairment of property, plant and equipment

Significant judgment is involved in determining the estimated future cash flows from the cash-generating unit to determine their value in use to assess whether there is any impairment in their carrying amounts as reflected in the standalone financial statements.

Critical estimates:

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. In addition, significant judgement is required in assessing the impact of any legal or economic limits.

Evaluation of indicators for impairment of assets: The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

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

Notes to Standalone Financial Statements

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

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: The Company exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

Notes to Standalone Financial Statements

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

5. Property, plant and equipment

	Freehold land	Buildings	Plant and equipments	Office equipments	Furniture	Vehicles	Computers	Right-of-use assets	Total
Gross carrying amount									
As at 1 April 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**
Additions	198	800	1,703	5	33	33	59	245	3,076
Disposals	(33)	(53)	(74)	(0)	(0)	(8)	(0)	(12)	(180)
Balance as at 31 March 2022	**2,641**	**9,638**	**15,512**	**44**	**439**	**267**	**351**	**535**	**29,427**
Accumulated depreciation									
As at 1 April 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**
Charge for the year	-	277	957	2	36	21	35	24	1,352
Disposals	-	(5)	(50)	(0)	(0)	(5)	(0)	(12)	(72)
Balance as at 31 March 2022	**-**	**1,492**	**5,725**	**36**	**163**	**160**	**230**	**40**	**7,846**
Net book value as at 31 March 2021	**2,476**	**7,671**	**9,065**	**5**	**279**	**98**	**97**	**274**	**19,965**
Net book value as at 31 March 2022	**2,641**	**8,146**	**9,787**	**8**	**276**	**107**	**121**	**495**	**21,581**

(i) Contractual obligations - Refer to note 38(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, 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 and lease hold land from Maharashtra Industrial Coropration (MIDC) at Taloja Industrial area for peroid of 69 years.

(iii) Land parcels with an aggregate carrying amount of ₹ 4 (31 March 2021: ₹ 4) are under dispute pending in a court as to the ownership of the property. The Management, based on available information is confident of favourable outcome in this case and hence, no adjustments are made in these financial statements.

Notes to Standalone Financial Statements

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

5. Property, plant and equipment (Contd..)

(iv) Title deeds of Immovable Property not held in name of the Company

Relevant line item in the Balance sheet	Description of item of property	Gross carrying value	Title deeds held in the name of	Whether title deed holder is a promoter, director or relative of promoter /director or employee of promoter/ director	Property held since which date	Reason for not being held in the name of the company
Property, plant and equipment	Land at Attivaram	66	Andhra Pradesh Industrial Infrastructure Corporation Limited	No	14 March 2018	The Company is in the process of getting the land registered in its name and the same is expected to get completed in due course.

(v) Refer to note 41 for disclosure of leases under Ind AS 116.

(vi) Refer to note 17 for details of assets mortgaged.

(vii) The Company has not revalued any property, plant and equipment after initial recognition, during the current year and previous financial year.

6. Intangible assets

	Computer Software	Total
Gross carrying amount		
As at 1 April 2020	**223**	**223**
Additions	29	29
As at 31 March 2021	**252**	**252**
Additions	99	99
Disposals	(0)	(0)
As at 31 March 2022	**351**	**351**
Accumulated amortisation		
As at 1 April 2020	**135**	**135**
Amortisation for the year	23	23
As at 31 March 2021	**158**	**158**
Amortisation for the year	32	32
Disposals	(0)	(0)
As at 31 March 2022	**190**	**190**
Net carrying amount		
As at 31 March 2021	**94**	**94**
As at 31 March 2022	**161**	**161**

(i) The Company has not revalued any intangible assets after initial recognition, during the current year and previous financial year.

Notes to Standalone Financial Statements

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

7. Investments in subsidiaries

	As at 31 March 2022	As at 31 March 2021
Non-current		
Investment in equity instruments (fully paid-up)		
At cost less provision for other than temporary impairment		
Unquoted		
17,850 (31 March 2021: 2,650) common shares of US$1,000 each, in Natco Pharma Inc.	1,305	162
2,272,009 (31 March 2021: 1,902,009) equity shares of US$10 each, in Time Cap Overseas Limited*	1,542	1,262
2,810,881 (31 March 2021: 2,783,813) equity shares of Canadian Dollar 1 each, in NATCO Pharma (Canada) Inc.	232	145
2,095,000 (31 March 2021: 2,095,000) equity shares of Singapore Dollar 1 each, in NATCO Pharma Asia Pte. Ltd.	102	102
3,608,572 (31 March 2021: 1,908,572) equity shares of Australian Dollar 1 each, in NATCO Pharma Australia PTY Ltd.*	193	99
342,714 (31 March 2020:307,448) equity shares of 100 PHP each, in NATCO Lifesciences Philippines Inc.	47	42
Deemed investment in NatcoFarma do Brasil Ltda.	20	18
	3,441	**1,830**
Aggregate book value of unquoted investments	3,441	1,830
Aggregate amount of impairment in the value of investments	-	-

*The Company has invested in NATCO Pharma Australia PTY Ltd. (NATCO Australia) and NatcoFarma do Brasil Ltda. ('Natco Brazil') (through its subsidiary Time Cap Overseas Limited ("Timecap")) which are engaged in marketing of pharmaceutical products in Australia and Brazil respectively. As on date accumulated losses of NATCO Australia amounts to ₹ 190 and NATCO Brazil amounts to ₹ 1,160. These accumulated losses have substantially eroded the net worth of respective entites which indicates a possible impairment in the carrying value of the investments. Accordingly, the management with the help of valuation expert, 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 Australia and 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 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 Australia and Natco Brazil respectively. 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 2022	As at 31 March 2021
I. Non-current		
a) Investment in equity instruments (fully paid-up)		
Unquoted		
At fair value through other comprehensive income ('FVTOCI')		
139,451 (31 March 2021: 139,451) equity shares of ₹10 each, in OMRV Hospital Private Limited	106	105
21,769 (31 March 2021: 21,769) equity shares of ₹10 each, in Veda Seedsciences Private Limited	99	79
8,000 (31 March 2021: 8,000) equity shares of ₹ 10 each, in Cipher Oncology Private limited	10	10
4,054 (31 March 2021: 4,054) equity shares of 1USD each, in NATIVITA Joint Limited Liability Company	0	0
30 (31 March 2021: 30) equity shares of Euro 0.5 per share of Pharnasanta B.V	0	0
750 (31 March 2021: 750) equity shares of ₹100 each, in Jeedimetla Effluent Treatment Limited	0	0
34,400 (31 March 2021: 34,400) equity shares of ₹10 each, in Pattancheru Enviro-Tech Limited	0	0
27,000 (31 March 2021: 27,000) equity shares of ₹10 each, in Jayalakshmi Spinning Mills Limited	0	0
Less: Provision for diminution in value of investments	0	0
	215	**194**
The Company designated the investments shown above as equity shares at FVTOCI because these equity shares represent investments that the Company intends to hold long-term for strategic purposes.		
b) Other investments		
Unquoted		
At fair value through other comprehensive income		
3,146 (31 March 2021: 2,000) units of ₹10,000 each, in Endiya Trust	35	20
65,979 (31 March 2021: 65,979) shares of seed -2 preferred stock in ISCA,Inc	151	151
500,000 (31 March 2021: 5,00,000) 0.05% compulsorily convertible preference shares (CCPS) of ₹100 each, in OMRV Hospitals Private Limited	50	50
1,000,000 (31 March 2021: Nil) 0.15% compulsorily convertible debentures (CCD) of ₹10 each, in Simplify Wellness India Private Limited	10	-
	246	**221**
Unquoted		
At amortised cost		
National savings certificates	0	0
Quoted		
At amortised cost		
Nil (31 March 2021: 250,000) 9.25% non-convertible debentures (NCD) of ₹1,000 each,in Muthoot Finance limited	-	250
100,000 (31 March 2021: 100,000) 6.75% non-convertible debentures (NCD) of ₹1,000 each, in Muthoot Finance limited	100	100
190 (31 March 2021: Nil) 9.15% Perpetual Bonds of ₹ 1,000,000 each, in ICICI Bank Ltd	199	-
Nil (31 March 2021: 250) 8.39% Series III Perpetual Bonds of ₹ 1,000,000 each, issued by State Bank of India	-	251

Notes to Standalone Financial Statements

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

8. Investments (Contd..)

	As at 31 March 2022	As at 31 March 2021
100 (31 March 2021: 100) 7.73% Series III Perpetual Bonds of ₹ 1,000,000 each, issued by State Bank of India	103	103
	402	**704**
Total non-current investments	**863**	**1,119**
Aggregate book value of unquoted investments	461	490
Aggregate book value of quoted investments	402	704
Aggregate market value of quoted investments	399	721
Aggregate amount of impairment in the value of investments	0	0
II. Current		
a) Investments in equity instruments (fully paid-up)		
Quoted		
At fair value through other comprehensive income		
7,000 (31 March 2021: 7,000) equity shares of ₹10 each, in Neuland Laboratories Limited	7	15
5,500 (31 March 2021: 5,500) equity shares of ₹1 each, in Sun Pharmaceuticals Industries Limited	5	3
530 (31 March 2021: 530) equity shares of ₹2 each, in Alkem Laboratories Limited	2	1
12,400 (31 March 2021: 12,400) equity shares of ₹1 each, in Cadila Healthcare Limited	4	5
320,000 (31 March 2021: 350,000) equity shares of ₹2 each, in Laurus Labs Limited	189	127
150,000 (31 March 2021: 150,000) equity shares of ₹1 each, in Lanco Infratech Limited	0	0
22,700 (31 March 2021: 22,700) equity shares of ₹1 each, in GMR Infrastructure Limited	1	1
50,400 (31 March 2021: 50,400) equity shares of ₹1 each, in GVK Power & Infrastructure Limited	0	0
15,000 (31 March 2021: 18,300) equity shares of ₹1 each, in Panacea Biotech Limited	2	3
2,100 (31 March 2021: 2,100) equity shares of ₹1 each, in ICICI Prudential Life Insurance Company Limited	1	1
2,000 (31 March 2021: Nil) equity shares of ₹1 each, fully paid-up in JB Chemicals and Pharmaceuticals Ltd	3	-
3,25,577 (31 March 2021: 2,201) equity shares of ₹10 each, in Medplus Health Services Limited*	330	75
2,270 (31 March 2021: Nil) equity shares of ₹5 each, in GMR Power & Urban Infra Limited	0	-
18,300 (31 March 2021: 18,300) equity shares of ₹1 each, in Ravinder Height Limited	1	0
	545	**231**
*These shares were unquoted as at 31 March 2021.		
b) Investment in Bonds, Debentures and Commercial Papers (fully paid-up)		
Quoted		
At amortised cost		
250 (31 March 2021: Nil) 8.85% Perpetual Bonds of ₹ 1,000,000 each, in HDFC Bank Ltd	256	-

Notes to Standalone Financial Statements

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

8. Investments (Contd..)

	As at 31 March 2022	As at 31 March 2021
15 (31 March 2021: Nil) 10.25% non-convertible debentures (NCD) of ₹1,000,000 each,in Muthoot Microfin Limited	15	-
	271	**-**
Unquoted		
800 (31 March 2021: 400) 5.10% Commercial Paper (CP) of ₹500,000/- each, through issuer Julius Baer Capital (India) Private Limited	380	190
Total current investments	**1,196**	**421**
The Company has not traded or invested in crypto currency or virtual currency during the year.		
Aggregate book value of unquoted investments	380	190
Aggregate book value of quoted investments	816	156
Aggregate market value of quoted investments	812	477
Aggregate amount of impairment in the value of investments	-	-

9. Loans

	As at 31 March 2022	As at 31 March 2021
(Unsecured, considered good)		
Non-current		
Loans to related parties (Refer note 36)	5	114
Loans to others	-	14
Total non-current loans	**5**	**128**
Current		
Loans to employees	65	92
Loans to directors (Refer note 36)	29	37
Loans to others	10	-
Total current loans	**104**	**129**

10. Other financial assets

	As at 31 March 2022	As at 31 March 2021
(Unsecured, considered good)		
Non-current		
Security deposits	147	143
Bank deposits due to maturity after 12 months from the reporting date*	34	34
Interest on deposits, accrued but not due	10	8
	191	**185**
*Bank deposits are given as margin money against bank guarantees/performance guarantees issued by banks.		
Current		
Deposits other than, with banks	3,538	3,861

Notes to Standalone Financial Statements

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

10. Other financial assets (Contd..)

	As at 31 March 2022	As at 31 March 2021
Interest on deposits, accrued but not due	252	361
Interest on loans to related party, accrued but not due (Refer note 36)	0	11
Other receivables	28	47
	3,818	**4,280**

11. Other assets

	As at 31 March 2022	As at 31 March 2021
(Unsecured, considered good)		
Non-current		
Capital advances	466	273
Advances other than capital advances		
- Prepaid expenses	2	-
- Balance with statutory authorities	1	12
	469	**285**
Current		
Advances other than capital advances		
- Advance to material suppliers/ service providers	932	1,100
- Prepaid expenses	309	221
- Export incentives receivable	192	312
- Balance with statutory authorities	1,489	904
	2,922	**2,537**

12. Inventories

	As at 31 March 2022	As at 31 March 2021
Raw materials [including goods-in-transit of ₹ 9 (31 March 2021: ₹ 51)]	2,446	3,422
Work-in-progress	1,750	1,834
Finished goods	1,424	1,303
Stock-in-trade	62	44
Stores and spares [including goods-in-transit of ₹ 2 (31 March 2021: ₹ 9)]	967	778
Packing materials [including goods-in-transit of ₹ 17 (31 March 2021: ₹ 1)]	328	311
	6,977	**7,692**

The write-down value of inventories during the year amounted to ₹ 2,321 (31 March 2021: ₹ 488). The write down are included in changes in inventories and consumption of materials.

Refer note 17 for details of inventories hypothecated against borrowings.

Refer note 3(k) to significant accounting policies

Notes to Standalone Financial Statements

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

13. Trade receivables

	As at 31 March 2022	As at 31 March 2021
Current		
(Unsecured)		
Trade receivables, gross		
- Considered good	6,041	4,101
- Credit impaired	137	48
	6,178	**4,149**
Less: Allowance for credit losses	422	151
	5,756	**3,998**

Ageing of trade receivables as at 31 March 2022

Outstanding for following periods from due date of payment	Undisputed	
	Considered good	Credit impaired
Unbilled	2,980	-
Not due	1,898	-
Less than 6 months	447	-
6 Months to 1 year	631	137
1-2 years	82	-
2-3 years	3	-
More than 3 years	0	-
Total	**6,041**	**137**

Ageing of trade receivables as at 31 March 2021

Outstanding for following periods from due date of payment	Undisputed	
	Considered good	Credit impaired
Unbilled	780	-
Not due	2,375	40
Less than 6 months	625	-
6 Months to 1 year	266	8
1-2 years	45	-
2- 3 years	2	-
More than 3 years	8	-
Total	**4,101**	**48**

Refer note 17 for details of trade receivables hypothecated against borrowings.

There are no outstanding trade receivables by directors or other officers of the Company or by firms or private companies in which director is partner or member respectively as at 31 March 2022 and as at 31 March 2021.

Notes to Standalone Financial Statements

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

14. Cash and bank balances

	As at 31 March 2022	As at 31 March 2021
Cash and cash equivalents		
Cash on hand	4	5
Balances with banks:		
- In current accounts	55	46
	59	**51**
Other bank balances		
Deposits (having original maturity more than 3 months) due to mature within 12 months from the reporting date	913	2,540
Unpaid dividend accounts	37	37
	950	**2,577**
	1,009	**2,628**

15. Equity share capital

i. Authorised share capital

Outstanding for following periods from due date of payment	As at 31 March 2022		As at 31 March 2021	
	Number	Amount	Number	Amount
Equity shares of ₹2 each	20,00,00,000	400	20,00,00,000	400

ii. Issued, subscribed and fully paid up

Outstanding for following periods from due date of payment	As at 31 March 2022		As at 31 March 2021	
	Number	Amount	Number	Amount
Equity shares of ₹2 each	18,25,20,165	365	18,23,37,825	365
	18,25,20,165	**365**	**18,23,37,825**	**365**

iii. Reconciliation of number of equity shares outstanding at the beginning and at the end of the year

	As at 31 March 2022		As at 31 March 2021	
	Number	Amount	Number	Amount
Equity shares				
Balance at the beginning of the year	18,23,37,825	365	18,20,67,975	364
Add: Equity shares issued pursuant to employee stock option plan (Refer note 15 (viii))	1,82,340	0	2,69,850	1
Balance at the end of the year	**18,25,20,165**	**365**	**18,23,37,825**	**365**

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. 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.

Notes to Standalone Financial Statements

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

15. Equity share capital (Contd..)

v. Details of shareholders holding more than 5% of the total number of equity shares.

Name of the equity shareholder	As at 31 March 2022		As at 31 March 2021	
	Number	% holding	Number	% holding
V C Nannapaneni*	2,80,27,975	15.36%	2,80,27,975	15.37%
Time Cap Pharma Labs Limited	1,71,75,420	9.41%	1,71,75,420	9.42%
V S Swathi Kantamani	1,59,83,340	8.76%	1,59,83,340	8.77%
Natsoft Information Systems Private Limited	1,57,67,500	8.64%	1,57,67,500	8.65%

*including shares held in the capacity of Karta of Hindu Undivided Family (HUF) aggregating to 5,440,045 (31 March 2021: 5,440,045).

Details of shares held by Promotors at the end of the period

Name of the equity shareholder	As at 31 March 2022			As at 31 March 2021		
	Number of shares	% of total shares	% Change during the year	Number of shares	% of total shares	% Change during the year
Equity shares of ₹2 each, fully paid up						
V C Nannapaneni*	2,80,27,975	15.36%	-	2,80,27,975	15.37%	-
Kantamani Ratna Kumar	1,00,000	0.05%	-	1,00,000	0.05%	-
Durga Devi Nannapaneni	35,39,100	1.94%	-	35,39,100	1.94%	-
Rajeev Nannapaneni	11,28,000	0.62%	-	11,28,000	0.62%	-
Ramakrishna Rao Nannapaneni	7,46,910	0.41%	-	7,46,910	0.41%	-
Neelima Sita Nannapaneni	1,82,960	0.10%	-	1,82,960	0.10%	-
Devendranth Alapati	15,000	0.01%	-	15,000	0.01%	-
Bapanna Alapati	-	0.00%	-100%	18,300	0.01%	-
Bapineedu Tummala	415	0.00%	-	415	0.00%	-
Tummala Jansi	77,100	0.04%	-	77,100	0.04%	-
T Ananda Babu	4,73,205	0.26%	-	4,73,205	0.26%	-
Vidyadhari Tummala	4,42,200	0.24%	-	4,42,200	0.24%	-
T Anila	6,29,920	0.35%	-	6,29,920	0.35%	-
V S Swathi Kantamani	1,59,83,340	8.76%	-	1,59,83,340	8.77%	-
Natsoft Information Systems Pvt Ltd	1,57,67,500	8.64%	-	1,57,67,500	8.65%	-
Timecap Pharma Labs Limited	1,71,75,420	9.41%	-	1,71,75,420	9.42%	0.11%
Natco Aqua Limited	16,000	0.01%	-	16,000	0.01%	-
NDL Infratech Private Limited	94,050	0.05%	0.32%	93,750	0.05%	-
Neelima Nannapaneni Trust	40,82,750	2.24%	-	40,82,750	2.24%	-
Durga Devi Nannapaneni Family Private Trust	6,00,000	0.33%	-	6,00,000	0.33%	-
VCN Family Private Trust	1,700	0.00%	-	1,700	0.00%	-
SAU Family Trust	1,700	0.00%	-	1,700	0.00%	-
	8,90,85,245	**48.81%**		**8,91,03,245**	**48.87%**	

*including shares held in the capacity of Karta of Hindu Undivided Family (HUF), aggregating to 5,440,045 (31 March 2021: 5,440,045).

Notes to Standalone Financial Statements

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

15. Equity share capital (Contd..)

vi. Shares reserved for issuance under Stock Option Plans of the Company

	As at 31 March 2022		As at 31 March 2021	
	Number	% holding	Number	% holding
NATCO Employee Stock Option Plan:				
ESOP 2016	-	-	21,155	0.01%
ESOP 2017	37,000	0.02%	1,98,435	0.11%
	37,000		**2,19,590**	

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:

	2021-22	2020-21	2019-20	2018-19	2017-18
Equity shares bought-back	-	-	9,84,344	20,15,656	-

viii. Share based payments

(a) The Company has instituted the 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 174,330 options and 600,000 options to eligible employees on 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 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. Options shall be exercised within 1 year from from the date of vesting.

(b) **Assumptions used for ESOP Valuation**

	ESOP 2016	ESOP 2017
Grant date	11-Nov-16	02-Nov-17
Fair value at grant rate (INR)	619	971
Exercise price (INR)	2	2
Expected volatility range.	37.28% - 43.76%	42.92% - 163.51%
Risk-free	6.82% - 8.05%	6.14% - 6.61%
Time to maturity (in Years)	5	4
Expected dividends yields	0.20%	0.75%

(c) During the year ended 31 March 2022, the Company had accrued stock compensation cost of ₹ 22 (31 March 2021: ₹126) in respect of the ESOP Schemes.

Notes to Standalone Financial Statements

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

15. Equity share capital (Contd..)

(d) The details of options are as follows :

ESOP 2016 and ESOP 2017	As at 31 March 2022		As at 31 March 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of the year	1,82,590	2	5,26,700	2
Granted during the year	-	2	-	2
Forfeited during the year	-	2	54,405	2
Vested during the year	1,82,340	2	2,64,100	2
Exercised during the year	1,82,340	2	2,69,850	2
Expired during the year	250	2	19,855	2
Outstanding at the end of the year	-	2	1,82,590	2
Exercisable at the end of the year	37,000	2	37,000	2

The weighted average remaining contractual life of unvested options is Nil (31 March 2021: 7.27 months).

The weighted average share price on the date of exercise of options during the years ended 31 March 2022 and 31 March 2021 was ₹ 822 and ₹ 859 per share, respectively.

There were no stock options granted by the Company during the years ended 31 March 2022 and 31 March 2021. 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

Dividends on equity shares were declared and paid by the Company during the year:

	2021-22		2020-21	
	Dividend per Equity share (₹)	Amount	Dividend per Equity share (₹)	Amount
Fourth interim dividend for FY 2019-20	-	-	1.00	182
First interim dividend	2.00	365	1.25	228
Second interim dividend	0.50	91	3.00	547
Third interim dividend	2.00	365	1.00	182
Total		**821**		**1,139**

16. Other equity

Reserve and surplus

	As at 31 March 2022	As at 31 March 2021
Reserves and surplus		
Securities premium	14,078	13,915
Capital reserve	516	516
Capital redemption reserve	11	11
General reserve	595	595
Share options outstanding account	35	176

Notes to Standalone Financial Statements

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

16. Other equity (Contd..)

	As at 31 March 2022	As at 31 March 2021
Retained earnings	25,868	25,203
Total reserves and surplus	**41,103**	**40,416**
Other comprehensive income (OCI)		
Net gain on FVTOCI equity securities	451	130
Total other items of OCI	**451**	**130**
Total other equity	**41,554**	**40,546**

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 exercise price which is accumulated by the Company in respect of all options that have been granted. The Company transfers the proportionate amounts, outstanding in this account, in relation to options exercised to securities premium 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.

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.

Notes to Standalone Financial Statements

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

17. Borrowings

	As at 31 March 2022	As at 31 March 2021
Current		
Loan repayable on demand from banks:		
Working capital loans (secured)	2,890	1,284
Working capital loans (unsecured)	1,000	1,267
	3,890	**2,551**

Notes:

(i) Working capital loans (secured) represents cash credit, overdraft facility bills 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 1,166 sq. yards with all its building and fixed assets situated at Road No.2, Banjara Hills, Hyderabad - 500034.

(ii) Working capital loans (unsecured) represents overdraft facility and bills discounted with various banks.

(iii) The rate of interest applicable was in the range of 0.60% to 8.05% p.a

(iv) As on March 31, 2022 the Company has obtained various borrowings from banks on basis of security of current assets wherein the quarterly returns/statements of current as filed with the banks in agreement with the books except the below:

Name of bank	Quarter ended	Particulars	Amount as per books of account	Amount as reported in the quarterly return/ statement	Amount of difference	Remarks, if any
Indian Bank, Citi Bank NA, Union Bank of India, Punjab National Bank, Yes Bank Limited, Axis Bank Limited, IndusInd Bank Limited, Kotak Mahindra Bank, State Bank of India	31 March 2021	Inventory	7,692	6,550	1,142	The difference is on account of non consideration of: a) Provision for non moving, slow moving and obsolete inventory and NRV Provision b) Inventory write off's on account of near expiry and expiry stocks c) Year end inventory valuation impact and d) Goods-in-transit
	30 June 2021		8,246	7,940	306	
	30 September 2021		8,785	8,372	413	
	31 December 2021		8,853	8,475	378	

Notes to Standalone Financial Statements

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

17. Borrowings (Contd..)

Name of bank	Quarter ended	Particulars	Amount as per books of account	Amount as reported in the quarterly return/ statement	Amount of difference	Remarks, if any
	31 March 2021	Trade Receivables	3,998	1,517	2,481	The difference is on account of
	30 June 2021		4,286	2,141	2,145	a) Unbilled Revenue,
	30 September 2021		4,564	2,045	2,519	b) Receivables from subsidiary not considered,
	31 December 2021		3,870	879	2,991	c) Debtors receivable upto 120 days only considered and d) Export bills discounted with banks not considered.
	31 March 2021	Trade payables	1,395	968	427	The difference is on account of non consideration of -
	30 June 2021		1,714	1,334	380	a) Creditors for expenses, services, freight etc. (Only creditors for raw materials, packing materials and stores & spares are considered for submission to banks)
	30 September 2021		1,416	1,495	(79)	b) GR/IR issues.
	31 December 2021		1,772	1,026	746	

All above differences have been later rectified and reported to the banks.

(v) The Company does not have any charges or satisfaction which is yet to be registered with Registrar of Companies beyond the statutory period.

(vi) The Company has not availed any specific borrowing during the year.

18. Lease liabilities

	As at 31 March 2022	As at 31 March 2021
Non-current		
Lease liabilities (refer note 41)	79	9
	79	**9**
Current		
Lease liabilities (refer note 41)	26	4
	26	**4**

Notes to Standalone Financial Statements

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

19. Other financial liabilities

	As at 31 March 2022	As at 31 March 2021
Non-current		
Deposits from customers	13	11
	13	**11**
Current		
Book overdraft	165	163
Capital creditors	311	350
Unpaid dividend *	37	37
Payroll related liabilities	297	257
	810	**807**

* Investor Education and Protection Fund shall be credited when due.

20. Provisions

	As at 31 March 2022	As at 31 March 2021
Non-current		
Provision for employee benefits:		
Provision for gratuity (refer note (a))	574	610
Provision for compensated absences (refer note (b))	383	386
	957	**996**
Current		
Provision for employee benefits:		
Provision for gratuity (refer note (a))	56	70
Provision for compensated absences (refer note (b))	52	58
Other provisions		
Provision for sales return (refer note (d))	62	-
	170	**128**

(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 up to 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 defined benefit plans expose the Company to actuarial risk, interest rate risk and investment risk etc..,

Interest Rate Risk: The plan expose the company to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of liability.

Liquidity Risk: This is the risk that the company is not able to meet the short-term gratuity payouts. This may arise due to non availability of enough cash/cash equivalent to meet the liabilities or holding of illiquid assets not being sold in time.

Investment Risk: The probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

Notes to Standalone Financial Statements

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

20. Provisions (Contd..)

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 2022	As at 31 March 2021
Opening balance	819	726
Current service cost	74	74
Interest cost	57	50
Benefits paid	(174)	(38)
Remeasurement or Actuarial gain (loss) arising from:		
Experience adjustment	34	7
Change in financial assumptions	(40)	-
Closing balance	**770**	**819**

(ii) Reconciliations of present value of plan assets

	As at 31 March 2022	As at 31 March 2021
Opening balance	139	110
Interest income	10	8
Employer contribution	166	60
Benefits paid	(174)	(38)
Return on plan assets, excluding interest income	(1)	(1)
Closing balance	**140**	**139**

(iii) Reconciliation of net defined benefit obligation

	As at 31 March 2022	As at 31 March 2021
Present value of funded obligation	770	819
Fair value of plan assets	(140)	(139)
Amount recognised in the balance sheet	**630**	**680**

(iii) Reconciliation of net defined benefit obligation

	For the year ended 31 March 2022	For the year ended 31 March 2021
Current service cost	74	74
Interest cost	57	50
Interest income	(10)	(8)
Net cost	**121**	**116**

Notes to Standalone Financial Statements

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

20. Provisions (Contd..)

(v) Remeasurements recognised in the statement of other comprehensive income

	For the year ended 31 March 2022	For the year ended 31 March 2021
Experience adjustment on funded obligation	(6)	7
Return on plan assets, excluding interest income	1	1
Net gratuity costs in other comprehensive income	**(5)**	**8**

(vi) Plan assets comprises of the following:

	For the year ended 31 March 2022	For the year ended 31 March 2021
Group gratuity fund with LIC	140	139

(vii) Summary of actuarial assumptions:

	For the year ended 31 March 2022	For the year ended 31 March 2021
Discount rate	7.30%	6.85%
Estimates rate of return on plan assets	7.30%	6.85%
Salary escalation rate	7.00%	7.00%
Attrition rate		
Upto 30 Years	3.00%	3.00%
31-44 Years	2.00%	2.00%
Above 44 Years	1.00%	1.00%
Mortality rate	Indian Assured Lives Mortality (2012-14)	Indian Assured Lives Mortality (2012-14)

The discount rate indicated above reflects the estimated timing and currency of benefit payments. It is based on the yields/rates available on applicable bonds on the current valuation date.

The salary growth indicated above is the Company's best estimate of an increase in salary of the employees in future years, determined considering the general trend in inflation, seniority, promotion, past experience and other relevant factors such as demand and supply in employment market etc.

Attrition rate indicated above represents the Company's best estimates of employee turnover in future (other than on account of retirement, death or disablement) determined considering various factors such as nature of business, retention policy, industry factors, past experience etc.

Notes to Standalone Financial Statements

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

20. Provisions (Contd..)

(viii) Sensitivity analysis:

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have effected the defined benefit obligations and current service cost by the amounts shown below:

The sensitivity analysis of significant actuarial assumptions as at the end of the period is shown below.

	For the year ended 31 March 2022	For the year ended 31 March 2021
A. Defined benefit obligation without effect of projected salary growth	770	819
B. Salary escalation rate		
Salary rate +100 basis points	136	87
Salary rate -100 basis points	(28)	(76)
C. Discount rate		
Discount rate +100 basis points	149	99
Discount rate -100 basis points	(33)	(82)

(ix) Expected contribution

The expected contributions for defined benefit plan for the next financial year will be in line with the contribution for the current year and is expected by the Management to be ₹ 70 (31 March 2021: ₹ 76).

(x) Maturity profile of defined benefit obligation (valued on undiscounted basis):

	For the year ended 31 March 2022	For the year ended 31 March 2021
Within 1 year	56	70
2 to 5 years	175	181
6 to 10 years	337	364
More than 10 years	1,553	1,464

(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 2022 is ₹ 435 (31 March 2021: ₹ 444). Expense recognised in the statement of profit and loss under employee benefit expense is ₹ 72 (31 March 2021: ₹ 96).

(c) The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified. The Company will asses the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

Notes to Standalone Financial Statements

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

20. Provisions (Contd..)

(d) Provision for sales return

	As at 31 March 2022	As at 31 March 2021
Opening balance	-	-
Created during the year	62	-
Utilised during the year	-	-
Closing balance	**62**	**-**

21. Other liabilities

	As at 31 March 2022	As at 31 March 2021
Current		
Financial guarantee liability	8	14
Statutory liabilities	118	87
Advance from customers	45	179
Others	33	20
	204	**300**

22. Trade payables

	As at 31 March 2022	As at 31 March 2021
Current		
Total outstanding dues of micro enterprises and small enterprises [Refer note below]	132	75
Total outstanding dues of creditors other than micro enterprises and small enterprises	1,280	1,320
	1,412	**1,395**

Ageing of trade payables as at 31 March 2022

Outstanding for following periods from due date of payment	Micro and Small Enterprises	Others	Disputed dues - Micro and Small Enterprises	Disputed dues - Others
Unbilled	-	105	-	-
Not due	132	462	-	-
Less than 1 year	-	658	-	-
1-2 years	-	55	-	-
2-3 years	-	-	-	-
More than 3 years	-	-	-	-
Total	**132**	**1,280**	**-**	**-**

Notes to Standalone Financial Statements

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

22. Trade payables (Contd..)

Ageing of trade payables as at 31 March 2021

Outstanding for following periods from due date of payment	Micro and Small Enterprises	Others	Disputed dues - Micro and Small Enterprises	Disputed dues - Others
Unbilled	-	75	-	-
Not due	75	94	-	-
Less than 1 year	-	1,134	-	-
1-2 years	-	16	-	-
2-3 years	-	1	-	-
More than 3 years	-	0	-	-
Total	**75**	**1,320**	**-**	**-**

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 are set out in following disclosure.

	As at 31 March 2022	As at 31 March 2021
(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	132	75
Interest due on above	-	-
(ii) the amount of interest paid by the buyer under 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 Company. This has been relied upon by the Auditors.

Notes to Standalone Financial Statements

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

23. Revenue from operations

	For the year ended 31 March 2022	For the year ended 31 March 2021
Revenue from contracts with customers:		
Sale of products	15,323	16,024
Sale of services	2,248	153
Job work income	46	101
Total (a)	**17,617**	**16,278**
Other operating revenues		
Export incentives	40	229
Budgetary support	-	1
Scrap sales	21	27
Total (b)	**61**	**257**
Total revenue from operations (a+b)	**17,678**	**16,535**
Disaggregation of revenue		
Revenue based on Geography (product destination):		
India	6,029	5,820
USA	9,451	7,910
Rest of the world	2,137	2,548
	17,617	**16,278**
Timing of revenue recognition		
Goods transferred at a point in time	15,323	16,024
Services transferred over time	2,294	254
	17,617	**16,278**
Reconciliation of revenue from operations with contract price:		
Revenue as per contracted price	18,365	16,597
Adjusted for:		
Sales returns	(593)	(110)
Trade discounts and rebates	(155)	(209)
Total Revenue from contracts with customers	**17,617**	**16,278**

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 2022 is ₹ 45 (31 March 2021: ₹ 179) resulting from advance payments and shown under other current liabilities.

24.Other income

	For the year ended 31 March 2022	For the year ended 31 March 2021
Dividend income from investments designated at FVTOCI	2	0
Renewable Energy (Wind Power) income	14	40
Interest income from financial assets carried at amortised cost	377	562
Profit on sale of property, plant and equipment, (net)	427	320
Foreign exchange gain (net)	114	75
Guarantee income	9	5
Other receipts	3	9
	946	**1,011**

Notes to Standalone Financial Statements

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

25. Cost of materials consumed

	For the year ended 31 March 2022	For the year ended 31 March 2021
Raw materials consumed	4,867	3,452
Packing materials consumed	325	277
	5,192	**3,729**

26. Changes in inventories of finished goods, work-in-progress and stock-in-trade

	For the year ended 31 March 2022	For the year ended 31 March 2021
Opening stock:		
- Finished goods	1,303	1,140
- Work-in-progress	1,834	1,566
- Stock-in-trade	44	6
	3,181	**2,712**
Closing stock:		
- Finished goods	1,424	1,303
- Work-in-progress	1,750	1,834
- Stock-in-trade	62	44
	3,236	**3,181**
	(55)	**(469)**

27. Employee benefits expense

	For the year ended 31 March 2022	For the year ended 31 March 2021
Salaries, wages and bonus	3,572	3,183
Contribution to provident fund and other funds	254	237
Gratuity expense (Refer note 20)	121	116
Share based payment expense (Refer note 15(viii))	22	126
Staff welfare expenses	132	138
	4,101	**3,800**

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 and employee state insurance schemes charged to the statement of profit and loss is ₹ 254 (31 March 2021: ₹ 237).

Notes to Standalone Financial Statements

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

28. Finance costs

	For the year ended 31 March 2022	For the year ended 31 March 2021
Interest expense on liabilities at amortised cost	95	88
Other borrowing costs	31	22
Interest expenses on lease liabilities	7	3
	133	**113**

29. Other expenses

	For the year ended 31 March 2022	For the year ended 31 March 2021
Consumption of stores and spares	355	281
Power and fuel	764	594
Rental charges (Refer note 41)	4	5
Repairs and maintenance		
- Buildings	68	31
- Plant and equipments	168	136
- Others	-	38
Insurance	259	197
Rates and taxes	219	215
Factory maintenance expenses	363	340
Clinical and analytical charges	449	251
Carriage and freight outward	89	130
Donations*	53	67
Corporate social responsibility (CSR) expenses (Refer note 35)	121	154
Communication expenses	53	54
Office maintenance	84	66
Travelling and conveyance	191	152
Legal and professional fees	403	228
Payment to auditors		
- Audit fees	6	6
- Certifications	3	1
- Reimbursement of expenses	0	0
Director's sitting fee	3	2
Allowance for credit losses	271	(24)
Bad debts written off	199	117
Royalty expense	39	93
Sales promotion expenses	181	162
Research and development expenses	1,641	158
Miscellaneous expenses	115	105
	6,101	**3,559**

* Includes ₹ 10 (31 March 2021: Nil) contribution made to electoral bonds and ₹ 3 (31 March 2021: ₹ 19) contribution to political parties.

Notes to Standalone Financial Statements

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

30. Income-tax

(A) Components of Income-tax expenses

	For the year ended 31 March 2022	For the year ended 31 March 2021
(i) Tax expense recognised in profit and loss		
Current tax:		
Current year tax	325	863
Income-tax for earlier years	-	70
	325	**933**
Deferred tax charge/(credit) (net):		
Minimum Alternate Tax (MAT) credit recognition (Refer note 30(D) and (E))	(560)	(251)
Origination and reversal of temporary differences	403	145
	(157)	**(106)**
Tax expense for the year	**168**	**827**
(ii) Tax recognised in other comprehensive income		
Items that will not be subsequently reclassified to profit or loss		
- Remeasurement of defined benefit plans	(2)	3
- Net gains from investments in equity instruments designated at FVTOCI	(42)	(15)
	(44)	**(12)**

(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 2021: 34.944%) and the reported tax expense in the statement of profit or loss are as follows:

	For the year ended 31 March 2022	For the year ended 31 March 2021
Profit before tax	1,559	3,922
Enacted tax rate applicable to the Company in India*	34.944%	34.944%
Tax using the Company's domestic tax rate	**545**	**1,371**
Tax effect of:		
Expense not deductible for tax purposes	45	29
Additional deduction allowed under Income-tax Act	(291)	(141)
MAT charge for the current period	324	
Utilisation of previously unutilised MAT credit	-	(412)
Recognition of previously un recognised MAT credit	(560)	
Capital gain tax	-	(47)
Tax pertaining to earlier years	-	70
Others	105	(43)
Income-tax expense	**168**	**827**

*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.

Notes to Standalone Financial Statements

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

30. Income-tax (Contd..)

(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:

	For the year ended 31 March 2022	For the year ended 31 March 2021
Deferred tax assets/(liabilities):		
Minimum Alternate Tax*	761	201
Trade receivables	147	53
Property , plant and equipment	(1,523)	(1,047)
Provision for employee benefits	368	395
Investments	(56)	(15)
Others	3	-
	(300)	**(413)**

* 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 2022:

	As at 1 April 2021	Recognised in profit and loss	Recognised in OCI	As at 31 March 2022
Deferred tax assets/(liabilities):				
Minimum Alternate Tax	201	560	-	761
Trade receivables	53	94	-	147
Property , plant and equipment	(1,047)	(476)	-	(1,523)
Provision for employee benefits	395	(24)	(2)	368
Investments	(15)	-	(42)	(56)
Others	-	3	-	3
Net deferred tax assets/(liabilities)	**(413)**	**157**	**(44)**	**(300)**

Notes to Standalone Financial Statements

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

30. Income-tax (Contd..)

The details of movement in deferred tax assets and liabilities for the year ended 31 March 2021:

	As at 1 April 2022	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)**

(E) Unrecognised deferred tax assets

	As at 31 March 2022	As at 31 March 2021
Unrecognised MAT credit entitlement	613	808
	613	**808**

The Company did not recognise deferred tax assets of ₹ 613, primarily on MAT credit entitlement, as the Company is unable to estimate the availability of taxable profits beyond foreseeable future 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. The above MAT credit expires at various dates ranging from 2030 through 2037.

31. Earnings per share (EPS)

	For the year ended 31 March 2022	For the year ended 31 March 2021
Earnings:		
Profit for the year	**1,391**	**3,095**
Shares:		
Number of equity shares at the beginning of the year	18,23,37,825	18,20,67,975
Effect of equity shares issued on exercise of stock options	34,344	90,821
Effect of equity shares bought back during the year	-	-
Weighted average number of equity shares – Basic	**18,23,72,169**	**18,21,58,796**
Dilutive effect of stock options outstanding	36,920	3,96,995
Weighted average number of equity shares – Diluted	**18,24,09,089**	**18,25,55,791**
Earnings per equity share (face value of ₹ 2/- each):		
Basic (in ₹)	7.63	16.99
Diluted (in ₹)	7.63	16.96

Notes to Standalone Financial Statements

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

32. 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 2022:

Particulars	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
A. Financials assets					
Financial assets measured at FVTOCI					
Non-current investments	8	461	-	-	461
Current investments	8	545	545	-	-
Financial assets measured at amortised cost					
Non-current investments	8	402	-	-	-
Current investments	8	651	-	-	-
Loans	9	109	-	-	-
Trade receivables	13	5,756	-	-	-
Cash and cash equivalents	14	59	-	-	-
Bank balances other than cash and cash equivalents	14	950	-	-	-
Other financial assets	10	4,009	-	-	-
		12,942	**545**	**-**	**461**
B. Financials liabilities					
Financial liabilities measured at amortised cost					
Borrowings	17	3,890	-	-	
Lease liabilities	18	105			105
Trade payables	22	1,412	-	-	-
Other financial liabilities	19	823	-	-	-
		6,230	**-**	**-**	**105**

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	257	-	-	-
Trade receivables	13	3,998	-	-	-
Cash and cash equivalents	14	51	-	-	-

Notes to Standalone Financial Statements

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

32. Financial instruments - fair values (Contd..)

Particulars	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
Bank balances other than cash and cash equivalents	14	2,577	-	-	-
Other financial assets	10	4,465	-	-	-
		12,888	**156**	**-**	**490**
B. Financials liabilities					
Financial liabilities measured at amortised cost					
Borrowings	17	2,551	-	-	-
Lease liabilities	18	13			13
Trade payables	22	1,395	-	-	-
Other financial liabilities	19	832	-	-	-
		4,791	**-**	**-**	**13**

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 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-22	31-Mar-21
Opening balance	490	335
Additions/(deletions) during the year	(61)	155
Net change in fair value (recognised in FVTOCI)	32	-
Closing balance	**461**	**490**

Notes to Standalone Financial Statements

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

33. 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.

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 2022	As at 31 March 2021
Fixed rate instruments		
Financial assets	5,543	7,457
Variable rate instruments		
Financial liabilities (other than lease liability)	3,890	2,551

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 2022			31 March 2021		
	Trade receivables*	Loans	Other financial assets	Trade receivables*	Loans	Other financial assets
- USD	1,381	5	0	2,000	-	-
- EUR	28	-	-	23	-	-
- GBP	-	-	-	2	-	-
- CAD	23	-	-	5	-	-
- SGD	49	-	-	11	114	11

Notes to Standalone Financial Statements

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

33. Financial risk management (Contd..)

Financial liabilities

	31 March 2022			31 March 2021		
	Trade payables	Other financial liabilities	Borrowings*	Trade payables	Other financial liabilities	Borrowings*
- USD	205	6	657	38	7	838
- EUR	1	2	4	1	9	22
- CAD	-	-	22	-	-	5
- SGD	0	-	-			
- GBP	0	1	-	5	0	-

*Includes bills discounted which are forming part of trade receivables and current borrowings amounting to ₹ 684 (31 March 2021: ₹ 865). 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.

ii. Foreign currency risk (continued):

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 2022	31 March 2021
USD sensitivity		
₹/USD - Appreciate by 10%	52	112
₹/USD - Depreciate by 10%	(52)	(112)

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.However, the company has trade credit policy and ECGC policy to offset the risk associated with domestic and export receivables.

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.

Notes to Standalone Financial Statements

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

33. Financial risk management (Contd..)

The maximum exposure to credit risk for trade receivables (Gross) by geographic region is as follows:

	As at 31 March 2022	As at 31 March 2021
India	1,717	1,760
USA	842	839
Rest of the world	638	770
	3,198	**3,369**

The above exposure does not include unbilled revenue

Movement in allowance for credit losses

	As at 31 March 2022	As at 31 March 2021
Balance as at 01 April	151	175
Net remeasurement of loss allowance	470	93
Amount written off during the year	(199)	(117)
	422	**151**

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.

Notes to Standalone Financial Statements

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

33. Financial risk management (Contd..)

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 2022	Carrying value	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Financial liabilities					
Borrowings	3,890	3,890	-	-	3,890
Lease liabilities	105	26	43	458	527
Trade payables	1,412	1,412	-	-	1,412
Other financial liabilities	823	810	13	-	823
Total	**6,230**	**6,138**	**56**	**458**	**6,652**

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	11	-	818
Total	**4,791**	**4,756**	**22**	**386**	**5,164**

34. 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 total 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 gearing ratio for the reporting year under audit is summarised as follows:

	As at 31 March 2022	As at 31 March 2021
Total borrowings	3,890	2,551
Less: Cash and cash equivalents	(59)	(51)
Net debt [A]	**3,831**	**2,500**
Total equity [B]	41,919	40,911
Total capital [C=A+B]	**45,750**	**43,411**
Gearing ratio (%) [A/C]	**8%**	**6%**

Notes to Standalone Financial Statements

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

35. Corporate social responsibility (CSR) expenses

	For the year ended 31 March 2022	For the year ended 31 March 2021
Disclosure as per Section 135 of the Companies Act, 2013 with regard to CSR activities:		
(a) amount required to be spent by the Company during the year,	118	152
(b) amount of expenditure incurred,*	121	154
(c) shortfall at the end of the year,	-	-
(d) total of previous years shortfall,	-	-
(e) reason for shortfall,	Not applicable	Not applicable
(f) nature of CSR activities,	Refer note below	Refer note below
Education and infrastructure support	66	52
Health, nutrition, water, sanitation and hygiene	43	53
Animal welfare	3	2
Support to sports	3	2
Covid-19	4	42
Support to government departments	1	1
Rural development	1	2
(g) details of related party transactions,		
(i) NATCO Trust	117	150
(h) Provision made with respect to a liability through contractual obligation	-	-

*An amount of ₹ 3 (31 March 2021 ₹ 2) is available for set-off in succeeding financial years related to excess spent.

36. Related party disclosures, as per Ind AS 24

(a) Names of the related parties and nature of relationship (to the extent transactions have taken place during the year)

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 Dash Pharmaceuticals LLC, USA
3. Entities in which Directors have control or have significant influence	Time Cap Pharma Labs Limited NATCO Trust

Notes to Standalone Financial Statements

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

36. Related party disclosures, as per Ind AS 24 (Contd..)

4. Key management personnel ("KMP")

Chairman	Mr. Sreerama Murthy Gubbala (w.e.f. 01 April 2022)
Chairman and Managing Director	Mr. V C Nannapaneni (Chairman upto 31 March 2022)
Vice Chairman and Chief Executive Officer ("CEO")	Mr. Rajeev Nannapaneni (Vice Chairman upto 31 March 2022)
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 (upto 31 March 2022)
Company Secretary	Mr. Venkat Ramesh Chekuri (w.e.f. 01 April 2022)

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 (upto 14 February 2022)
Independent Director	Mrs. Leela Digumarti

6. Relatives of KMP

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 2022	For the year ended 31 March 2021
Time Cap Overseas Limited, Mauritius		
Investment in equity shares	280	615
Interest income on loan	-	7
Interest received	-	17
NATCO Pharma (Canada) Inc., Canada		
Sale of products	388	540
NATCO Pharma Asia Pte Ltd., Singapore		
Interest income on loan	4	6
Repayment of loan given	114	-
Sale of products	96	46
Purchases	0	-
Interest Received	15	0
Natco Farma do Brasil Ltda., Brazil		
Sale of products	267	70
Reimbursement of expenses	-	1
Corporate guarantee given	152	147
NATCO Pharma Australia Pty Ltd., Australia		
Investment in equity shares	95	46
NATCO Pharma Inc., United States of America		
Investment in equity shares	1,142	121
Interest income on loan	-	6
Interest received	-	14

Notes to Standalone Financial Statements

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

36. Related party disclosures, as per Ind AS 24 (Contd..)

	For the year ended 31 March 2022	For the year ended 31 March 2021
NATCO Lifesciences Philippines Inc., Philippines		
Investment in equity shares	5	6
Sale of products	4	
Loan given	4	-
Interest income on loan	0	-
Time Cap Pharma Labs Limited		
Rental expense	7	5
NATCO Trust		
Donations	3	5
Rental Income	0	-
Contribution to corporate social responsibility activities	117	150
Mr. V C Nannapaneni		
Managerial remuneration*	19	18
Leave encashment paid	1	1
Rental expense	3	2
Mr. Rajeev Nannapaneni		
Managerial remuneration*	18	17
Leave encashment paid	1	1
Rental expense	3	3
Mr. Potluri Prasad Sivaramakrishna		
Managerial remuneration*	20	23
Leave encashment paid	1	0
Loan given	-	9
Interest received	0	0
Repayment of loan given	2	7
Mr. Lingarao Donthineni		
Managerial remuneration*	30	28
Leave encashment paid	1	0
Loan given	-	43
Interest received	2	1
Repayment of loan given	8	10
Mr. S.V.V.N. Appa Rao		
Remuneration*	11	10
Leave encashment paid	0	-
Mr. Adinarayana M		
Remuneration*	6	5
Leave encashment paid	0	-
Sitting fees:		
Mr. Govinda Prasad Dasu	0	0
Mrs. Leela Digumarti	0	0
Mr. Umamaheshwarrao Naidu Madireddi	1	1
Mr. Sreerama Murthy Gubbala	1	1
Mr. Venkateswara Rao Thallapaka	0	0

Notes to Standalone Financial Statements

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

36. Related party disclosures, as per Ind AS 24 (Contd..)

(c) Related party closing balances as on balance sheet date receivable/(payable):

	For the year ended 31 March 2022	For the year ended 31 March 2021
Loan receivable		
NATCO Pharma Asia PTE Ltd., Singapore	-	114
NATCO Lifesciences Philippines Inc., Philippines	5	-
Mr. Potluri Prasad Sivaramakrishna	0	3
Mr. Lingarao Donthineni	29	34
Interest accrued but not due on loans		
NATCO Pharma Asia PTE Ltd., Singapore	-	11
NATCO Lifesciences Philippines Inc., Philippines	0	-
Trade receivables		
NatcoFarma do Brasil Ltda., Brazil	169	161
NATCO Pharma Asia PTE Ltd., Singapore	48	11
NATCO Lifesciences Philippines Inc., Philippines	3	-
Financial Guarantee liability		
NatcoFarma do Brasil Ltda., Brazil	8	14
Advance from customers		
NATCO Pharma (Canada) Inc., Canada	(15)	(166)
Remuneration payable		
Mr. V.C. Nannapaneni	(1)	(1)
Mr. Rajeev Nannapaneni	(1)	(0)
Mr. Lingarao Donthineni	(1)	(0)
Mr. Potluri Prasad Sivaramakrishna	(1)	(0)
Mr. S.V.N.N. Appa Rao	(0)	(0)
Mr. Adinarayana M	-	(0)

*The aforesaid amount does not include amounts in respect of accrual for gratuity and compensated absences as the same are determined on actuarial basis and payment of insurance costs are made for the Company as a whole.

All related party transaction entered during the year were in ordinary course of the business and are on arms length basis.

37. Segment reporting

The Company has presented segment information in the consolidated financial statements which are presented in the same financial report. Accordingly, in terms of paragraph 3 of Ind AS 108 'Operating Segments' no disclosures related to segment are presented in these standalone financial statements.

38. Contingent liabilities and commitments

(a) Commitments

	As at 31 March 2022	As at 31 March 2021
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	87	129
Pending export obligation under EPCG Scheme	57	140
Corporate Guarantee (refer Note - 1 below)	299	147

Note 1:

The Company has given Corporate Guarantees aggregating to ₹ 299 (31 March 21: 147) to the banks on behalf of its step-down subsidiary NatcoFarma do Brasil Ltda.

Notes to Standalone Financial Statements

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

38. Contingent liabilities and commitments (Contd..)

(b) Contingent liabilities

	As at 31 March 2022	As at 31 March 2021
(i) Matters under appeals with tax authorities:		
Disputed sales tax liabilities	10	10
Disputed Income tax liabilities	68	-
Disputed customs liability	2	2

The Company is contesting the demand and the management believes that its position will likely be upheld in the appellate process and no expenses has been accrued in the standalone financial statements for the demand raised/ show cause notice received as the ultimate outcome of these proceedings will not have a material adverse effect on the Company's standalone financial statements.

(ii) The Company is contesting certain process and product 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 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.

39. Amounts incurred on in-house research and development

	As at 31 March 2022	As at 31 March 2021
Salaries and wages	609	629
Consumption of materials and spares	167	225
Power and fuel	32	30
Other research and development expenses	1,351	487
Capital equipments	109	225
	2,267	**1,596**

The aforementioned expenditure, other than capital equipment, are included under the respective heads of the Statement of Profit and Loss.

Notes to Standalone Financial Statements

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

40. Capital work-in-progress

a) Movement in Capital work-in-progress

	As at 31 March 2022	As at 31 March 2021
Opening balance	**2,234**	**5,178**
Costs incurred toward construction activity	1,634	1,863
Expenses capitalised:		
Cost of materials consumed, net of trial run inventory recognised	-	7
Employee benefits expense	-	40
Power and fuel	-	5
Factory maintenance	-	18
Rates and taxes	-	1
Legal and professional charges	-	3
Others	-	16
Less:		
Capitalised during the year	(2,581)	(4,897)
	1,287	**2,234**

b) Capital work-in-progress (CWIP) Ageing Schedule

As at 31 March 2022

CWIP	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress*	1,160	104	-	23	1,287

As at 31 March 2021

CWIP	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress*	598	816	528	292	2,234

*Project execution plans are assessed on an annual basis and all the projects are executed as per rolling annual plan.

41. Leases

Movement in lease liabilities	As at 31 March 2022	As at 31 March 2021
Balance at the beginning	13	17
Additions	108	-
Deletions	(0)	-
Interest expenses	7	4
Payment of lease liabilities	(23)	(8)
	105	**13**

Notes to Standalone Financial Statements

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

41. Leases (Contd..)

Undiscounted contractual maturities of lease liabilities	As at 31 March 2022	As at 31 March 2021
Less than one year	26	4
One to five years	77	10
More than five years	424	386
	527	**400**

As at balance sheet date, the company is not exposed to future cash flows for extension / termination options, residual value guarantees and leases not commenced to which lessee is committed.

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 when they fall due.

Rental expense for short-term leases	For the year ended 31 March 2022	For the year ended 31 March 2021
Expense relating to short-term leases (refer note 29)	4	5
	4	**5**

Amounts recognised in the statement of profit and loss	For the year ended 31 March 2022	For the year ended 31 March 2021
Depreciation on right of use asset	24	9
Interest expense	7	3
	31	**12**

Amounts recognised in the statement of cash flows	For the year ended 31 March 2022	For the year ended 31 March 2021
Payment of lease liabilities	(23)	(8)
Expense relating to short-term leases (refer note 29)	(4)	(5)
	(27)	**(13)**

Notes to Standalone Financial Statements

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

42. Ratios

S. No.	Particulars	Numerator	Denominator	Unit	31 March 2022	31 March 2021	Variance	Reasons for Variance*
a.	Current ratio	Current assets	Current liabilities	Number of times	3	4	-20.02%	
b.	Debt equity ratio	Current + Non-current borrowings	Total equity	Number of times	0	0	48.82%	Increase is on account of increase in working capital loans availed during the current period as compared to previous year.
c.	Debt service coverage ratio	Earnings before interest, Depreciation and amortisation (EBIDA)+/-	Interest + Lease interest payments + Principal lease repayments+ Current borrowings	Number of times	1	2	-61.24%	Decrease is on account of reduction in profits due to increase in cost of materials consumed and other expenses and increase in working capital loans availed during the current period as compared to previous year.
d.	Return on equity	Net profits after taxes	Average shareholder's equity	%	3%	8%	-56.14%	Decrease is on account of reduction in profits due to increase in cost of materials consumed and other expenses as compared to previous period.
e.	Inventory turnover ratio	Net sales	Average inventory	Number of times	1	1	24.57%	
f.	Trade receivables turnover ratio	Net sales	Average accounts receivable	Number of times	4	3	3.91%	
g.	Trade payables turnover ratio	Purchases	Average accounts payable	Number of times	3	4	-19.10%	
h.	Net capital turnover ratio	Net sales	Current assets - Current liabilities	Number of times	1	1	15.52%	
i.	Net profit ratio	Net profits after taxes	Net sales	%	8%	19%	-57.96%	Decrease is on account of reduction in profits due to increase in cost of materials consumed and other expenses as compared to previous period.
j.	Return on capital employed	Earning before interest and taxes	Total assets- Current liabilities+ Current borrowings	%	4%	10%	-59%	Decrease is on account of reduction in profits due to increase in cost of materials consumed and other expenses as compared to previous period.
k.	Return on investment	Income generated from invested funds	Average invested funds in treasury investments	%	8%	9%	-3%	

*Reasons for variances is given ratios having percentage change more than 25%

Notes to Standalone Financial Statements

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

43. Other Statutory Information

(i) The Company has not entered into any transaction with struck off companies as per Section 248 of Companies Act, 2013 or Section 560 Companies Act 1956.

(ii) a) The Company has invested funds to following entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall directly invest in other entities identified on behalf of the Company (Ultimate Beneficiaries)

Date of investment	Amount of investment	Name of the intermediary	Name of Ultimate Beneficiary	Date of investment in Ultimate Beneficiary
24-Dec-21	1,142	NATCO Pharma Inc.	Dash Pharmaceuticals LLC.	01-Jan-22
24-Dec-21	280	Time Cap Overseas Limited	NatcoFarma do Brasil Ltda.	24-Dec-21

The Company has complied with relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and the Companies Act has been complied with for the above transactions and the transactions are not violative of the Prevention of Money-Laundering Act, 2002 (15 of 2003).

b) The company has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall: provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(iii) The Company has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the company shall:

(a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or

(b) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(iv) The Company does not have any transaction which is not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income-tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income-tax Act, 1961.

(v) There are no proceeding initiated or pending against the Company as at 31 March 2022, under Prohibition of Benami Property Transactions Act, 1988 (as amended in 2016).

(vi) The Company is not declared wilful defaulter by any bank or financial institution or other lenders.

44. Disclosure pertaining to the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations,2015 and Sec 186 of the Companies Act, 2015

(a) The Company has made investments in the following Companies:

	As at 31 March 2021	Allotment/ purchase during the year	Sold during the year	Provision for Diminution	As at 31 March 2022
Investment in equity Instruments					
Natco Pharma Inc.	162	1,143	-	-	1,305
Time Cap Overseas Limited	1,262	280	-	-	1,542
NATCO Pharma (Canada) Inc.	145	87	-	-	232

Notes to Standalone Financial Statements

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

44. Disclosure pertaining to the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations,2015 and Sec 186 of the Companies Act, 2015 (Contd..)

	As at 31 March 2021	Allotment/ purchase during the year	Sold during the year	Provision for Diminution	As at 31 March 2022
NATCO Pharma Asia Pte. Ltd	102	-	-	-	102
NATCO Pharma Australia PTY Ltd	99	94	-	-	193
NATCO Lifesciences Philippines Inc	42	5	-	-	47

	As at 31 March 2020	Allotment/ purchase during the year	Sold during the year	Provision for Diminution	As at 31 March 2021
Investment in equity Instruments					
Natco Pharma Inc.	42	120	-	-	162
Time Cap Overseas Limited	647	615	-	-	1262
NATCO Pharma (Canada) Inc.	145	-	-	-	145
NATCO Pharma Asia Pte. Ltd	102	-	-	-	102
NATCO Pharma Australia PTY Ltd	53	46	-	-	99
NATCO Lifesciences Philippines Inc	36	6	-	-	42

(b) The Company has given interest bearing loans to its subsidiary Companies:

	As at 31 March 2021	Given/(repaid)* during the year	Impact foreign exchange translation	As at 31 March 2022	Maximum balance outstanding during the year
NATCO Pharma Asia Pte. Ltd	114	(114)		0	114
NATCO Lifesciences Philippines Inc	0	4	1	5	5

The Company has given interest bearing loans to its subsidiary Companies:

	As at 31 March 2020	Given/(repaid)* during the year	Impact foreign exchange translation	As at 31 March 2022	Maximum balance outstanding during the year
NATCO Pharma Asia Pte. Ltd	111	-	3	114	114
Time Cap Overseas Limited	289	(289)	-	-	289
Natco Pharma Inc.	124	(124)	-	-	124

*Includes loan converted to equity during the year.

Notes to Standalone Financial Statements

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

45. Impact of COVID-19

The Company has considered internal and external sources of information up to the date of approval of the above financial statements in evaluating the possible impact that may result from the pandemic relating to COVID-19 on the carrying amounts of property, plant and equipment, intangible assets, inventories, receivables, investments and other financial assets. The Company has applied prudence in arriving at the estimates and assumptions and also performed sensitivity analysis on the assumptions used. The Company is confident about the recoverability of these assets. However, the impact of the global health pandemic may be different from that estimated as at the date of approval of the above financial statements. Considering the continuing uncertainties, the Company will continue to closely monitor any material changes to future economic conditions.

46. The Company has established the comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under Sections 92-92F of the Income-tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company is in the process of updating the documentation for the international transactions entered into with associated enterprises during the financial year and expects such records to be in existence latest by 31 October, 2022 as required by law. The management confirms its international transaction are at arms' length price so that aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

47. The Company does not have any long-term contracts including derivatives for which there are any material foreseeable losses.

48. The Ministry of Corporate Affairs (MCA) vide notification dated 24 March 2021 has amended Schedule III to the Companies Act, 2013 in respect of certain disclosures. Amendments are applicable from 01 April 2021. The Company has incorporated the changes as per the said amendment in the financial statements and has also changed comparative numbers wherever it is applicable.

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

Vikash Somani
Partner
Membership Number: 061272

Place: Hyderabad
Date: 30 May 2022

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

V C Nannapaneni
Managing Director
DIN: 00183315

Rajeev Nannapaneni
Director and Chief Executive Officer
DIN: 00183872

Venkat Ramesh Chekuri
Company Secretary

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 30 May 2022

Independent Auditor's Report

To the Members of
NATCO Pharma Limited

Report on the Audit of the 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 2022, 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 2022, 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 reports of the other auditors referred to in paragraph (a) of the "Other Matters" section 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 and based on the consideration of reports of other auditors on separate financial statements of components audited by them, 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

See Note 3(e) and Note 22 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 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) Assessed 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 key controls over measurement, timing and recognition of revenue in accordance with customer contracts. 3) Performed substantive testing (including year-end cut-off testing) by selecting samples of revenue transactions recorded during the year (and before

The key audit matter	How the matter was addressed in our audit
The Group routinely enters into development and commercialisation arrangements relating to research and development of new products in the pharmaceutical sector including collaboration with other pharmaceutical companies leading to recognition of revenue from sale of services. The Group also enters into product supply agreements and other types of complex agreements which requires revenue to be recognised on profit sharing basis in certain cases. The nature of these arrangements are often inherently complex. Considering the complexity involved, recognition of revenue from such contracts has also been considered as key audit matter.	and after the financial year end), by verifying the underlying documents, which included sales invoices, contracts and shipping documents, as applicable. 4) Analysed the terms of development and commercialisation arrangements to determine that revenue is recognised for the rights transferred under the contract having regard to the performance obligations under the contract. 5) Verified confirmations received by the Group directly from the marketing partner for revenue recognised during the year in relation to product supply agreement. 6) Tested manual journals posted to revenue to identify unusual transactions.

2) Deferred tax asset on Minimum Alternate Tax ('MAT') credit entitlement

See Note 29 (D) and (E) to the consolidated financial statements

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. 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 design, implementation and operating effectiveness of the Holding Company's key controls over recognition of deferred tax asset on MAT. 2) Challenged the key business assumptions like profit margins in the foreseeable future years against historical data and trends, to assess their reasonableness. 3) Verified the tax computation for the foreseeable future years and considered whether the tax losses and MAT credit would expire in accordance with the provisions of Income-tax Act, 1961. 4) Analysed origination of MAT credit entitlement and assessed the reasonableness of Holding Company's assessment in relation to its utilisation within the period allowed for carry forward and set off against foreseeable forecast taxable income streams. 5) Evaluated appropriateness of taxation disclosures in the consolidated financial statements, including the disclosures made in respect of the utilisation period of deferred tax assets in relation to MAT credit entitlement.

3) Allowance for slow moving, obsolete and non-moving inventories

See note 11 to the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
The Holding Company makes provision for inventory based on policy, past experience, current trend and future expectations of materials depending upon the category of goods. Significant judgment is required in assessing the appropriate level of the provision for obsolete, slow-moving inventory and inventory not suitable for use. Accordingly, we have identified allowance for slow moving, obsolete and non-moving inventory as key audit matter because of the judgement applied in the identification and valuation of such inventory.	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 design, implementation and the operating effectiveness of the relevant key financial controls with respect to identification and provisioning for obsolete, slow-moving inventory and inventory not suitable for use. 2) Compared the methodology used to calculate the inventory provision and its consistency with prior periods. 3) Obtained an understanding of Holding Company's estimate of business impact of COVID-19 pandemic on provision on inventories. 4) For specific provisions made, on a sample basis, assessed the basis and tested the relevant approvals. 5) Evaluated the adequacy of disclosures in accordance with the relevant accounting standards.

4) Accounting for business combination

See note 41 to the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
On 1 January 2022, the Group acquired 100% stake in Dash Pharmaceuticals LLC for USD 18 million and accounted for this acquisition as a business combination as per Ind AS 103. The Group engaged an independent valuer to determine the fair values of the acquired net assets and identifying and valuing previously unrecognised intangible assets. The measurement of the identifiable assets and liabilities acquired at fair value is inherently judgmental which could result in inaccurate allocation of values to acquired assets including intangibles. Basis the above factors mentioned, the same has been considered as key audit matter	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 Group's key controls over accounting for business combination; 2) Challenged the reasonableness of key assumptions, purchase price allocation adjustments and the identification and valuation of acquired intangible assets based on our knowledge of the Group and the industry. 3) Involved valuation specialists to assess the reasonableness of valuation methodologies and discount rate; 4) Evaluated the competence and independence of the third-party valuer by reference to their qualifications and experience; and 5) Evaluated the appropriateness of the accounting of business acquisition and disclosures in the consolidated Ind AS financial statements as per Ind AS 103 "Business Combinations".

5) Impairment of Property, plant and equipment including capital work in progress of Agro chemicals division (identified as cash generating unit ('CGU').

See note 5 to the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
The Group has significant property, plant and equipment with respect to a particular CGU where products are yet to be commercialised as at 31 March 2022. Pending commercialisation of the products, there is a risk of impairment that the carrying amount of the aforesaid assets are lower than its recoverable value. Group's assessment of recoverable value to test impairment involve significant judgements and estimates including weighted average cost of capital, revenue growth and expected market share. Changes in these assumptions could lead to an impairment to the carrying value of assets of this CGU. Accordingly, impairment of property, plant and equipment including capital work-in-progress in the CGU is identified as a key audit matter.	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 design, implementation and the operating effectiveness of the relevant key financial controls over impairment analysis of the CGU. 2) Challenged significant assumptions and judgements incorporated in determination of value in use of the CGU, specifically in relation to forecast revenue, margins, terminal growth and discount rates with the assistance of our internal valuations specialists. Our internal 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 and the discount rate used by the Group in determining value in use. Evaluated the resulting impact on the impairment testing and indicators of management bias in the selection of these key assumptions.

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 consolidated financial statements and our auditor's 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 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 necessary 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 Board of 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 are 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 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 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 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 statements 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 the financial statements 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 paragraph (a) of the section titled "Other Matters" in this audit report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with those charged with governance of the Holding Company, 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

(a) We did not audit the financial statements of eight subsidiaries, whose financial statements reflect total assets (before consolidation adjustments) of INR 5,672 million as at 31 March 2022, total revenues (before consolidation adjustments) of INR 2,594 million and net cash flows (before consolidation adjustments) amounting to INR 845 million for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries is based solely on the reports of the other auditors.

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 reports of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the 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

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order") issued by the Central Government of India in terms of Section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2 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 2022 taken on record by the Board of Directors of the Holding Company, none of the directors of the Holding Company is disqualified as on 31 March 2022 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 B".

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:

a) The consolidated financial statements disclose the impact of pending litigations as at 31 March 2022 on the consolidated financial position of the Group. Refer Note 37 to the consolidated financial statements.

b) The Group did not have any material foreseeable losses on long-term contracts including derivative contracts during the year ended 31 March 2022

c) 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 2022.

d) (i) The Management of the Holding Company has represented that, to the best of it's knowledge and belief, other than as disclosed in Note 43(ii) to the consolidated financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Holding Company to or in any other persons or entities, including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall:

- directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Holding Company ("Ultimate Beneficiaries"); or

- provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(ii) The Management of the Holding Company has represented to us that, to the best of its knowledge and belief, as disclosed in Note 43(iii) to the consolidated financial statements, no funds have been received by the Holding Company from any persons or entities, including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Holding Company shall:

- directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Parties ("Ultimate Beneficiaries"); or

- provide any guarantee, security or the like from or on behalf of the Ultimate Beneficiaries.

(iii) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances performed by us, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e) contain any material mis-statement.

e) The interim dividend declared and paid by the Company during the year is in accordance with Section 123 of the Act.

C. With respect to the matter to be included in the Auditor's Report under Section 197(16) of the Act:

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 by the Holding Company 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) of the Act which are required to be commented upon by us.

For **B S R & Associates LLP**
Chartered Accountants
ICAI Firm's Registration No. 116231W/ W-100024

Vikash Somani
Partner
Membership No.: 061272
UDIN: 22061272AJWVOF5865

Place: Hyderabad
Date: 30 May 2022

Annexure A to the Independent Auditors' Report on the consolidated financial statements of NATCO Pharma Limited for the year ended 31 March 2022

(Referred to in Paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our Report of even date)

xxi. In our opinion and according to the information and explanations given to us, following company incorporated in India and included in the consolidated financial statements, has unfavourable/ qualified remark given by the auditor in their report under the Companies (Auditor's Report) Order 2020 (CARO):

Sr. No.	Name of the entity	CIN	Holding Company/ Subsidiary	Clause number of the CARO report which is unfavourable/ qualified
1.	NATCO Pharma Limited	L24230TG1981PLC003201	Holding Company	Clause (i)(c), Clause (ii)(b), and Clause (iii)(c) and Clause (iii) (d)

For **B S R & Associates LLP**
Chartered Accountants
ICAI Firm's Registration No. 116231W/ W-100024

Vikash Somani
Partner
Membership No.: 061272
UDIN: 22061272AJWVOF5865

Place: Hyderabad
Date: 30 May 2022

Annexure B to the Independent Auditors' Report on the consolidated financial statements of NATCO Pharma Limited for the year ended 31 March 2022

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 2A(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 NATCO Pharma Limited (hereinafter referred to as "the Holding Company", "the Company") as of and for the year ended 31 March 2022, we have audited the internal financial controls with reference to consolidated financial statements of the Company, as of that date.

In our opinion, the Holding Company has, 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 2022, based on the internal financial controls with reference to consolidated financial statements criteria established by the Holding Company 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 Holding 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 Holding 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 Holding 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's Registration No. 116231W/ W-100024

Vikash Somani
Partner
Membership No.: 061272
UDIN: 22061272AJWVOF5865

Place: Hyderabad
Date: 30 May 2022

Consolidated Balance Sheet

as at 31 March 2022 (All amounts in ₹ millions, except share data and where otherwise stated)

Particulars	Notes	As at 31 March 2022	As at 31 March 2021
I. Assets			
(1) Non-current assets			
(a) Property, plant and equipment	5	21,789	20,138
(b) Capital work-in-progress	38	1,295	2,234
(c) Goodwill	6	507	-
(d) Intangible assets	6	822	94
(e) Financial assets			
(i) Investments	7	1,044	1,519
(ii) Loans	8	-	14
(iii) Other financial assets	9	193	187
(f) Other non-current assets	10	469	285
Total non-current assets		**26,119**	**24,471**
(2) Current assets			
(a) Inventories	11	7,620	7,982
(b) Financial assets			
(i) Investments	7	2,037	1,518
(ii) Trade receivables	12	6,206	4,129
(iii) Cash and cash equivalents	13	1,111	258
(iv) Bank balances other than (iii) above	13	950	2,577
(v) Loans	8	104	131
(vi) Other financial assets	9	3,901	4,270
(c) Other current assets	10	3,043	2,583
Total current assets		**24,972**	**23,448**
Total assets		**51,091**	**47,919**
II. EQUITY AND LIABILITIES			
(1) Equity			
(a) Equity share capital	14	365	365
(b) Other equity	15	42,271	40,851
Equity attributable to owners of the Company		**42,636**	**41,216**
(c) Non-controlling interest		-	18
Total equity		**42,636**	**41,234**
(2) Liabilities			
(A) Non-current liabilities			
(a) Financial liabilities			
(ia) Lease liabilities	17	80	9
(ii) Other financial liabilities	18	13	11
(b) Provisions	19	957	996
(c) Deferred tax liabilities, net	29	301	413
Total non-current liabilities		**1,351**	**1,429**
(B) Current liabilities			
(a) Financial liabilities			
(i) Borrowings	16	4,040	2,658
(ia) Lease liabilities	17	35	9
(ii) Trade payables	21		
- Dues of micro enterprises and small enterprises		132	75
- Dues of creditors other than micro enterprises and small enterprises		1,486	1,387
(iii) Other financial liabilities	18	833	864
(b) Other current liabilities	20	399	122
(c) Provisions	19	170	128
(d) Current tax liabilities, net		9	13
Total current liabilities		**7,104**	**5,256**
Total liabilities		**8,455**	**6,685**
Total equity and liabilities		**51,091**	**47,919**
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: 30 May 2022

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

V C Nannapaneni
Managing Director
DIN: 00183315

Rajeev Nannapaneni
Director and Chief Executive Officer
DIN: 00183872

Venkat Ramesh Chekuri
Company Secretary

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 30 May 2022

Consolidated Statement of Profit and Loss

for the year ended 31 March 2022 (All amounts in ₹ millions, except share data and where otherwise stated)

Particulars	Notes	For the year ended 31 March 2022	For the year ended 31 March 2021
1. Income			
(a) Revenue from operations	22	19,448	20,521
(b) Other income	23	990	1,036
Total income		**20,438**	**21,557**
2. Expenses			
(a) Cost of materials consumed	24	5,192	3,729
(b) Purchases of stock-in-trade		585	1,866
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	25	(168)	(481)
(d) Employee benefits expense	26	4,448	4,149
(e) Finance costs	27	177	133
(f) Depreciation and amortisation expense	5 and 6	1,426	1,169
(g) Other expenses	28	6,756	5,196
Total expenses		**18,416**	**15,761**
3. Profit before tax (1-2)		**2,022**	**5,796**
4. Tax expense:	29		
(a) Current tax		478	1,478
(b) Deferred tax		(156)	(106)
Total tax expenses		**322**	**1,372**
5. Profit for the year (3-4)		**1,700**	**4,424**
6. Other comprehensive income			
(a) Items that will not be reclassified subsequently to profit or loss			
(i) Remeasurement of defined benefit plans		6	(8)
Tax on remeasurement of defined benefit plans		(2)	3
(ii) Net gains from investments in equity instruments designated at FVTOCI		442	143
Tax impact on equity instruments designated at FVTOCI		(42)	(13)
(b) Items that will be reclassified subsequently to profit or loss			
(i) Exchange differences on translation of foreign operations		93	(38)
Other comprehensive income, net of tax		**497**	**87**
7. Total comprehensive income for the year (5+6)		**2,197**	**4,511**
8. Profit for the year attributable to:			
Owners of the Company		1,700	4,409
Non-controlling interests		-	15
Profit for the year		**1,700**	**4,424**
9. Other comprehensive income attributable to:			
Owners of the Company		497	87
Non-controlling interests		-	-
Other comprehensive income for the year		**497**	**87**
10. Total comprehensive income attributable to:			
Owners of the Company		2,197	4,496
Non-controlling interests		-	15
Total comprehensive income for the year		**2,197**	**4,511**
11. Earnings per equity share (Face value of ₹ 2 each)	30		
Basic (in ₹)		9.32	24.20
Diluted (in ₹)		9.32	24.16
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: 30 May 2022

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

V C Nannapaneni
Managing Director
DIN: 00183315

Rajeev Nannapaneni
Director and Chief Executive Officer
DIN: 00183872

Venkat Ramesh Chekuri
Company Secretary

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 30 May 2022

Consolidated Statement of Cash Flow

for the year ended 31 March 2022 (All amounts in ₹ millions, except share data and where otherwise stated)

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Cash flows from operating activities:		
Profit before tax	2,022	5,796
Adjustments :		
Depreciation and amortisation expense	1,426	1,169
Finance costs	177	133
Share based payment expense	22	126
Interest income	(390)	(566)
Allowance for credit losses	271	(24)
Bad debts written off	199	117
Liabilities written back	(16)	-
Profit on sale of property, plant and equipment, net	(427)	(320)
Dividend income	(2)	0
Fair value gain on Financial assets measured at FVTPL	(12)	-
Unrealised foreign exchange gain, net	(9)	(14)
Operating profit before working capital changes	**3,261**	**6,417**
Working capital adjustments:		
Decrease/ (increase) in inventories	564	(2,402)
(Increase)/ decrease in trade receivables	(2,389)	1,306
Decrease/ (increase) in loans	37	(49)
Increase in other financial assets	(56)	(40)
Increase in other assets	(387)	(40)
Increase/ (decrease) in trade payables	74	(1,095)
Increase in provisions	9	110
Increase in other financial liabilities	31	93
Decrease in other liabilities	(197)	(12)
Cash generated from operating activities	**947**	**4,288**
Income-taxes paid, net of refund	(482)	(1,300)
Net cash generated from operating activities (A)	**465**	**2,988**
Cash flows from investing activities:		
Purchase of property, plant and equipment (Refer note b below)	(2,328)	(2,546)
Proceeds from sale of property, plant and equipment	538	451
Acquisition of intangible assets	(99)	23
Acquisition of subsidiary, net of cash and cash equivalents acquired	(1,031)	-
Purchase of investments	294	(1,846)
Proceeds from sale of investments	118	73
Deposits with banks	(913)	(2,544)
Redemption of deposits with banks	2,540	428
Repayment of loans by others	4	6
Interest received	498	671
Dividend received	2	(0)
Redemption of deposits with other than banks	3,861	8,112
Deposits with other than banks	(3,538)	(3,861)
Net cash used in investing activities (B)	**(53)**	**(1,033)**
Cash flows from financing activities		
Proceeds from issue of shares	-	1
Contribution from non-controlling interest	(18)	(95)
Net proceeds from/ (repayment of) short-term borrowings (refer note c below)	1,382	(484)
Payment of lease liability (refer note c below)	(24)	(12)
Dividends paid	(822)	(1,139)

Consolidated Statement of Cash Flow

for the year ended 31 March 2022 (All amounts in ₹ millions, except share data and where otherwise stated)

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Interest paid	(170)	(128)
Net cash generated from/ (used in) financing activities (C)	**348**	**(1,857)**
Net increase in cash and cash equivalents (A+B+C)	**760**	**98**
Effect of currency translation adjustment	93	(38)
Cash and cash equivalents as at the beginning of the year	258	198
Cash and cash equivalents as at the end of the year	**1,111**	**258**
Components of cash and cash equivalents		
Cash and cash equivalents:		
Cash on hand	4	5
Balance with Banks:		
- Current accounts	1,107	253
	1,111	**258**

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) Purchase of property, plant and equipment includes movements of capital work-in-progress, capital advances, capital creditors and right of use assets.

c) Debt reconciliation in accordance with Ind AS 7:

Particulars		For the year ended 31 March 2022	For the year ended 31 March 2021
Borrowings from banks:			
Opening balance		2,658	3,142
Proceeds from/ (repayment of) borrowings, net		1,382	(484)
Non-cash items (foreign exchange changes)		0	(0)
Closing balance		**4,040**	**2,658**
Lease liabilities:			
Opening balance		18	17
Cash flow changes		(24)	(12)
Non-cash changes		121	13
Closing balance		**115**	**18**
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: 30 May 2022

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

V C Nannapaneni
Managing Director
DIN: 00183315

Rajeev Nannapaneni
Director and Chief Executive Officer
DIN: 00183872

Venkat Ramesh Chekuri
Company Secretary

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 30 May 2022

Consolidated Statement of Changes in Equity

for the year ended 31 March 2022

A Equity Share Capital

Particulars	Number of Shares	Amount
As at 1 April 2020	18,20,67,975	364
Changes in equity share capital due to prior period errors	-	-
Restated balance at the beginning of current period	**18,20,67,975**	**364**
Changes in Equity during the year	2,69,850	1
As at 31 March 2021	**18,23,37,825**	**365**
Changes in equity share capital due to prior period errors	-	
Restated balance at the beginning of current period	**18,23,37,825**	**365**
Changes in Equity during the year	1,82,340	0
As at 31 March 2022	**18,25,20,165**	**365**

Particulars	Reserves and Surplus						Other comprehensive income		Total other equity attributable to owners of the Company	Non-controlling interest	Total equity
	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			
As at 1 April 2020	**13,729**	**516**	**11**	**595**	**235**	**22,391**	**27**	**(133)**	**37,371**	**112**	**37,483**
Changes in accounting policy or prior period errors	-	-	-	-	-	-	-	-	-	-	-
Restated balance at the beginning of the prior period	**13,729**	**516**	**11**	**595**	**235**	**22,391**	**27**	**(133)**	**37,371**	**112**	**37,483**
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 equity instruments	-	-	-	-	-	25	(25)	-	-	-	-
Employee stock option expense	-	-	-	-	126	-	-	-	126	-	126
Dividend paid	-	-	-	-	-	(1,138)	-	-	(1,138)	-	(1,138)
Share options exercised	186	-	-	-	(186)	-	-	-	-	-	-
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	(109)	(109)
As at 31 March 2021	**13,915**	**516**	**11**	**595**	**175**	**25,682**	**128**	**(171)**	**40,851**	**18**	**40,869**

Consolidated Statement of Changes in Equity

for the year ended 31 March 2022

Particulars	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
Changes in accounting policy or prior period errors	-	-	-	-	-	-	-	-	-	-	-
Restated balance at the beginning of the prior period	**13,915**	**516**	**11**	**595**	**175**	**25,682**	**128**	**(171)**	**40,851**	**18**	**40,869**
Profit for the year	-	-	-	-	-	1,700	-	-	1,700	-	1,700
Other comprehensive income (net of taxes)	-	-	-	-	-	4	422	93	519	-	519
Profit on sale of equity instruments	-	-	-	-	-	101	(101)	-	-	-	-
Employee stock option expense	-	-	-	-	22	-	-	-	22	-	22
Dividend paid	-	-	-	-	-	(821)	-	-	(821)	-	(821)
Share options exercised	163	-	-	-	(163)	-	-	-	-	-	0
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	(18)	(18)
As at 31 March 2022	**14,078**	**516**	**11**	**595**	**34**	**26,666**	**449**	**(78)**	**42,271**	**-**	**42,271**

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: 30 May 2022

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

V C Nannapaneni
Managing Director
DIN: 00183315

Rajeev Nannapaneni
Director and Chief Executive Officer
DIN: 00183872

Venkat Ramesh Chekuri
Company Secretary

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 30 May 2022

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 2022 were authorized and approved for issue by the Company's Board of Directors on 30 May 2022.

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.

Notes to Consolidated Financial Statements

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

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.

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	
		2022	2021
NATCO Pharma, Inc.,	United States of America	100.00	100.00
Time Cap Overseas Limited	Mauritius	100.00	100.00
NatcoFarma do Brasil Ltda.	Brazil	100.00	100.00
NATCO Pharma (Canada), Inc.	Canada	100.00	99.04
Natco Pharma Asia Pte. Ltd.	Singapore	100.00	100.00
NATCO Pharma Australia PTY Ltd.	Australia	100.00	100.00
NATCO Lifesciences Philippines Inc.	Philippines	100.00	100.00
Dash Pharmaceuticals LLC	United States of America	100.00	-

Note 1: NatcoFarma do Brasil is the Subsidiary of Time Cap Overseas Limited and NATCO Pharma Inc. and interest in NatcoFarma do Brasil 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.

Note 3: Dash Pharmaceuticals LLC is the subsidiary of NATCO Pharma Inc.

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.

Notes to Consolidated Financial Statements

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

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.

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. Goodwill and Intangible assets

Goodwill

For measurement of goodwill that arises on a business combination (see note 3 u) . Subsequent measurement is at cost less any accumulated impairment losses.

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

Notes to Consolidated Financial Statements

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

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.

Notes to Consolidated Financial Statements

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

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 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. These arrangements typically consist of an initial upfront payment on inception of the agreement and subsequent payments dependent on achieving certain milestones in accordance with the terms prescribed in the agreement. Milestone payments which are contingent on achieving certain milestones are recognised as revenues either on achievement of such milestones or over the performance period depending on the terms of the contract.

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 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

Notes to Consolidated Financial Statements

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

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.

Notes to Consolidated Financial Statements

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

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.

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

Notes to Consolidated Financial Statements

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

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.

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

Notes to Consolidated Financial Statements

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

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.

Notes to Consolidated Financial Statements

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

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.

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. Business Combination:

In accordance with Ind AS 103, Business Combination, the Group accounts for the business combinations using the acquisition method when control is transferred to the Group. The consideration transferred for the business combination is generally measured at fair value as at the date the control is acquired (acquisition date), as are the net identifiable assets acquired. Any goodwill that arises is tested annually for impairment (see note 3(h)). Any gain on a bargain purchase is recognized in other comprehensive income ("OCI") and accumulated in equity as capital reserve if there exists clear evidence of the underlying reasons for classifying the business combination as resulting in a bargain purchase; otherwise the gain is recognized directly in equity as capital reserve. Transaction costs are expensed as incurred, except to the extent related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships with the acquiree. Such amounts are generally recognized in profit or loss.

v. 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.

w. Recent accounting pronouncements

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On 23 March 2022, MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2022, applicable from 01 April 2022, as below:

Ind AS 103 – Reference to Conceptual Framework

The amendments specify that to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual Framework) issued by the Institute of Chartered Accountants of India at the acquisition date. These changes do not significantly change the requirements of Ind AS 103. The Company does not expect the amendment to have any significant impact in its financial statements.

Notes to Consolidated Financial Statements

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

Ind AS 16 – Proceeds before intended use

The amendments mainly prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss. The Company does not expect the amendments to have any impact in its recognition of its property, plant and equipment in its financial statements.

Ind AS 37 – Onerous Contracts - Costs of Fulfilling a Contract

The amendments specify that that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts. The amendment is essentially a clarification and the Comany does not expect the amendment to have any significant impact in its financial statements.

Ind AS 109 – Annual Improvements to Ind AS (2021)

The amendment clarifies which fees an entity includes when it applies the '10 percent' test of Ind AS 109 in assessing whether to derecognise a financial liability. The Company does not expect the amendment to have any significant impact in its financial statements.

Ind AS 106 – Annual Improvements to Ind AS (2021)

The amendments remove the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives were described in that illustration. The Company does not expect the amendment to have any significant impact in its financial statements.

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 Company's disclosure of significant accounting policies which are provided in Note 3 to the standalone financial statements, 'Significant accounting policies'.

Critical judgments:

Taxes on income:

Significant judgments are involved in determining the provision for income taxes, including possibility of utilisation of Minimum Alternate Tax (MAT) credit in future.

Impairment of investments:

Significant judgment is 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 standalone financial statements.

Impairment of property, plant and equipment

Significant judgment is involved in determining the estimated future cash flows from the cash-generating unit to determine their value in use to assess whether there is any impairment in their carrying amounts as reflected in the standalone financial statements.

Critical estimates:

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

Notes to Consolidated Financial Statements

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

be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits.

Evaluation of indicators for impairment of assets: The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

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: The Company exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

Notes to Consolidated Financial Statements

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

5. Property, plant and equipment

	Freehold land	Buildings	Plant and equipments	Office equipments	Furniture	Vehicles	Computers	Right-of-use assets	Total
Gross carrying amount									
As at 1 April 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**
Acquisition through business combination (refer Note 40)	-	1	-	0	2	-	1	-	4
Additions	198	799	1,714	5	31	36	58	258	3,098
Disposals	(33)	(53)	(75)	(0)	(1)	(8)	(0)	(12)	(182)
Exchange difference	-	21	21	0	2	0	(1)	0	43
Balance as at 31 March 2022	**2,641**	**9,734**	**15,618**	**74**	**473**	**271**	**362**	**556**	**29,729**
Accumulated depreciation									
As at 1 April 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**
Charge for the year	-	283	969	3	37	22	36	28	1,378
Disposals	-	(5)	(52)	(0)	(1)	(5)	(0)	(12)	(75)
Exchange difference	-	4	4	0	1	0	1	0	10
Balance as at 31 March 2022	**-**	**1,509**	**5,752**	**47**	**183**	**163**	**239**	**47**	**7,940**
Net book value as at 31 March 2021	**2,476**	**7,739**	**9,127**	**25**	**293**	**97**	**102**	**279**	**20,138**
Net book value as at 31 March 2022	**2,641**	**8,225**	**9,866**	**27**	**290**	**108**	**123**	**509**	**21,789**

(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, 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, lease hold land from Maharashtra Industrial Corporation (MIDC) at Taloja Industrial area for period of 69 years and certain vehicles taken on lease for period of 3 years.

(iii) Land parcels with an aggregate carrying amount of ₹ 4 (31 March 2021: ₹ 4) are under dispute pending in a court as to the ownership of the property. The Management, based on available information is confident of favourable outcome in this case and hence, no adjustments are made in these financial statements.

Notes to Consolidated Financial Statements

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

5. Property, plant and equipment (Contd..)

(iv) Title deeds of Immovable property not held in name of the Group

Relevant line item in the Balance sheet	Description of item of property	Gross carrying value	Title deeds held in the name of	Whether title deed holder is a promoter, director or relative of promoter /director or employee of promoter/ director	Property held since which date	Reason for not being held in the name of the company
Property, plant and equipment	Land at Attivaram	66	Andhra Pradesh Industrial Infrastructure Corporation Limited	No	14 March 2018	The Company is in the process of getting the land registered in its name and the same is expected to get completed in due course.

(v) Refer to note 40 for disclosure of leases under Ind AS 116.

(vi) Refer to note 16 for details of assets mortgaged.

(vii) The Group has not revalued any property, plant and equipment after initial recognition, during the current and previous financial year.

6. Intangible assets

	Goodwill	Intangible assets				
		Commercial product portfolio	Distributor relationships	Pipeline product portfolio	Computer Software	Total
Gross carrying amount						
As at 1 April 2020	**-**	**-**	**-**	**-**	**226**	**226**
Additions	-	-	-	-	30	30
As at 31 March 2021	**-**	**-**	**-**	**-**	**256**	**256**
Acquisition through business combination (refer Note 41)	500	363	77	228	-	668
Additions	-	-	-	-	99	99
Deletions	-	-	-	-	(0)	(0)
Foreign exchange adjustments	7	4	1	3	2	10
As at 31 March 2022	**507**	**367**	**78**	**231**	**357**	**1,033**
Accumulated amortisation						
As at 1 April 2020	**-**	**-**	**-**	**-**	**138**	**138**
Charge for the year	-	-	-	-	24	24
As at 31 March 2021	**-**	**-**	**-**	**-**	**162**	**162**
Charge for the year	-	9	2	5	32	48
Deletions	-	-	-	-	(0)	(0)
Foreign exchange adjustments	-	0	0	0	0	1
As at 31 March 2022	**-**	**9**	**2**	**5**	**195**	**211**
Net carrying amount						
As at 31 March 2021	**-**	**-**	**-**	**-**	**94**	**94**
As at 31 March 2022	**507**	**358**	**76**	**226**	**162**	**822**

Notes to Consolidated Financial Statements

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

6. Intangible assets (Contd..)

(i) The Group has not revalued any intangible assets after initial recognition, during the current and previous financial year.

(ii) Impairment:

See accounting policy in note 3(i).

Impairment testing for cash generating unit containing goodwill

The Group has identified its reportable segments Pharma and Agro as CGUs. For the purpose of impairment testing, goodwill is allocated to the Group's operating division which represents the lowest level within the Group at which goodwill is monitored for internal management purposes, which is not higher than the Group's operating segment. The goodwill acquired through business combination has been allocated to CGU "Pharma" segment of the Group. The carrying amount of goodwill as at 31 March 2022 is ₹ 507.

Following key assumptions were considered while performing impairment testing:

Terminal value growth rate 2%

Weighted average cost of capital % (WACC) post tax 12.03%

The cash flow projections include specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate has been determined based on the management's estimate of the long-term compound annual EBITDA growth rate, consistent

with the assumptions that a market participant would make.

Weighted average cost of capital % (WACC) = Risk free return + (Market premium x Beta for the Company).

The Group has performed sensitivity analysis around the base assumptions and has concluded that no reasonable change in key assumptions would result in the recoverable amount of the CGU to be less than the carrying value. Accordingly, no impairment charges were recognised for FY 2021-2022.

7. Investments

	As at 31 March 2022	As at 31 March 2021
I. Non-current		
Unquoted		
At fair value through other comprehensive income		
a. Investment in equity instruments (fully paid-up)		
139,451 (31 March 2021: 139,451) equity shares of ₹10 each, in OMRV Hospital Private Limited	106	105
21,769 (31 March 2021: 21,769) equity shares of ₹10 each, in Veda Seedsciences Private Limited	99	79
8,000 (31 March 2021: 8,000) equity shares of ₹10 each, in Cipher Oncology Private Limited	10	10
34,400 (31 March 2021: 34,400) equity shares of ₹10 each, in Pattancheru Enviro-Tech Limited	0	0
27,000 (31 March 2021: 27,000) equity shares of ₹10 each, in Jayalakshmi Spinning Mills Limited	0	0
4,054 (31 March 2021: 4,054) equity shares of 1USD each, in NATIVITA Joint Limited Liability Company	0	0

Notes to Consolidated Financial Statements

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

7. Investments (Contd..)

	As at 31 March 2022	As at 31 March 2021
30 (31 March 2021: 30) equity shares of Euro 0.5 per share of Pharnasanta B.V	0	0
750 (31 March 2021: 750) equity shares of ₹100 each, in Jeedimetla Effluent Treatment Limited	0	0
Less: Provision for impairment in value of investments	0	0
	215	**194**
The Group designated the investments shown above as equity shares at FVTOCI because these equity shares represent investments that the Company intends to hold long-term for strategic purposes.		
Unquoted		
b. Other investments		
3,146 (31 March 2021: 2,000) units of ₹10,000 each, in Endiya Trust	35	20
65,979 (31 March 2021: 65,979) shares of series seed-2 preferred stock in ISCA, Inc	151	151
1,000,000 (31 March 2021: Nil) 0.15% compulsorily convertible debentures (CCD) of ₹10 each, in Simplify Wellness India Private Limited	10	-
500,000 (31 March 2020: 500,000) 0.05% compulsorily convertible preference shares (CCPS) of ₹100 each, in OMRV Hospitals Private Limited	50	50
	246	**221**
Unquoted		
At amortised cost		
National savings certificates	0	0
Investment in corporate bond fund in Axis Bank Ltd	181	400
	181	**400**
Quoted		
At amortised cost		
Nil (31 March 2021: 250,000) 9.25% non-convertible debentures (NCD) of ₹1,000 each, in Muthoot Finance Limited	-	250
100,000 (31 March 2021: 100,000) 6.75% non-convertible debentures (NCD) of ₹1,000 each, in Muthoot Finance Limited	100	100
190 (31 March 2021: Nil) 9.15% Perpetual Bonds of ₹ 1,000,000 each, in ICICI Bank Limited	199	-
Nil (31 March 2021: 250) 8.39% Series III Perpetual Bonds of ₹ 1,000,000 each, issued by State Bank of India	-	251
100 (31 March 2021: 100) 7.73% Series III Perpetual Bonds of ₹ 1,000,000 each, issued by State Bank of India	103	103
	402	**704**
Total non-current investments	**1,044**	**1,519**
Aggregate book value of unquoted investments	642	890
Aggregate book value of quoted investments	402	704
Aggregate market value of quoted investments	399	712
Aggregate amount of impairment in the value of investments	0	0
II. Current		
a) Investments in equity instruments (fully paid-up)		
(At fair value through other comprehensive income)		
Quoted		
7,000 (31 March 2021: 7,000) equity shares of ₹10 each, in Neuland Laboratories Limited	7	15

Notes to Consolidated Financial Statements

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

7. Investments (Contd..)

	As at 31 March 2022	As at 31 March 2021
5,500 (31 March 2021: 5,500) equity shares of ₹1 each, in Sun Pharmaceuticals Industries Limited	5	3
530 (31 March 2021: 530) equity shares of ₹2 each, in Alkem Laboratories Limited	2	1
12,400 (31 March 2021: 12,400) equity shares of ₹1 each, in Cadila Healthcare Limited	4	5
320,000 (31 March 2021: 350,000) equity shares of ₹2 each, in Laurus Labs Limited	189	127
150,000 (31 March 2021: 150,000) equity shares of ₹1 each, in Lanco Infratech Limited	0	0
22,700 (31 March 2021: 22,700) equity shares of ₹1 each, in GMR Infrastructure Limited	1	1
50,400 (31 March 2021: 50,400) equity shares of ₹1 each, in GVK Power & Infrastructure Limited	0	0
15,000 (31 March 2021: 18,300) equity shares of ₹1 each, in Panacea Biotech Limited	2	3
2,100 (31 March 2021: 2,100) equity shares of ₹1 each, in ICICI Prudential Life Insurance Company Limited	1	1
2,000 (31 March 2021: Nil) equity shares of ₹1 each, fully paid-up in JB Chemicals and Pharmaceuticals Ltd	3	-
3,25,577 (31 March 2,021: 2201) equity shares of ₹10 each, in Medplus Health Services Limited *	330	75
2,270 (31 March 2021: Nil) equity shares of ₹5 each, in GMR Power & Urban Infra Limited	0	-
18,300 (31 March 2021: 18,300) equity shares of ₹1 each, in Ravinder Height Limited	0	0
	545	**231**
*These shares were unquoted as at 31 March 2021.		
b) Investment in Bonds, Debentures and Commercial Papers (fully paid-up)		
Unquoted		
(At amortised cost)		
Investment in Global Dynamic Opportunities Fund Limited	-	220
Investment in Guaranteed investment certificates in ICICI Bank Canada	841	877
800 (31 March 2021: 400) 5.10% Commercial Paper (CP) of ₹500,000/- each, through issuer Julius Baer Capital (India) Private Limited	380	190
	1,221	**1,287**
c) Investments in others (fully paid-up)		
Quoted		
(At amortised cost)		
(At amortised cost)		
250 (31 March 2021: Nil) 8.85% Perpetual Bonds of ₹1,000,000 each, in HDFC Bank Ltd	256	-
15 (31 March 2021: Nil) 10.25% non-convertible debentures (NCD) of ₹1,000,000 each,in Muthoot Microfin Limited	15	-
	271	**-**
Total current investments	**2,037**	**1,518**

Notes to Consolidated Financial Statements

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

7. Investments (Contd..)

	As at 31 March 2022	As at 31 March 2021
The Group has not traded or invested in crypto currency or virtual currency during the year.		
Aggregate book value of unquoted investments	1,221	1,287
Aggregate cost of quoted investments	366	41
Aggregate market value of quoted investments	812	156
Aggregate amount of impairment in the value of investments	-	-

8. Loans

	As at 31 March 2022	As at 31 March 2021
(Unsecured, considered good)		
Non-current		
Loans to others	-	14
Total non-current loans	**-**	**14**
Current		
Loans to employees	65	94
Loans to directors (Refer note 35)	29	37
Loans to others	10	-
Total current loans	**104**	**131**

9. Other financial assets

	As at 31 March 2022	As at 31 March 2021
(Unsecured, considered good)		
Non-current		
Security deposits	148	144
Bank deposits due to maturity after 12 months from the reporting date*	35	35
Interest on deposits accrued but not due	10	8
	193	**187**
*Bank deposits are given as margin money against bank guarantees/performance guarantees issued by banks.		
Current		
Deposits with financial institutions	3,538	3,861
Interest on deposits, accrued but not due	252	362
Derivative assets	10	-
Other receivables	101	47
	3,901	**4,270**

Notes to Consolidated Financial Statements

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

10. Other assets

	As at 31 March 2022	As at 31 March 2021
(Unsecured, considered good)		
Non-current		
Capital advances	466	273
Advances other than capital advances		
- Prepaid expenses	2	-
- Balance with statutory authorities	1	12
	469	**285**
Current		
Advances other than capital advances		
- Advance to material supplies/service providers	1,000	1,122
- Prepaid expenses	326	226
- Export incentives receivable	192	312
- Balance with statutory authorities	1,524	922
- Other advances	1	1
	3,043	**2,583**

11. Inventories

	As at 31 March 2022	As at 31 March 2021
Raw materials [including goods-in-transit of ₹ 9 (31 March 2021: ₹ 51)]	2,446	3,422
Work-in-progress	1,750	1,834
Finished goods [including goods-in-transit of ₹ 4 (31 March 2021: Nil)]	2,067	1,303
Stock-in-trade	62	334
Stores and spares [including goods-in-transit of ₹ 2 (31 March 2021: ₹ 9)]	967	778
Packing materials [including goods-in-transit of ₹ 17 (31 March 2021: ₹ 1)]	328	311
	7,620	**7,982**

The write-down value of inventories during the year amounted to ₹ 2,321 (31 March 2021: ₹ 488). The write-down are included in changes in inventories and consumption of materials.

Refer note 16 for details of inventories hypothecated against borrowings.

Refer note 3(l) to significant accounting policies

12. Trade receivables

	As at 31 March 2022	As at 31 March 2021
Current		
(Unsecured)		
Trade receivables, gross		
- Considered good	6,491	4,232
- Credit impaired	137	48
	6,628	**4,280**
Less: Allowance for credit losses	422	151
	6,206	**4,129**

Refer note 16 for details of trade receivables hypothecated against borrowings.

Notes to Consolidated Financial Statements

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

12. Trade receivables (Contd..)

Ageing of trade receivables as at 31 March 2022

Outstanding for following periods from due date of payment	Undisputed	
	Considered good	Credit impaired
Unbilled	2,980	-
Not due	2,210	-
Less than 6 months	572	-
6 Months to 1 year	639	137
1-2 years	87	-
2-3 years	3	-
More than 3 years	0	-
Total	**6,491**	**137**

Ageing of trade receivables as at 31 March 2021

Outstanding for following periods from due date of payment	Undisputed	
	Considered good	Credit impaired
Unbilled	780	-
Not due	2,477	40
Less than 6 months	648	-
6 Months to 1 year	273	8
1-2 years	45	-
2-3 years	2	-
More than 3 years	8	-
Total	**4,232**	**48**

Refer note 16 for details of trade receivables hypothecated against borrowings.

There are no outstanding trade receivables by directors or other officers of the Company or by firms or private companies in which director is partner or member respectively as at 31 March 2022 and as at 31 March 2021

13. Cash and bank balances

	As at 31 March 2022	As at 31 March 2021
Cash and cash equivalents:		
Cash on hand	4	5
Balance with banks:		
- In current accounts	1,107	253
	1,111	**258**
Other bank balances		
Deposits (having original maturity more than 3 months) due to mature within 12 months from the reporting date	913	2,540
Unpaid dividend account	37	37
	950	**2,577**

Notes to Consolidated Financial Statements

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

14. Equity share capital

i. Authorised share capital

	As at 31 March 2022		As at 31 March 2021	
	Number	Amount	Number	Amount
Equity shares of ₹2 each	20,00,00,000	400	20,00,00,000	400

ii. Issued, subscribed and fully paid up

	As at 31 March 2022		As at 31 March 2021	
	Number	Amount	Number	Amount
Equity shares of ₹2 each	18,25,20,165	365	18,23,37,825	365
	18,25,20,165	**365**	**18,23,37,825**	**365**

iii. Reconciliation of number of equity shares outstanding at the beginning and at the end of the year

	As at 31 March 2022		As at 31 March 2021	
	Number	Amount	Number	Amount
Equity shares				
Balance at the beginning of the year	18,23,37,825	365	18,20,67,975	364
Add: Equity shares issued pursuant to employee stock option plan	1,82,340	0	2,69,850	1
Balance at the end of the year	**18,25,20,165**	**365**	**18,23,37,825**	**365**

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. 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 shareholders holding more than 5% of the total number of equity shares

Name of the equity shareholder	As at 31 March 2022		As at 31 March 2021	
	Number	% holding	Number	% holding
V C Nannapaneni *	2,80,27,975	15.36%	2,80,27,975	15.37%
Time Cap Pharma Labs Limited	1,71,75,420	9.41%	1,71,75,420	9.42%
V S Swathi Kantamani	1,59,83,340	8.76%	1,59,83,340	8.77%
Natsoft Information Systems Private Limited	1,57,67,500	8.64%	1,57,67,500	8.65%

*including shares held in the capacity of Karta of Hindu Undivided Family (HUF) aggregating to 5,440,045 (31 March 2021: 5,440,045)

Notes to Consolidated Financial Statements

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

14. Equity share capital (Contd..)

Details of shares held by Promotors at the end of period

Name of the promoter	As at 31 March 2022			As at 31 March 2021		
	Number of shares	% of total shares	% Change during the year	Number of shares	% of total shares	% Change during the year
Equity shares of ₹2 each, fully paid up						
V C Nannapaneni*	2,80,27,975	15.36%	-	2,80,27,975	15.36%	-
Kantamani Ratna Kumar	1,00,000	0.05%	-	1,00,000	0.05%	-
Durga Devi Nannapaneni	35,39,100	1.94%	-	35,39,100	1.94%	-
Rajeev Nannapaneni	11,28,000	0.62%	-	11,28,000	0.62%	-
Ramakrishna Rao Nannapaneni	7,46,910	0.41%	-	7,46,910	0.41%	-
Neelima Sita Nannapaneni	1,82,960	0.10%	-	1,82,960	0.10%	-
Devendranth Alapati	15,000	0.01%	-	15,000	0.01%	-
Bapanna Alapati	-	0.00%	-100.00%	18,300	0.01%	-
Bapineedu Tummala	415	0.00%	-	415	0.00%	-
Tummala Jansi	77,100	0.04%	-	77,100	0.04%	-
T Ananda Babu	4,73,205	0.26%	-	4,73,205	0.26%	-
Vidyadhari Tummala	4,42,200	0.24%	-	4,42,200	0.24%	-
T Anila	6,29,920	0.35%	-	6,29,920	0.35%	-
V S Swathi Kantamani	1,59,83,340	8.76%	-	1,59,83,340	8.76%	-
Natsoft Information Systems Pvt Ltd	1,57,67,500	8.64%	-	1,57,67,500	8.64%	-
Timecap Pharma Labs Limited	1,71,75,420	9.41%	-	1,71,75,420	9.41%	0.11%
Natco Aqua Limited	16,000	0.01%	-	16,000	0.01%	-
NDL Infratech Private Limited	94,050	0.05%	0.32%	93,750	0.05%	-
Neelima Nannapaneni Trust	40,82,750	2.24%	-	40,82,750	2.24%	-
Durga Devi Nannapaneni Family Private Trust	6,00,000	0.33%	-	6,00,000	0.33%	-
VCN Family Private Trust	1,700	0.00%	-	1,700	0.00%	-
SAU Family Trust	1,700	0.00%	-	1,700	0.00%	-
	8,90,85,245	**48.81%**		**8,91,03,245**	**48.82%**	

*including shares held in the capacity of Karta of Hindu Undivided Family (HUF) aggregating to 5,440,045 (31 March 2021: 5,440,045).

vi. Shares reserved for issuance under Stock Option Plans of the Company

	As at 31 March 2022		As at 31 March 2021	
	Number	% holding	Number	% holding
NATCO Employee Stock Option Plan:				
ESOP 2016	-	0.00%	21,155	0.01%
ESOP 2017	37,000	0.02%	1,98,435	0.11%
	37,000		**2,19,590**	

Notes to Consolidated Financial Statements

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

14. Equity share capital (Contd..)

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:

	2021-22	2020-21	2019-20	2018-19	2017-18
Equity shares bought-back	-	-	9,84,344	20,15,656	-

viii. Share based payments

(a) The Company has instituted the 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 174,330 options and 600,000 options to eligible employees on 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 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. Options shall be exercised within 1 year from from the date of vesting.

(b) Assumptions used for ESOP Valuation

	ESOP 2016	ESOP 2017
Grant date	11-Nov-16	02-Nov-17
Fair value at grant rate (INR)	619	971
Exercise price (INR)	2	2
Expected volatility range	37.28% - 43.76%	42.92% - 163.51%
Risk-free	6.82% - 8.05%	6.14% - 6.61%
Time to maturity (in Years)	5	4
Expected dividends yields	0.20%	0.75%

(c) During the year ended 31 March 2022, the Company had accrued stock compensation cost of ₹ 22 (31 March 2021: ₹126) in respect of the ESOP Schemes.

(d) The details of options are as follows :

ESOP 2016 and ESOP 2017	As at 31 March 2022		As at 31 March 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of the year	1,82,590	2	5,26,700	2
Granted during the year	-	2	-	2
Forfeited during the year	-	2	54,405	2
Vested during the year	1,82,340	2	2,64,100	2
Exercised during the year	1,82,340	2	2,69,850	2
Expired during the year	250	2	19,855	2
Outstanding at the end of the year	-	2	1,82,590	2
Exercisable at the end of the year	37,000	2	37,000	2

The weighted average remaining contractual life of unvested options is Nil (31 March 2021: 7.27 months).

Notes to Consolidated Financial Statements

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

14. Equity share capital (Contd..)

The weighted average share price on the date of exercise of options during the years ended 31 March 2022 and 31 March 2021 was ₹ 822 and ₹ 859 per share, respectively.

There were no stock options granted by the Company for the years ended 31 March 2022 and 31 March 2021. 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

Dividends on equity shares were declared and paid by the Company during the year:

	2021-22		2020-21	
	Dividend per Equity share (₹)	Amount	Dividend per Equity share (₹)	Amount
Fourth interim dividend for FY 2019-20	-	-	1.00	182
First interim dividend	2.00	365	1.25	228
Second interim dividend	0.50	91	3.00	547
Third interim dividend	2.00	365	1.00	182
Total		**821**		**1,139**

15. Other equity

Reserve and surplus

	As at 31 March 2022	As at 31 March 2021
Reserves and surplus		
Securities premium	14,078	13,915
Capital reserve	516	516
Capital redemption reserve	11	11
General reserve	595	595
Share options outstanding account	34	175
Retained earnings	26,666	25,682
Total reserves and surplus	**41,900**	**40,894**
Other comprehensive income ("OCI")		
Net gain on FVTOCI equity securities	449	128
Foreign currency translation reserve	(78)	(171)
	371	**(43)**
	42,271	**40,851**

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)

15. Other equity (Contd..)

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 exercise price which is accumulated by the Company in respect of all options that have been granted. The Company transfers the proportionate amounts, outstanding in this account, in relation to options exercised to securities premium 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 2022	As at 31 March 2021
Current		
Loan repayable on demand from banks:		
Working capital loans (secured)	2,890	1,284
Working capital loans (unsecured)	1,150	1,374
	4,040	**2,658**

Notes:

(i) Working capital loans (secured) represents cash credit, overdraft facility bills 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.

Notes to Consolidated Financial Statements

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

16. Borrowings (Contd..)

ii) House/premise bearing municipal no. 8-2-120/112/A/33 and 8-2-120/112/A/32 in plot no.100 admeasuring 1,166 sq. yards with all its building and fixed assets situated at Road No.2, Banjara Hills, Hyderabad - 500034.

(ii) Working capital loans (unsecured) represents overdraft facility and bills discounted with various banks.

(iii) The rate of interest applicable was in the range of 0.60% to 16%. p.a

(iv) As on 31 March 2022 the Holding Company has obtained various borrowings from banks on basis of security of current assets wherein the quarterly returns/statements of current as filed with the banks in agreement with the books except the below:

Name of bank	Quarter ended	Particulars	Amount as per books of account	Amount as reported in the quarterly return/ statement	Amount of difference	Remarks, if any
Indian Bank, Citi Bank NA, Union Bank of India, Punjab National Bank, Yes Bank Limited, Axis Bank Limited, IndusInd Bank Limited, Kotak Mahindra Bank, State Bank of India	31 March 2021	Inventory	7,692	6,550	1,142	The difference is on account of non consideration of: a) Provision for non moving, slow moving and obsolete inventory and NRV Provision b) Inventory write off's on account of near expiry and expiry stocks c) Year end inventory valuation impact and d) Goods-in-transit
	30 June 2021		8,246	7,940	306	
	30 September 2021		8,785	8,372	413	
	31 December 2021		8,853	8,475	378	
	31 March 2021	Trade Receivables	3,998	1,517	2,481	The difference is on account of a) Unbilled Revenue, b) Receivables from subsidiary not considered, c) Debtors receivable upto 120 days only considered and d) Export bills discounted with banks not considered.
	30 June 2021		4,286	2,141	2,145	
	30 September 2021		4,564	2,045	2,519	
	31 December 2021		3,870	879	2,991	
	31 March 2021	Trade payables	1,395	968	427	The difference is on account of non consideration of - a) Creditors for expenses, services, freight etc. (Only creditors for raw materials, packing materials and stores & spares are considered for submission to banks) b) GR/IR issues.
	30 June 2021		1,714	1,334	380	
	30 September 2021		1,416	1,495	(79)	
	31 December 2021		1,772	1,026	746	

All above differences have been rectified subsequently

(iv) The Holding Company does not have any charges or satisfaction which is yet to be registered with Registrar of Companies beyond the statutory period.

(vi) The Holding Company has not availed any specific borrowing during the year.

Notes to Consolidated Financial Statements

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

17. Lease liabilities

	As at 31 March 2022	As at 31 March 2021
Non-current		
Lease liabilities (refer note 40)	80	9
	80	**9**
Current		
Lease liabilities (refer note 40)	35	9
	35	**9**

18. Other financial liabilities

	As at 31 March 2022	As at 31 March 2021
Non-current		
Deposits from customers	13	11
	13	**11**
Current		
Book overdraft	165	163
Capital creditors	311	350
Unpaid dividend *	37	37
Payroll related liabilities	318	263
Other payables	2	51
	833	**864**

*Investor Education and Protection Fund shall be credited when due.

19. Provisions

	As at 31 March 2022	As at 31 March 2021
Non-current		
Provision for employee benefits:		
Provision for gratuity (refer note (a))	574	610
Provision for compensated absences (refer note (b))	383	386
	957	**996**
Current		
Provision for employee benefits:		
Provision for gratuity (refer note (a))	56	70
Provision for compensated absences (refer note (b))	52	58
Other provisions		
Provision for sales return (refer note (d))	62	-
	170	**128**

Notes to Consolidated Financial Statements

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

19. Provisions (Contd..)

(a) Gratuity

The Holding 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 up to a maximum limit of ₹ 2. Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Holding Company makes contributions to the Gratuity Fund. The defined benefit plans expose the Holding Company to actuarial risk, interest rate risk and investment risk etc.

Interest Rate Risk: The plan exposes the Company to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability.

Liquidity Risk: This is the risk that the Company is not able to meet the short-term gratuity payouts. This may arise due to non availability of enough cash/cash equivalent to meet the liabilities or holding of illiquid assets not being sold in time.

Investment Risk: The probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

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 2022	As at 31 March 2021
Opening balance	819	726
Current service cost	74	74
Interest cost	57	50
Benefits paid	(174)	(38)
Remeasurement or Actuarial gain (loss) arising from:		
Experience adjustment	34	7
Change in financial assumptions	(40)	-
Closing balance	**770**	**819**

(ii) Reconciliations of present value of plan assets

	As at 31 March 2022	As at 31 March 2021
Opening balance	139	110
Interest income	10	8
Employer contribution	166	60
Benefits paid	(174)	(38)
Return on plan assets, excluding interest income	(1)	(1)
Closing balance	**140**	**139**

Notes to Consolidated Financial Statements

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

19. Provisions (Contd..)

(iii) Reconciliation of net defined benefit obligation

	As at 31 March 2022	As at 31 March 2021
Present value of funded obligation	770	819
Fair value of plan assets	(140)	(139)
Amount recognised in the balance sheet	**630**	**680**

(iv) Expense recognised in the statement of profit and loss under employee benefits expense:

	Year ended 31 March 2022	Year ended 31 March 2021
Current service cost	74	74
Interest cost	57	50
Interest income	(10)	(8)
Net cost	**121**	**116**

(v) Remeasurements recognised in the statement of other comprehensive income

	Year ended 31 March 2022	Year ended 31 March 2021
Experience adjustment on funded obligation	(6)	7
Return on plan assets, excluding interest income	1	1
Net gratuity costs in other comprehensive income	**(5)**	**8**

(vi) Plan assets comprises of the following:

	As at 31 March 2022	As at 31 March 2021
Group gratuity fund with LIC	140	139

(vii) Summary of actuarial assumptions:

	As at 31 March 2022	As at 31 March 2021
Discount rate	7.30%	6.85%
Estimates rate of return on plan assets	7.30%	6.85%
Salary escalation rate	7.00%	7.00%
Attrition rate		
Upto 30 Years	3.00%	3.00%
31-44 Years	2.00%	2.00%

Notes to Consolidated Financial Statements

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

19. Provisions (Contd..)

	As at 31 March 2022	As at 31 March 2021
Above 44 Years	1.00%	1.00%
Mortality rate	Indian Assured Lives Mortality (2012-14)	Indian Assured Lives Mortality (2012-14)

The discount rate indicated above reflects the estimated timing and currency of benefit payments. It is based on the yields/rates available on applicable bonds on the current valuation date.

The salary growth indicated above is the Holding Company's best estimate of an increase in salary of the employees in future years, determined considering the general trend in inflation, seniority, promotion, past experience and other relevant factors such as demand and supply in employment market etc.,

Attrition rate indicated above represents the Holding Company's best estimates of employee turnover in future (other than on account of retirement, death or disablement) determined considering various factors such as nature of business, retention policy, industry factors, past experience etc.,

(viii) Sensitivity analysis:

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have effected the defined benefit obligations and current service cost by the amounts shown below:

The sensitivity analysis of significant actuarial assumptions as at the end of the period is shown below.

	As at 31 March 2022	As at 31 March 2021
A. Defined benefit obligation without effect of projected salary growth	770	819
B. Salary escalation rate		
Salary rate +100 basis points	136	87
Salary rate -100 basis points	(28)	(76)
C. Discount rate		
Discount rate +100 basis points	149	99
Discount rate -100 basis points	(33)	(82)

(ix) Expected contribution

The expected contributions for defined benefit plan for the next financial year will be in line with the contribution for the current year and is expected by the Management to be ₹ 70 (31 March 2021: ₹ 76).

(x) Maturity profile of defined benefit obligation (valued on undiscounted basis):

	As at 31 March 2022	As at 31 March 2021
Within 1 year	56	70
2 to 5 years	175	181
6 to 10 years	337	364
More than 10 years	1,553	1,464

Notes to Consolidated Financial Statements

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

19. Provisions (Contd..)

(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 2022 is ₹ 435 (31 March 2021: ₹ 444). Expense recognised in the statement of profit and loss under employee benefit expense is ₹ 72 (31 March 2021: ₹ 96).

(c) The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified. The Group will asses the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

(d) Provision for sales return

	As at 31 March 2022	As at 31 March 2021
Opening balance	-	-
Created during the year	62	-
Utilised during the year	-	-
Closing balance	-	-
	62	**-**

20. Other liabilities

	As at 31 March 2022	As at 31 March 2021
Current		
Statutory liabilities	143	89
Advance from customers	30	13
Others	226	20
	399	**122**

21. Trade payables

	As at 31 March 2022	As at 31 March 2021
Current		
Total outstanding dues of micro enterprises and small enterprises [Refer note below]	132	75
Total outstanding dues of creditors other than micro enterprises and small enterprises	1,486	1,387
	1,618	**1,462**

Notes to Consolidated Financial Statements

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

21. Trade payables (Contd..)

Ageing of trade payables as at 31 March 2022

Outstanding for following periods from due date of payment	Micro and small enterprises	Others	Disputed dues - Micro and Small Enterprises	Disputed dues - Others
Unbilled	-	105	-	-
Not due	132	650	-	-
Less than 1 year	-	676	-	-
1-2 years	-	55	-	-
2-3 years	-	-	-	-
More than 3 years	-	-	-	-
Total	**132**	**1,486**	**-**	**-**

Ageing of trade payables as at 31 March 2021

Outstanding for following periods from due date of payment	Micro and small enterprises	Others	Disputed dues - micro and small enterprises	Disputed dues - others
Not due	75	236	-	-
Less than 1 year	-	1,134	-	-
1-2 years	-	16	-	-
2-3 years	-	1	-	-
More than 3 years	-	-	-	-
Total	**75**	**1,387**	**-**	**-**

Note:

Under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from 02 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 are set out in following disclosure.

Particulars	As at 31 March 2022	As at 31 March 2021
(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	132	75
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.

Notes to Consolidated Financial Statements

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

22. Revenue from operations

	For the year ended 31 March 2022	For the year ended 31 March 2021
Revenue from contracts with customers:		
Sale of products	16,755	16,649
Sale of services	2,248	153
Job work income	46	101
Total (a)	**19,049**	**16,903**
Other operating revenues:		
Export incentives	40	229
Budgetary support	-	1
Compensation and claims (refer note 1 below)	338	3,361
Scrap sales	21	27
Total (b)	**399**	**3,618**
Total revenue from operation (a+b)	**19,448**	**20,521**
Disaggregation of revenue		
Revenue based on Geography (product destination):		
India	6,029	5,820
USA	9,782	7,910
Rest of the world	3,238	3,173
	19,049	**16,903**
Timing of revenue recognition:		
Goods transferred at a point in time	16,755	16,649
Services transferred over time	2,294	254
	19,049	**16,903**
Reconciliation of revenue from operations with contract price:		
Revenue as per contracted price	21,764	17,222
Adjusted for:		
Sales returns	(593)	(110)
Trade discounts and rebates	(2,122)	(209)
Total revenue from operations	**19,049**	**16,903**

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 2022 is ₹ 45 (31 March 2021: ₹ 179) 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.

Notes to Consolidated Financial Statements

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

23.Other income

	For the year ended 31 March 2022	For the year ended 31 March 2021
Dividend income from investments designated at FVTOCI	2	0
Provisions no longer required written back	16	-
Interest income from financial assets carried at amortised cost	390	566
Profit on sale of property, plant and equipment, net	427	320
Renewable Energy (Wind Power) income	14	40
Foreign exchange gain (net)	103	40
Fair value gain on Financial assets measured at FVTPL	12	-
Other receipts	26	70
	990	**1,036**

24. Cost of materials consumed

	For the year ended 31 March 2022	For the year ended 31 March 2021
Raw materials consumed	4,867	3,452
Packing materials consumed	325	277
	5,192	**3,729**

25. Changes in inventories of finished goods, work-in-progress and stock-in-trade:

	For the year ended 31 March 2022	For the year ended 31 March 2021
Opening stock:		
- Finished goods	1,303	1,140
- Work-in-progress	1,834	1,566
- Stock-in-trade	334	342
Acquisition through business combination (refer note 41)	202	-
	3,673	**3,048**
Closing stock:		
- Finished goods	2,067	1,303
- Work-in-progress	1,750	1,834
- Stock-in-trade	62	334
	3,879	**3,471**
Currency translation adjustment	(38)	58
	(168)	**(481)**

Notes to Consolidated Financial Statements

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

26. Employee benefits expense

	For the year ended 31 March 2022	For the year ended 31 March 2021
Salaries, wages and bonus	3,913	3,530
Contribution to provident fund and other funds	257	238
Gratuity expense (Refer note 19)	121	116
Share based payment expense (Refer note 14(viii))	22	126
Staff welfare expenses	135	139
	4,448	**4,149**

Defined contribution plan:

The Group 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 Group has no obligations other than to make the specified contributions. The contribution to provident fund and employee state insurance schemes charged to the statement of profit and loss is ₹ 254 (31 March 2021: ₹ 237).

27. Finance costs

	For the year ended 31 March 2022	For the year ended 31 March 2021
Interest expense on liabilities at amortised cost	125	88
Other borrowing costs	45	40
Interest expenses on lease liabilities	7	5
	177	**133**

28. Other expenses

	For the year ended 31 March 2022	For the year ended 31 March 2021
Consumption of stores and spares	355	281
Power and fuel	764	611
Rental charges (Refer note 40)	32	30
Repairs and maintenance:		
- Buildings	68	31
- Plant and equipments	168	135
- Others	-	38
Insurance	263	199
Rates and taxes	357	340
Factory maintenance expenses	363	340
Clinical and analytical charges	449	251
Carriage and freight outward	111	133
Donations*	53	67
Corporate social responsibility (CSR) expenses (Refer note 34)	121	154
Communication expenses	54	59

Notes to Consolidated Financial Statements

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

28. Other expenses (Contd..)

	For the year ended 31 March 2022	For the year ended 31 March 2021
Office maintenance	96	68
Travelling and conveyance	222	162
Legal and professional fees	490	298
Payment to auditors**		
- Audit fees	8	8
- Certifications	3	1
- Reimbursement of expenses	0	0
Product development and legal charges	87	1,262
Director's sitting fee	3	2
Allowance for credit losses	271	(24)
Bad debts (net of related liabilities) written off	199	117
Royalty expense	39	93
Sales promotion	326	211
Research and development expenses (refer note 38)	1,682	211
Miscellaneous expenses	172	118
	6,756	**5,196**

*Includes ₹ 10 (31 March 2021: Nil) contribution made to electoral bonds and ₹ 3 (31 March 2021: ₹ 19) contribution to political parties.

**Including audit fee of subsidiary companies.

29. Income-tax

(A) Components of Income-tax expenses

	For the year ended 31 March 2022	For the year ended 31 March 2021
(i) Tax expense recognised in profit and loss		
Current tax:		
Current year tax	478	1,408
Income-tax for earlier years	-	70
	478	**1,478**
Deferred tax charge/(credit) (net):		
Minimum Alternate Tax (MAT) credit recognition (Refer note 29 (D) and (E))	(560)	(250)
Origination and reversal of temporary differences	404	144
	(156)	**(106)**
Tax expense for the year	**322**	**1,372**
(ii) Tax recognised in other comprehensive income		
Items that will not be subsequently reclassified to profit or loss		
- Remeasurement of defined benefit plans	(2)	3
- Net gains from investments in equity instruments designated at FVTOCI	(42)	(13)
	(44)	**(10)**

Notes to Consolidated Financial Statements

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

29. Income-tax (Contd..)

(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 Group at 34.944% (31 March 2020: 34.944%) and the reported tax expense in the statement profit and loss are as follows:

	For the year ended 31 March 2022	For the year ended 31 March 2021
Profit before tax	**2,022**	**5,796**
Enacted tax rate in India*	34.944%	34.944%
Tax using the Holding Company's domestic tax rate	**707**	**2,025**
Tax effect of:		
Expense not deductible for tax purposes	45	29
Additional deduction allowed under Income-tax Act	(291)	(141)
Unrecognised deferred tax asset in subsidiaries	-	56
Effect of change in tax laws and rate in jurisdictions outside India	(8)	(164)
MAT charge for the current period	324	-
Recognition of previously un recognised MAT credit	(560)	(412)
Capital gain tax	-	(47)
Other timing differences	105	(44)
Tax pertaining to earlier years	-	70
Income tax expense	**322**	**1,372**

*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 Holding 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:

	For the year ended 31 March 2022	For the year ended 31 March 2021
Deferred tax assets/(liabilities):		
Minimum Alternate Tax*	761	201
Trade receivables	147	53
Property , plant and equipment	(1,523)	(1,046)
Provision for employee benefits	368	394
Investments	(56)	(15)
Others	2	-
	(301)	**(413)**

*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.

Notes to Consolidated Financial Statements

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

29. Income-tax (Contd..)

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 2022:

	As at 1 April 2021	Recognised in profit and loss	Recognised in OCI	As at 31 March 2022
Deferred tax assets/(liabilities):				
Minimum Alternate Tax	201	560	-	761
Trade receivables	53	94	-	147
Property, plant and equipment	(1,046)	(477)	-	(1,523)
Provision for employee benefits	394	(24)	(2)	368
Investments	(15)	1	(42)	(56)
Others	-	2	-	2
Net deferred tax assets/(liabilities)	**(413)**	**156**	**(44)**	**(301)**

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)**

(E) Unrecognised deferred tax assets

	As at 31 March 2022	As at 31 March 2021
Unrecognised MAT credit entitlement	613	808
Carry forward losses of subsidiaries	172	140
	785	**948**

The Group did not recognise deferred tax assets of ₹ 785, as the Group is unable to estimate the availability of taxable profits beyond foreseeable future 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.

Notes to Consolidated Financial Statements

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

30. Earnings per share (EPS)

	As at 31 March 2022	As at 31 March 2021
Earnings:		
Profit attributable to equity share holders of the Company	**1,700**	**4,409**
Shares:		
Number of equity shares at the beginning of the year	18,23,37,825	18,20,67,975
Effect of equity shares issued on exercise of stock options	34,344	90,821
Effect of equity shares bought back during the year	-	-
Weighted average number of equity shares – Basic	**18,23,72,169**	**18,19,34,523**
Dilutive effect of stock options outstanding	36,920	3,36,103
Weighted average number of equity shares – Diluted	**18,24,09,089**	**18,24,55,602**
Earnings per equity share (face value of ₹ 2/- each):		
Basic (in ₹)	9.32	24.20
Diluted (in ₹)	9.32	24.16

31. 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 2022:

Particulars	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
A. Financials assets					
Financial assets measured at FVTOCI					
Non-current investments	7	461	-	-	461
Current investments	7	545	545	-	-
Financial assets measured at amortised cost					
Non-current investments	7	583	-	-	-
Current investments	7	1,492	-	-	-
Loans	8	104	-	-	-
Trade receivables	12	6,206	-	-	-
Cash and cash equivalents	13	1,111	-	-	-
Bank balances other than cash and cash equivalents	13	950	-	-	-
Other financial assets	9	4,094	-	-	-
		15,547	**545**	**-**	**461**
B. Financials liabilities					
Financial liabilities measured at amortised cost					
Borrowings	16	4,040	-	-	-
Lease liabilities	17	115	-	-	115
Trade payables	21	1,618	-	-	-
Other financial liabilities	18	846	-	-	-
		6,619	**-**	**-**	**115**

Notes to Consolidated Financial Statements

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

31. Financial instruments - fair values (Contd..)

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	145	-	-	-
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	4,457	-	-	-
		14,603	**1,033**	**-**	**490**
B. Financials liabilities					
Financial liabilities measured at amortised cost					
Borrowings	16	2,658	-	-	
Lease liabilities	17	18			18
Trade payables	21	1,462	-	-	-
Other financial liabilities	18	875	-	-	-
		5,013	**-**	**-**	**18**

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 investments in other entities.

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.

Change in level 3 fair values

Particulars	FVTOCI Equity securities	
	31-Mar-22	31-Mar-21
Opening balance	490	335
Movement during the year	(61)	155
Net change in fair value	32	-
Closing balance	**461**	**490**

Notes to Consolidated Financial Statements

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

32. 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 2022	As at 31 March 2021
Fixed rate instruments		
Financial assets	6,955	9,034
Variable rate instruments		
Financial liabilities (other than lease liability)	4,040	2,658

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:

Financial assets and financial liabilities:

	31 March 2022				31 March 2021			
	Trade receivables*	Borrowings*	Other financial liabilities	Trade payables	Trade receivables*	Borrowings*	Other financial liabilities	Trade payables
- USD	1,381	808	6	303	1,898	838	7	38
- EUR	28	4	2	1	23	22	9	1
- PHP	-	-	-	1	0	-	-	0
- CAD	19	22	-	99	193	5	-	5
- GBP	-	-	1	-	2	-	0	-
- SGD	3	-	-	-	43	-	-	-

*Includes bills discounted which are forming part of trade receivables and current borrowings amounting to ₹ 684 (31 March 2021: ₹ 865). These are realised amounts and hence there is no further foreign currency risk is involved.

Notes to Consolidated Financial Statements

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

32. Financial risk management (Contd..)

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 2022	31 March 2021
USD sensitivity		
₹/USD - Appreciate by 10%	27	102
₹/USD - Depreciate by 10%	(27)	(102)

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.However, the company has trade credit policy and ECGC policy to offset the risk associated with domestic and export receivables.

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 (Gross) by geographic region is as follows:

	As at 31 March 2022	As at 31 March 2021
India	1,793	1,760
USA	3,865	1,619
Rest of the world	970	901
	6,628	**4,280**

Movement in allowance for credit losses

	As at 31 March 2022	As at 31 March 2021
Balance as at 01 April	151	175
Net remeasurement of loss allowance	470	93
Amount written off during the year	(199)	(117)
	422	**151**

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.

Notes to Consolidated Financial Statements

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

32. Financial risk management (Contd..)

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.

As at 31 March 2022	Carrying value	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Financial liabilities					
Borrowings	4,040	4,040	-	-	4,040
Lease liabilities	115	26	43	46	115
Trade payables	1,618	1,618	-	-	1,618
Other financial liabilities	846	833	13	-	846
Total	**6,619**	**6,517**	**56**	**46**	**6,619**

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**

Notes to Consolidated Financial Statements

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

33. 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 total 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 gearing ratio for the reporting year under audit is summarised as follows:

	As at 31 March 2022	As at 31 March 2021
Total borrowings	4,040	2,676
Less: Cash and cash equivalents	(1,111)	(258)
Net debt [A]	**2,929**	**2,418**
Total equity [B]	42,636	41,234
Total capital [C=A+B]	**45,565**	**43,652**
Gearing ratio (%) [A/C]	**6%**	**6%**

34. Corporate social responsibility (CSR) expenses

	For the year ended 31 March 2022	For the year ended 31 March 2021
Disclosure as per Section 135 of the Companies Act, 2013 with regard to CSR activities:		
(a) amount required to be spent by the Company during the year,	118	152
(b) amount of expenditure incurred,*	121	154
(c) shortfall at the end of the year,	-	-
(d) total of previous years shortfall,	-	-
(e) reason for shortfall,	Not applicable	Not applicable
(f) nature of CSR activities,	Refer note below	Refer note below
Education and infrastructure support	66	52
Health, nutrition, water, sanitation and hygiene"	43	53
Animal welfare	3	2
Support to sports	3	2
Covid-19	4	42
Support to government departments	1	1
Rural development	1	2
(g) details of related party transactions,		
(i) NATCO Trust	117	150
(h) Provision made with respect to a liability through contractual obligation	-	-

*An amount of ₹ 3 (31 March 2021 ₹ 2) is available for set-off in succeeding financial years related to excess spent.

Notes to Consolidated Financial Statements

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

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. Entities in which Directors have control or have significant influence	Time Cap Pharma Labs Limited
	NATCO Trust
2. Key management personnel ("KMP")	
Chairman	Mr. Sreerama Murthy Gubbala (w.e.f. 01 April 2022)
Chairman and Managing Director	Mr. V C Nannapaneni (Chairman upto 31 March 2022)
Vice Chairman and Chief Executive Officer ("CEO")	Mr. Rajeev Nannapaneni (Vice Chairman upto 31 March 2022)
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 (upto 31 March 2022)
Company Secretary	Mr. Venkat Ramesh Chekuri (w.e.f. 01 April 2022)
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 (upto 15 February 2022)
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 2022	For the year ended 31 March 2021
Time Cap Pharma Labs Limited		
Rental expense	7	5
NATCO Trust		
Donations	3	5
Rental Income	0	-
Contribution to corporate social responsibility activities	117	150
Mr. V.C. Nannapaneni		
Managerial remuneration*	19	18
Leave encashment paid	1	1
Rental expenses	3	2

Notes to Consolidated Financial Statements

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

35. Related party disclosures, as per Ind AS 24 (Contd..)

	For the year ended 31 March 2022	For the year ended 31 March 2021
Mr. Rajeev Nannapaneni		
Managerial remuneration*	18	17
Leave encashment paid	1	1
Rental expenses	3	3
Mr. Potluri Prasad Sivaramakrishna		
Managerial remuneration*	20	23
Leave encashment paid	1	0
Loan given	-	9
Mr. Lingarao Donthineni		
Managerial remuneration*	30	28
Leave encashment paid	1	0
Loan given	-	43
Mr. S.V.V.N. Appa Rao		
Remuneration*	11	10
Leave encashment paid	0	0
Mr. Adinarayana M		
Remuneration*	6	5
Leave encashment paid	0	0
Sitting fees		
Mr. Govinda Prasad Dasu	0	0
Mrs. Leela Digumarti	0	0
Mr. Umamaheshwarrao Naidu Madireddi	1	1
Mr. Sreerama Murthy Gubbala	1	1
Mr. Venkateswara Rao Thallapaka	0	0

*The aforesaid amount does not include amounts in respect of accrual for gratuity and compensated absences as the same are determined on actuarial basis and payment of insurance costs are made for the Group as a whole.

All related party transaction entered during the year were in ordinary course of the business and are on arms length basis.

(c) Related party closing balances as on balance sheet date receivable/(payable):

	As at 31 March 2022	As at 31 March 2021
Loan receivable		
Mr. Potluri Prasad Sivaramakrishna	0	3
Mr. Lingarao Donthineni	29	34
Remuneration payable		
Mr. V.C. Nannapaneni	(1)	(1)
Mr. Rajeev Nannapaneni	(1)	(0)
Mr. Lingarao Donthineni	(1)	(0)
Mr. Potluri Prasad Sivaramakrishna	(1)	(0)
Mr. S.V.N.N. Appa Rao	(0)	(0)
Mr. Adinarayana M	-	(0)

Notes to Consolidated Financial Statements

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

36. Segment reporting

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.

Information about reportable segments

	Year ended 31 March 2022	Year ended 31 March 2021
I. Segment revenue		
a. Pharmaceuticals	19,399	20,500
b. Agro chemicals	49	21
	19,448	**20,521**
Add: Unallocated	-	-
Total revenue from operations	**19,448**	**20,521**
II. Segment results		
a. Pharmaceuticals	2,480	5,941
b. Agro chemicals	(281)	(12)
Total segment result	**2,199**	**5,929**
Less:		
a. Finance cost	(177)	(133)
b. Net unallocated (income)/expenditure	-	-
Total profit before tax	**2,022**	**5,796**
III. Segment assets		
a. Pharmaceuticals	44,609	42,452
b. Agro chemicals	3,373	2,393
Total segment assets	**47,982**	**44,845**
Add: Unallocated	3,110	3,074
Total assets	**51,092**	**47,919**
IV. Segment liabilities		
a. Pharmaceuticals	4,065	3,499
b. Agro chemicals	41	84
Total segment liabilities	**4,106**	**3,583**
Add: Unallocated	4,350	3,102
Total liabilities	**8,456**	**6,685**

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 2022	Year ended 31 March 2021
India	6,090	6,077
USA	9,782	7,910
Rest of the world	3,576	6,534
	19,448	**20,521**

Notes to Consolidated Financial Statements

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

36. Segment reporting (Contd..)

ii. Non-current assets*

	As at 31 March 2022	As at 31 March 2021
India	23,030	22,293
USA	1,177	-
Rest of the world	206	173
	24,413	**22,466**

*Non-current assets for this purpose consist of property, plant and equipment, Capital work-in-progress and intangible assets.

iii. Major customers

The Group has two customers 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 ₹ 7,079 (31 March 2021: ₹ 4,868).

37. Contingent liabilities and commitments

	As at 31 March 2022	As at 31 March 2021
(a) Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	87	129
Pending export obligation under EPCG Scheme	57	140
(b) Contingent liabilities		
(i) Matters under appeals with tax authorities:		
Disputed sales tax liabilities	10	10
Disputed Income tax liabilities	68	-
Disputed customs liability	2	2

The Group is contesting the demands and the management believes that its position will likely be upheld in the appellate process and no expenses has been accrued in the consolidated financial statements for the demand raised/ show cause notice received as the ultimate outcome of these proceedings will not have a material adverse effect on the Company's consolidated financial statements.

(ii) The Group is contesting certain process and product 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.

Notes to Consolidated Financial Statements

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

37. Contingent liabilities and commitments (Contd..)

(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.

38. Amounts incurred on in-house research and development

	For the year ended 31 March 2022	For the year ended 31 March 2021
Salaries and wages	626	629
Consumption of materials, spares	184	225
Power and fuel	32	30
Other research and development expenses	1,365	541
Capital equipment	118	225
	2,325	**1,650**

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 2022	As at 31 March 2021
Opening balance	**2,234**	**5,180**
Costs incurred toward construction activity	1,643	1,863
Expenses capitalised:		
Cost of materials consumed, net of trial run inventory recognised	-	7
Employee benefits expense	-	40
Power and fuel	-	5
Factory maintenance	-	18
Rates and taxes	-	1
Legal and professional charges	-	3
Others	-	16
Less:		
Capitalised during the year	(2,581)	(4,899)
	1,295	**2,234**

b) Capital work-in-progress Aging Schedule

As at 31 March 2022

CWIP	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress (*)	1,168	104	-	23	1,295

Notes to Consolidated Financial Statements

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

39. Capital work-in-progress (Contd..)

As at 31 March 2021

CWIP	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress(*)	598	816	528	292	2,234

(*) Project execution plans are assessed on an annual basis and all the projects are executed as per rolling annual plan.

40. Leases

Movement in lease liabilities	As at 31 March 2022	As at 31 March 2021
Balance at the beginning	18	17
Additions	114	8
Deletions	(0)	-
Interest expenses	7	5
Payment of lease liabilities	(24)	(12)
	115	**18**

Undiscounted contractual maturities of lease liabilities	As at 31 March 2022	As at 31 March 2021
Less than one year	26	9
One to five years	77	13
More than five years	424	386
	527	**408**

As at balance sheet date, the group is not exposed to future cash flows for extension / termination options, residual value guarantees and leases not commenced to which lessee is committed.

The Group 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 when they fall due.

Rental expense for short-term leases	For the year ended 31 March 2022	For the year ended 31 March 2021
Expense relating to short-term leases (refer note 28)	(32)	(30)
	(32)	**(30)**

Amounts recognised in the statement of profit and loss	For the year ended 31 March 2022	For the year ended 31 March 2021
Depreciation on right of use asset	28	12
Interest expense	7	5
	35	**17**

Notes to Consolidated Financial Statements

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

40. Leases (Contd..)

Amounts recognised in the statement of cash flows	For the year ended 31 March 2022	For the year ended 31 March 2021
Payment of lease liabilities	(24)	(12)
Expense relating to short-term leases (refer note 28)	(32)	(30)
	(56)	**(42)**

41. Acquisition of subsidiaries

During the current year NATCO Pharma Limited, through its wholly owned subsidiary, NATCO Pharma Inc. USA, has acquired Dash Pharmaceuticals LLC ("Dash"), a New Jersey based entity for a consideration of USD 18 million. Pursuant to this, Dash has become a 100% wholly owned subsidiary of NATCO Pharma Inc. and a step-down subsidiary of NATCO Pharma Limited with effect from 1 January 2022.

Dash markets, sells and distributes generic pharmaceutical products to the United States marketplace. Through partnerships with pharmaceutical manufacturers around the world, Dash co-develops and licenses products for distribution in the United States market.

To acquisition provides NATCO Pharma Limited to engage with Dash's customers directly in the United States, which is the largest pharmaceutical market in the world.

A. Consideration transferred

The acquisition date fair value of consideration transferred in:	Amount
Cash (in ₹)	**1,341**

B. Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

Particulars	Amount
Property, plant and equipment	4
Intangible assets	668
Inventories	202
Trade receivables	147
Cash and cash equivalents	312
Other assets (net)	64
Other liabilities (net)	(176)
Loan	(298)
Trade payables	(82)
Total net identifiable assets acquired	**841**

Notes to Consolidated Financial Statements

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

41. Acquisition of subsidiaries (Contd..)

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	Valuation technique
Intangible assets	Multi-period excess earnings method: The multi-period excess earnings method considers the present value of net cash flows expected to be generated by excluding any cash flows related to contributory assets.
Inventories	Market comparison technique: The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

C. Goodwill

Goodwill arising from the acquisition has been determined as follows:

Particulars	Note	Amount
Consideration transferred	(A)	1,341
Fair value of net identifiable assets	(B)	841
Goodwill		**500**

The goodwill attributable mainly to strong customer base and the synergy's expected to be achieved from integrating Dash into the Group's existing standard business. Acquisition related cost amounted to ₹ 11 is excluded from the consideration transferred and are included in other expenses for the year ended 31 March 2022.

D. Impact of acquisition on the results of the Group:

Consolidated financial statements for the year ended 31 March 2022 includes the following revenue and loss generated from the above acquisition:

Particulars	Total revenue	Loss for the year
Dash	331	(36)

Notes to Consolidated Financial Statements

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

42. 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 2022

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	98%	41,907	81%	1,381	81%	404	81%	1,785
Foreign subsidiaries								
NATCO Pharma Inc.	4%	1,533	-3%	(52)	0%	-	-2%	(52)
NATCO Lifesciences Philippines Inc.	0%	25	1%	15	0%	-	1%	15
Time Cap Overseas Limited	1%	504	1%	24	0%	-	1%	24
NATCO Pharma (Canada), Inc.	6%	2,367	21%	365	0%	-	17%	365
NATCO Pharma Asia Pte. Ltd.	0%	100	2%	40	0%	-	2%	40
NATCO Pharma Australia PTY Ltd.	0%	(1)	-2%	(42)	0%	-	-2%	(42)
Non-controlling interests								
Time Cap Overseas Limited	0%	-	0%	-	0%	-	0%	-
NATCO Pharma (Canada) Inc.	0%	-	0%	-	0%	-	0%	-
Adjustment arising out of consolidation	-9%	(3,799)	-2%	(31)	19%	93	3%	62
Total	**100%**	**42,636**	**100%**	**1,700**	**100%**	**497**	**100%**	**2,197**

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)

43. Other Statutory Information

(i) The Group has not entered into any transaction with struck off companies as per Section 248 of Companies Act, 2013 or Section 560 Companies Act 1956.

(ii) a) The Group has invested funds to following entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall directly invest in other entities identified on behalf of the company (Ultimate Beneficiaries)

Date of investment	Amount of investment	Name of the intermediary	Name of Ultimate Beneficiary	Date of investment in Ultimate Beneficiary
24-Dec-21	1,142	NATCO Pharma Inc.	Dash Pharmaceuticals LLC.	01-Jan-22
24-Dec-21	280	Time Cap Overseas Limited	Natcofarma Brasil Ltda.	24-Dec-21

The Group has complied with relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and the Companies Act has been complied with for the above transactions and the transactions are not violative of the Prevention of Money-Laundering Act, 2002 (15 of 2003).

b) The Group has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall: provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(iii) The Group has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the company shall:

(a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or

(b) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(iv) The Group does not have any transaction which is not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income-tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income-tax Act, 1961).

(v) There are no proceeding initiated or pending against the Group as at 31 March 2022, under Prohibition of Benami Property Transactions Act, 1988 (as amended in 2016).

(vi) The Holding Company is not declared wilful defaulter by any bank or financial institution or other lenders.

44. Impact of COVID-19

The Group has considered internal and external sources of information up to the date of approval of the above financial statements in evaluating the possible impact that may result from the pandemic relating to COVID-19 on the carrying amounts of property, plant and equipment, goodwill, intangible assets, inventories, receivables, investments and other financial assets. The Group has applied prudence in arriving at the estimates and assumptions and also performed sensitivity analysis on the assumptions used. The Group is confident about the recoverability of these assets. However, the impact of the global health pandemic may be different from that estimated as at the date of approval of the above financial statements. Considering the continuing uncertainties, the Group will continue to closely monitor any material changes to future economic conditions.

Notes to Consolidated Financial Statements

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

45. The Group has established the comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under Sections 92-92F of the Income-tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Holding Company is in the process of updating the documentation for the international transactions entered into with associated enterprises during the financial year and expects such records to be in existence latest by 31 October, 2022 as required by law. The management confirms its international transaction are at arms' length price so that aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

46. The Group does not have any long-term contracts including derivatives for which there are any material foreseeable losses.

47. The Ministry of Corporate Affairs (MCA) vide notification dated 24 March 2021 has amended Schedule III to the Companies Act, 2013 in respect of certain disclosures. Amendments are applicable from 01 April 2021. The Group has incorporated the changes as per the said amendment in the financial statements and has also changed comparative numbers wherever it is applicable.

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

Vikash Somani
Partner
Membership Number: 061272

Place: Hyderabad
Date: 30 May 2022

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

V C Nannapaneni
Managing Director
DIN: 00183315

Rajeev Nannapaneni
Director and Chief Executive Officer
DIN: 00183872

Venkat Ramesh Chekuri
Company Secretary

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 30 May 2022

Notice

Notice is hereby given that the 39th Annual General Meeting of the members of the Company will be held on Friday, the 30th day of September, 2022 at 10:30 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 2021-22

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, 2022, together with the reports of Board of Directors, and the Auditors and other reports thereon.

2. To confirm three interim dividends aggregating to Rs.4.50 per share paid on equity shares during the Financial Year 2021-22 as dividend for the FY 2021-22

3. Reappointment of Dr. D. Linga Rao (DIN: 07088404) as a Director liable to retire by rotation

"**RESOLVED THAT** Dr. D. Linga Rao (DIN: 07088404) who retires by rotation and being eligible offers himself for re-appointment, be and is hereby reappointed as a Director of the Company, who shall be liable for retirement by rotation."

SPECIAL BUSINESS:

4. 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 remuneration of ₹ 2,25,000/- (Rupees two lakhs twenty five thousand only) and taxes as applicable plus out of pocket expenses proposed to be paid to M/s. S.S. Zanwar & Associates (Firm Registration No.100283) Cost Auditors who were appointed by the Board of Directors of the Company to conduct the Cost Audit for the financial year ending March 31, 2023, be and is hereby ratified.

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. Appointment of Dr. Pavan Ganapati Bhat (DIN: 09691260) as Director & Executive Vice President (Technical Operations) of the Company

To consider and, if thought fit, with or without modifications, to pass the following resolution as a Special Resolution:

"**RESOLVED THAT** pursuant to the provisions of Section 152 and other applicable provisions of the Companies Act, 2013, pursuant to the recommendation of Nomination and Remuneration Committee and provisions of Articles of Association Dr. Pavan Ganapati Bhat (DIN: 09691260) be and is hereby co-opted as a an Additional Director of the Company in respect of whom a notice in writing from a member under Section 160 of the Act proposing his candidature for the office of Director is received.

RESOLVED FURTHER THAT pursuant to the provisions of Sections 196, 197, 198 and all other applicable provisions of the Companies Act, 2013 read with the provisions of Schedule V thereto and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the consent of the members of the Company be and is hereby accorded to the appointment of Dr. Pavan Ganapati Bhat (DIN: 09691260) as a Director & Executive Vice President (Technical Operations) whose appointment is recommended by the Nomination and Remuneration Committee for a period of two (2) years from August 9, 2022 to August 8, 2024 on the terms and condition as detailed below:

a. Salary not exceeding ₹ 1,92,00,000 (Rupees One Crore Ninenty 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 60% of salary per annum in cash or kind.

(vi) Loan as per the policy of the Company.

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. Pavan Ganapati Bhat.

RESOLVED FURTHER THAT pursuant to the provisions of Schedule V of the Companies Act, 2013 the above-said remuneration to Dr. Pavan Ganapati Bhat shall be paid as minimum remuneration in case of in adequacy of the profits.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may deem 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, required in this connection."

By Order of the Board
For **NATCO Pharma Limited**

Venkat Ramesh Chekuri
Company Secretary and
Compliance Officer
(ACS: 41964)

Date: August 9, 2022
Place: Hyderabad

NOTES

1. Ministry of Corporate Affairs ("MCA") has vide its General Circular No. 14/2020 dated April 8, 2020, General Circular No. 17/2020 dated April 13, 2020, General Circular No. 20/2020 dated May 5, 2020, General Circular No. 22/2020 dated June 15, 2020, General Circular No. 33/2020 dated September 28, 2020, General Circular No. 39/2020 dated December 31, 2020, General Circular No. 02/2021 dated January 13, 2021, General Circular No. 10/2021 dated June 23, 2021, General Circular No. 20/2021 dated December 8, 2021 and General Circular No. 2/2022 dated May 5, 2022 (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 e-voting & participation in the meeting through VC/OAVM is given in 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 39th AGM along with the Annual Report for the FY 2021-22 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/ Depositories. Members may note that the 39th AGM Notice and Annual Report for the FY 2021-22 will also be available on the Company's website i.e., www.natcopharma.co.in, 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/ depositories (in case of shares held in demat mode).

   A Resident individual shareholder with PAN and who is not liable to pay income tax can submit a yearly declaration in Form No. 15G/15H, to avail the benefit of non-deduction of tax at source by email to investor.relations@vccipl.com. Shareholders are requested to note that in case their PAN is not registered, the 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, 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.

13. The Register of Members and Share Transfer Books will remain closed for 4 (four) days i.e. from Tuesday, the September 27, 2022 to Friday, the September 30, 2022 (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 http://www.natcopharma.co.in/

15. Instructions for e-voting and joining the AGM are as follows:

A. Voting through electronic means

a) In compliance with the provisions of Sections 108 of the Act, Rules 20 of the Rules, Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), MCA Circulars and SEBI circular no. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated December 9, 2020 in relation to e-voting Facility provided by Listed Entities, the Company has provided the facility of remote e-voting to all Members, to enable them to cast their votes electronically. The Company has engaged the services of NSDL to provide remote e-voting facility to its Members.

b) Voting rights of the Members shall be in proportion to the shares held by them in the paid-up equity share capital of the Company as on Friday, September 23, 2022 ("Cut-off date"). Only those Members whose names are recorded in the Register of Members of the Company or in the Register of Beneficial Owners maintained by the Depositories as on the Cut-off date will be entitled to cast their votes by remote e-voting. A person who is not a Member as on the Cut-off date should treat this AGM Notice for information purposes only. The remote e-voting period commences from 9.00 a.m. (IST) on Tuesday, the September 27, 2022 and ends at 5.00 p.m. (IST) on Thursday, the September 29, 2022. The e-voting module shall be disabled by NSDL thereafter. Once the vote on the resolution is cast by the Member, he/she shall not be allowed to change it subsequently.

c) The Company has appointed CS Kiran Kumar Bodla (CP No. 15876), Proprietor, M/s. BK & Associates, Practicing Company Secretaries, Hyderabad as

Scrutinizer for conducting the e-voting process in accordance with the law and in a fair and transparent manner.

c) 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.

d) Any person holding shares in physical form and non-individual shareholders, who acquires shares of the Company and becomes member of the Company after the notice is send through e-mail and holding shares as of the cut-off date i.e., Friday, 23rd September, 2022, may obtain the login ID and password by sending a request at evoting@nsdl.co.in or Issuer/RTA. However, if you are already registered with NSDL for remote e-voting, then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" or "Physical User Reset Password" option available on www.evoting.nsdl.com or call on toll free no. 1800 1020 990 and 1800 22 44 30. In case of Individual Shareholders holding securities in demat mode 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 i.e., Friday, 23rd September, 2022 may follow steps mentioned in the Notice of the AGM under "Access to NSDL e-Voting system".

The way to vote electronically on NSDL e-voting system consists of "Two Steps" which are mentioned below:

Step 1: Access to NSDL e-voting system

A) Login method for e-voting for Individual shareholders holding securities in demat mode

Pursuant to SEBI circular no. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated December 9, 2020 on "e-voting facility provided by Listed Companies", e-voting process has been enabled to all the individual demat account holders, by way of single login credential, through their demat accounts/websites of Depositories/DPs to increase the efficiency of the voting process. Individual demat account holders would be able to cast their vote without having to register again with the e-voting service provider ("ESP") thereby not only facilitating seamless authentication but also ease and convenience of participating in e-voting process. Shareholders are advised to update their mobile number and e-mail ID with their DPs to access e-voting facility.

Login method for Individual shareholders holding securities in demat mode is given below:

Type of shareholders	Login Method
Individual Shareholders holding securities in demat mode with NSDL.	i) 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. ii) 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 iii) 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.

Type of shareholders	Login Method
	iv) Shareholders/Members can also download NSDL Mobile App "**NSDL Speede**" facility by scanning the QR code mentioned below for seamless voting experience. NSDL Mobile App is available on App Store Google Play
Individual Shareholders holding securities in demat mode with CDSL	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.
Individual Shareholders (holding securities in demat mode) login through their depository participants	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.

Important note: Members who are unable to retrieve User ID/Password are advised to use Forget User ID and Forget Password option available at respective 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
Securities held with NSDL	Please 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
Securities held with CDSL	Please 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 for shareholders and joining virtual meeting for shareholders other than Individual shareholders holding securities in demat mode and shareholders holding securities in physical mode.

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.

4. 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.

5. 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***

6. Password details for shareholders other than Individual shareholders are given below:

   a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.

   b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.

   c) How to retrieve your 'initial password'?

      (i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.

      (ii) If your email ID is not registered, please follow steps mentioned below in **process for those shareholders whose email ids are not registered**.

7. 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.

8. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.

9. Now, you will have to click on "Login" button.

10. After you click on the "Login" button, Home page of e-Voting will open.

Step 2: Cast your vote electronically on NSDL e-voting system.

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.

2. Select "EVEN" of Company for which you wish to cast your vote during the remote e-voting period.

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 and you will receive a confirmation by way of a SMS on your registered mobile number from depository.

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.

   a) 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 Monday, the September 26, 2022 (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.

General Guidelines for Shareholders

1. Institutional/Corporate 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 the attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to mail_bka@yahoo.com with a copy marked to evoting@nsdl.co.in

   Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) can also upload their Board Resolution / Power of Attorney / Authority Letter etc. by clicking on **"Upload Board Resolution / Authority Letter"** displayed under **"e-Voting"** tab in their login.

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 https://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 https://www.evoting.nsdl.com. For any grievances connected with facility for e-voting, please contact NSDL, 4th Floor, 'A' Wing, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai 400013, e-mail: evoting@nsdl.co.in, toll free no: 1800 1020 990/1800 224 430.

4. Members are requested to note the following contact details for addressing e-voting related grievances:

   Venkat Ramesh Chekuri
   Company Secretary & Compliance Officer
   NATCO Pharma Limited
   NATCO House, Road No. 2
   Banjara Hills, Hyderabad-500034
   Telangana State, India.
   Phone No.: 040-23547532
   E-mail: investors@natcopharma.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 investors@natcopharma.co.in

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 investors@natcopharma.co.in. If you are an Individual shareholder 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.

Instructions for members for e-Voting on the day of the AGM are as under:

The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.

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.

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.

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 meeting**" menu against company name. You are requested to click on VC/OAVM link placed under Join 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.

16. Brief profile of Executive Directors who are seeking reappointment at the AGM

Name of the Director	Dr. D. Linga Rao	Dr. Pavan Ganapati Bhat
Category	Director & President (Tech. Affairs)	Director & Executive Vice President Technical Operations
DIN	07088404	09691260
Birth date and Age	October 29, 1952 and 69 years	April 28, 1968 and 54 years
Qualifications	M.Sc., Ph.D. in Chemistry (JNTU)	Ph.D. (U. of Iowa) in Pharmaceutics MBA (West Virginia University) Diploma in Leadership & Management (Duquesne University) Executive course in Mergers & Acquisitions (The Wharton School)
Past experience(s)	Worked with a) Indian Drugs and Pharmaceuticals Limited, b) Novochem Laboratories Private Limited.	Worked with Mylan USA and Mylan India in various functional areas with increasing responsibilities
Date of first appointment as Director(s)	February 11, 2015	August 9, 2022
Nature of Appointment	Reappointment	Appointment

Tenure of Appointment	April 1, 2022 to March 31, 2024	2 years i.e., from August 9, 2022 to August 8, 2024
Percentage of shares held	0.003%	0.01%
No. of board meetings attended out of 6 (Six) meetings held	6 (Six)	NA
Remuneration drawn by the Director(s) for Financial Year 2021-22	Rs. 31.48 Million	NA
Relationship with other directors or KMP of the Company	None	None
Directorship in other Companies	Nil	Nil
Membership/ Chairmanship of Committees of other Boards	Nil	Nil

Explanatory statement

(Pursuant to Section 102(1) of the Companies Act, 2013)

ITEM NO. 4

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, 2023.

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 by passing the said Ordinary Resolution ratifying the remuneration payable to Cost Auditors to conduct Cost Audit for the financial year ending March 31, 2023.

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. 4 of the notice for approval of the members.

ITEM NO. 5

Appointment of Dr. Pavan Ganapati Bhat (DIN: 09691260) as Director & Executive Vice President (Technical Operations) of the Company

Dr. Pavan Ganapati Bhat (Dr. Pavan Bhat) is working as Executive Vice President (Technical Operations) of the Company. He has over 25+ years of experience in the Pharmaceutical Industry and has been working with our Company for past 6 years. He is in-charge of various departments like R&D, Regulatory Affairs for Generics, NDDS and NCEs, Intellectual Property Rights of Formulations and Acquisitions.

Dr. Pavan Bhat started his career with Mylan in USA in Transdermal R&D followed by OSD R&D and in Corporate & Business Development. As part of the Office of the CEO, he was a key member of the acquisition team of Matrix by Mylan followed by being a part of the Integration team. He then relocated to Mylan India where he Headed Mylan's Global External R&D and Regional Business Development. Finally, he was the Head of Regional Operations responsible for Portfolio Selection, Project Management, Supply Chain Management, Launch Management, Logistics and Special Projects and supporting a P&L of $ 1.2 Billion.

To broad base the board by having varied experienced and knowledgeable people, the Board decided to appoint Dr. Pavan Bhat (DIN: 09691260) as a director on to the Board on the recommendations of Nomination and Remuneration Committee. Accordingly, he has been co-opted as an Additional Director on 9th August, 2022 and also appointed as an Executive Director designating Director & Executive Vice President.

In view of the job responsibilities, past experiences, 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 August 9, 2022, approved the appointment and remuneration payable to Dr. Pavan Bhat (DIN: 09691260) as Director & Executive Vice President (Technical Operations) for a period of two (2) years with effect from August 9, 2022 to August 8, 2024 subject to the consent of members which is just and reasonable to Dr. Pavan Bhat.

The Company has received a notice in writing for the candidature of Dr. Pavan Bhat (DIN: 09691260) as Director & Executive Vice President (Technical Operations) on the Board of the Company.

For additional information relating to Dr. Pavan Bhat members are requested to refer to the section on "Details of Directors seeking appointment in the Notice of the Annual General Meeting dated August 9, 2022".

Except Dr. Pavan Bhat, no Director or Key Managerial Personnel or their relatives is/are concerned or interested in the said item of business.

The Board accordingly recommends the Special Resolution as set out in Item No. 5 of the Notice of the Annual General Meeting for approval of the members.

By Order of the Board
For **NATCO Pharma Limited**

Venkat Ramesh Chekuri
Company Secretary and
Compliance Officer
(ACS: 41964)

Date: August 9, 2022
Place: Hyderabad

Notes

Notes

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