



Natco Pharma Limited

Regd. Off. : 'NATCO HOUSE', Road No. 2, Banjara Hills, Hyderabad - 500034.
Telangana, INDIA. Tel : +91 40 23547532, Fax : +91 40 23548243
CIN : L24230TG1981PLC003201, www.natcopharma.co.in

December 11, 2017

National Stock Exchange of India Limited
Listing Department
Exchange Plaza, Bandra Kurla Complex
Bandra (East)
Mumbai 400 051

BSE Limited
Department of Corporate Services
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001

Sub: Proposed Qualified institutions placement of equity shares of face value Rs. 2 each (the "Equity Shares") by Natco Pharma Limited (the "Company") under the provisions of Chapter VIII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (the "SEBI ICDR Regulations") and Section 42 of the Companies Act, 2013, and the rules made thereunder (the "QIP")

Dear Sir/ Madam,

We wish to inform you that subsequent to the approval accorded by the board of directors of the Company ("**Board**"), at its meeting held on November 2, 2017 and the special resolution passed by the shareholders of the Company, at the extraordinary general meeting held on November 29, 2017, the Committee of Directors today, i.e., December 11, 2017 has, *inter-alia*, considered the following items of business:

- a. Approved the unaudited condensed interim consolidated financial statements for the period ended September 30, 2017.
- b. Authorised the opening of the qualified institutions placement of equity shares of face value of Rs. 2 each under the provisions Chapter VIII of SEBI ICDR Regulations and Section 42 of the Companies Act, 2013 and the rules made thereunder, today, i.e. December 11, 2017.
- c. Approved the floor price for the QIP being Rs. 937.63/- per Equity Share based on the pricing formula as prescribed under Regulation 85(1) of the SEBI ICDR Regulations (the "**Floor Price**") and the Board of Directors or Committee of Directors may at its absolute discretion, offer a discount of not more than 5% on the Floor Price.
- d. Approved and adopted the preliminary placement document dated December 11, 2017 in connection with the QIP; and

We further wish to inform you that the 'Relevant Date' for the purpose of the QIP, in terms of Regulation 81(c)(i) of the SEBI ICDR Regulations is December 11, 2017 and accordingly the aforementioned Floor Price has been determined.

K. Narayana



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We also wish to inform you that a meeting of the Board of Directors or Committee of Directors is scheduled to be held on or after December 14, 2017, *inter alia*, to consider and approve the issue price including a discount, if any thereto as permitted under the SEBI ICDR Regulations for the Equity Shares to be allotted to qualified institutional buyers pursuant to the QIP.

We request you to take the above on record and the same be treated as compliance under the applicable regulations under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Thanking you,

Yours Faithfully,
For Natco Pharma Limited

Handwritten signature of M. Adinarayana in black ink.

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



Walker Chandiook & Co LLP

Walker Chandiook & Co LLP
(Formerly Walker, Chandiook & Co)
7th Floor, Block III, White House
Kundan Bagh, Begumpet
Hyderabad 500016
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Independent Auditor's Review Report on the Unaudited Condensed Interim Consolidated Financial Statements

To the Board of Directors of NATCO Pharma Limited

Introduction

1. We have reviewed the accompanying unaudited condensed interim consolidated financial statements of NATCO Pharma Limited ('the Company') and its subsidiaries (the Company and its subsidiaries together referred to as 'the Group') (Refer Annexure 1 for the list of subsidiaries included in the unaudited condensed interim consolidated financial statements), which comprise the unaudited condensed interim consolidated Balance Sheet as at 30 September 2017, the unaudited condensed interim consolidated Statement of Profit and Loss (including other comprehensive income), the unaudited condensed interim consolidated Cash Flow Statement, the unaudited condensed interim consolidated Statement of Changes in Equity for the half year then ended, and selected explanatory notes ('the Unaudited Condensed Interim Consolidated Financial Statements'). These Unaudited Condensed Interim Consolidated Financial Statements have been prepared by the management for the purpose of inclusion in the Preliminary Placement Document and the Placement Document ('Placement Documents') prepared in connection with the proposed offering of equity shares in a Qualified Institutions Placement, in accordance with the provisions of Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended ('SEBI ICDR Regulations') to persons outside the United States of America pursuant to Regulation S of the United States Securities Act of 1933, as amended (the 'Securities Act') and to Qualified Institutional Buyers (as defined in Rule 144A of the Securities Act) pursuant to Section 4(a)(2) of the Securities Act ('the Proposed Offering'). Management is responsible for the preparation and presentation of these Unaudited Condensed Interim Consolidated Financial Statements in accordance with the requirements of Ind AS 34 'Interim Financial Reporting' specified under Section 133 of the Companies Act, 2013 ('the Act'), read with relevant rules issued thereunder and other accounting principles generally accepted in India, which have been approved by an equivalent committee of the Board of Directors of the Company. Our responsibility is to express a conclusion on these Unaudited Condensed Interim Consolidated Financial Statements based on our review.

Scope of review

2. We conducted our review in accordance with Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3. Based on our review conducted as above and upon consideration of the review reports of the other auditors, nothing has come to our attention that causes us to believe that the accompanying Unaudited Condensed Interim Consolidated Financial Statements are not prepared, in all material respects, in accordance with Ind AS 34 specified under the Section 133 of the Act, read with relevant rules issued thereunder and other accounting principles generally accepted in India.

Other matters


4. We did not review the financial statements of six subsidiaries included in the Unaudited Condensed Interim Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the countries of their incorporation, whose financial statements reflect total assets of ₹778 million and net assets of ₹473 million as at 30 September 2017, and total revenues of ₹341 million and net cash outflows of ₹68 million for the half year then ended, whose financial statements have not been reviewed by us. These financial statements of such subsidiaries have been reviewed by other auditors under generally accepted auditing standards applicable in that country, whose review reports have been furnished to us by the Management of the Company. Our report in respect of the Unaudited Condensed Interim Consolidated Financial Statements of the Company is based solely on the reports of such other auditors and the conversion adjustments have been prepared by the Management of the Company and reviewed by us.
5. We draw attention to Note 3 to the Unaudited Condensed Interim Consolidated Financial Statements, which states that the Company has also submitted unaudited consolidated financial results for the half year ended 30 September 2017 pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, on which we issued an unmodified review report dated 2 November 2017 to the Board of the Directors of the Company.

Our conclusion is not modified in respect of these matters.

Restriction on distribution or use

6. These Unaudited Condensed Interim Consolidated Financial Statements have been prepared by the Management solely for the purpose of inclusion in the Placement Documents prepared in connection with the Proposed Offering. This report is issued solely for the aforementioned purpose and accordingly may not be suitable for any other purpose, and should not be used, referred to or distributed for any other purpose or to any other party without our prior written consent. Further, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.


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


per **Adi P. Sethna**
Partner
Membership No.: 108840

Place: Hyderabad
Date: 11 December 2017

Annexure 1

List of entities included in the Statement

- (a) NATCO Pharma, Inc.
- (b) Time Cap Overseas Limited
- (c) NATCO Farma Do Brasil LTDA (subsidiary of Time Cap Overseas Limited)
- (d) NATCO Pharma (Canada) Inc.
- (e) NATCO Pharma Asia Pte. Ltd.
- (f) NATCO Pharma Australia PTY Ltd.



NATCO Pharma Limited
 Unaudited Condensed Interim Consolidated Balance Sheet as at 30 September 2017
 (All amounts in ₹ millions, except share data and where otherwise stated)

	Notes	As at	
		30 September 2017	31 March 2017
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
(a) Property, plant and equipment	5	8,989	8,272
(b) Capital work-in-progress		4,041	3,363
(c) Other intangible assets	6	55	58
(d) Financial assets			
Investments		4	1
Other financial assets		157	131
(e) Other non-current assets	7	361	478
		13,907	12,303
Current assets			
(a) Inventories	8	3,861	3,489
(b) Financial Assets			
Investments	9	495	321
Trade receivables		3,389	4,752
Cash and cash equivalents		113	235
Other bank balances		123	123
Loans		38	35
Other financial assets		666	752
(c) Other current assets	7	1,149	1,166
		9,834	10,873
Total assets		23,741	23,176
EQUITY AND LIABILITIES			
Equity			
(a) Equity share capital		349	349
(b) Other equity		17,755	16,144
Equity attributable to owners		18,104	16,493
Non-controlling interest		8	41
Total Equity		18,112	16,534
Liabilities			
Non-current liabilities			
(a) Financial liabilities			
Other financial liabilities		8	8
(b) Provision for employee benefits		255	219
(c) Deferred tax liabilities (net)		152	150
		415	377
Current liabilities			
(a) Financial liabilities			
Borrowings	10	1,947	2,216
Trade payables		2,220	2,627
Other financial liabilities		747	1,014
(b) Other current liabilities		218	257
(c) Provision for employee benefits		25	18
(d) Current tax liabilities (net)		57	133
		5,214	6,265
Total equity and liabilities		23,741	23,176

The accompanying notes form an integral part of the unaudited condensed interim consolidated financial statements.

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

For **Walker Chandok & Co LLP**
 Chartered Accountants
 Firm Registration No.: 00176N/N500013

per **Adi P. Sethna**
 Partner
 Membership No. 108840

Place: Hyderabad
 Date: 11 December 2017

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

VC Nannapaneni
 Chairman & Managing Director
 (DIN: 00183315)

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

Place: Hyderabad
 Date: 11 December 2017

Rajeev Nannapaneni
 Vice Chairman & CEO
 (DIN: 00183872)

SVVN Appa Rao
 Chief Financial Officer

NATCO Pharma Limited
Unaudited Condensed Interim Consolidated Statement of Profit and Loss for the period ended 30 September 2017
(All amounts in ₹ millions, except share data and where otherwise stated)

	Notes	For the period ended	
		30 September 2017	30 September 2016
		Unaudited	
Revenue			
Revenue from operations	11	8,720	8,082
Other income		89	84
Total revenues		8,809	8,166
Expenses			
Cost of materials consumed	12	2,097	2,721
Excise duty		172	227
Purchases of stock-in-trade		335	643
Changes in inventories of finished goods, stock-in-trade and work-in-progress		(209)	(599)
Employee benefits expense	13	1,367	1,102
Finance costs		81	74
Depreciation and amortisation expense		310	272
Other expenses	14	2,372	2,168
Total expenses		6,525	6,608
Profit before tax		2,284	1,558
Tax expense			
Current tax		501	363
Deferred tax		2	39
Tax relating to earlier periods		-	19
Profit after tax		1,781	1,137
Other comprehensive income (net of taxes)			
Items that will not be reclassified to profit or loss			
Re-measurement gains/(losses) on defined benefit plans		(6)	(16)
Net (loss)/gain on FVTOCI equity securities		(5)	4
Exchange differences on translation of foreign operations		45	-
Total comprehensive income for the period		1,815	1,125
Profit for the period attributable to:			
Owners of the parent		1,788	1,142
Non-controlling interests		(7)	(5)
Total comprehensive income for the period attributable to:			
Owners of the parent		1,822	1,130
Non-controlling interests		(7)	(5)
Earnings per equity share (of face value of ₹2 per share)			
Basic (₹)		10.41	6.49
Diluted (₹)		10.40	6.48

The accompanying notes form an integral part of the unaudited condensed interim consolidated financial statements.

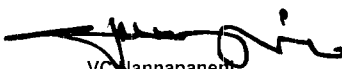
This is the Unaudited Condensed Interim Consolidated Statement of Profit and Loss referred to in our report of even date.

For **Walker Chandio & Co LLP**
Chartered Accountants
Firm Registration No.: 00176N/N500013

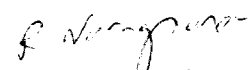
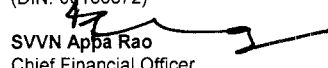
per **Adi P. Sethna**
Partner
Membership No. 108840

Place: Hyderabad
Date: 11 December 2017

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


VC Nannapaneni
Chairman & Managing Director
(DIN: 00183315)
M. Adinarayana
Company Secretary & Vice President
(Legal & Corporate Affairs)

Place: Hyderabad
Date: 11 December 2017


Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

SVVN Appa Rao
Chief Financial Officer

NATCO Pharma Limited

Unaudited Condensed Interim Consolidated Cash Flow Statement for the period ended 30 September 2017

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

		For the period ended	
		30 September 2017	30 September 2016
		Unaudited	
Cash flows from operating activities	A	2,551	1,024
Cash flows from investing activities	B	(2,079)	(1,457)
Cash flows from financing activities	C	(370)	(204)
Effect of currency translation adjustment	D	45	14
Net increase / (decrease) in cash and cash equivalents (A+B+C+D)		147	(623)
Cash and cash equivalents as at the beginning of the period		(1,981)	(742)
Cash and cash equivalents as at the end of the period		(1,834)	(1,365)

Note:

Cash and cash equivalents includes:

	As at	
	30 September 2017 (Unaudited)	31 March 2017 (Audited)
Cash and bank balances	113	235
Working Capital loans (Refer note 10)	(1,947)	(2,216)
	(1,834)	(1,981)


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

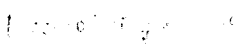
For **Walker Chandio & Co LLP**
Chartered Accountants
Firm Registration No.: 001076N/N500013

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

per **Adi P. Sethna**
Partner
Membership No. 108840


VC Nannapaneni
Chairman & Managing Director
(DIN: 00183315)


Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)


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


SVVN Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 11 December 2017

Place: Hyderabad
Date: 11 December 2017

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

	Authorised		Issued and paid-up		Reserves and Surplus							Other reserves	Non-controlling interest	Total	
	Number of shares	Amount	Number of shares	Amount	Securities premium reserve	Capital reserve	Capital redemption reserve	General reserve	Share options outstanding account	Retained earnings	FVOCI equity instruments				Foreign currency translation reserve
A Equity Share Capital															
As at 1 April 2016 (Audited)	200,000,000	400	174,174,245	348											
Changes in equity share capital	-	-	-	-											
As at 30 September 2016 (Unaudited)	200,000,000	400	174,174,245	348											
As at 1 April 2017 (Audited)	200,000,000	400	174,307,800	349											
Changes in equity share capital	-	-	-	-											
As at 30 September 2017 (Unaudited)	200,000,000	400	174,307,800	349											
B Other Equity															
Balance as at 1 April 2016 (Audited)	6,112	207	5	595					97	5,650	14	(44)	(27)	49	12,658
Profit/(loss) for the period	-	-	-	-						1,142	-	-	-	(5)	1,137
Other comprehensive income (net of taxes)	-	-	-	-						-	4	-	(16)	-	(12)
Total comprehensive income for the period										1,142	4	-	(16)	(5)	1,125
Transactions with owners in their capacity as owners:															
Employee stock option expense	-	-	-	-					78	-	-	-	-	-	78
Dividend paid	-	-	-	-						(131)	-	-	-	-	(131)
Tax on distributed profits	-	-	-	-						(25)	-	-	-	-	(25)
Others	-	-	-	-						-	-	-	-	2	2
Balance as at 30 September 2016 (Unaudited)	6,112	207	5	595					175	6,636	18	(44)	(43)	46	13,707
Balance as at 1 April 2017 (Audited)	6,178	207	5	595					154	9,094	42	(54)	(77)	41	16,185
Profit for the period	-	-	-	-						1,788	-	-	-	(7)	1,781
Other comprehensive income (net of taxes)	-	-	-	-						-	(5)	45	(6)	-	34
Total comprehensive income for the period										1,788	(5)	45	(6)	(7)	1,815
Transactions with owners in their capacity as owners:															
Employee stock option expense	-	-	-	-					51	-	-	-	-	-	51
Dividend paid	-	-	-	-						(218)	-	-	-	-	(218)
Tax on distributed profits	-	-	-	-						(44)	-	-	-	-	(44)
Others	-	-	-	-						-	-	-	-	(26)	(26)
Balance as at 30 September 2017 (Unaudited)	6,178	207	5	595					205	10,620	37	(9)	(83)	8	17,763

This is the Unaudited Condensed Interim Consolidated Statement of Changes in Equity referred to in our report of even date.

For and on behalf of the Board of Directors

NATCO Pharma Limited

Firm Registration No.: 001076NIN500013


per **Adi P. Sethna**

Partner

Membership No. 108840

Place: Hyderabad

Date: 11 December 2017



V. Nannapaneni

Chairman & Managing Director

(DIN: 00183315)

Place: Hyderabad

Date: 11 December 2017



Rajeev Nannapaneni

Vice Chairman & CEO

(DIN: 00183872)

Place: Hyderabad

Date: 11 December 2017




M. Adinarayana

Company Secretary & Vice President

(Legal & Corporate Affairs)

Place: Hyderabad

Date: 11 December 2017



SVVN Appa Rao

Chief Financial Officer

Place: Hyderabad

Date: 11 December 2017

NATCO Pharma Limited
Select explanatory notes for the period ended 30 September 2017

1. General information

NATCO Pharma Limited ("the Company") is a public limited company domiciled and incorporated in India in accordance with the provisions of the Companies Act, 1956. The registered office of the Company is at NATCO House, Road No. 2, Banjara Hills, Hyderabad – 500 034. The equity shares of the Company are listed on the National Stock Exchange of India Limited and BSE Limited.

The Company along with its subsidiaries (collectively referred to as "the Group") is engaged in the business of pharmaceuticals which comprises research and development, manufacturing and selling of bulk drugs and finished dosage formulations. The Group has manufacturing facilities in India which caters to both domestic and international markets including regulated markets like United States of America and Europe.

2. Basis of preparation

(i) Compliance with Ind AS 34 "Interim Financial Reporting"

These unaudited condensed interim consolidated financial statements of the Group have been prepared in accordance with Indian Accounting Standard (Ind AS) 34 – "Interim Financial Reporting", specified under Section 133 of the Companies Act 2013, for the purpose of inclusion in the Preliminary Placement Document and the Final Placement Document ("Placement Documents") prepared in connection with the proposed offering of equity shares in a Qualified Institutions Placement, in accordance with the provisions of Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended ('SEBI ICDR Regulations') to persons outside the United States of America pursuant to Regulation S of the United States Securities Act of 1933, as amended (the 'Securities Act') and to Qualified Institutional Buyers as defined in Rule 144A of the Securities Act. The accounting policies applied by the Group for preparation of these unaudited condensed interim consolidated financial statements are consistent with those adopted for preparation of the consolidated financial statements of the Group as at and for the year ended 31 March 2017. There have been no material changes in the group structure since 31 March 2017 and these unaudited condensed interim consolidated financial statements include the same subsidiaries that were consolidated in the audited consolidated financial statements of the Group as at and for the year ended 31 March 2017. The amounts (transactions and balances) pertaining to year ended 31 March 2017, that are included in the unaudited condensed interim consolidated financial statements, have been extracted from the audited consolidated financial statements of the Group as at and for the year ended 31 March 2017. These unaudited condensed interim consolidated financial statements have been approved by the equivalent committee of the Board of Directors on 11 December 2017 and have been subjected to limited review by the Company's independent auditors.

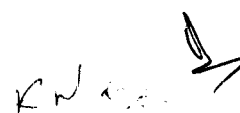
The unaudited condensed interim consolidated financial statements for the period ended 30 September 2017 are presented in Indian Rupees ("₹" or "INR"), which is the functional and presentation currency of the Company and do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2017.

Transactions and balances with values below the rounding off norm adopted by the Group have been reflected as "0" in the relevant notes in these unaudited condensed interim consolidated financial statements.

(ii) Principles of consolidation

a. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.



NATCO Pharma Limited
Select explanatory notes for the period ended 30 September 2017

b. Change in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid of received is recognised within equity.

c. Interest in other entities

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		
		30 Sep 2017	31 Mar 2017	30 Sep 2016
NATCO Pharma, Inc.,	United States of America	100.00	100.00	100.00
Time Cap Overseas Limited	Mauritius	89.81	89.43	88.64
NATCO Farma Do Brazil	Brazil	88.30	86.90	85.88
NATCO Pharma (Canada), Inc.	Canada	99.71	99.71	99.71
Natco Pharma Asia Pte. Ltd.	Singapore	100.00	100.00	100.00
NATCO Pharma Australia PTY Ltd.	Australia	81.91	93.76	93.76

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

Note 2: Principal activity of all subsidiaries except Time Cap Overseas Limited is marketing of pharmaceutical products. Time Cap Overseas Limited is an intermediate investment holding company.

- The Company has also submitted unaudited consolidated financial results for the half year ended 30 September 2017 pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

4. Estimates

When preparing the unaudited condensed interim consolidated financial statements management makes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the unaudited condensed interim consolidated financial statements, including the key sources of estimation uncertainty were the same as those applied in the Company's audited financial statements for the year ended 31 March 2017.



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5. Property, plant and equipment

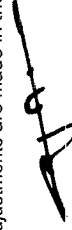
	Freehold land#	Leasehold Land	Buildings	Plant and equipment	Office equipment	Furniture	Vehicles	Computers	Total
As at 31 March 2017 (Audited)									
Gross carrying amount	1,456	277	2,979	6,232	58	140	171	143	11,456
Accumulated depreciation	-	15	614	2,275	31	56	82	111	3,184
Net carrying amount	1,456	262	2,365	3,957	27	84	89	32	8,272
Period ended 30 September 2017 (Unaudited)									
Net carrying amount as at 31 March 2017	1,456	262	2,365	3,957	27	84	89	32	8,272
Additions	39	-	181	760	2	14	19	4	1,019
Disposals/retirement	-	-	-	-	-	-	-	-	-
Foreign exchange adjustments on gross block	-	(0)	-	-	(0)	0	(0)	(0)	0
Charge for the period	-	2	52	222	2	6	9	9	302
Foreign exchange adjustments on Accumulated depreciation	-	-	-	-	0	0	-	0	0
Net carrying amount as at 30 September 2017	1,495	260	2,494	4,495	27	92	99	27	8,989
As at 30 September 2017 (Unaudited)									
Gross carrying amount	1,495	277	3,160	6,992	60	154	190	147	12,475
Accumulated depreciation	-	17	666	2,497	33	62	91	120	3,486
Net carrying amount	1,495	260	2,494	4,495	27	92	99	27	8,989

(i) Contractual obligations

Refer note 17(a) for disclosure of contractual commitments for the acquisition of property, plant and equipment.

(ii) Leasehold land includes land acquired from the State Industrial Development Corporation of Uttarakhnad Limited and Uttar Pradesh State Industrial Development Corporation Limited for a period of 90 years and 87 years respectively. Further the Company has also acquired land from Ramky Pharma City (India) Limited under a lease arrangement for a period of 33 years which is renewable for a further period of 2 terms of 33 years each.

Land parcels with an aggregate carrying amount of ₹4 (31 March 2017: ₹4) are under dispute pending in a court as to the ownership of the property. The management, based on available information and advice of legal counsel, is confident of favorable outcome in this case and hence, no adjustments are made in these financial statements.



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NATCO Pharma Limited
Summary of significant accounting policies and other explanatory information
(All amounts in ₹ millions, except share data and where otherwise stated)

6. Other intangible assets

	Computer Software
As at 31 March 2017 (Audited)	131
Gross carrying amount	73
Accumulated depreciation	<u>58</u>
Net carrying amount	<u>58</u>
Period ended 30 September 2017 (Unaudited)	58
Net carrying amount as at 31 March 2017	5
Additions	8
Charge for the period	<u>55</u>
Net carrying amount as at 30 September 2017	<u>55</u>
As at 30 September 2017 (Unaudited)	136
Gross carrying amount	81
Accumulated depreciation	<u>55</u>
Net carrying amount	<u>55</u>

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NATCO Pharma Limited

Select explanatory notes for the period ended 30 September 2017

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

7. Other assets

	As at	
	30 September 2017 (Unaudited)	31 March 2017 (Audited)
Non-current		
Capital advances	489	353
Prepaid leasehold rent*	18	-
Balances with government authorities	154	125
	661	478
Current		
Advance to material/service providers	203	206
Prepaid expenses	129	74
Export incentives receivable	219	147
Balances with government authorities	598	739
	1,149	1,166

*The Company has entered into an agreement in relation to lease of land for a period of 99 years commencing from financial year 2017-2018 against which an initial payment of ₹18 (31 March 2017: ₹Nil) was made as prepaid leasehold rent. The same shall be amortised over the lease term.

**8. Inventories
(at lower of cost or net realisable value)**

	As at	
	30 September 2017 (Unaudited)	31 March 2017 (Audited)
Raw materials	1,134	1,123
Work-in-progress	1,148	1,021
Finished goods	686	613
Stores and spares	481	350
Packing materials	286	245
Stock-in-trade	126	137
	3,861	3,489

9. Current Investments

	As at	
	30 September 2017 (Unaudited)	31 March 2017 (Audited)
Quoted		
Investments in equity instruments	285	121
Investments in bonds	210	200
Total current investments	495	321
Aggregate cost of quoted investments	470	292
Aggregate market value of quoted investments	495	321
Aggregate amount of impairment in the value of investments	-	-
Investments carried at amortised cost	210	200
Investments carried at fair value through other comprehensive income	285	121
Investments carried at fair value through profit or loss	-	-

10. Current Borrowings

	As at	
	30 September 2017 (Unaudited)	31 March 2017 (Audited)
Working capital loans (secured)	792	1,456
Working capital loans (unsecured)	1,155	760
	1,947	2,216

(i) Working capital loans represents cash credit, overdraft, commercial paper, bills purchased and discounted with various banks and carry interest linked to the respective Bank's base lending rate/marginal cost of lending rate and range from 6.5% per annum to 11.75% per annum (31 March 2017: 1.00% per annum to 12.70% per annum).

(ii) Working capital loans are secured by way of first charge on all the current assets of the Company. The collateral security is joint pari-passu first charge on the corporate office and all fixed assets of Nagarjuna Sagar Unit apart from personal guarantees of Mr. V.C. Nannapaneni, Chairman and Managing Director, Ms. Durga Devi Nannapaneni and Dr. N. Ramakrishna Rao, relatives of Chairman and Managing Director.

(iii) Unsecured loans are personally guaranteed by Mr. V.C. Nannapaneni, Chairman and Managing Director.

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NATCO Pharma Limited

Select explanatory notes for the period ended 30 September 2017

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

11. Revenue from operations

Sale of products (including excise duty)
Sale of services

Other operating revenues

Job work charges
Export incentives
Scrap sales

For the period ended	
30 September 2017	30 September 2016
(Unaudited)	
8,544	7,938
6	7
8,550	7,945
36	36
124	92
10	9
8,720	8,082

12. Cost of materials consumed (including packing materials consumed)

Raw material and packing material at the beginning of the period
Add: Purchases during the period
Less: Raw material and packing material at the end of the period

For the period ended	
30 September 2017	30 September 2016
(Unaudited)	
1,368	1,686
2,150	2,768
1,420	1,733
2,097	2,721

13. Employee benefits expense

Salaries, wages and bonus
Contribution to provident fund and other funds
Gratuity expense
Employee stock compensation expenses
Staff welfare expenses

For the period ended	
30 September 2017	30 September 2016
(Unaudited)	
1,146	899
84	63
50	17
18	76
68	47
1,367	1,102

14. Other expenses

Consumption of stores and spares
Power and fuel
Rental charges
Repairs and maintenance
- Buildings
- Plant and equipment
- Others
Insurance
Rates and taxes
Factory maintenance expenses
Analysis charges
Carriage and freight outwards
Donations
Communication expenses
Office maintenance and other expenses
Travelling and conveyance
Legal and professional fees
Payment to auditors
- As auditor
- For reimbursement of expenses
Directors sitting fee
Foreign exchange loss, net
Royalty expense
Sales promotion expenses including sales commission
Research and development expenses
Printing and stationery
Miscellaneous expenses

For the period ended	
30 September 2017	30 September 2016
(Unaudited)	
157	147
286	247
12	13
38	38
108	100
33	19
47	35
106	80
134	90
66	57
37	47
93	42
26	19
28	21
109	83
93	145
2	1
-	-
0	0
-	2
121	143
597	642
200	161
35	21
44	16
2,372	2,169

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NATCO Pharma Limited

Select explanatory notes for the period ended 30 September 2017

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

15. Related party disclosures

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

Names of related parties	Nature of relationship
Time Cap Pharma Labs Limited NATCO Trust NATCO Aqua Limited NDL Infratech Private Limited NATCO Group Employees Welfare Trust Natsoft Information Systems Private Limited	Entities in which Directors have control or have significant influence
V C Nannapaneni Rajeev Nannapaneni	Key management personnel ("KMP")
Durga Devi Nannapaneni Venkata Satya Swathi Kantamani Neelima Nannapaneni Dr. Ramakrishna Rao	Relative of KMP

(b) Transactions with related parties

	For the period ended	
	30 September 2017	30 September 2016
	(Unaudited)	
Time Cap Pharma Labs Limited		
Commission and expenses reimbursement	5	7
Purchase of raw-materials	-	0
Rental expense	2	2
Dividends paid	21	13
Natsoft Information Systems Private Limited		
Dividends paid	20	12
NDL Infratech Private Limited		
Dividends paid	0	0
NATCO Aqua Limited		
Dividends paid	0	0
NATCO Trust		
Donations	82	39
V C Nannapaneni		
Short-term employee benefits	8	8
Rental expenses	1	1
Dividends paid	51	31
Commission on profits	18	11
Rajeev Nannapaneni		
Short-term employee benefits	7	7
Rental expenses	1	1
Dividends paid	2	1
Durga Devi Nannapaneni		
Dividends paid	4	3
Venkata Satya Swathi Kantamani		
Dividends paid	4	2
Neelima Nannapaneni		
Dividends paid	0	0
Dr. Ramakrishna Rao		
Dividends paid	1	1

(c) Balances receivable / (payable)

	As at	
	30 September 2017	31 March 2017
	(Unaudited)	(Audited)
Time Cap Pharma Labs Limited		
V C Nannapaneni	(4)	(5)
Rajeev Nannapaneni	(19)	(50)
	(1)	(1)

Note:

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

NATCO Pharma Limited**Select explanatory notes for the period ended 30 September 2017**

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

16. Segment reporting

The management has assessed the identification of reportable segments in accordance with the requirements of Ind AS 108 'Operating Segment' and believes that the Group has only one reportable segment namely "Pharmaceuticals".

Geography-wise details of the Group's revenues from external customers and its non-current assets (other than financial instruments, investments accounted for using the equity method, deferred tax assets and post-employment benefit assets) and revenue from major customers are given below:

i. Revenues

India
Outside India

For the period ended	
30 September 2017	30 September 2016
(Unaudited)	
4,507	4,812
4,302	3,354

ii. Non-current assets

India
Outside India

As at	
30 September 2017	31 March 2017
(Unaudited)	(Audited)
13,709	12,131
37	40

iii. Major customer

The Group has one customer who contributed more than 10% of the Group's total revenue during the current period and two in the comparative period. The revenue from such major customers during the period is ₹1,271 (30 September 2016: ₹2,012).

17. Commitments

(a) The Group's estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amount to ₹743 (31 March 2017: ₹619).

(b) Contingent liabilities

Disputed sales tax liabilities
Disputed service tax liabilities
Disputed customs liability
Claims not acknowledged as debt

As at	
30 September 2017	31 March 2017
(Unaudited)	(Audited)
9	9
2	2
2	2
-	-

(c) The Company is contesting certain patent infringement cases filed against it by the innovators. A few of these cases pertain to products already launched by the Company in the market. These cases are pending before different authorities / courts within the Indian jurisdiction and the outcome cannot be ascertained with reasonable certainty. Accordingly, a reliable estimate of the liability towards damages/penalties, if any, cannot be made at present. These amounts will be recognised during the periods in which such liabilities can be reasonably measured. Further, the management does not expect such liabilities to be significant.

For **Walker Chandio & Co LLP**
Chartered Accountants
Firm Registration No.: 00176N/N500013

per **Adi P. Sethna**
Partner
Membership No. 108840

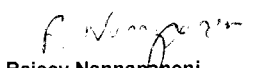
Place: Hyderabad
Date: 11 December 2017

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


VC Nannapaneni
Chairman & Managing Director
(DIN: 00183315)


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

Place: Hyderabad
Date: 11 December 2017


Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)


SVVN Appa Rao
Chief Financial Officer