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

4th September 2023

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 40th Annual General Meeting for the financial year 2022-23**

We wish to inform you that the 40th Annual General Meeting (AGM) for the Financial year 2022-23 of the Company will be held on **Friday**, **the 29th September, 2023 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 40th AGM starting from **Tuesday, 26th September, 2023 to Friday 29th September, 2023 (both days inclusive)**.
2	Cut-off date for determining the eligibility of members to vote by electronic means or during the AGM is **Friday, 22d September, 2023**.
3	Commencement of the remote e-voting from **Tuesday, 26th September, 2023 at 9.00 A.M (IST) and ends on Thursday, 28th September, 2023 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 40th AGM of the Company and Annual Report for the financial year 2022-23, 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

CHEKURI VENKAT RAMESH
Digitally signed by CHEKURI VENKAT RAMESH
Date: 2023.09.04 20:20:49 +05'30'

Ch Venkat Ramesh
Company Secretary &
Compliance Officer

Encl: as above

NATCO PHARMA LIMITED

Annual Report 2022-23

Nurturing Strength.
Creating Possibilities.

Index

FY 2022-23 highlights

Financial

₹ 28,117 million

Revenue (38% y-o-y growth)

₹ 10,402 million

EBITDA (187% y-o-y growth)

₹ 7,153 million

Profit after tax (321% y-o-y growth)

Read more on page 8

Environment

1,92,496 GJ

Energy consumption

3,01,673 KL

Water consumption

1,555 MT

Waste recycled

Read more on page 27

Social

29

Average training hours per employee

₹ 70.00 million

CSR spend

Read more on page 30

Natco Pharma's focused approach led to expanded capabilities across diverse therapy segments, particularly oncology. Our remarkable journey has been fuelled by our strengths in Research and Development (R&D) and manufacturing. This has helped us develop advanced formulations and consistently meet the stringent regulatory standards, thus driving business growth and market expansion. Our export formulation division has showcased remarkable growth and potential with plans for subsidiaries in emerging economies underway.

Additionally, our Agrochemical division will witness the full financial year of the Chlorantraniliprole and its combinations in India during FY 2023-24. Looking ahead, our plans involve expansion and focus on crop protection in other countries in the medium to long term.

We believe our sustainable and balanced growth is rooted in the synergy between our talented workforce and an innovative culture. We are dedicated to maximising shareholder value creation through innovation, employee engagement and rationalisation of processes and systems.

R&D

Through harnessing our robust R&D, knowledge, expertise and innovative capacities, we aim to enhance manufacturing process efficiencies and continue to implement a backward integration strategy.

Read more on page 22

Quality

We have the capability to manufacture products that align with the standards set by international health authorities.

Read more on page 24

ESG

As a conscientious corporate citizen, we are aware of our responsibilities. We hope to mitigate climate change by adopting environment-friendly technology and innovation, manage our resources more effectively and partner in the development of communities.

Read more on page 26

Manufacturing capabilities

NATCO's manufacturing sites exemplify innovation, quality and sustainability. They possess cutting-edge technology and skilled staff, obtaining vital product certifications that drive significant revenue.

Read more on page 6

Who we are

Stronger foundation. Sharper focus.

Natco Pharma Limited (NATCO) is a vertically integrated pharmaceutical company with a strong focus on R&D. Our expertise lies in the development, manufacturing and commercialisation of complex pharmaceuticals that target specific therapeutic areas. We specialise in catering to niche markets and offering innovative solutions to address complex medical needs.

Mission

Making specialty medicines accessible for all

Values

- Integrity
- Respect
- Openness
- Collaborative
- Creative
- Quality

Key strengths

- Strong R&D capabilities
- State-of-the-art and regulatory compliant manufacturing capacities
- Bringing niche products at affordable prices
- Robust compliance
- Long-standing partnerships globally
- Experienced management team and qualified operational personnel

Founded in 1981, NATCO has emerged as an established pharmaceutical company with a presence in formulations and APIs, in both domestic and international markets. We own nine manufacturing facilities across India and two research centres in Telangana. Presently, the finished dosage formulations (FDF) products are primarily marketed in the US, India, Canada, Brazil and over 50 other countries. Additionally, we directly sell API products to select customers worldwide. Our reputation stems from our ability to manufacture high-quality products using cutting-edge manufacturing capabilities.

We have successfully demonstrated our capacity to be early entrants in bringing technically challenging products to the market using sustainable approaches that benefit a wide range of people. Leveraging these inherent strengths in chemistry along with understanding of the patent landscape, we have also ventured into the agrochemical business focusing on complex high-value products.

FY 2022-23 key facts

50+
Countries with export presence

4,491
Employees

465
Talent pool of Scientists

International Patents during the year

6 Filled

8 Granted

Indian Patents during the year

18 Filled

2 Granted

Finished Dosage Formulations (FDF)

19
Para IV filings in pipeline

7
approved Para IV (either tentative or final)

Active Pharmaceutical Ingredients (APIs)

55
Cumulative Drug Master Files (DMFs) filed

44
Active DMFs

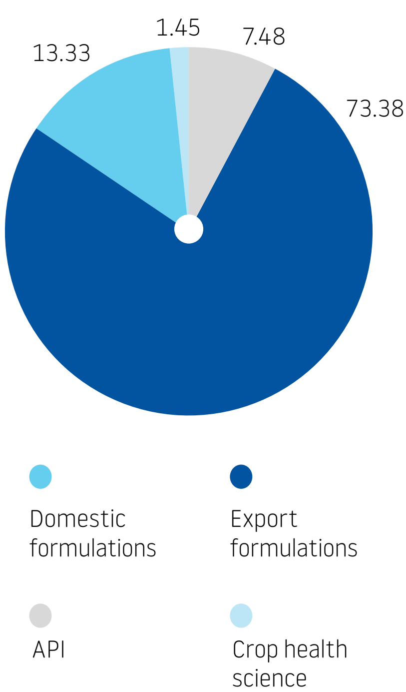
Business segments

Leveraging integration to grow value across businesses

The advantage of a vertically integrated business model has enabled us to establish a strong presence in both domestic and international pharmaceutical markets. Furthermore, our recent entry into the agrochemical sector will be a key factor that will support business growth in the upcoming years.

NATCO operates in two different business segments: Pharmaceuticals and Agrochemicals. Within the pharma business segment, our Company drives sales through Finished Dosage Formulations (FDFs) and Active Pharmaceutical Ingredients (APIs).

FY 2022-23 Revenue contribution*
(%)



*Excluding other operating and non-operating income.

Pharma

FDFs

International

- Market presence in over 50 countries
- Six subsidiaries contribute to market presence along with two stepdown subsidiaries
- Innovative solo FTF and Para IV pipeline
- Wide reach demonstrates commitment to global markets and customer base

Domestic

- Domestic FDF business focused on three therapeutic areas: Oncology, Cardiology & Diabetology and Specialty Pharmaceuticals
- 11 new products launched
- Dedicated specialist sales force consisting of approximately 550 personnel, supported by a network of around 1,000 distributors
- To further widen our access to doctors, patients and geographies, we have added over 250 sales force members in NATCO Reach division

APIs

We have created a niche portfolio of APIs that address our internal consumption requirements for FDFs and sale to select customers.

55
Cumulative DMFs filed

44
Active DMFs

Agrochemicals

In just three years, our strategic entry into agrochemicals has resulted in the development of a niche product pipeline with the potential to drive business revenues. One aspect of this pipeline is the focus on eco-friendly biopesticide products for farmers, thus, contributing to sustainable farming.

Manufacturing facilities

Where quality meets production

Our manufacturing facilities at NATCO embody innovation, quality and sustainability. With cutting-edge technology and a skilled workforce, our facilities have the requisite approvals and certifications from global regulatory bodies. We are committed to adhering to stringent quality norms and development of globally competitive products. Our manufacturing facilities undergo regular audits from USFDA, ANVISA, Health Canada and similar bodies. Through these measures, we aim to further the reach of the well-established brand equity of NATCO.

5
FDF Manufacturing Facilities

2
API Manufacturing Facilities

2
R&D Centres

2
Crop Health Sciences units (Technical & Formulation)

Subsidiaries

USA

- Natco Pharma Inc.
- NATCO Pharma USA 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)

Location	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
Nagarjuna Sagar, Telangana	• Lyophilised Injectables • Liquid injectables • Dry powder injectables • Large volume parenterals	• Oncology • Antibiotics • Antiviral	• WHO GMP • ANVISA • Kenya MOH • NDA Uganda • FMHACA Ethiopia • TMDA Tanzania • MOH Belarus
UPSIDC Industrial Area, Dehradun, Uttarakhand	• Oral solid dosages, including cytotoxic orals	• Oncology	• WHO GMP • MOH Netherlands • MOH Belarus • FMHACA Ethiopia
Guwahati, Assam	• Oral solid dosages	• Gastroenterology	• GMP
Visakhapatnam, Andhra Pradesh	• Oral solid dosages	• Oncology • Central Nervous System • Antiviral	• USFDA • ANVISA Brazil • Health Canada

Manufacturing capabilities (APIs and API Intermediaries)

Location	Capabilities	Category	Certifications
Mekaguda, Telangana	• APIs • API intermediates	• 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 • ISO 14001-2015 • ISO 45001-2018
Manali, Chennai	• APIs • API intermediates	• Oncology • Immunosuppressants • High potent antivirals	• WHO GMP (CDSCO) • USFDA • ISO 14001-2015 • ISO 45001-2018

Manufacturing capabilities (Agro)

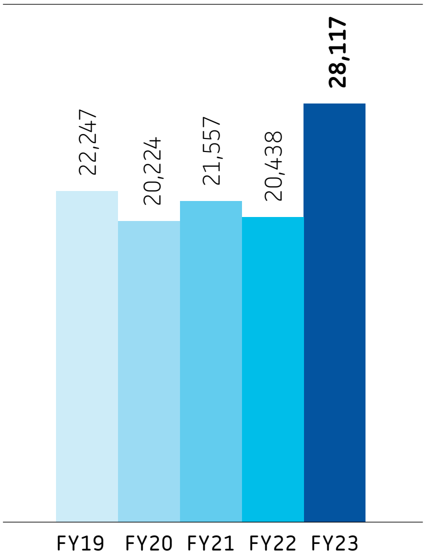
Location	Capabilities	Category	Certifications
Attivaram, Andhra Pradesh	Formulation	Suspension concentrates of insecticide and fungicide	Central Insecticide Board, Faridabad
Attivaram, Andhra Pradesh	Technical	Active ingredient and intermediates of insecticide and fungicide	Central Insecticide Board, Faridabad

Key performance indicators

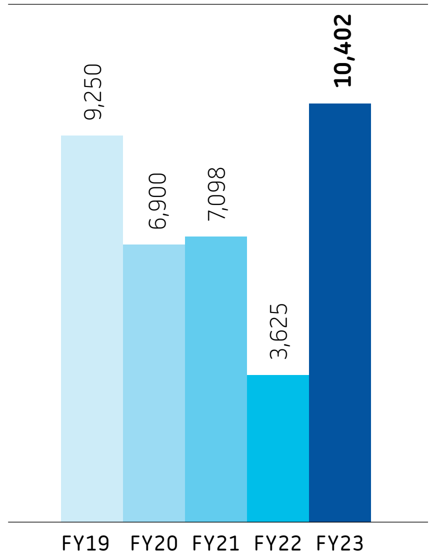
Charting steady progress

We have successfully achieved growth delivering significant results while upholding our integrity and dedication to investing in R&D and operations. We are confident in our capabilities to maintain this positive momentum.

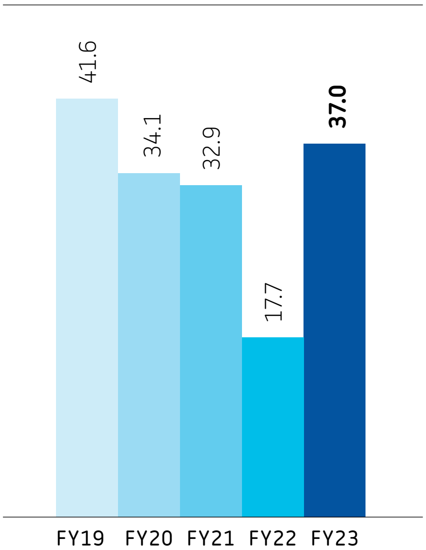
Revenue
(₹ in million)



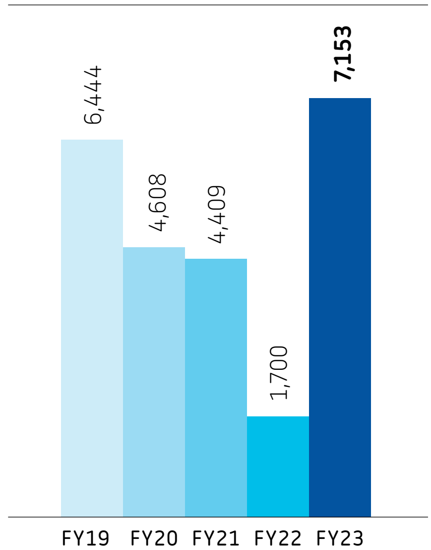
EBITDA
(₹ in million)



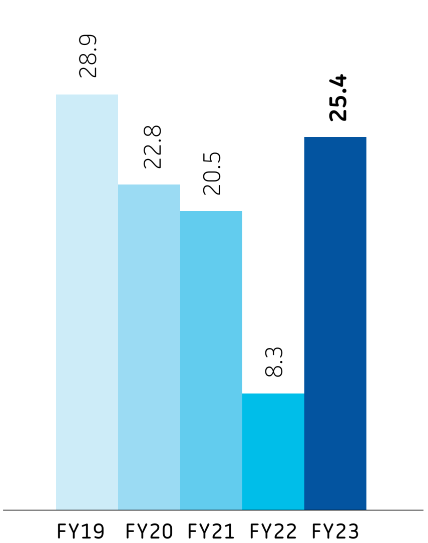
EBITDA margin
(%)



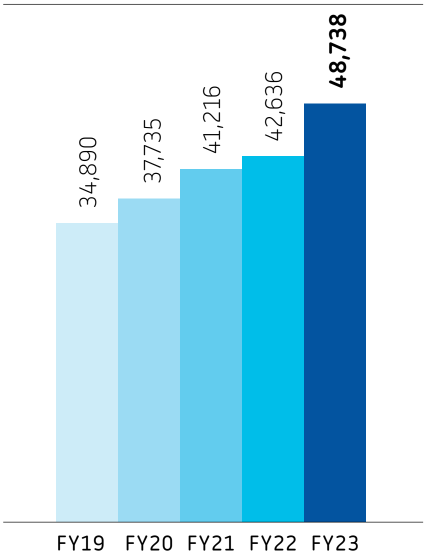
PAT
(₹ in million)



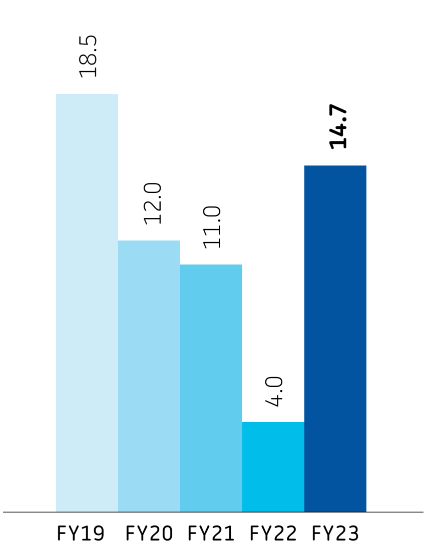
PAT margin
(%)



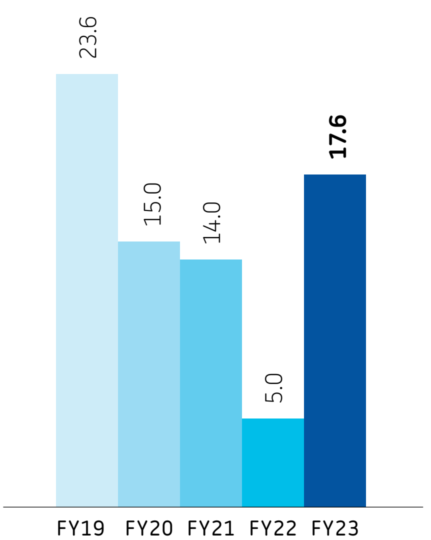
Net worth
(₹ in million)



Return on Equity (ROE)
(%)



Return on Capital Employed (ROCE)
(%)



Management message

Navigating opportunities for success

V.C. NANNAPANENI
Managing Director

RAJEEV NANNAPANENI
Director and CEO

Dear Stakeholders,

We are delighted to present you the Natco Pharma Annual Report for financial year 2022-23. Despite the uncertain global environment and challenging industry dynamics we experienced in the previous financial year, our Company has performed well during the financial year in review. This performance has been supported by our commitment to quality, manufacturing excellence and market expansion strategy.

Our financial performance highlights the progress we have made and inspires confidence for years to come. During the year, our consolidated total revenue stood at ₹ 28,117 million for the year ended on 31st March 2023 as against ₹ 20,438 million in the previous year, thus, reflecting a 38% growth in the topline. The net profit for the period, on a consolidated basis, was ₹ 7,153 million as compared to ₹ 1,700 million last year. The increase in revenue and profits for the year was driven by growth in the US business and performance from subsidiaries in Canada and Brazil. Our Crop Health Division has also started contributing steadily with strong growth potential in the coming years.

As on 31st March 2023, the market capitalisation of our Company stood at $ 1.25 billion. During the financial year, our Company issued three dividends at a total of ₹ 5.5 per share which amounted to a dividend payout of ₹ 1,004 million. Dividend payout stood at 15.76% of standalone profit.

"Our financial performance highlights the progress we have made and inspires confidence for years to come. During the year, our consolidated total revenue stood at ₹ 28,117 million for the year ended on 31st March 2023 as against ₹ 20,438 million in the previous year, thus, reflecting a 38% growth in the topline. The net profit for the period, on a consolidated basis, was ₹ 7,153 million as compared to ₹ 1,700 million last year."

The various measures taken with respect to research and development efforts, creation of a healthy pipeline of solo FTFs and Para IVs, entry into new markets and diversification into agricultural business have strategically positioned our Company for sustained growth.

Pharma

Domestic

Our Company recorded domestic formulation sales of ₹ 3,749 million and API sale of ₹ 430 million during FY 2022-23. Our three key business segments have been oncology, pharma specialty, cardiology & diabetology (C&D) with a significant market share in the oncology segment. We have created a pipeline of around 40 innovative molecules for future growth in the specialty business. During the year, we launched 11 products across the segments and are simultaneously investing in increasing the sales force coverage in these areas. We plan to further strengthen the gastroenterology, critical care, oncology and C&D portfolios under domestic formulation through both organic and inorganic means. Our aim is to launch first-time products in India with complex chemistries. Through NATCO Reach division, we are expanding our reach to a wider base of general medical practitioners. We intend to have a healthy mix of institutional, prescription and tender business.

International

Our Company witnessed formulation revenue of ₹ 20,632 million from international operations inclusive of exports, profit share, license income, export service income and revenue from subsidiaries and API sale ₹ 1,672 million. It is our strategy to enter into new geographies which will allow us to maximise the revenue potential of our existing product portfolio and also lead to diversification of revenue. We have been awarded new tenders in Asian markets such as Singapore, Taiwan, Malaysia and Thailand. In Brazil and Canada, we have continued to increase our presence in the oncology and primary healthcare segments. We are in the process of registering our products in the MENA region and have plans to set up subsidiaries in Indonesia, Latin America, Africa and elsewhere to help us in our geographical expansion.

The US is the largest pharmaceutical market in the world and our Company is deeply focused on this market. This is evident in our deep solo FTFs and Para IV pipeline. We will be pursuing complex generic strategies to overcome the odds in this competitive market. A year ago, we had acquired Dash Pharmaceuticals LLC, now renamed as NATCO Pharma USA LLC. Previously, our products were launched through profit-share agreements with distributors. However, with this acquisition, we aim to gain direct access to the US market. This will allow us to have our own pipeline launches and in-licensing opportunities. We intend to create a wider product basket for our US subsidiary operations which will enable us to capture opportunities in this large market.

Crop Health Sciences

During the year, we launched Chlorantraniliprole (CTPR) pesticide formulation and its combination products in liquid and granule forms. We are also focused on mating disruption technology through the use of semiochemicals. We have established a sales force along with a distribution channel across major parts of the country and are also keen on exploring B2B partnerships for these products. We have a pipeline of 8-10 products expected to be launched in the next two years.

Strong R&D capabilities

Our Company continues to invest in R&D thus, developing strong capabilities in difficult-to-develop molecules for the regulated markets. Strong manufacturing capabilities in addition to backward integration into API manufacturing continue to support our revenue.

Our commitment to quality

At the core of our operations is an unwavering commitment to deliver products of the highest standards of quality. To achieve this, we have nurtured a strong culture of quality throughout our organisation. Our dedicated efforts have led to the effective establishment of the Quality Management System (QMS) framework that is implemented across all our facilities. This comprehensive approach ensures that quality is consistently upheld at all stages of our operations, ultimately contributing to the satisfaction and trust of our customers. Our dedicated quality and regulatory teams provide the necessary technical and market support for all regulatory affairs.

ESG progress

Our Company has a duty towards our communities, people and the environment. We are a responsible and sustainable Company and use our business to promote positive change. We are committed to making our operations greener and to improve our environmental performance. In FY 2022-23, about 27.51% of our total energy requirement was met through renewable energy sources.

We empower our people by nurturing a culture of progress and inclusiveness, fostering an environment in which they can thrive. We continue to focus on retaining and recruiting high-calibre talent, enhancing the skills and potential of our employees and taking steps to promote diversity, equity and inclusion. Through NATCO Trust, we strive to tackle important societal issues by uplifting disadvantaged communities and fostering inclusivity and equality. During the year, 12,000 students were supported through 121 Anganwadis. Our comprehensive approach strives to promote healthy practices and raise awareness about nutrition, mother and child health, non-communicable diseases and preventive measures. We initiated two mobile clinics and two standalone satellite clinics at Kothur and Nagarjuna Sagar benefitting over 30 villages collectively.

To earn and retain the trust of our stakeholders, our Company holds itself to the highest standards of corporate governance. Transparency has always been a priority in the Company's operations and the Board of Directors and its committees are responsible for fostering a culture of integrity through a robust corporate governance process.

Path ahead

Over the next five years, we will continue to invest in building pipelines, geographical expansion, agrochemicals business growth and actively pursuing other strategic and inorganic opportunities.

Our focus will continue to be on filing a minimum of 8-10 new generic product applications annually in the US with 10-15 product filings each year in India. These efforts underscore our commitment to expand our product offerings.

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

Regards,

V. C. Nannapaneni
Managing Director

Rajeev Nannapaneni
Director and CEO

Business model

Delivering on our commitments

We create sustained value and growth through the effective use of our resources and relationships we have nurtured. We act in line with our core values which focus on building a sustainable business.

Our inputs

Financial
Investment in R&D and manufacturing facilities enable us to expand our product portfolio, technical capabilities, geographic reach and manufacturing capacity.

Intellectual capital
Our competitive advantage is in science and technology. We use our industry leading capabilities to create sustainable solutions. We own IP covering science, technology and processes.

Regulatory and compliance
We are committed to adhering to stringent quality norms and the development of globally competitive products. Our manufacturing facilities undergo regular audits from USFDA, ANVISA, Health Canada and similar such bodies.

Natural resources
We responsibly acquire raw materials and maximise their efficient utilisation.

Capabilities
We have state-of-the-art manufacturing capabilities across multiple product profiles and focusing on operational excellence and efficiency.

People
We have a highly skilled, diverse and effective workforce. Through continuous training of our people and by hiring new talent, we secure our future development.

Our activities

We conduct diverse operations in pharmaceuticals and agrochemicals across different markets. They are aligned with our purpose of bringing quality medicines and agrochemical products to our customers.

Formulations

APIs

Crop Health Sciences

Key markets

Pharmaceuticals

(i) FDFs
- India
- USA
- Canada
- South America
- South East Asia

(ii) APIs
- North America
- South America
- EU
- India

Crop Health Sciences

India and international markets

Strategy

Pursuing FTF and complex generic strategy

From partnership-based business model to direct front-end for international markets

Going for inorganic growth opportunities. 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

Product filings in existing markets and new geographies

Launching first time products in India

Adding more divisions and therapeutic areas in domestic business

Entering new geographies through foreign subsidiaries

Full scale CTPR launch in CHS division

Acquisitions in domestic and international markets

Value we create

Patient benefits

- High quality and affordable medicines
- Products tailored to patient needs

Sustainable financial growth

Delivering consistent, profitable and responsible growth for our investors

Social and economic opportunity

Enabling stakeholders to benefit from the business, its conduct and growth

Environment and local communities

Focusing on managing carbon footprint, EHS and sustainable business practices

Outcomes

38%
Sales growth

37%
EBITDA margin

17.6%
ROCE

₹ 1,959 million
R&D investment

ZERO
Lost Time Injury Frequency Rate (LTIFR)

2.45 Tons/million
Operational carbon footprint (Direct)

405 mg/nm^3
Operational carbon footprint (indirect)

Operating context

Capitalising on growth opportunities

Our business environment is undergoing changes. While we face challenges due to the complexity and increasing pressure on healthcare budgets, we see new opportunities arising from major discoveries and technological advancements in life sciences.

Demographic shifts influencing global healthcare needs

Key evolving demographic trends that are changing the world we live in:

- According to the United Nation's projections, the world's population is projected to reach 9.7 billion by 2050
- Global ageing is expected to accelerate in the coming decades as a result of significant gains in life expectancy in recent years coupled with declining fertility rates
- Changing lifestyles are leading to an increase in non-communicable diseases (NCDs), mainly cardiovascular disease, cancer, respiratory disease and diabetes. Which is leading to an increasing need for affordable healthcare solutions

Ongoing pressure on medicine pricing

The rising demand for healthcare, driven by demographic and socioeconomic factors, is putting a strain on public healthcare systems. As countries seek to achieve better value in healthcare spending, the debate over access to affordable healthcare, pricing and reimbursement has gained traction in global policy discussions.

Impact of climate change on business sustainability and human health

Climate change has an impact on every aspect of life, from water and food availability to extreme weather events and pollution. Climate change endangers supply and distribution chains which leads to concern regarding the continued availability of resources needed to sustain current business models. It also has an impact on the social and environmental factors that influence human health, such as clean air, safe drinking water, enough food, secure shelter and the prevalence of vector-borne diseases.

Our response

We expect that the demand for healthcare services will continue to grow as human lifespan increases. Treatments will need to be adjusted to align with complex health issues. To remain competitive, we will continue to meet the changing needs of the patients. Our team continuously scrutinise the competitive environment and its evolving dynamics. We have a broad product portfolio, high quality operations and a steady stream of new product launches across markets, which helps us to remain resilient in a dynamic landscape.

Market expansion

Fortifying our presence

With a strong global footprint, we have established our presence in various countries, thus, demonstrating our commitment to expand our reach and make a significant impact in the pharmaceutical industry. Our focus on developing complex and niche products, both in APIs and formulations, has positioned us as a key player in various markets.

Domestic

We have established a significant market presence in the oncology space, thanks to our strong R&D capabilities. Our successful introduction of targeted therapy drugs has positioned us as leaders in this sector. Throughout the year, we launched 11 products. Despite facing pricing pressures, our business exhibited resilience. By prioritising R&D and implementing strategies to engage a broader network of healthcare professionals, we are confident in our ability to achieve growth in the domestic market.

Oncology

We have successfully gained a prominent position in the domestic formulations market, particularly in the oncology segment, thanks to our early entry, new product launches and competitive pricing.

Over the years, our product portfolio has expanded significantly, growing from 6 brands in FY 2003-04 to 54 brands in FY 2022-23. Notably, we have a portfolio of well-recognised brands with six brands recording ₹ 100 million+ sales in the oncology segment. Furthermore, we have expanded our oncology product range to include therapy options for different types of cancer. Our commitment to patient care extends beyond providing access to medicines. We aim to empower our patients through awareness initiatives, emotional well-being support and access to information and resources throughout their treatment.

Cardiology and diabetology

We enhanced our portfolio by introducing novel products in the areas of anticoagulants, anti-diabetics, antihypertensives and metabolic disorder therapies. To further diversify our revenue profile in the domestic formulations business, we are expanding our sales force coverage in NATCO Reach division. Additionally, we are actively developing a pipeline of products that will set us apart from other players in the segment, providing us with a unique competitive advantage.

NATCO REACH has been established with the aim of expanding the coverage of our C&D products to a wider spectrum of healthcare professionals including general practitioners. We leverage our distinct selling proposition of providing high-quality and affordable

products. During the year, our team was strengthened by the addition of 250 employees enabling the consolidation of NATCO REACH's operations. In addition, we have strategic initiatives in place to introduce new molecules in the C&D segment to further strengthen our market presence.

Specialty pharma

Besides Hepatitis C, we are focused on Hepatitis B, Ortho-Rheuma and critical care. This strategic focus, combined with our penetration into new disease areas and an expanding customer base, has resulted in a notable increase in our market share.

Business highlights

23
Brands in #1 position in indicated prescription

8
Brands in excess of ₹ 100 million in sales

~650
Sales force in India

6,000+
Doctors engagement through continuous professional development programmes

Market expansion

International

Regarding our international business, our primary focus remains on strengthening our market presence and enhancing our manufacturing capabilities. We are actively pursuing a partnership-driven approach to expand swiftly into new markets across the globe. We prioritise reducing our reliance on the US markets and emphasise expanding into other new markets.

We experienced significant growth in Canada, obtained approvals in Brazil and made substantial progress towards securing consent for our oncology products. With these achievements, we firmly believe that we have positioned ourselves for continued growth in the near future.

US

During the year, we had first-to-file products like Olaparib which is used to treat ovarian/breast cancer and Semaglutide which is primarily used for the treatment of diabetes.

With the integration of NATCO Pharma USA LLC now completed, earlier known as Dash Pharmaceuticals LLC, we have successfully established a front-end presence in the US market. We aim to scale up this presence through the relaunch of ANDAs that were previously dormant in our pipeline. We anticipate that this revised business approach will lead to improved margins. While we will continue to collaborate on certain complex generics, we will simultaneously leverage our own front-end presence in the US market to directly engage with and sell to major generic drug wholesalers.

Brazil

Our presence in the oncology and primary healthcare sectors has continued to grow, thus, establishing a strong market share in both Everolimus and Oseltamivir. We achieved successful performance during the reviewed year, with business revenue in Brazil reaching ₹ 1,339 million. Our strategy involved filing niche products, participating in local tenders and promoting products through specialty clinics supported by a robust portfolio of oncology products.

During the year, we launched Apixaban, a first-to-launch product through our own sales and out-licensing. We also launched Azacitidine, a second generic in the market through generic and brand. Furthermore, we launched Gefitinib which is the first to launch and the only generic.

Set-up subsidiary in Indonesia and Colombia

In a strategic move to boost revenue growth and expand into new markets, we decided to establish a subsidiary in Indonesia. This new subsidiary, PT. NATCO Lotus Farma will be a joint venture with NATCO Pharma Limited holding a 51% stake and PT. Mitra Medis Exim (MME) holding the remaining 49%. The investment in this venture will amount to up to $ 3 million.

We will also be incorporating a 100% wholly-owned subsidiary in Colombia from an objective to enter new geographies.

Canada

We have a strong portfolio of 30+ products under oncology, anti-viral, cardiovascular and CNS therapies. In FY 2022-23, we registered revenue of ₹ 2,697 million in Canada.

During the year, we launched a first generic alternative to the cancer drug Pomalidomide capsules that is sold under the Pomalyst brand in the country, which has been approved by Health Canada. This reflects NATCO's continued investment to expand its portfolio of high-quality generic medicines at affordable prices in the region. Additionally, we also launched NAT-Apixaban and NAT-Everolimus tablets.

Pharmerging markets and Rest of the World (RoW)

We are expanding our footprint in Asia and other countries by registering our niche range of products.

- Successfully launched first generic Azacitidine in Philippines
- Participated and won large tender in Hong Kong market for Oseltamivir capsules
- Launched Oseltamivir capsules in the China market
- Secured large tender wins for Imatinib tablets and Erlotinib tablets in the Thailand market
- Launched first generic Apixaban in Myanmar, Thailand and Philippines
- Achieved significant market share for Tenofovir Alafenamide Fumarate in Thailand, Indonesia and Vietnam markets

Focus on crop health sciences

Leveraging our skillsets

Due to our expertise in organic chemistry, we have successfully entered agrochemical sector. This strategic expansion will serve as a significant driver of growth in the years ahead.

Our portfolio of Crop Health Science comprises a diverse selection of chemicals and biological solutions for effective and safe control of insects, diseases and weeds in various crops. Our focus lies on assembling talented teams across product development, manufacturing, sales and marketing to introduce NATCO's products to farmers in domestic and international markets. With a nationwide sales force and a distribution network for our products, we are also actively pursuing B2B collaborations.

During the year, we launched two Chlorantraniliprole (CTPR) pesticide formulation under brand names NATGEN and NATERRA and CTPR combination products under the brand names NATVOL and NATLIGO.

These two products serve as broad-spectrum foliar insecticides applicable to a wide array of crops. In India, we estimate the market size of the CTPR combination products to be approximately ₹ 2,000 crore. Additionally, we have been selling pheromone-based mating disruption products specifically designed to control pink bollworm, the major pest in cotton farming.

Future plans

- Strong pipeline of products planned for the next two years with a target of launching 8-10 products
- In the long run, we expect this business to contribute significantly to our revenue
- Registration of niche molecules for both domestic and international markets

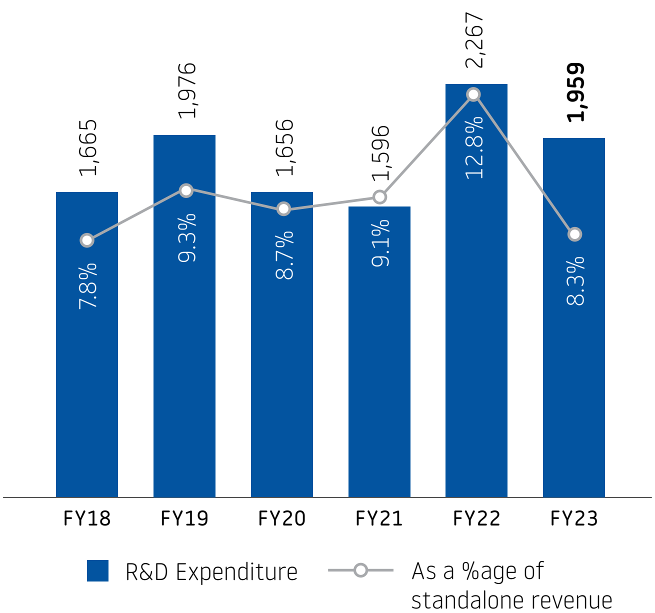
R&D and quality

Harnessing our innovative strengths

By leveraging our robust knowledge, expertise and innovation capabilities, we seek to improve our manufacturing process efficiencies and backward integration strategy to maintain cost competitiveness.

We proactively invest in state-of-the-art R&D and manufacturing infrastructure to ramp up supply of critical medications across the globe with an emphasis on quality and global compliances.

R&D Expenditure (₹ in million)



Our R&D team comprises of over 465 highly skilled employees who are proficient researchers, scientists and product specialists. They are deeply committed to enhance our intellectual property through innovation and dedication. We prioritise patients' needs and adopt a proactive approach to develop complex molecules. Our first-to-market and first-to-file status demonstrates our patient-centric actions. Additionally, we emphasise environmental and safety performances in our R&D operations, thereby, creating a holistic impact.

Patient-centric R&D

- **Proactive clinical study**
  A combination product for colorectal cancer where an expensive clinical study was undertaken to create access to the medicine
- **Hot Melt technology**
  Invested in expensive and versatile technology in R&D and manufacturing of Olaparib, despite being in use for only this product
- **Eliminate spray drying**
  Developing a non-infringing process with new technology while eliminating solvent usage and VOC emissions
- **Promoting affordability**
  Rapid development and affordable pricing for Baricitinib, supporting public health emergency

Embedding sustainability in R&D

By integrating green chemistry principles, we are committed to improving the sustainability impact of our R&D activities. This includes employing less hazardous chemical synthesis, adopting inherently safer chemistry to prevent accidents, reducing derivatives and designing for degradation. These efforts align with our commitment to provide affordable medicines and result in positive outcomes for new product development.

R&D and quality

Quality

Our R&D capability allows us to produce high-quality products that comply with global health authority standards. We prioritise Quality Control and Quality Assurance, thereby, ensuring strict adherence to cGMP norms. Through continuous improvement of our products, processes and workforce skills, we consistently enhance our offerings as per the evolving needs of our customers.

Putting our patients first in manufacturing

Adhering to our patient-centric approach, we have robust quality systems in place that prioritise patient safety. In the reporting year, we underwent seven regulatory audits across our two finished dosage facilities to ensure compliance with regulatory standards. These audits entail a thorough evaluation of our processes and operations in line with cGMP requirements. Through practices like shift huddles, Gemba walks and guidelines, we actively shape behaviours and drive effective outcomes. Our preparedness for virtual audits by regulators, both in terms of personnel and infrastructure, has enabled us to maintain approvals and ensure a steady supply to our valued customers and patients.

Safety

Safety is our utmost priority in all our processes and operations. We monitor safety performance using lead and lag indicators by conducting internal audits and have established learning processes to proactively prevent accidents.

Safety Management System

API manufacturing facilities – Both the API facilities (Mekaguda and Chennai) are certified with ISO 14001-2015 and ISO 45001-2018 systems standards

Finished dosage facilities – Three units (Kothur, Vizag and Dehradun) are certified with ISO 45001-2018 system standards during FY 2022-23. Implementation of ISO 14001-2015 and ISO 45001-2018 system standards are under progress at Nagarjuna Sagar and Guwahati and Natco research units

Process safety

Process safety is a vital aspect in ensuring safe and sustainable production. As prevention plays a key role in process safety, therefore, we have ensured Pre-Start-up Safety Procedures (PSSR) by implementing review checklists. The PSSR team, comprising the process/equipment/facility owner, safety in-charge and engineering in-charge focuses on critical elements such as reviewing P&ID, conducting site and control room visits to assess readiness for start-up, tracking actions and maintaining proper documentation.

Catalyst substitution
Pyrophoric dry catalyst usage was converted to wetted catalyst to eliminate the fire/explosion risk in one of the product

Eliminate hazardous material
Activated zinc dust drying process eliminated in one of the processes

Reduction
Reduction of usage of precious metal catalysts (PD carbon strength reduced from 10% to 5%)

Eliminating hazard
Changed route of synthesis and addressed runaway condition in one of the processes

ESG

Making a sustainable impact

At NATCO, every aspect of our operations is underpinned by a profound commitment to the environment, people and our communities. We perceive our proactive role as more than just an obligation; to actively contribute to the enduring objectives of sustainable development.

Environment

Responsibly using and protecting the natural environment through conservation and sustainable business practices.

Read more on page 27

Social

Being responsible and accountable towards the health, safety, well-being and satisfaction of our people, communities and other relevant stakeholders.

Read more on page 30

Governance

Building trust, transparency and excellence by adhering to best-in-class industry practices, ensuring business integrity through responsible leadership.

Read more on page 36

Environment

Embracing a low-carbon future

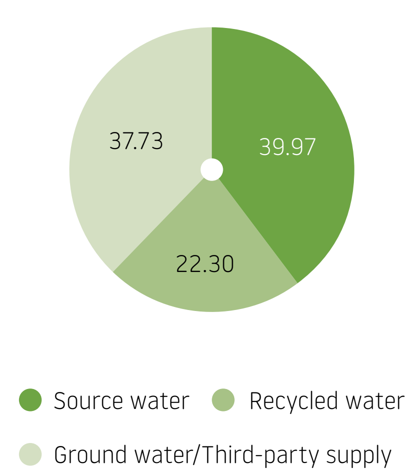
Being a responsible organisation, the well-being and safety of our people and the planet are paramount to us. Our sustainability strategy is aligned with the global objective of mitigating climate change, global warming and other environmental challenges.

The implementation of our strategy, Policy-Commitment-Action, has resulted in the development of technology-driven solutions and active engagement of our employees. Our leadership has established a clear sustainability agenda that emphasises on the importance of water, wastewater, waste and energy management and we are continually striving to make advancements in these areas. Our manufacturing operations consistently adhere to environmentally responsible practices, helping us make significant progress in environmental management.

Water management

Water is a vital natural resource crucial for sustaining life and plays a fundamental role in our existence. In the production of essential pharmaceuticals such as Finished Dosage Formulations and APIs, the utilisation of high-quality water is imperative for processing raw materials and conducting production operations. To fulfil this water requirement in the most efficient way, we source water from both ground and surface water sources and employ wastewater recycling methods.

Water source (%)



We proactively implement water conservation strategies to reduce water consumption across our operations. These measures include wastewater recycling, condensate recycling, utilisation of rooftop rainwater, collection, treatment and reuse of rainwater, as well as initiatives focused on recharging groundwater through rainwater.

Environment

Water conservation initiatives

- One of our manufacturing facilities successfully implemented a rooftop rainwater collection and reuse system. Approximately 3,000 KL of rainwater was collected from the rooftop and reused for boiler operations, resulting in a reduced demand for freshwater during the reporting year.
- To treat and recycle the initial runoff rainwater, an advanced Reverse Osmosis (RO) plant was installed at one of our manufacturing facilities.
- To further enhance our rainwater management capabilities, we constructed two additional tanks and implemented a distribution system. These tanks have a combined capacity of 25,000 KL.

Water management initiatives

- Reduction in water consumption by 12,000 KL per annum was achieved with steam condensate recovery across several equipment like ATFD, MEE, paddle dryer, etc. 400 KL per annum reduction in water consumption was achieved by cleaning of multiple heat exchangers/condensers using a fully automatic, single system on a continuous basis.
- Water in domestic usage (20 KLD savings): Employees were engaged to audit water consumption, leakages, pipe flowrates and carry out pep talks.

Wastewater management

We consider wastewater management to be a valuable strategy to ensure water security. Our commitment to sustainable water management is demonstrated by our adherence to local regulations. As early as 2003, we implemented wastewater recycling systems (ETP-ZLD) to treat and recycle wastewater. In order to maintain the quality of recyclable water, we have upgraded our existing treatment plants. Additionally, we have consistently improved our wastewater recycling capabilities by upgrading our Effluent Treatment Plants (ETPs) to Zero Liquid Discharge (ZLD) plants.

- Two new wastewater recycling facilities installed for treatment and recycling of wastewater (Kothur and Attivaram units)
- As part of our expansion project, the ZLD system at Chennai unit saw a capacity enhancement from 100 KLD to 250 KLD
- During the reporting year, about 96,000 KL of wastewater was treated through ZLD plants and recycled for cooling towers and other utility applications. It is corresponding to 37.73% of freshwater need fulfilled by recycling apart from the steam condensate recycling and treated wastewater used for on-land gardening.

Waste management

We intensified our emphasis on the utilisation of waste for beneficial use through practices such as reuse, recovery, reprocessing, recycling, co-processing and conversion into alternative fuels (AFR) rather than disposing into landfills or incineration.

Initiatives

- At Mekaguda unit, we achieved 100% of ETP sludge and 50% of process inorganic and evaporation salts utilised through pre-processing followed by co-processing during the reporting year
- At the Chennai unit, a new sludge dryer system was installed at our ZLD plant, to dry the decanted wet sludge cake for removal of moisture to make the ETP sludge amicable for pre-processing followed by co-processing in cement kilns instead of disposing to landfills.
- At Nagarjuna Sagar unit, we installed the screw press in place of the conventional sand drying beds for efficient dewatering of sludge and get the low-moisture sludge cake.
- All non-hazardous waste is sent to end users/recyclers.
- E-waste is sent to authorised re-processing and recycling facilities.
- Kitchen waste is converted into compost and are utilised as manure.

Plastic packing material (PWM – EPR)

As a socially responsible organisation that aims to meet the needs of patients with our pharmaceutical products, we have collaborated with various stakeholders to implement a reverse collection and recycling system. We have partnered with registered plastic waste processors to collect and recycle post-consumer plastic packaging materials that are part of our products in the market. In compliance with the Extended Producer Responsibility (EPR) regulations and in alignment with the guidelines provided by the Central Pollution Control Board (CPCB), we have purchased EPR certificates for 58 tonnes of plastic packaging materials across different categories in the current year.

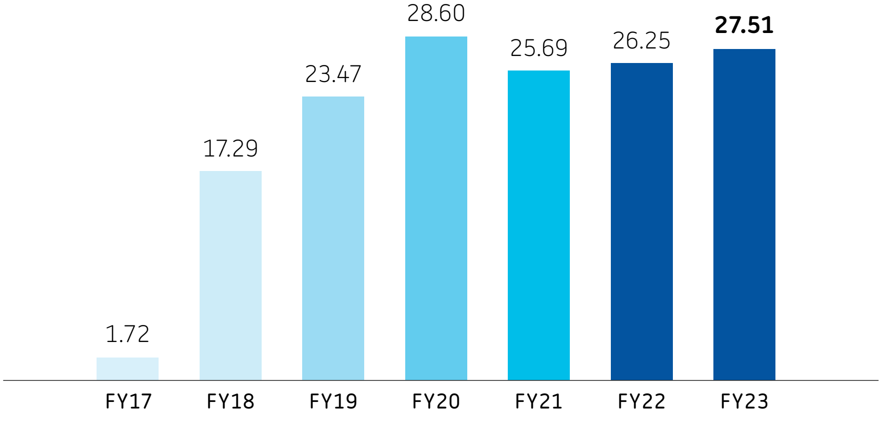
Energy management

Enhancing energy efficiency through streamlined operations and optimised processes is at the forefront of our initiatives. With this, we aim to maximise resource utilisation while minimising energy consumption, aiding sustainability and cost efficiency. Our energy conservation team analyses the energy and steam consumption sources, while the operational excellence team pursues technologically advanced solutions to improve operational efficiency and achieve lower resource usage.

Renewable Energy: We established 6.00 MW onsite solar power plants and 4.2 MW wind energy plants and made solar power purchase agreements with renewable energy generators.

In FY 2022-23, about 27.51% of our total energy requirement was met through renewable energy sources. In the reporting year, the GHG emission was reduced by 18,426 tCo_2 eq. We are closely following the national renewable energy policies and are committed to taking the required actions to invest in clean and renewable energy sources.

Renewable energy contribution - Natco Group (%)



In our commitment to utilising sustainable energy sources, we have introduced a Briquette fired boiler at our Attivaram unit. Additionally, we have implemented various energy conservation measures throughout our operations. At our largest API manufacturing facility, we installed an auto tube cleaning system for heat exchangers, leading to an annual energy savings of 10% in the chilling system. Furthermore, we have installed energy-efficient compressors and developed robust protocols for Air Handling Units (AHU) to optimise energy usage based on our requirements.

Social

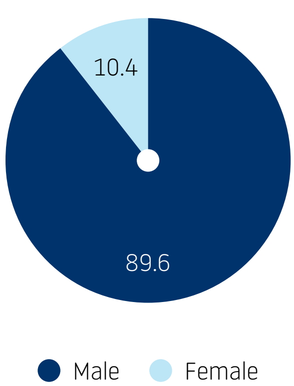
Shaping an inclusive culture where everyone can thrive

Our people and the relationship we build with communities are the foundation on which we grow and prosper as an organisation. Our employees are the key to our success and as a result, we invest significant resources in ensuring that we are an employer of choice in all the regions where we operate. Our long-term success depends on being a safe workplace where employees feel engaged and taken care.

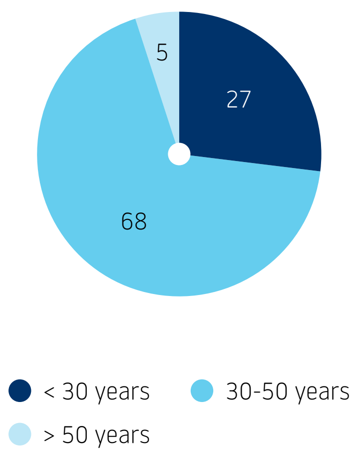
Human Resources

We firmly believe that people are the foundation for sustainable growth. Through training and mentorship opportunities we not only enhance their skills and expertise but also nurture a sense of ownership amongst our employees. Fostering a culture that values collaboration, innovation and continuous learning, we aim to inspire our employees to bring the best version of themselves every day.

Gender diversity (%)



Workforce by age group (%)



Performance management

Performance management is a strategic priority that underpins our commitment to excellence. We firmly believe that a robust performance management framework is indispensable for a culture characterised by outstanding performance, continual growth and active employee engagement. Our dedicated approach to performance management calls for establishing unambiguous expectations, provide frequent feedback and creating avenues for development and recognition.

To promote the development of our personnel, we adhere to an annual goal-setting process that entails outlining expectations. However, we also acknowledge the importance of frequent goal reviews. As a result, we have modified our approach and now conduct goal-setting reviews on a semi-annual basis instead of once a year. This enables us to provide more timely feedback and identify opportunities for course correction, enabling a culture that supports continuous improvement.

Regarding promotions to senior positions, our approach ensures that individuals are promoted based on their skills and capabilities, while also considering the organisational needs and available vacancies. In essence, our Performance Management System (PMS) guidelines prioritise providing clarity on expectations, aligning employees with coaching and support and implementing improvement plans as needed.

Talent management

At NATCO, we prioritise attracting and retaining the most suitable talent. In an industry driven by innovation, stringent regulations and evolving market demands, we recognise that our employees are the true catalysts for our success.

Social

Learning and development

Our growth strategy is focused on the continuous professional development and upskilling of our employees. To this end, we arrange regular training programmes, knowledge-sharing sessions and offsite training programmes and seminars as integral components of our learning and development initiatives. These activities are designed to provide our teams with the necessary skills and knowledge for success.

The Management Development Programme (MDP)

Our MDP programme covers a diverse range of topics specifically designed to enhance managerial effectiveness. One key focus area is cultivating strong interpersonal relationships with stakeholders, employees, clients and suppliers. Through the provision of valuable insights and effective strategies, we empower our managers to skilfully navigate the complexities of stakeholder dynamics, thus, enabling them to build and maintain successful relationships.

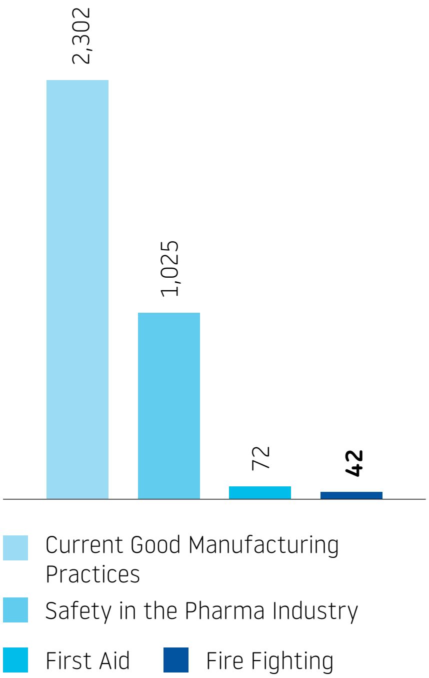
Emotional intelligence

Our MDP programme also places a special emphasis on Emotional Intelligence (EI). We recognise that technical proficiency alone is not sufficient for effective leadership. By advising our trainers to focus on EI as a key area, we ensure that our managers are equipped to build high-performing teams and develop skills such as self-awareness, empathy, effective interpersonal communication with stakeholders, trust and accountability, delegation and cross-functional collaboration.

Safety

We have organised a series of comprehensive training sessions for our employees and workmen covering crucial aspects of safety in the pharmaceutical industry. This training focused on equipping participants with essential knowledge and skills in areas such as current good manufacturing practices (CGMP), first aid and fire safety.

Number of Employees trained in reporting year



High employee involvement for quality and sustainability

At NATCO, we value the engagement and empowerment of every individual who is part of our Company. We understand that their distinct perspectives and contributions are crucial for achieving success and in ensuring we maintain a high standard for our products, while adhering to regulatory guidelines.

In our commitment to sustainability saw us embark on a transformative journey that translated all boardroom discussions into action on the shop floor. Through site workshops, we focused on the significance of sustainability and each employee's role in it.

Corporate Social Responsibility

NATCO Pharma seeks to contribute to the well-being of the communities in which it operates and be a responsible corporation and good corporate neighbour. Through the NATCO Trust, we strive to tackle important societal issues by uplifting disadvantaged communities and fostering inclusivity and equality.

Over 15 years, we have rolled out initiatives with a focus on education, healthcare and empowering marginalised groups, thus, leaving a lasting and positive influence on the communities we serve. As an organisation, we are constantly evolving and actively creating collaborative platforms for key stakeholders to contribute towards our shared goals.

Education

We firmly believe in the transformative power of education. Through the NATCO Trust, we focus on nurturing notable institutions and supporting government schools and Anganwadis. Our NATCO High School, established in 1995, has achieved a remarkable 100% graduation rate in the 10^{th} grade examinations. With over 900 students, 60 staff members and 67 classrooms, we provide quality education to surrounding villages and our employees' children. Similarly, the NATCO School of Learning, founded in 2011, serves over 470 students with a dedicated staff of 54 members across 64 classrooms.

Key focus areas

Education	Community infrastructure	Health and nutrition	Livelihoods

FY 2022-23 key highlights

Education

2 NATCO schools with 1,384 students enrolled

12,000 students supported through 121 anganwadis, 29 primary schools and 1 junior college

Infrastructure

4 new anganwadi centres

16 additional classrooms for 2 high schools

Renovation for 1 primary school

4 potable water plants

Health and Nutrition

˜50,000 footfalls at NATCO Cancer Center

˜700 mothers supported by nutritional centres

Over 70,000 benefitted through NACTO-supported hospital and mobile healthcare services

Livelihoods

Non-pesticide management and zero-based natural farming benefitting 99 farmers

Veterinary healthcare services supporting around 400 farmers

Capacity building for women

Sports and culture

State level junior hockey tournament, community volleyball tournaments held

Music and cultural activities at government schools and target villages held

Social

900+
STUDENTS RECEIVED QUALITY EDUCATION

470
STUDENTS SERVED THROUGH NATCO SCHOOL OF LEARNING

We actively foster holistic development by encouraging student participation in events such as the CBSE games, science competitions and the CIENA design challenge. This international design challenge empowers students and teachers to develop innovative solutions for real-world problems. We support and strengthen government schools and Anganwadis to ensure that quality education reaches everyone.

Enhancing infrastructure and education in government schools and Anganwadi centres

We are committed to create an environment where every child can learn, thrive and succeed. Through our support for government educational institutions, we provide the necessary resources, skilled teachers and innovative teaching methods to ensure access to quality education. By equipping schools with the necessary teaching materials and embracing interactive learning experiences, we empower children and enhance the learning competence of our students.

Recognising the importance of Anganwadis in comprehensive child development, we proactively support these measures to support these centres in specific villages and urban slums. By providing the resources and addressing the challenges in these areas, we foster an environment conducive to holistic development of the children. Our efforts have led to a remarkable growth of 72% in total enrollment, reaching 2,042 children in Anganwadi centres compared to 582 children in 2018-19. This demonstrates the positive impact of our initiatives in expanding access to quality early childhood education.

To ensure cognitive health and social development, health and learning assessments were conducted for over 400 children in our centres. These assessments provided valuable insights that allow our dedicated teachers to personalise their approach and meet the unique needs of each child. Furthermore, we organise refresher training programmes for Anganwadi teachers, helpers, supervisors and company volunteers to enhance their skills and knowledge.

Health and nutrition

NATCO is deeply committed to improve healthcare through various initiatives. Our comprehensive approach to achieve this includes initiatives that promote healthy lifestyle practices, raise awareness about nutrition and maternal health and provide support for cancer care.

- In partnership with the Government General Hospital in Guntur, our NATCO Cancer Block has served over 52,000 patients and we have donated a state-of-the-art 3-D mammogram machine for early breast cancer detection
- Provide manpower support to four major Government General Hospitals in Hyderabad benefitting over 400,000 patients through outpatient services, follow-ups, counselling and home visits
- Established mobile and satellite clinics, reaching more than 30 villages
- To prioritise women's health, we have initiated 41 nutrition centres to distribute supplements and create awareness among pregnant and lactating women, aiming to prevent anaemia and malnutrition

Supporting 21 government schools and 121 Anganwadi centres

Kothur

4
HIGH SCHOOLS

8
PRIMARY SCHOOLS

1
UPPER PRIMARY SCHOOL

19
ANGANWADI CENTRES

Nagarjuna Sagar

12
PRIMARY SCHOOLS

22
ANGANWADI CENTRES

Gollamudipadu

5
PRIMARY SCHOOLS

14
ANGANWADI CENTRES

Siddipet

1
HIGH SCHOOL

Chennai

1
HIGH SCHOOL

Hyderabad

3
HIGH SCHOOLS

4
PRIMARY SCHOOLS

66
ANGANWADI CENTRES

1
JUNIOR COLLEGE

Pink Yoga: Empowering wellness for breast cancer

NATCO's oncology department organised widespread 'Pink Yoga' activities across India to support breast cancer patients, survivors, medical professionals and support staff. This initiative promotes physical and mental well-being through the practice of yoga and aims to enhance the overall quality of life and emotional well-being of breast cancer patients. The events were held in multiple Indian cities and participants showed support by wearing pink ribbons, a symbol of breast cancer awareness. To ensure inclusivity, NATCO provides breast cancer patients participating in Pink Yoga with a comprehensive FAQ booklet available in various languages, including English and regional dialects.

Promoting sustainable cultivation practices in kitchen gardens and on the farm

We are empowering families to take charge of their food sources, improve their nutrition and strengthen their economic resilience. As part of our community empowerment initiatives, we have assisted 584 families in setting up kitchen in their backyards. By providing a variety of seeds and necessary resources, we have enabled these families to grow their own nutritious produce.

Pre-Cancer Screening Drive for Women

In collaboration with MNJ Hospital Hyderabad, we organised a comprehensive pre-cancer screening camp targeting women in Kothur and Hyderabad. The camp attracted the participation of 313 women, emphasising the importance of early detection for breast, cervical and oral cancer. The screening procedures included PAP smears, ultrasounds, mammograms and oral examinations, enabling the identification of potential abnormalities and facilitating prompt interventions

3-D mammogram machine donated to the Government General Hospital in Guntur

NATCO also promotes sustainable farming practices such as non-pesticide management (NPM) and zero-based natural farming (ZBNF). Currently, we have 98.5 acres of land under cultivation through this initiative, with 81.5 acres practicing NPM and 17 acres following ZBNF farming methods. This initiative has benefitted 99 farmers across 7 villages. To complement these efforts, NATCO supports the training of farmers in organic farming practices. In the past year, 34 farmers have attended two training sessions on organic farming and practices conducted by Krishi Vignan Kendras at Nagarjuna Sagar.

Enhancing livestock health and productivity through veterinary healthcare initiatives

NATCO supports animal husbandry in the villages of Nandigam and Kothur mandals by supplying crucial fodder and medicines to 350 farmers. Furthermore, we organised a veterinary health camp in three villages at Nagarjuna Sagar, benefitting 91 farmers and over 2,000 animals. We also facilitated the breeding process for 100 animals through artificial insemination.

Governance

Moving ahead with integrity

NATCO has corporate governance at the heart of its management approach. Our decision-making process hinges on decentralisation, empowerment and meritocracy with an aim to enhance shareholder value.

Beyond mere adherence to laws and regulations, we hold ourselves to elevated ideals of ethics, integrity and sustainability. We strive to create a meaningful, positive influence on society through every aspect of our business operations.

Governance framework

Our approach to corporate governance and the role it plays goes beyond meeting our compliance obligations. We believe that our governance framework supports our high performing and respectful culture and is underpinned by our values of integrity, respect, openness, collaboration, creativity and quality.

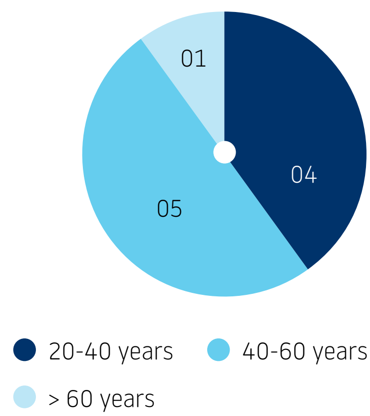
Composition of the Board

The Board comprises optimal combination of Independent as well as Executive Directors having an in-depth knowledge of the business and industry.

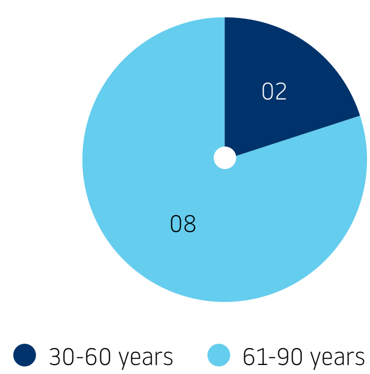
Skills and experience

The strategic direction, overall performance and key corporate policies of our Company are under the diligent stewardship of our Board of Directors. Comprising a group of highly involved individuals, the Board offers an effective oversight of an organisation. Individually and collectively, our Directors possess the qualifications, skills and experience necessary to make informed decisions and prioritise the long-term goals of our Company.

Board experience



Board age profile



Board of Directors

Leading with trust and transparency

Sri V. C. Nannapaneni
Managing Director

Sri G. S. Murthy
Chairman & Independent Director

Dr. T. V. Rao
Independent Director

Sri Rajeev Nannapaneni
Director and Chief Executive Officer

Sri D. G. Prasad
Independent Director

Dr. Leela Digumarti
Independent Director

Sri P.S.R.K Prasad
Director and Executive Vice President
(Corporate Engineering Services)

Dr. M.U.R. Naidu
Independent Director

Dr. D. Linga Rao
Director and President –
Technical Affairs

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

Management team

Empowered by strategic leadership

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

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

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

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

RAJESH CHEBIYAM
Executive Vice President, Crop Health Sciences

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

LAKSHMINARAYANA ARE
Senior Vice President - HR & OD

RAMAKRISHNA SRIDHAR REDDY
Senior Vice President – Corporate Q. A

SRINIVAS CH.
Senior Vice President – Demand and Supply Planning

SUNIL KOTARU
Senior Vice President – Supply Chain Management

SANIVARAPU RAVIPRAKASH REDDY
Senior Vice President – Operations

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

RAVI KIRAN NAMBURI
Vice President - Marketing & Sales, Domestic

SUBBA RAO MENTE
Vice President - Global Generics
(Designated as Head – Global Generics & COO, Natco Pharma USA LLC w.e.f. 1st May 2023)

VENKATA RAO TUMMALA
Vice President – Production

SURESH BABU K
Vice President – QA

SANDEEP KUMAR
Vice President – QA
(Appointed w.e.f. 2nd February, 2023)

GNANADEVA CHALAPATHY GUDIPATI
Vice President - Analytical Research & Development

DR. KRISHNA MURTHY BHAVANASI
Vice President – FR & D

KURRA VENKATA SREENIVASA BABU
Vice President - Operations

DR. RAMPALLI SRIRAM
Vice President – CRD
(Appointed w.e.f. 1st September, 2022)

DR. PRAVEEN CHOWDARY MYNENI
Vice President – Medical Affairs & CR

DR. GOGULA VENKATA RAMANA
Vice President – Drug Development & CR

DR. PRATIMA JAIN
Vice President – IPR

BARUR PRAVEEN KUMAR
Vice President – IBD

MANIKKAM NATARAJAN
Head - Sales and Marketing
(Crop Health Sciences)
(Resigned w.e.f. 30th September, 2022)

AMRESH KUMAR TRIVEDI
Deputy General Manager, Legal
(Appointed w.e.f. 1st September, 2022)

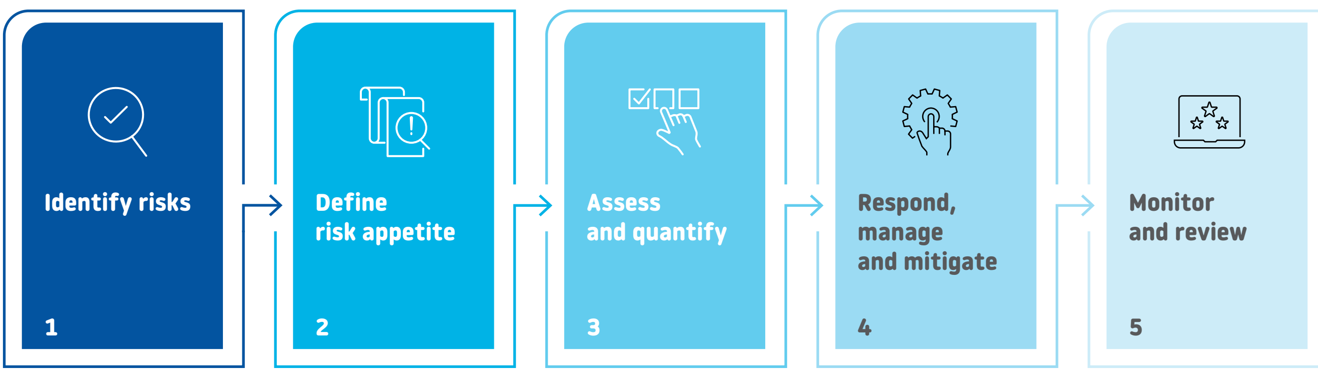
VENKAT RAMESH CHEKURI
Company Secretary & Compliance Officer

Risk management

A strategy for excellence

We recognise that managing risk effectively is integral to executing our strategy. To execute our strategy and achieve excellence through our business model, both operationally and financially, we must ensure we maintain the right balance between safeguarding our Company from potential risks and taking advantage of potential opportunities. Our aim is to foster a culture of effective risk management by encouraging appropriate and monitored risk-taking to achieve the Group's strategic priorities.

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 our operations beyond India and the US and are growing our business in Canada, South America, the Middle East and Asia-Pacific
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 compliance

Risk	Nature of Risk	Control and action
Health, safety and environment	Being in the business of healthcare, it is imperative for our Company to ensure 'zero risk' about 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 & 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

Management Discussion & Analysis

Macroeconomic review

Global economy

The global economy continues to face a complex and uncertain landscape. Following the economic contraction caused by the COVID-19 pandemic, the Russian-Ukraine conflict led to a worldwide surge in inflation. Then, the central banks across economies led by the United States Federal Reserve (US Fed) responded with synchronised policy rate hikes to curb inflation. Additionally, the frailties of the Chinese economy further added to subdued growth forecasts. Some of the developed economies have shown signs of rebounding, with increased consumer spending, higher industrial output, and improving labour markets. However, emerging markets and developing countries face a more varied situation, with some experiencing robust growth driven by increased domestic consumption and favourable commodity prices while others are hindered by high debt burdens and slower external demand.

Geopolitical tensions remain a notable concern, impacting trade relationships and investments worldwide. Additionally, the persistence of supply chain disruptions and rising inflationary pressures threaten the overall economic stability. Governments and central banks carefully balance monetary and fiscal policies to support growth. Collaboration and coordinated efforts between nations are becoming increasingly critical to address shared global challenges and foster sustainable and inclusive economic growth in the years ahead.

Global gross domestic product (GDP) growth trend (%)

	2022	2023F	2024F
World	3.4	2.8	3.0
Advanced economies	2.7	1.3	1.4
US	2.1	1.6	1.1
Eurozone	3.5	0.8	1.4
UK	4.0	(0.3)	1.0
Other advanced economies	2.6	1.8	2.2
Emerging markets and developing economies	4.0	3.9	4.2
China	3.0	5.2	4.5
India	6.8	5.9	6.3

Source: International Monetary Fund (IMF) World Economic Outlook – April 2023

Outlook

The International Monetary Fund (IMF) expects global GDP growth to bottom out to 2.8% in 2023 before stabilising at 3.0% in 2024. Although global inflation is expected to fall from 8.7% to 7% in 2023 and 4.9% in 2024, but will stay above the pre-pandemic levels of about 3.5%. In the United States, easing inflation and positive employment data indicate a more gradual economic slowdown, suggesting a softer landing. On the other hand, the eurozone is expected to experience subdued growth, while the United Kingdom (UK) is anticipated to face a potential technical recession in the near future. Overall, global growth remains uncertain due to many economic and geopolitical factors.

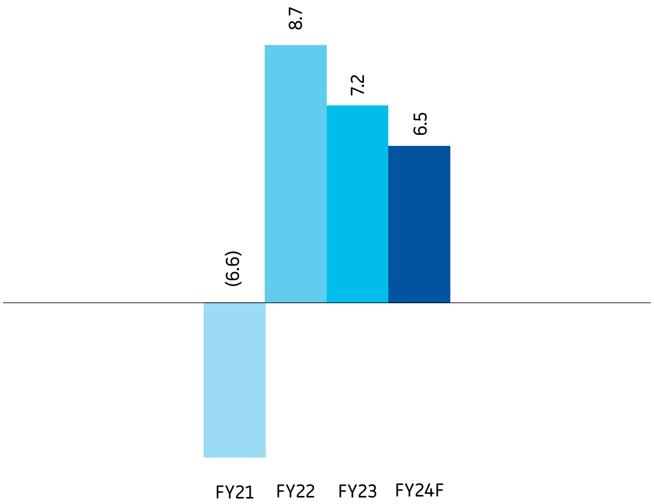
Indian economy

The rate hike by the US Fed caused flooding of capital into the US markets making the US Dollar appreciate against most currencies. This development caused current account deficit (CAD) to widen and increase inflationary pressures in net importing economies like India. The Indian economy, however, seems to have bounced back after the pandemic indicating a near-full recovery in FY22. Yet. the current year has brought the challenge of reining in inflation caused by the European strife for India. Measures taken by the Government and the Reserve Bank of India (RBI), have somehow managed to contain retail inflation below the RBI upper tolerance target in November 2022. However, the challenge of the depreciating rupee persists with the likelihood of further increases in policy rates by the US Fed. The widening of the CAD may continue for some period and the dip in export activities is further possible as the slowing world growth and trade shrinks the global market size in the second half of the current year.

Despite these, agencies worldwide continue to project India as the fastest-growing major economy at a growth rate of 6.5-7.0% in FY23. These optimistic growth forecasts stem partly from the rebound of private consumption which is back as the leading driver of growth. The uptick in private consumption has also boosted production activity, resulting in increased capacity utilisation across sectors.

The Capital Expenditure (Capex) of the central government, which increased by 63.4% in the first eight months of FY23, was another growth driver of the Indian economy in the current year. A sustained increase in private capex is also imminent with the strengthening of the balance sheets of the corporates and the consequent increase in credit financing it has been able to generate. The much-improved financial health of public sector banks has positioned them better to increase the credit supply.

India's GDP growth trend (%)



Source: Central Statistical Office (CSO) estimates/Reserve Bank of India (RBI)

Outlook

As per the Reserve Bank of India (RBI), the Indian economy is forecasted to grow at a rate of 6.5% in the fiscal year 2023-24 (FY24). Growth is expected to be there in FY24 as an aggressive credit disbursal and capital investment cycle is likely to unfold in India with the strengthening of the balance sheets of the corporate and banking sectors. Global growth has been projected to decline in 2023 and is expected to remain generally subdued in the following years. The slowing demand will likely push down global commodity prices and improve India's CAD in FY24.

Industry review

Global pharmaceutical industry

According to the IQVIA report, based on invoice price levels, the global medicine market is projected to experience a compound annual growth rate (CAGR) of 3-6% until 2027, resulting in a total market size of $ 1.9 trillion. The growth during this forecast period will be driven by various factors, including the introduction of new products, the impact of patent expiries, and the increasing influence of biosimilars.

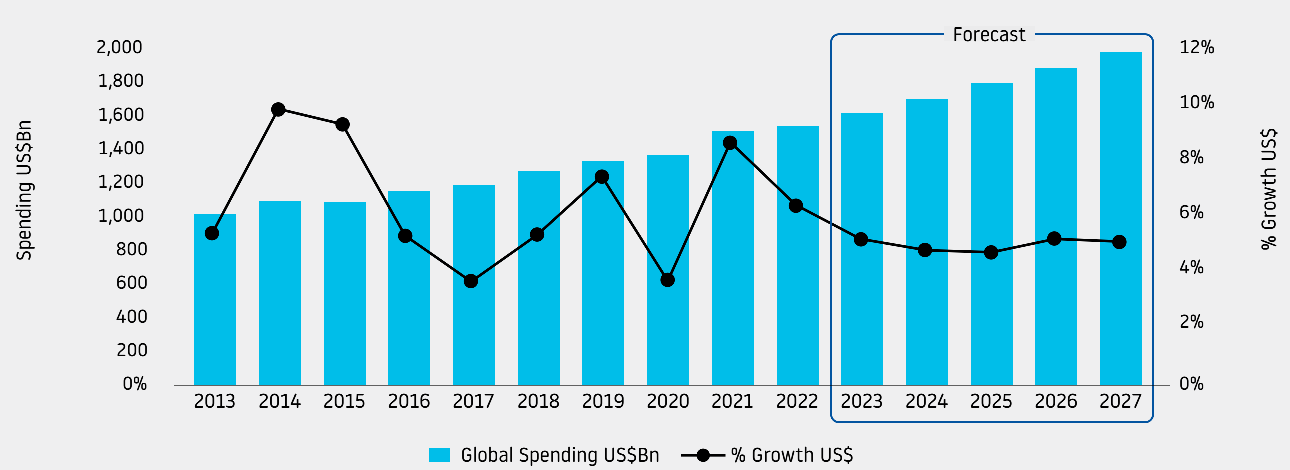
In developed markets, players are expected to face budgetary constraints leading to measures aimed at curbing drug spending growth. In Europe, spending is anticipated to increase by $ 59 billion by 2027, focusing on generics and biosimilars.

This development will likely exert additional pressure on novel medicines' value and negotiated prices, reflecting the evolving dynamics and priorities within the pharmaceutical industry.

The global pharmaceutical market is projected to have an estimated net cumulative expansion of $ 500 billion from 2020 to 2027. The regions expected to experience the highest volume growth are Latin America, Asia, and Africa because of population growth and increased access to healthcare. The demand for innovative drugs, particularly in the field of oncology, is set to drive spending to approximately $ 370 billion by 2027, nearly double the current level.

The Global medicine market – using invoice price levels – is expected to grow at 3-6% CAGR through 2027 to about $ 1.9 trillion

Global medicine market size and growth 2013-27



Source: IQVIA Market Prognosis, September 2022: IQVIA Institute, November 2022

Outlook

The ending of China's 'Zero-COVID' policy at the beginning of 2023 has provided a boost for pharmaceuticals globally. The reopening of the Chinese economy is helping to reduce strains on global supply chains and, particularly global access to the active pharmaceutical ingredients (APIs) produced in China.

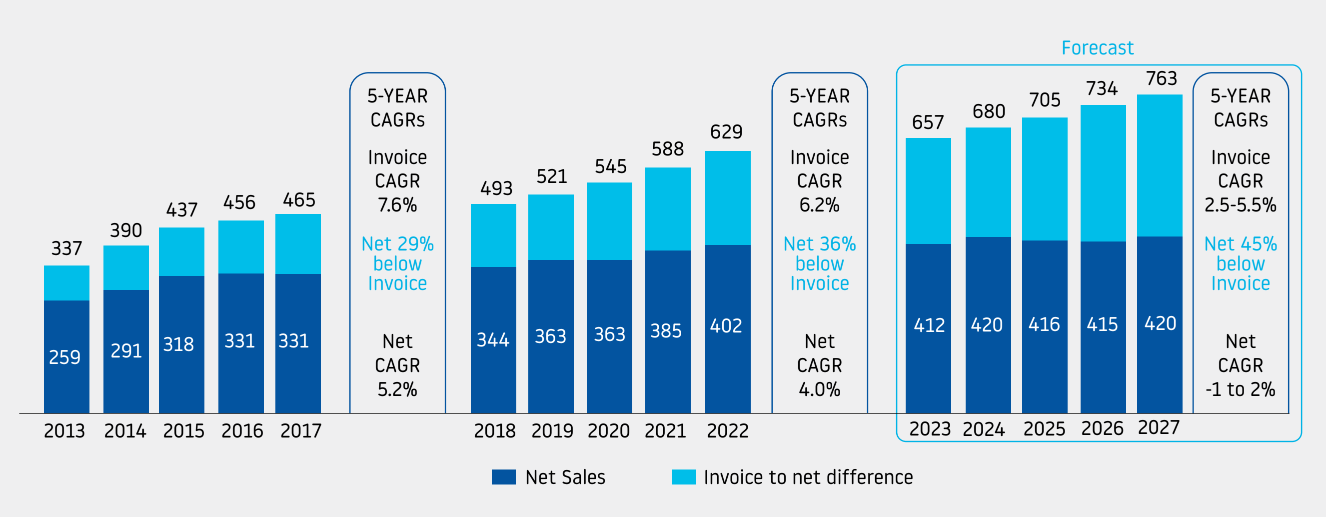
This growth which is anticipated to surpass global volume growth rates will be primarily driven by regions such as Asia-Pacific, India, Latin America, Africa/Middle East, and China. On the other hand, higher-income countries in Western Europe, North America, Japan, and Eastern Europe are expected to experience slower growth ranging from 0.1% to 0.4% through 2027, partly due to their already higher per capita use.

Multiple factors fuel the growth of the global pharmaceutical industry. The growing ageing population in key markets contributes to the increasing demand for healthcare and pharmaceutical products. Additionally, increased purchasing power and access to quality healthcare have allowed more poor and middle-class families worldwide to have greater access to pharmaceuticals. Furthermore, pharmaceutical companies are focusing on tapping into the market for rare and specialty diseases, which has further propelled industry growth.

US pharmaceutical industry

US medicine spending at estimated net manufacturer prices reached $ 629 billion, up 5.3% in 2022, including the contribution of COVID-19 vaccines and therapeutics. Projected data suggests that spending on medicines in the US, considering invoice prices, will experience an increase of $ 134 billion over 2022-27 to $ 763 billion. The surge will be driven by the introduction of new brands and higher pricing.

US medicine spending and growth at invoice-level and estimated net 2013-27



Source: IQVIA Institute, November 2022

The industry faced notable pricing challenges during the COVID-19 pandemic, mainly due to raw material shortages caused by China's shutdown. Moreover, the recent geopolitical instability stemming from the Russia-Ukraine war resulted in increased energy and logistical costs, further impeding business operations. However, as the situation gradually improves, these challenges are expected to diminish, allowing the industry to regain stability. The gradual resolution of these issues will likely create a more favourable environment for pharmaceutical companies, enabling them to overcome pricing challenges and resume normal operations.

Outlook

The utilisation and spending on medicines in the United States are anticipated to return to pre-pandemic growth projections by 2024. However, new pricing policies will introduce additional pressures on net growth in the following years. Various factors, such as structural market dynamics, complex usage patterns, and competitive forces, influence this outlook. Additionally, the effects of new policies and legislation will contribute to the overall landscape of the pharmaceutical market.

Pharmerging markets

The pharmerging market spending witnessed substantial expansion, hitting the mark of $ 370.8 billion in 2022, with a compounded annual growth rate (CAGR) of 7.2% from 2018 to 2022. The growth in these markets will be driven by the expansion of healthcare accessibility across numerous countries and augmented investment in novel medications. Nevertheless, the proliferation of off-patent branded drugs and the competitive pricing of generic medicines might have an influence on the growth trajectory. According to IQVIA, it is anticipated that the pharmerging markets will experience a spending increase of 5-8% until 2027.

The Asia-Pacific will show the most significant growth rates in the global pharmaceutical industry over the next few years. Much of this growth will be driven by increased demand in emerging economies as healthcare systems improve and household incomes expand. Pharmaceutical production and sales will grow by more than 5% year-on-year in 2023 and more than 6% in 2024 and 2025, respectively. In addition, the Asia-Pacific's share of global pharma production will increase from 36% in 2022 to 42% in 2030. China's share of global production will grow from 25% in 2022 to 30% in 2030.

Issues related to intellectual property (IP) protection, sociopolitical factors in cross-geography transactions, and strict price controls can result in value erosion and impede market growth. However, despite these challenges, there are opportunities for growth in emerging markets. Additionally, a positive outlook towards adopting targeted therapies could catalyse future market expansion.

An insight into key therapeutic segments

Oncology

The field of oncology is anticipated to witness significant advancements, with 100 new treatments expected to be introduced within the next five years. Cancer medicine spending rose to $ 196 billion globally in 2022 and is expected to reach $ 375 billion by 2027, driven by continued innovation and uptake of biosimilars in major markets. The oncology market in India is forecast to grow by $ 947.84 million during 2022-27, accelerating at a CAGR of 13.45% during the forecast period. The rise in oncology spending is attributable to several factors, including early diagnosis of patients, the continuous introduction of new drugs, improved accessibility to innovative cancer medications, and extended treatment durations for medicines that offer survival benefits.

Diabetology

The Indian diabetes market size reached $ 3.6 billion in 2022. IMARC Group expects the market to reach $ 8.8 billion by 2028, exhibiting a growth rate (CAGR) of 16% during 2023-28. This growth can be attributed to various factors that drive the market forward. Firstly, the development of cost-effective and efficient diabetic medications plays a crucial role in expanding the market. Secondly, the increasing public awareness about self-management of diabetes and the importance of early diagnosis contribute to market growth. Furthermore, government support and initiatives in the healthcare sector also act as key drivers for the market's expansion.

Cardiology

According to the World Heart Federation's report, the number of cardiovascular diseases (CVD)-related deaths increased by 60% from 12.1 million in 1990 to 20.5 million in 2021. This increase indicates a worrying trend and underscores the urgent need for better prevention and management of CVDs. The report identified several key risk factors that contribute to the rise in CVD deaths, including high blood pressure, air pollution, tobacco use, and elevated LDL cholesterol levels.

Indian pharmaceutical market

According to a recent EY FICCI report, the Indian pharmaceutical market is expected to reach $ 130 billion in value by the end of 2030, as there has been a growing consensus on providing new innovative therapies to patients.

The Indian pharmaceutical sector holds a significant position in the global market, with Indian companies playing a crucial role in producing APIs and formulations. India has emerged as a major player in the pharmaceutical sector, both in manufacturing and export. The Indian pharmaceutical industry is the largest provider of generic medicines globally, with a 20% share in the global supply by volume and is also the leading vaccine manufacturer.

Growth enablers

- Consistent economic development and rapid urbanisation
- Improved affordability in metropolitan and Tier-I cities
- Increasing access to modern medicines
- Changing lifestyles and consumption patterns leading to increasing incidence of chronic ailments
- Higher uptake of innovative medicines
- Rising health awareness among the masses
- Greater demand for insurance coverage, boosted by government and private insurer initiatives

$ 130 billion

INDIAN PHARMACEUTICAL MARKET SIZE IN 2030

The Indian government has already implemented initiatives such as the Production Linked Incentive (PLI) schemes, medical devices, and bulk drug parks to boost domestic production of APIs, biopharmaceuticals, complex generics, patented drugs, making India a global manufacturing hub.

Outlook

The Indian pharmaceutical industry has played a pivotal role in enhancing healthcare outcomes and driving economic progress in the country. According to IQVIA, the industry continues to experience growth in terms of volume, with a focus on cost-effective generic medicines. The projected increase in spending is estimated to be between $ 35 billion and $ 39 billion and is expected to grow at a rate of 7.5% to 10.5% through 2027. The rising prevalence of non-communicable diseases (NCDs) and the demand for acute therapies will drive this growth. Furthermore, improvements in the drug registration process will make India an attractive destination for the early launch of innovative drugs. The expanding e-pharmacy sector, the introduction of new over-the-counter (OTC) regulations and the expansion of co-marketing agreements will also contribute to the industry's growth.

Crop health science

According to Research and Markets, the global market for crop protection chemicals is projected to reach a value of $ 66.7 billion by 2030. This market is anticipated to grow at a CAGR of 5.6% from 2023 to 2030. The market expansion is attributable to several factors, such as the growing adoption of advanced farming technologies, which has increased demand for crop protection chemicals. Farmers increasingly recognise the importance of protecting their crops from pests, diseases, and weeds to ensure higher yield and improved crop quality. Additionally, there is a rising awareness about the benefits of crop protection chemicals among farmers and agricultural stakeholders. They understand the significance of using these chemicals to safeguard crops and maximise productivity. The need for bio-based and environmentally friendly solutions is driving the development and adoption of biopesticides and other bio-based crop protection products.

India holds a significant position in the global supply chain, and the government has acknowledged the potential of agrochemicals as a key pillar of its economy. The crop protection industry in India is increasingly leveraging its research and development (R&D) capabilities to develop improved solutions that are safer, more efficient, and compliant with international standards. The market is primarily driven by factors such as increasing awareness among farmers regarding crop protection chemicals, the adoption of modern farming practices, and the growing demand for food security. Insecticides and fungicides are the two largest segments in the Indian crop protection market, accounting for approximately 60% of the market share. With the government's emphasis on sustainable agriculture, the industry strives to develop and promote safer and more environmentally conscious crop protection solutions.

Outlook

Crop protection chemicals have become increasingly important in recent years, driven by the need to enhance productivity and ensure sufficient food supply for the growing global population. There is an increasing emphasis on improving the efficiency of crop protection chemicals in terms of their application. These factors are expected to have a significant impact on the growth of the market. The focus on improving efficiency will drive the development of more advanced and effective products, while government initiatives will create a favourable environment for the widespread adoption of these chemicals.

$ 66.7 billion
CROP PROTECTION CHEMICALS MARKET SIZE BY 2030

Business review

Company overview

Leveraging its extensive experience spanning nearly four decades, NATCO has established itself as a leading player in the manufacturing and marketing of finished dosage formulations (FDFs). This is supported by a strong backward integration of active pharmaceutical ingredients (APIs).

NATCO has demonstrated remarkable proficiency in targeting complex generic products and successfully introducing them to the market at affordable prices. This proficiency applies to patients not only in India but also in the United States (US) and other geographies. The Company's commitment to providing accessible healthcare solutions has contributed to its success and reputation as a reliable provider of high-quality generic medications.

NATCO operates five pharmaceutical formulation facilities, with one located in Dehradun (Uttarakhand), one in Kothur (Mahboobnagar, Telangana), one in Nagarjuna Sagar (Nalgonda District, Telangana), one in Visakhapatnam (Andhra Pradesh), and one in Guwahati (Assam). The Company also has two API and API intermediates manufacturing units in Mekaguda, Telangana, and Manali, Chennai. Furthermore, NATCO has dedicated R&D centers, namely NATCO Research Centre (NRC), situated in Sanathnagar, Hyderabad and Kothur (Telangana). These R&D facilities form the basis for continuous business excellence and innovation. Regarding NATCO's agrochemical manufacturing operations, they are housed in two facilities, one each for formulation and technical located in Attivaram, Andhra Pradesh. These facilities play a crucial role in supporting NATCO's agrochemical business segment.

Business segments

NATCO operates in two distinct business segments, namely pharmaceuticals and agrochemicals. The pharmaceutical segment is a well-established business and serves as a significant revenue contributor for the Company. This segment has two key components: finished dosage forms (FDFs) and active pharmaceutical ingredients (APIs). The API business holds a strategic position, fulfilling both the internal demand for essential molecules and direct sales to customers.

Furthermore, the Company's formulation business remains dedicated to catering to domestic demand and the needs of international customers across various markets, including the United States, Europe, Brazil, Canada, and the Philippines. The R&D team consistently expands its therapeutic offerings. With a strong pipeline of drugs focusing on areas such as cancer, pharmaceutical specialties, cardiology, and diabetology, the Company's potential for business growth remains promising.

The Company's Crop Health Sciences division is expected to grow with the launch of high-value CTPR and its combinations and more such innovative products along with their combinations are in the pipeline in India.

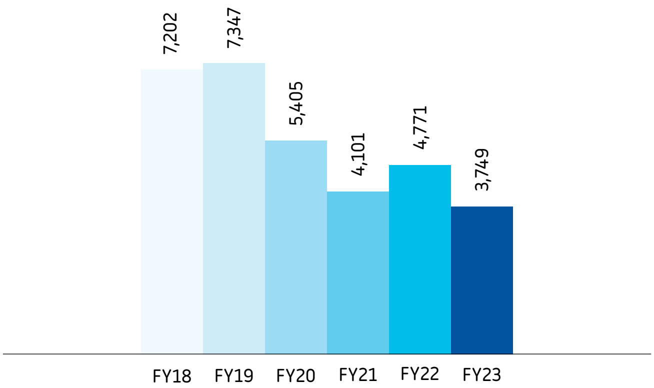
Pharmaceuticals

Domestic formulations

NATCO possesses a resilient formulation business that encompasses a robust pipeline of products, both in the oncology and non-oncology categories. The Company boasts a specialised sales force comprising 650 professionals, along

with an extensive network of over 900 distributors, enabling effective market penetration. The Company established the NATCO Reach division comprising of a dedicated sales team focused on deeper geographical penetration strategies, thus, gaining wider access to general physicians. NATCO has diligently worked towards addressing unmet needs in untapped markets, minimising the impact of contraction, and maintaining a strong focus on expansion.

Domestic Formulation Sales[1] (₹ in million)

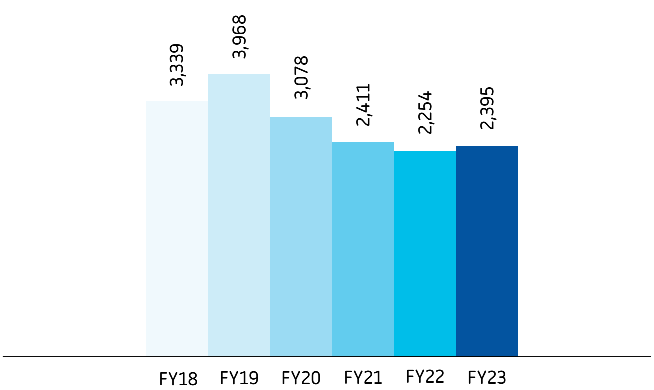


FY numbers have been prepared under Ind AS
(1) Represents gross revenue

Oncology

Despite facing challenges, oncology remains the primary contributor to domestic sales and revenue for NATCO. The Company's strong market presence and trustworthiness have been upheld, particularly in the oncology segment. NATCO has significantly expanded its product range from 6 in 2003 to 54 as of March 31, 2023, establishing a portfolio of well-recognised brands. Over the past decade, the global usage of oncology medicines has experienced substantial growth. In the reviewed year, NATCO expanded the range of offerings in the targeted therapeutic segment, allowing the Company to venture into new disease segments with the latest novel therapies, positively impacting more patients' lives.

Oncology Sales (₹ in million)



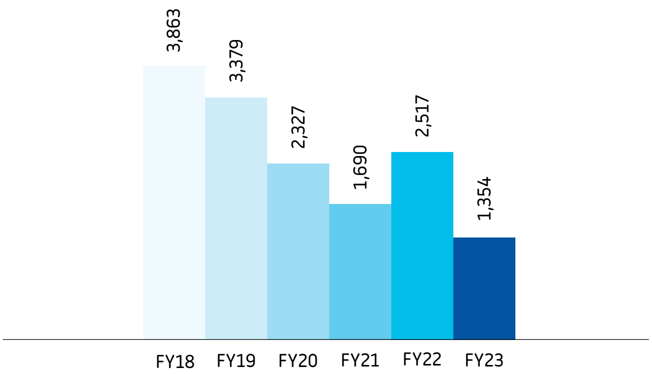
Pharma Specialty

NATCO's non-oncology business comprises pharmaceutical specialty therapeutics in areas such as, gastroenterology, hepatology, orthopaedics, neurology, critical care, cardiology, and diabetology products. The Company is committed to investing in the development and introduction of new compounds that address unmet needs in Gastro and anti-infective treatments. Specifically, in the pharma specialty space, NATCO aims to enhance its product range by launching molecules for anti-infective therapies, thereby strengthening its presence in this area.

Cardiology & Diabetology

The cardiology and diabetology segment's portfolio comprises a select yet powerful range of products. We have enhanced the portfolio by introducing novel products in the areas of anticoagulants, anti-diabetic medications, antihypertensives, and therapies for metabolic disorders. Our aim is to expand the market for this division by reaching a broader network of doctors, with a particular emphasis on our NATCO Reach division.

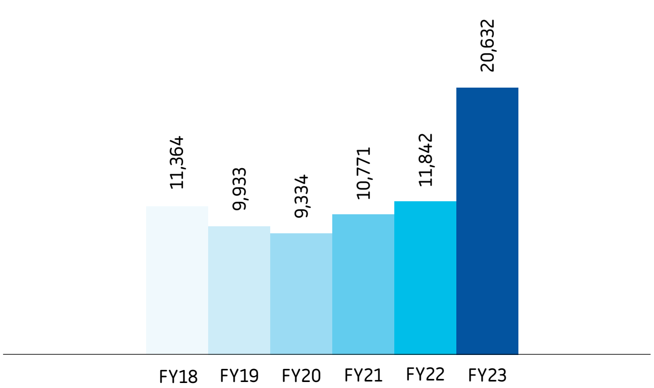
Non-Oncology Revenue (₹ in million)



Export formulations

NATCO has established a formidable presence in the United States and possesses extensive expertise in navigating the country's regulatory standards. The Company has effectively established a local presence through its partners, ensuring sustained business growth. Additionally, NATCO operates in various countries, including the US, Brazil, Canada, Singapore, Australia, and Philippines, through its subsidiaries and step-down subsidiaries. In Canada, the Company boasts a strong product portfolio encompassing oncology, cardiovascular, and central nervous system (CNS) therapies. In Brazil, NATCO is expanding its offerings by introducing high-potential generic products, enhancing its revenue and profitability. Revenue from export formulations amounted to ₹ 20,632 million in FY2022-23, compared to ₹ 11,842 million in FY 2021-22.

Export Formulations Revenue (₹ in million)



US

The US is a crucial market for NATCO, and it has carved out a niche 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, which have difficult chemistries, complex production processes or novel drug delivery methods. The Company's strategy is reflected in its high percentage of molecules in the US as First-to-file (FTF).

In FY 2022-23, revenue from US business was ₹ 16,060 million, as compared to ₹ 9,782 million in FY 2021-22. During the year, we filed nine ANDAs. The Company continues to develop and file strong Para IV products with potential First-to-file (FTF) launches in the US. Through acquiring Dash Pharmaceuticals LLC, now renamed as NATCO Pharma USA LLC, we have successfully established a front-end presence in the US market. This acquisition gives NATCO a platform to directly engage with its customers in the United States for its future portfolio.

Niche products in current portfolio

Key Brand	Molecule	Therapeutic segment
Revlimid	Lenalidomide	Cancer/Multiple myeloma
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	Lapatinib Ditosylate	Cancer/Breast
Zortress	Everolimus (lower strength)	Immunosuppressant/Organ transplant

Key products in the pipeline

Key Brand	Molecule	Therapeutic segment
Eliquis	Apixaban	Anticoagulant
Ozempic	Semaglutide	Diabetes
Lynparza	Olaparib	Ovarian/Breast cancer
Kyprolis	Carfilzomib	Cancer/Multiple myeloma
Imbruvica	Ibrutinib	Cancer/Leukaemia
Pomalyst	Pomalidomide	Cancer/ Multiple myeloma
Lonsurf	Trifluridine/Tipracil	Metastatic colorectal cancer
Yondelis	Trabectedin	Advanced soft-tissue sarcoma/ovarian cancer
Calquence	Acalabrutinib	Cancer/Blood
Zydelig	Idelalisib	Cancer

Canada

Natco Pharma (Canada) Inc reported revenue of ₹ 2,697 million in FY 2022-23 as compared to ₹ 1,526 million in the previous fiscal year. The Company launched the first generic of Nat-Pomalidomide, Nat-Apixaban, and Nat-Teriflunomide in the market in the year. With 35 approvals in place, the Company has a strong foothold in the Canadian pharmaceutical market.

25+
ACTIVE PRODUCTS

40+
TOTAL FILINGS

35
APPROVALS AS ON 31st MARCH 2023

Asian and other emerging markets

NATCO is actively pursuing a strategy to expand its geographical footprint and strengthen its presence in several countries, including Singapore, Taiwan, Philippines, Thailand, Vietnam, China, and Australia. The Company aims to ensure sustainable profitability and growth by venturing into these new markets. Notably, NATCO has made significant progress in Singapore, establishing its presence in both tender and private segments through branded generics and securing approvals for products. In a significant milestone, the Company successfully launched Oseltamivir capsules in the Chinese market, thus, marking NATCO's entry into this territory. Furthermore, as part of its growth and profitability enhancement strategy, NATCO has decided to establish a subsidiary in Indonesia, reflecting its commitment to exploring new markets and expanding its reach.

Brazil

Natcofarma Do Brasil Ltda. is a fully-owned NATCO subsidiary in Brazil. The Company is generating business majorly through its tender-based business and direct sales channels. In the past year, NATCOFARMA successfully launched Apixaban, marking one of the most successful launches through its own sales and out-licensing efforts. Additionally, the Company continues to pursue approvals for high-potential products soon. In FY 2022-23, the business revenue in Brazil reached ₹ 1,339 million, reflecting the Company's growth and presence in the market.

7
ACTIVE PRODUCTS

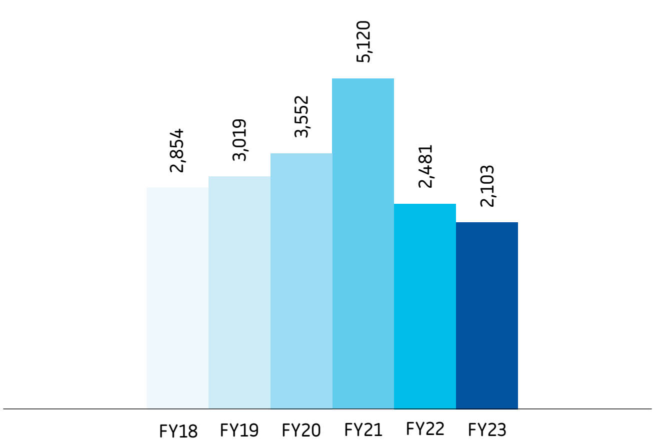
14
TOTAL FILINGS

8
APPROVALS AS ON 31st MARCH 2023

API division

The API division remains a crucial strategic division for NATCO, primarily supporting the production of specialised formulated products. To ensure sustained growth in this segment, NATCO is committed to filing new drug master files (DMFs) annually. In the past year, the Company filed two new DMFs. As of 31st March 2023, NATCO possesses 44 active DMFs with the USFDA for oncology, cardiology, and CNS products. API revenues amounted to ₹ 2,103 million, compared to ₹ 2,481 million in the previous year.

API Revenues (₹ in million)



Segmental Breakdown

Revenue division (in ₹ million)	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
API revenues (total)	3,019	3,552	5,120	2,481	2,103
Formulations					
Domestic	7,347	5,405	4,101	4,771	3,749
International (including subsidiaries)	9,933	9,334	10,771	11,842	20,632
Crop health sciences	-	-	21	51	409
Other operating and non-operating incomes	1,948	1,933	1,544	1,293	1,224
Total revenues	**22,247**	**20,224**	**21,557**	**20,438**	**28,117**

CHS division

NATCO's crop health sciences (CHS) division was established by leveraging the Company's core pharmaceutical expertise in chemistry, patent knowledge, and a strong commitment to quality. Building on these capabilities, NATCO CHS has made significant strides in recent years by establishing cutting-edge greenfield manufacturing facilities for manufacturing technical and formulations at Attivaram, Andhra Pradesh.

During the year, we successfully launched Chlorantraniliprole (CTPR)- based products, which are broad-spectrum insecticides, across key agricultural states in India. Furthermore, we introduced the first pheromone-based mating disruption product for managing the pink bollworm pest in cotton.

Looking ahead, our focus will be on developing niche molecules to serve both the Indian and international markets. This strategic direction will enable us to offer specialised solutions and cater to wider agricultural needs while leveraging our expertise and expanding our presence in the crop health sciences industry.

Financial overview

NATCO's consolidated revenue from operations for the year stood at ₹ 28,117 million for FY 2022-23 as compared to ₹ 20,438 for FY 2021-22. EBITDA for FY 2022-23 stood at ₹ 10,402 million at 37% of revenue. PAT amounts to ₹ 7,153 million for FY 2022-23 at 25.4% of revenue against ₹ 1,700 for FY 2021-22.

The Company's market capitalisation stood at $ 1.25 billion as on 31st March 2023. The Company issued three dividends at a total of ₹ 5.5 per share, which amounted to ₹ 1,004 million. The dividend payout stood at 15.76% of the standalone profit.

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 on our risk management on page 40

BOARD'S REPORT

The Board takes pleasure in presenting the 40th Annual Report of the Company along with the Audited Financial Statements and other reports for the year ended March 31, 2023.

COMPANY OVERVIEW

There are two business segments of NATCO: Pharmaceuticals and Agrochemicals. Pharmaceuticals is the dominant business segment contributing a major portion of revenue. It comprises of FDFs and APIs. APIs business is strategic and serves captive requirements and third party sales. Capabilities in APIs include complex multi-step synthesis & scale-up, advanced synthetic/ separation technologies, containment facility for handling high-potency APIs, synthesis of peptide (solid phase pharmaceuticals, oligo nucleotide pharmaceuticals etc. and a well established process safety engineering lab. FDF business is predominantly focused on high-barrier-to-entry products. It serves international customers in United States, Canada, Brazil, Philippines, Asia Pacific etc. Our R&D capabilities are demonstrated by its complex and niche product filings in formulations and API segments. Agrochemicals business segment is carried under Crop Health Sciences division of the Company. It has successfully launched broad-spectrum insecticide Chlorantraniliprole (CTPR) and its combination products in India across key agrarian states.

FINANCIAL SUMMARY

(₹ in millions)

PARTICULARS	STANDALONE		CONSOLIDATED	
	Year ended 31st March 2023	Year ended 31st March 2022	Year ended 31st March 2023	Year ended 31st March 2022
Net Revenue /Income	24365	18624	28117	20438
Gross profit before interest and depreciation	9302	3076	10402	3625
Finance Cost	86	133	145	177
Profit before depreciation and Amortisation - (Cash Profit)	9216	2943	10257	3448
Depreciation and Amortisation	1509	1384	1638	1426
PBT before exceptional items	7707	1559	8619	2022
Exceptional items	-	-	-	-
Profit before Tax (PBT)	7707	1559	8619	2022
Provision for Tax –Current	1331	325	1627	478
Provision for Tax –Deferred	5	(157)	(161)	(156)
Profit after Tax	6371	1391	7153	1700
Other comprehensive income (OCI)	(194)	404	27	497
Total Comprehensive income for the year	6177	1795	7180	2197

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

DIVIDEND

The Company declared three interim dividends for the FY 2022-23, the details of which are as follows:

S. NO.	DATE OF BOARD MEETING	DATE OF PAYMENT	INTERIM DIVIDEND DECLARED ON PER EQUITY SHARE OF FACE VALUE ₹ 2/- EACH (Amount in ₹)
1.	August 9, 2022	August 30, 2022	3.50
2.	November 10, 2022	November 30, 2022	0.75
3.	February 9, 2023	March 1, 2023	1.25
TOTAL			**5.50**

The total dividend pay-out amounted to ₹ 1004 million resulting in a pay-out of 15.76% 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 2022-23. 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, 2023.

SHARE CAPITAL

During the year under review, 37,000 equity shares were allotted on May 16, 2022 under Natco Employee Stock Option Scheme, 2017 (NATSOP2017), which were due for allotment as per the NATSOP2017 Scheme.

Further, during the year under review, the Company has bought back 87,050 shares and the same were extinguished as on March 31, 2023.

Accordingly, the issued and subscribed share capital of the Company as on March 31, 2023, stood at ₹ 365 million divided into 18,24,70,115 equity shares of ₹ 2/- each as against ₹ 365 million divided into 18,25,20,165 equity shares of ₹ 2/- each as on March 31, 2022.

BUYBACK OF EQUITY SHARES

The Board of Directors at their meeting held on March 8, 2023, the Company was authorised to buyback its fully paid-up equity shares of face value of ₹ 2/- (Rupees Two only) each at a price not exceeding ₹ 700/- (Rupees Seven Hundred only) per Equity Share (the Maximum Buyback Price) payable in cash for an aggregate amount not exceeding ₹ 210,00,00,000/- (Rupees Two Hundred and Ten Crores only) (the Maximum Buy-back Size), from the shareholders of the Company excluding promoters, promoter group and persons who are in control of the Company, via the "Open Market" route through the stock exchanges mechanism, i.e., using the electronic trading facilities of the stock exchanges where the Equity Shares of the Company are listed (i.e., BSE Limited and National Stock Exchange of India Limited), in accordance with the provisions of Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018, as amended ("Buyback Regulations") and the Companies Act, 2013 (including the rules and regulations framed thereunder), as amended, and other applicable provisions (the process hereinafter referred to as the "Buyback").

The Buyback commenced on March 21, 2023 in accordance with the provisions of Buyback regulations. In this regard, as on May 12, 2023, the Company has bought back 34,47,295 (Thirty Four Lakhs Forty Seven Thousand Two Hundred and Ninety Five) Equity Shares at an average price of ₹ 609.1712 (Rupees Six Hundred Nine and paisa One Seven One Two only) per Equity Share for an aggregate consideration of ₹ 209,99,92,885.33 (Rupees Two Hundred and Nine Crores Ninety Nine Lakhs Ninety Two Thousand Eight Hundred Eighty Five and paisa Three Three only) which represents 100.00% of the Maximum Buyback Size. Accordingly, the Buyback Committee has approved the closure of Buyback pursuant to the terms of the Public Announcement, with effect from the closing of trading hours of May 12, 2023, prior to the six months from the date of commencement of the Buyback.

Accordingly, the Company has made payment to the shareholders and extinguished all the shares bought back within stipulated time period and complied with all the regulatory filings.

DEPOSITS

During Financial Year 2022-23, the Company did not accept any 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 under review, 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, 2023. 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. 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 2022-23.

Further, the Board of Directors at their meeting held on April 20, 2023 have approved to incorporate a Subsidiary Company in Indonesia. The Board of Directors at their meeting held on May 29, 2023 have approved to incorporate a wholly-owned subsidiary Company in Colombia and approved to acquire M/s. Zista Pharma Limited, United Kingdom i.e., 100% on acquisition and will become a Wholly-owned Subsidiary Company to the Company subject to due diligence and compliance with regulatory requirements.

Further, a Statement containing the salient features of the Financial Statements 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 a.m. to 5:30 p.m. at the Company's registered office in Hyderabad, Telangana, India.

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, 2023.

However, NATCO Pharma (Canada) Inc., Canada is the material subsidiary of the Company based on the income or net worth of the Company for Financial Year 2020-21 and will continue as material subsidiary as per Regulation 3 of SEBI (Listing Obligations and Disclosure Requirements) 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, since, 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.

A certificate from CS 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.

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, Sri. Rajeev Nannapaneni (DIN: 00183872) and Sri P.S.R.K. Prasad (DIN: 07011140), Directors are liable to retire by rotation and being eligible offers themselves for reappointment at the ensuing Annual General Meeting of the Company.

During the year under review the Board of Directors of the Company has appointed Dr. Pavan Ganapati Bhat (DIN: 09691260) as Director & Executive Vice President (Technical Operations) of the Company with effect from August 9, 2022 which was subsequently approved by the members of the Company at the 39th Annual General Meeting held on September 30, 2022.

During the year under review there has been no change in the Board of Directors of the Company except the above mentioned changes.

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.

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 Managerial Personnel (KMPs) and Senior Management which is available on the website of the Company https://www.natcopharma.co.in/wp-content/uploads/2022/06/Nomination-Remuneration-Policy.pdf

Dr. Pavan Ganapati Bhat (DIN: 09691260) was appointed as Directors and Executive Vice President (Technical Operations) of the Company with effect from August 9, 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 DIRECTOR'S DATABANK

All the Independent Directors of the Company 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, Nomination and Remuneration Committee, Stakeholders Relationship 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 Financial Year 2022-23 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 February 9, 2023, 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

The Company has adopted the Business Responsibility and Sustainability Report (BRSR) in the format specified by SEBI for Financial Year 2022-23. The BRSR is forming part of this Annual Report.

INTERNAL FINANCIAL CONTROLS

The Company has in place adequate the 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 Director's and Officer's 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, 2023, 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 judgements 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 behaviour in the conduct of its business. To uphold and promote these standards, the Company has a Vigil Mechanism / Whistle Blower Policy which serves as a mechanism for its Director(s) and employee(s) to report genuine concerns about unethical behaviour, actual or suspected fraud or violation of the Code of Conduct without fear of reprisal. The policy also provides 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 Financial Year 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. B K & Associates, a Practicing Company Secretary conducted the Secretarial Audit of the Company for Financial Year 2022-23. 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. B K & Associates, a Practicing Company Secretary as Secretarial Auditor of the Company for the financial year 2023-24.

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 which are required to be maintained. The Board on the recommendation of the Audit Committee, reappointed M/s. S.S. Zanwar & Associates (Firm Registration No.100283) as Cost Auditors of the Company for Financial year 2023-24. 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 Annual General Meeting. The Cost Audit report for the Financial Year 2022-23 will be filed with the Central Government within the stipulated timeline and the relevant Cost Audit report for FY 2021-22 was filed within the due date to the Central Government.

INTERNAL AUDITORS

The Company has appointed M/s. Grant Thornton Bharat LLP as Internal Auditors of the Company for FY 2023-24 and the Internal Auditors will report to the Audit Committee and the Board of Directors of the Company.

AUDITORS' QUALIFICATIONS/ RESERVATIONS/ ADVERSE REMARKS/ FRAUDS REPORTED

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

There is an observation by the Secretarial Auditor that there was delay in transferring the Unclaimed dividend amounts, required to be transferred from the Unclaimed Suspense Account to the Investor Education and Protection Fund (IEPF) by the Company pertaining to the Financial Years 2014-15 and 2015-16, while the due date(s) of transfer as per the provisions of the Act were 19th March, 2022 and 19th March 2023, respectively, the same were actually transferred on 17th May, 2023 severally.

EXPLANATIONS OR COMMENTS BY THE BOARD ON QUALIFICATION, RESERVATION OR ADVERSE REMARK OR DISCLAIMER MADE

The reason for delay in transfer of Unclaimed dividend amounts from the Unclaimed Suspense Account to the Investor Education and Protection Fund (IEPF) by the Company due to the reconciliation for the aforesaid Financial Years could not be completed on time to affect the said transfer to IEPF. Hence, there was delay in transfer of the said unclaimed dividend pertaining to the Unclaimed Suspense Account.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE COURTS/REGULATORS

During Financial year 2022-23, 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 Financial Year 2022-23 are discussed in a separate head **"Corporate Social Responsibility"** 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. Give Grants Foundation, Gurgaon 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 Corporate Governance Report.

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

The Company's credit ratings from ICRA on long term borrowings is "AA" and on short term borrowings is "A1+"

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, 2023 is available on the Company's website on https://www.natcopharma. co.in/investors/annual return

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: August 09, 2023

ANNEXURE –I to the Boards' Report

Form 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 rupees Million)

Name of the Subsidiary	NATCO PHARMA INC.	NATCO PHARMA USA LLC *	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.
The date of Incorporation / Date since when subsidiary was acquired	October 10, 2006	January 1, 2022	November 8, 2010	January 27, 2011	November 7, 2012	December 10, 2012	September 1, 2014	March 22, 2018
Share Capital	2,155.35	1,579.67	1,541.51	1,829.55	231.54	101.88	204.51	46.77
Reserves & Surplus	259.11	-565.48	-115.97	-1,035.29	2,662.89	51.31	-197.76	-14.98
Total Assets	2,608.12	1,381.14	1,752.06	1,437.66	2,162.63	215.39	3.72	52.85
Total Liabilities	193.65	366.96	326.53	643.39	918.91	62.19	-3.02	21.06
Investments	-	-	-	-	1,650.72	-	-	-
Turnover	9.29	1,517.37	-	1,339.21	2,697.31	182.93	-	66.34
Profit before taxation	-1.54	-16.77	-0.64	292.98	852.25	57.81	-7.29	14.20
Provision for taxation	0.07	-	-	-126.19	-230.61	-0.50	-	-6.43
Profit after taxation	-1.47	-16.77	-0.64	166.79	621.64	57.31	-7.29	7.77
Proposed Dividend	-	-	-	-	-	-	-	-
Reporting Currency	USD	USD	USD	BRL	CAD	SGD	AUD	PESO
Closing exchange rate	82.21	82.21	82.21	19.75	60.83	61.78	54.97	1.51
Average exchange rate	80.35	80.35	80.35	19.40	60.71	58.50	54.95	1.45
% 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 subsidiary companies

Investments 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

V.C. Nannapaneni
Managing Director
DIN: 00183315

Rajeev Nannapaneni
Director & Chief Executive Officer
DIN: 00183872

Place: Hyderabad
Date: August 09, 2023

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.

S. No.	Name(s) of the related party And nature of relationship	Nature of Contract / arrangements/ transactions	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
1.	Sri. V.C. Nannapaneni, Managing Director	Renewal of lease agreement	2 years	To locate Mumbai Administrative, Marketing and Distribution office of the Company. ₹3.00 million p.a.	February 14, 2022	Nil
2.	Sri. Rajeev Nannapaneni, Director & CEO	Renewal of lease agreement	2 years	To locate Chennai Administrative, Marketing and Distribution Office of the Company. ₹3.00 million p.a.	February 14, 2022	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 ₹3.00 million p.a.	February 14, 2022	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. ₹1.80 million p.a.	February 14, 2022	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 line at Kothur Mandal, Rangareddy Dist. ₹1.80 million p.a.	February 14, 2022	Nil
6.	Natco Pharma (Canada) Inc., Wholly-Owned Subsidiary Company	Purchase/Sales	1 year	To purchase/ sell the raw material/finished goods from/to Natco Pharma (Canada) Inc. ₹966.00 million p.a.	February 14, 2022 & February 9, 2023	Nil

S. No.	Name(s) of the related party And nature of relationship	Nature of Contract / arrangements/ transactions	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
7.	Natco Pharma Asia Pte. Ltd., Subsidiary Company	Purchase/Sales	1 year	To Purchase/ Sell the raw material/finished goods from/to NATCO Pharma Asia Pte Ltd. ₹88.00 million p.a.	February 14, 2022	Nil
8.	Natcofarma Do Brasil Ltda, Step-down wholly-owned Subsidiary Company	Purchase/Sales	1 year	To Purchase/ Sell the raw material/finished goods from/to Natcofarma Do Brasil Ltda. ₹668.00 million p.a.	February 14, 2022 & February 9, 2023	Nil
9.	NATCO Lifesciences Philippines Inc, Subsidiary Company	Purchase/Sales	1 year	To Purchase/ Sell the raw material/finishedgoods from/to NATCO Lifesciences Philippines Inc. ₹11.00 million p.a.	February 14, 2022	Nil
10.	NATCO Pharma USA LLC (Formerly known as Dash Pharmaceuticals LLC), Step-down wholly-owned Subsidiary Company	Purchase/Sales	1 year	To Purchase/ Sell the raw material/finishedgoods from/to Dash Pharmaceuticals LLC ₹57.55 million p.a.	February 14, 2022 & May 29, 2023	Nil
11.	Natco Trust, Sri V.C. Nannapaneni is the Managing Trustee	Lease Agreement	29 years 11 months	To lease out premises to Natco Trust for running its Natco High school and play Ground on a rent ₹57,881 per annum with an increase of 5% increase every year w.e.f. 1st March, 2020 Rent received - ₹0.06 million p.a.	February 14, 2022	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

V.C. Nannapaneni
Managing Director
DIN: 00183315

Rajeev Nannapaneni
Director & Chief Executive Officer
DIN: 00183872

Place: Hyderabad
Date: August 09, 2023

Annexure – III to the Boards Report

Form MR-3

SECRETARIAL AUDIT REPORT

(For the financial year ended 31st March, 2023)
[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 authorised representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period from April 01, 2022 to March 31, 2023("the audit period"), complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanisms in place to the extent and in the manner 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, 2023 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) The Foreign Exchange Management Act, 1999 ("FEMA") and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment and Overseas Direct Investment (External Commercial Borrowings- not applicable to the Company during the Audit Period);

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ("the SEBI Act"):

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

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

(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;(not applicable to the Company during the audit period)

(d) The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021;

(e) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021;(not applicable to the Company during the audit period)

(f) 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;

(g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021; (not applicable to the Company during the audit period) and

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

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.
- The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the amendments made thereunder ("the Listing Regulations").

(vi) The other General Laws applicable to the Company

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

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

(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.

(k) 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

During the year under review, the Company has complied with the provisions of the Acts, Rules, Regulations, Guidelines and Standards, etc., mentioned above subject to the following observations:

There was delay in transferring Unclaimed dividend amounts, required to be transferred from the Unclaimed Suspense Account to the Investor Education and Protection Fund (IEPF) by the Company pertaining to the Financial Years 2014-15 and 2015-16, while the due date(s) of transfer as per the provisions of the Act were 19th March 2022 and 19th March 2023 respectively, the same were actually transferred on 17th May 2023 severally. The management attributed the reason for the same being the reconciliation for the aforesaid Financial Years could not be completed on time to affect the said transfer to IEPF. Hence, there was delay in transfer of the said unclaimed dividend pertaining to the Unclaimed Suspense Account.

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 audit period were carried out in compliance with the provisions of the Act and the Listing Regulations.

(b) Adequate notice was given to all the Directors to schedule 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 Labour 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 Compensation Committee through its Resolution passed by way of circulation on 16th May, 2022 pursuant to Natco Employees Stock Option Scheme 2017 (NATSOP 2017) approved the allotment of final tranche of the options entitling 37,000 (Thirty seven Thousand) Equity Shares of ₹ 2/- (Rupees Two Only) each to the eligible employees which was earlier approved by the Board of Directors at their meeting held on 7th August, 2017 and which was subsequently approved by the Shareholders at the 34th Annual General Meeting held on 28th September 2017.

ii) The Board of Directors at its meeting held on 08^{th} March, 2023 had approved the buy-back of fully paid-up equity shares of face value of ₹ 2/- (Rupees Two Only) each from the eligible equity shareholders of the Company other than the Promoters, the Promoter Group and Persons who are in control of the Company, at a price not exceeding ₹ 700/- (Rupees Seven Hundred Only) per equity share (Maximum Buy-back price), payable in cash for an aggregate amount not exceeding ₹ 2,10,00,00,000/- (Rupees Two Hundred Ten Crores only) (Maximum Buy-back size, excluding transaction costs and taxes thereon), from the Open Market route through the Stock Exchange mechanism under the Companies Act, 2013 and Securities Exchange Board of India (Buy-back) Regulations, 2018. The Buy-back commenced on 21^{st} March, 2023 and as on 31^{st} March, 2023 the scheme of Buy-back was open.

For **BK & Associates**
Company Secretaries

CS Kiran Kumar Bodla
Proprietor
FCS No.: 11093
C P No.: 15876
PR No.: 717/2020
UDIN: F011093E000767411

Place: Hyderabad
Date: 09.08.2023

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, 2023)

To,
The Members
NATCO PHARMA LIMITED
Natco House, Road No.2
Banjara hills, Hyderabad.
Telangana – 500034.

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

1. My responsibility is to express an opinion on the compliance of the applicable laws and maintenance of records based on audit. I have conducted the audit in accordance with the applicable Auditing Standards issued by The Institute of Company Secretaries of India. The Auditing Standards require that the Auditor shall comply with statutory and regulatory requirements and plan and perform the audit to obtain reasonable assurance about compliance with applicable laws and maintenance of records.

2. Maintenance of Secretarial records is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.

3. I 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 accurate facts are reflected in Secretarial records. I believe that the process and practices, I followed provide a reasonable basis for my opinion.

4. I have not verified the correctness and appropriateness of financial records and Books of Account of the Company.

5. Wherever required, I have obtained the Management Representation about the Compliance of laws, rules and regulations and happening of events etc.

6. The compliance by the Company of applicable financial laws such as direct and indirect tax laws and maintenance of financial records and books of account 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.

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

8. 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: F011093E000767411

Place: Hyderabad
Date: 09.08.2023

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 the Director	Designation/ Nature of Directorship	No. of meetings of CSR Committee held during the year	No. 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	2

3) Provide the web-link(s) 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 executive summary along with web-link(s) 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:

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 by M/s. Give Grants Foundation cover the broad areas of Education, Health, and Livelihood.

The Impact Assessment Report is available on the website of the Company at https://www.natcopharma.co.in/investors/Impactassessmentreport

5) (a) Average net profit of the Company as per sub section (5) of Section 135: ₹ 3466.79 Million

(b) Two percent of average net profit of the Company as per sub-section (5) of Section 135: ₹ 69.34 Million

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

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

(e) Total CSR obligation for the financial year (5b+5c-5d): ₹ 69.34 Million

6 (a) Amount spent on CSR projects (both ongoing and other than ongoing project): ₹67.90 million

(b) Amount spent in Administrative Overheads: ₹ 2.10 Million

(c) Amount spent on Impact Assessment, if applicable: Included in (b)

(d) Total amount spent for the Financial Year (6a+6b+6c): ₹ 70.00 Million

(e) CSR Amount spent or unspent for the Financial Year:

Amount Unspent (in ₹ million)

Total Amount Spent for the Financial Year	Total Amount transferred to Unspent CSR Account as per sub-section (6) of section 135.		Amount transferred to any fund specified under Schedule VII as per second proviso to sub-section (5) of section 135.		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
70.00	Nil			Nil	

(f) Excess amount for set-off, if any:

Sl. No.	Particulars	Amount (in ₹ million)
(i)	Two percent of average net profit of the Company as per sub-section (5) section 135	₹ 69.34
(ii)	Total amount spent for the Financial Year	₹ 70.00
(iii)	Excess amount spent for the Financial Year [(ii)-(i)]	₹ 0.66
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	₹ 0.00
(v)	Amount available for set off in succeeding Financial Years [(iii)-(iv)]	₹ 0.66

7. Details of Unspent Corporate Social Responsibility amount for the preceding three Financial Years: Not Applicable

8. Whether any capital assets have been created or acquired through Corporate Social Responsibility amount spent in the Financial Year: No

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

For and on behalf of the Board of Directors

V.C. Nannapaneni
Managing Director
DIN: 00183315

Rajeev Nannapaneni
Director & Chief Executive Officer
DIN: 00183872

G.S. Murthy
Chairman, CSR Committee
DIN: 00122454

Place: Hyderabad
Date: August 09, 2023

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 2022-23 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 2022-23
Sri V. C. Nannapaneni	Managing Director	44	0.00
Sri Rajeev Nannapaneni	Director & Chief Executive Officer	41	0.00
Sri P.S.R.K. Prasad	Director & Executive Vice President (Corporate Engg. Services)	38	-10.82
Dr. D Linga Rao	Director & President (Tech. Affairs)	63	2.62
Dr. Pavan Ganapati Bhat	Director & Executive Vice President (Technical Operations)	107	66.90
Sri S.V.V.N. Appa Rao	Chief Financial Officer	24	6.57
Sri Venkat Ramesh Chekuri	Company Secretary & Compliance Officer	5	112.02

Median remuneration of employees for the Financial Year 2022-23 is ₹ 5,10,000/- (Rupees Five Lakh Ten Thousand only).

Sri G.S. Murthy, DR. 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 5.95 % in Financial Year 2022-23.

(iii) The number of permanent employees on the rolls of Company as on March 31, 2023 is 4491.

(iv) The average increase in remuneration paid to employees is 10.45% for Financial Year 2022-23 as compared to Financial Year 2021-22.

(v) It is hereby affirmed that the remuneration paid during Financial Year 2022-23 is as per the Remuneration Policy of the Company.

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: August 09, 2023

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 & optimisation of processes consuming energy:

   Installed new high efficiency utility equipment's & improvised the existing utility system during the last fiscal and achieved significant savings of ₹ 35 million in various utility areas.

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

   Steps in progress for increasing the utilisation of alternate renewable sources of energy.

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

   Propose to install 1.1 MW Solar plant at Chennai & Kothur Plant. Expected saving per annum is approximately INR 10 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	Year ended March 31, 2023	Year ended March 31, 2022
A: Power and Fuel Consumption		
1. Electricity		
a) Purchased Units	6,26,25,604	6,36,42,762
Total amount (₹ million)	522.71	478.55
Rate / Unit (₹)	8.35	7.52
b) Own Generation:		
i) Through Diesel		
Generator Units	16,77,632	15,97,064
Units / ltr. Of Diesel Oil	3.47	3.48
Cost / Unit (₹)	26.73	25.15
ii) Through Windmill		
Generator Units	1,24,79,490	81,85,034
Total Cost Per Year (₹ million)	17.20	17.06
Cost / per Unit (₹)	1.38	2.08
iii) Through Solar		
Generator Units	74,52,301	61,18,773
Total Cost Per Year (₹ million)	14.91	14.42
Cost / per Unit (₹)	2.00	2.36

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
A: Power and Fuel Consumption		
2. Coal D/C grade		
Quantity (Tonnes)	4,683	4,683
Total amount (₹ million)	55.08	53.11
Average rate per tonne (₹)	11,761	11,340
3. Furnace Oil		
Quantity (Ltr)	27,50,737	26,74,801
Total amount (₹ million)	144.84	119.59
Average rate per Ltr (₹)	52.65	44.71

C) EXPENDITURE OF R&D:

Amount (₹ in Million)

Expenditure on R&D	Year ended March 31, 2023	Year ended March 31, 2022
R&D Expenditure	1,959	2,267
Total R&D Expenditure as percentage of standalone revenue	8.33%	12.82%

D) Foreign Exchange Earnings and Outgo

The Company realised foreign exchange amounting to ₹ 17,256 million and used foreign exchange amounting to ₹ 2,772 million during the year ended 31st March, 2023.

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: August 09, 2023

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.

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.

BOARD OF DIRECTORS

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

(a) Board Meetings

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

During the financial year 2022-23, six (6) Board Meetings were held through video conference on May 30, 2022, August 9, 2022, September 2, 2022, November 10, 2022, February 9, 2023 and March 8, 2023 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(s) 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 and Designation	DIN	Category	Number of Board meetings during FY 2022-23		Attendance at the last AGM Held on September 30, 2022	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, Managing Director[a]	00183315	Promoter, Executive Director	6	6	Yes	3	NIL	NIL	NIL	NIL
2.	Sri G.S. Murthy[d] Chairman & Independent Director	00122454	Chairman, Independent Non-executive Director	6	6	Yes	NIL	NA	NA	NA	NA
3.	Dr. T.V. Rao Independent Director	05273533	Independent Non-executive Director	6	6	Yes	8	Ladderup Finance Limited	Independent Director	NIL	2
4.	Sri Rajeev Nannapaneni Director & Chief Executive Officer[a]	00183872	Promoter, Executive Director	6	6	Yes	2	NIL	NIL	NIL	NIL

Sl. No.	Name of the Director and Designation	DIN	Category	Number of Board meetings during FY 2022-23		Attendance at the last AGM Held on September 30, 2022	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
5.	Sri D.G. Prasad Independent Director	00160408	Independent Non-executive Director	6	6	Yes	3	Gokak Textiles Limited	Independent Director	1	NIL
								Moschip Technologies Limited	Independent Director	2	2
								Suven Pharmaceuticals Limited	Independent Director	2	1
6.	Dr. Leela Digumarti Independent Director	06980440	Independent Non-executive Director	6	4	Yes	NIL	NA	NA	NA	NA
7.	Sri P.S.R.K. Prasad, Director & Executive Vice President (Corp. Engg. Services)	07011140	Executive Director	6	5	Yes	NIL	NA	NA	NA	NA
8.	Dr. M.U.R. Naidu, Independent Director	05111014	Independent Non-Executive Director	6	5	Yes	NIL	NA	NA	NA	NA
9.	Dr. D. Linga Rao, Director & President (Technical Services)	07088404	Executive Director	6	6	Yes	NIL	NA	NA	NA	NA
10.	Dr. Pavan Ganapati Bhat[b] Director & Executive Vice President (Technical Operations)	09691260	Executive 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) Dr. Pavan Ganapati Bhat was appointed as the Director of the company with effect from 9th August, 2022.

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

(d) Sri G.S.Murthy, Independent Director of the Company was appointed as Chairman of the Company with effect from 1st April, 2022.

(c) Shares held by Non-Executive Director(s)

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, 2023. None of the other Non-Executive Directors are holding any shares of the Company.

Familiarisation Programme for Independent Directors

The Senior Management personnel of the Company make presentations to the Board members on the operations of the Company, its plants, strategy, risks involved, new initiatives etc. and seek their views and suggestions on the same.

The Board members have been provided with various policies of the Company including code of conduct for Directors and Senior Management personnel etc.

The Company has organised Familiarisation Programmes for the Independent Directors of the Company to familiarise them with the Company vis a vis their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc. The details regarding the programme is available on our website https://www.natcopharma.co.in/wp-content/uploads/2023/04/FAMILIARIZATION-PROGRAM-FOR-INDEPENDENT-DIRECTORS.pdf

List of core skills/ expertise/ competencies identified by the Board of Directors as required in the context of its business(es) and sector(s) for it to function effectively and those actually available with 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.

The Board members possess the following core skills / expertise competencies:

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	Dr. T.V. Rao			√	√		√
4	Sri Rajeev Nannapaneni	√	√	√	√	√	√
5	Sri D.G. Prasad			√	√		√
6	Dr. Leela Digumarti			√	√	√	
7	Sri P.S.R.K. Prasad		√	√	√		√
8	Dr. M.U.R. Naidu			√	√	√	
9	Dr. D. Linga Rao	√	√	√	√	√	√
10	Dr. Pavan Ganapati Bhat	√	√	√	√	√	√

Confirmation about Independent Directors

This is to confirm that in the opinion of the Board, the Independent Directors fulfil the conditions as specified in Listing Regulations and are independent of the management.

(d) 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 9, 2023 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.

(e) 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.

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, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Compensation Committee, Corporate Social Responsibility Committee, Risk Management Committee, Committee Dealing with Land Property and Buyback Committee. The membership in Committees is decided based on the traits of the Directors keeping in view the statutory requirement of composition of Directors in the Committees.

The brief description of terms of reference, composition, meetings and attendance of the Committee(s) during the financial year 2022-23 are provided below:

(a) Audit Committee

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

Details of Composition of the Audit Committee and attendance at the meetings held on May 30, 2022, August 9, 2022, September 2, 2022, November 10, 2022 and February 9, 2023 are given below:

Name of the Audit Committee Member	Audit Committee Meeting(s) Attendance	
	Held	Attended
Sir G.S. Murthy, Chairman DIN: 00122454	5	5
Dr T.V. Rao, Member DIN: 05273533	5	5
Sri D.G. Prasad, Member DIN: 00160408	5	5
Dr. M.U.R. Naidu, Member DIN: 05111014	5	5

(b) 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. The qualifications of the Directors, composition, quorum, frequency of meetings and the terms of reference of the Nomination and Remuneration Committee are in line with the requirements under the Act and the Listing Regulations.

During the year two (2) meetings of the Committee were held on August 9, 2022 and February 9, 2023.

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

Name of the Nomination and Remuneration Committee member	Nomination and Remuneration Committee Meeting(s) Attendance	
	Held	Attended
Dr. T.V. Rao, Chairman DIN: 05273533	2	2
Sri G.S. Murthy, Member DIN: 00122454	2	2
Dr. M.U.R. Naidu, Member DIN: 05111014	2	2

*Dr. T.V. Rao was appointed as Chairman w.e.f. 1st April, 2022 by the Board of Directors at their meeting held on 31st March, 2022.

The following is the Criteria for evaluation of performance of Independent Directors:

I. **Knowledge and Competency:**

a) The Director meets the competencies as identified for effective functioning of the Company and the Board.

b) The Director possesses sufficient understanding and knowledge of the Company and the sector in which it operates.

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

d) The 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.

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

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

II. Fulfilment of Functions:

The Director understands and fulfils the functions assigned to him/her by the Board and the applicable Laws.

III. Ability to function as a Team:

a) The Director is able to function as an effective team member.

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

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

IV. Initiative:

a) The Director actively takes initiative with respect to various areas of his/her functions.

b) The Director while acting within his/ her authority, assists in protecting the legitimate interests of the Company, shareholders, employees, etc.

V. Availability and Attendance:

a) The Director is available for meetings of the Board/Committees and attends the meetings regularly and timely, without delay.

b) The 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/plant visits.

VI. Commitment:

The Director is adequately committed to the Board and the Company.

VII. Contribution:

a) The Director's contribution to the Company and in the Board/Committee meetings are of high quality and innovative and effective.

b) The Director proactively contributes to the development of strategy and to risk management of the Company.

c) The Director effectively assists the Company in implementing the best corporate governance practices and monitoring the same as per the rules and regulations.

VIII. Integrity:

The Director demonstrates high level of integrity and honesty in all matters including conflict of interest disclosures and maintenance of confidentiality.

IX. Independence:

a) The Director is independent from the Company and the other Directors and there is no conflict of interest.

b) The Director adheres to the applicable Code of Conduct for Independent Directors.

X. Independent Views and Judgement:

The Director expresses his/her own independent judgment and voices opinion freely.

XI. Personal Attributes:

The Director has maintained high standard of ethics and integrity.

(c) Stakeholders Relationship Committee

The Stakeholders Relationship Committee is headed under stewardship of Sri G.S. Murthy. It 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 May 30, 2022 and November 10, 2022 are as given below:

Name of the Stakeholders Relationship Committee Member	Stakeholders Relationship Committee Meeting(s) Attendance	
	Held	Attended
Sri G.S. Murthy, Chairman DIN: 00122454	2	2
Sri V.C. Nannapaneni, Member DIN: 00183315	2	2
Sri Rajeev Nannapaneni, Member DIN: 00183872	2	2
Dr. M.U.R. Naidu, Member DIN: 05111014	2	2

During the financial year 2022-23, the Company has received 180 complaints from the shareholders, out of which it has resolved 168 complaints and as on 31st March, 2023 there are 12 pending complaints.

Name and designation of the Compliance Officer

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

(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 2022-23, there were no meetings of the Compensation Committee. However, the Committee had passed the Resolution by Circulation on May 16, 2022 wherein the Committee had allotted the final tranche of the options under Natco Employee Stock Option Scheme, 2017 (NATSOP2017) to the eligible employees of the Company. NATSOP2017 scheme has been closed during the year 2022-23 and the balance of 60,580 options were lapsed.

(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 May 30, 2022, November 10, 2022 and February 9, 2023.

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

Name of the Corporate Social Responsibility Committee Member	Corporate Social Responsibility Committee Meeting(s) Attendance	
	Held	Attended
Sri G.S. Murthy, Chairman	3	3
Sri V.C. Nannapaneni	3	3
Sri Rajeev Nannapaneni	3	3
Dr. Leela Digumarti	3	2

(f) Risk Management Committee

The Risk Management Committee of the Company reviews the Risk management plan of the Company at periodic intervals and takes steps to identify and mitigate the risks involved. The Board has constituted the Risk Management Committee according to the 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 August 29, 2022 and February 9, 2023 during the year. The composition of the Committee is as follows:

Name of the Risk Management Committee member	Designation	Risk Management Committee attendance	
		Held	Attended
Sri V.C. Nannapaneni	Managing Director	2	2
Sri Rajeev Nannapaneni	Director & Chief Executive Officer	2	2
Dr. M.U.R. Naidu	Independent Director	2	1
Sri P.S.R.K. Prasad	Director & Executive Vice President (Corporate Engineering Services)	2	1
Dr. D. Linga Rao	Director & President (Tech. Affairs)	2	2
Dr. Pavan Ganapati Bhat*	Director & Executive Vice President (Technical Operations)	1	1
Sri A. Lakshminarayana	Vice President – HR & OD	2	2
Sri S.V.V.N. Appa Rao	Chief Financial Officer	2	2
Dr. M. Pulla Reddy	Executive Vice President – R&D	2	2
Sri S. Ravi Prakash Reddy*	Senior Vice President – Operations	1	1

* Dr. Pavan Ganapati Bhat and Sri S. Ravi Prakash Reddy were inducted as members of Risk Management Committee w.e.f. November 11, 2022.

Senior Management

The particulars of the senior management including the changes therein are provided under the "Management Team" of the Company in Page No.39.

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 2022-23 is as below and are in line with the applicable provisions of the Act, Rules and Listing Regulations made thereunder as amended from time to time:

S. No.	Name	Designation	Total amount (₹ in Million per annum)
1.	Sri V. C. Nannapaneni DIN: 00183315	Managing Director	22.68
2.	Sri Rajeev Nannapaneni DIN: 00183872	Director & CEO	20.92
3.	Sri P.S.R.K. Prasad DIN: 07011140	Director & Executive Vice President (Corp. Engg. Services)	19.20
4.	Dr. D. Linga Rao DIN: 07088404	Director & President (Tech. Affairs)	32.30
5.	Dr. Pavan Ganapati Bhat DIN: 09691260	Director & Executive Vice President (Technical Operations)	54.50
	Total		**149.60**

*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 Act. There were no pecuniary relationship or transactions entered by the Non-Executive Directors with the Company during the period under review except for sitting fees. The details of the sitting fees paid to Non-Executive Directors of the Company for the Financial Year 2022-23 is given below:

S. No.	Name	Designation	Total amount (₹ in Million per annum)
1.	Sri G.S. Murthy	Chairman & Independent Director	0.83
2.	Dr. T.V. Rao	Independent Director	0.62
3.	Sri D.G. Prasad	Independent Director	0.58
4.	Dr. Mrs. Leela Digumarti	Independent Director	0.35
5.	Dr. M.U.R. Naidu	Independent Director	0.60
	Total		**2.98**

There was no service contracts entered by the Company with non-executive Directors. Notice period for Executive Directors is 3 months. The Company is not paying any severance fees to Directors.

Pursuant to the Natco Employees Stock Option Scheme, 2017 Company allotted 7500 shares to Dr. Pavan Ganapati Bhat at a face value of ₹2 each.

(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, Chairman & Independent Director, Sri V.C. Nannapaneni, Managing Director, Sri Rajeev Nannapaneni, Director and Chief Executive Officer as its members. There were three (3) meetings held during the year on June 4, 2022, October 20, 2022 and January 11, 2023, all the members of the Committee were present at the meetings.

(h) Buy-back Committee

Buyback Committee was re-constituted by the Board of Directors at their meeting held on March 8, 2023 to deal with matters relating to the Buy-back of equity shares of the Company. The Buy-back Committee comprises of Sri V.C. Nannapaneni, Managing Director, Sri Rajeev Nannapaneni, Director and Chief Executive Officer, Sri P.S.R.K. Prasad, Director & Executive Vice President (Corporate Engineering Services) as its members. There was one (1) meeting of the Buy-back Committee held during the year on March 9, 2023, all the members of the Committee were present at the meeting.

The details of the shares bought back during the FY 2022-23 and subsequent to closure of financial year is disclosed in the Board's Report.

(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 2022-23, 10 (Ten only) instruments of transmission of equity shares for 1,900 (One Thousand Nine hundred only) equity shares and 5 (Five 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.

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.

Below are the details of the complaints received/resolved during the financial year 2022-23:

Sl. No.	Particulars	Number
1.	Number of complaints filed during the financial year	NIL
2.	Number of complaints disposed of during the financial year	NA
3	Number of complaints pending as on end of the financial year	NA

During the year under review the Company has conducted a total of 14 awareness programmes against sexual harassment.

GENERAL BODY 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	Location	Time	Special Resolution(s) passed, if any
2021-22	30th September, 2022	Held through Video Conference at the Registered office of the Company situated at NATCO House, Road No. 2, Banjara Hills, Hyderabad – 500 034, Telangana, India.	10.30 A.M.	1
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 – 500 034, Telangana, India.	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 – 500 034, Telangana, India.	11.00 A.M.	6

(c) Postal ballot

No resolution was passed through postal ballot during the Financial Year 2022-23.

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/Year ended	Date of Board meeting	Date of Publication	Name of the English Daily	Name of the Regional Daily
June 30, 2022	August 9, 2022	August 10, 2022	Business Standard	Nava Telangana
September 30, 2022	November 10, 2022	November 11, 2022	Financial Express	Nava Telangana
December 31, 2022	February 9, 2023	February 10, 2023	Business Standard	Nava Telangana
March 31, 2023	May 29, 2023	May 30, 2023	Financial Express	Nava Telangana

GENERAL SHAREHOLDER INFORMATION

(a) Details regarding Annual General Meeting

Date	Friday, September 29, 2023
Time	10.30 a.m.
Venue	Annual General Meeting through Video Conferencing/Other Audio Visual Means facility (Deemed venue for meeting: Registered office i.e., NATCO House, Raod No.2, Banjara Hills, Hyderabad - 500 034, Telangana, India.)

(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) Dividend Payment Date: NA

(d) 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 2022-23 to the above-mentioned Stock Exchanges and the custodial fee for the year 2022-23 to both the Depositories, namely National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL).

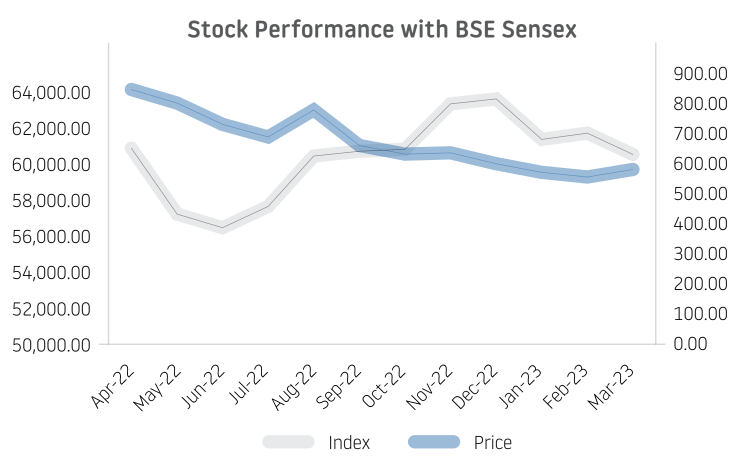
(e) Market Price Data

The market price data (high and low closing prices during each month) for the Financial Year 2022-23 is as below:

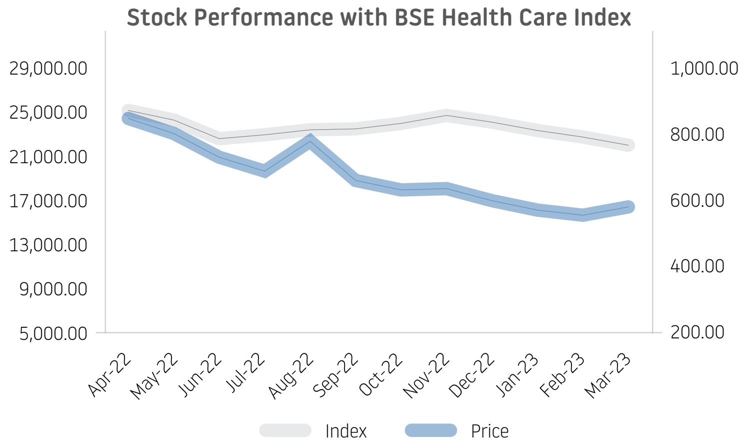
Month	Bombay Stock Exchange		National Stock Exchange	
	High ₹	Low ₹	High ₹	Low ₹
April, 2022	846.70	756.60	848.40	756.90
May, 2022	801.35	607.95	802.30	607.75
June, 2022	729.95	627.25	729.50	610.00
July, 2022	688.00	629.00	688.10	629.65
August, 2022	777.95	610.15	778.90	612.00
September, 2022	660.00	593.20	660.00	592.45
October, 2022	631.15	582.75	631.50	582.00
November, 2022	635.25	559.00	635.65	545.00
December, 2022	599.05	548.00	600.00	547.50
January, 2023	570.40	526.00	570.00	526.10
February, 2023	554.95	502.00	555.00	502.00
March, 2023	580.00	520.60	580.00	520.25

(f) Performance in comparison to broad-based indices

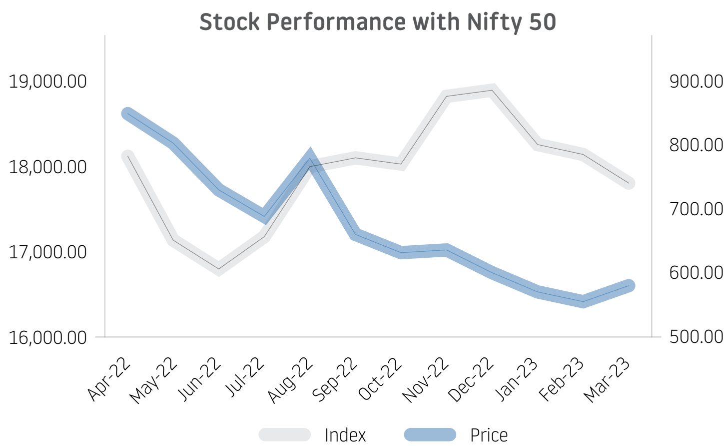
(i) Compared to BSE Sensex



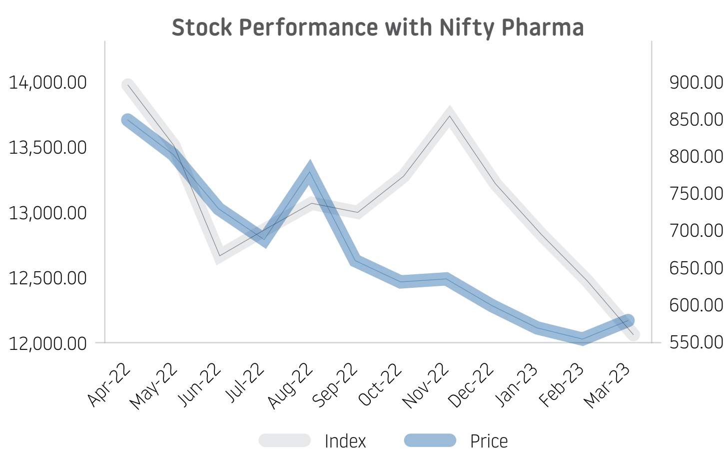
ii) Compared to S&P BSE HEALTHCARE INDEX



(iii) Compared to Nifty 50



(iv) Compared to Nifty Pharma Index



The securities of the Company are not suspended from trading during the financial year ended 31st March, 2023.

(g) Registrar and Share Transfer Agent

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

Address: "Aurum", Door No. 4-50/P-II/57/4F & 5F, Plot No.57, 4^{th} & 5^{th} Floors,
Jayabheri Enclave Phase – II, Gachibowli, Hyderabad – 500 032, Telangana, India.
Tel Nos.040-23818475/23818476/23868023/35164940
Fax No.040-23868024
Contact Person: Mr. P V Srinivas / Mr. Srirama Murthy
Email: investor.relations@vccipl.com

(h) Distribution of Shareholding

Nominal Value ₹	Shareholders		Amount ₹	
	Number	% to Total	In ₹	% to Total
Upto - 5000	151710	98.72	33148844	9.08
5001 - 10000	889	0.58	6657334	1.82
10001 - 20000	495	0.32	7183296	1.97
20001 - 30000	151	0.10	3664544	1.00
30001 - 40000	86	0.06	3019082	0.83
40001 - 50000	60	0.04	2726360	0.75
50001 - 100000	111	0.07	7839206	2.15
100001 and above	176	0.11	300701564	82.40
Total	**153678**	**100.00**	**364940230**	**100.00**

(i) Dematerialisation of shares and liquidity

As on March 31, 2023, 99.71% 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.

(j) 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.

(k) Outstanding Global Depository Receipts or American Depository Receipts or warrants or any convertible instruments, conversion date and likely impact on equity

The Company has not issued any Global Depository Receipts or American Depository Receipts. There are no warrants or any convertible instruments outstanding as on 31^{st} March, 2023.

(l) Commodity price risk or foreign exchange risk and hedging activities

The operations of the Company do not envisage any commodity price risk or material foreign exchange risk as the company has natural edge.

(m) Plant Locations

i)	**Pharma Division** Kothur Post & Mandal, Rangareddy District -509228, Telangana, India	ii)	**Pharma Division - Parenterals** Vijayapuri North, Nagarjuna Sagar, Peddavura Mandal, Nalgonda District - 508202, Telangana, India
iii)	**Chemical Division** Mekaguda, Nandigama Mandal Rangareddy District, 509228 Telangana, India	iv)	**R & D Division (Natco Research Centre)** B-11, B-13 & B-14, Industrial Estate, Sanathnagar, Hyderabad - 500018, Telangana, India
v)	**Crop Health Sciences (CHS) – Formulations Unit** Plot No.A3, UPSIDC, Selaqui Industrial Area, Dehradun 248197, Uttarakhand, India	vi)	**Chemical Division, Chennai** No.74/7B, Vaikkadu , TPP Salai, Manali, Chennai - 600 103, Tamilnadu, India

vii)	**Pharma Division** DAG No.749, 750, Kokjhar Village, Revenue Circle, – Mirza, Kamrup (Rural), Guwahati Dist. 781 125, Assam, India	viii)	**Formulations Division** UNIT-10, Parawada, JNPC, Ramky SEZ Visakapatnam-531 019, Andhra Pradesh, India
ix)	**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	x)	**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
xi)	**R & D Division** Kothur Post & Mandal, Rangareddy District -509 228 Telangana, India		

(n) Address for correspondence at Registered Office:

Mr. S. Dasaradhi, Deputy General Manager – Secretarial
NATCO House, Road No. 2, Banjara Hills,
Hyderabad – 500 034, Telangana, India
Tel. No.: 040-23547532, Fax No.: 040-23548243
Email: investors@natcopharma.co.in / dasaradhi@natcopharma.co.in
Website: www.natcopharma.co.in

(o) Credit Ratings

The Company's credit ratings from ICRA on long term borrowings is "AA" and on short term borrowings is "A1+"

Other disclosures

Disclosures on materially significant Related Party Transactions that may have potential conflict with the interests of listed entity at large

All related party transactions with related parties during the financial year 2022-23 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, 2023. 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

Details of non-compliance

No penalty, strictures has been imposed by any stock exchange, SEBI or SEC or any statutory authority nor has there been any instance of non-compliance with matters relating to the capital market over 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 is available on the Company's website at the following link:

https://www.natcopharma.co.in/wp-content/uploads/2022/06/Whistle-Blower-Policy.pdf

Details of compliance with mandatory requirements and adoption of the non-mandatory requirements

The Company has complied with all the mandatory requirements of Corporate Governance as per Listing Regulations and it is in the process of implementing non-mandatory requirements.

Policy for determining material subsidiaries

In terms of Listing Regulations, the Board of Directors of the Company has adopted a policy with regard to determination of material subsidiaries. The policy is placed on the Company's website at https://www.natcopharma.co.in/wp-content/uploads/2021/05/DETERMINATION-OF-MATERIAL-SUBSIDIARIES-POLICY.pdf.

Details of utilisation of funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32(7A)

The Company has not raised any funds through preferential allotment or qualified institutions placement during the current financial year and hence not applicable.

Certificate of Non-Disqualification of Directors

As required under Listing Regulations, a certificate from CS D. Renuka, Company Secretary in Practice that none of the directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of the Companies by the Board/Ministry of Corporate Affairs or any such statutory authority as on 31st March, 2023. The Certificate is given as an annexure to this Report.

Where the Board had not accepted any recommendation of any Committee of the Board

During the Financial Year there were no instances where the Board of Directors has not accepted the recommendations made by the Committees of the Board.

Code of Conduct

The Company has laid down a "Code of Conduct" for all Board members and Senior Management Personnel. The members of the Board including Independent Directors and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct as on 31st March, 2023. A declaration to this effect signed by Director & Chief Executive Officer is given as an annexure to this Report.

Certificate on Corporate Governance

Certificate from CS, Company Secretary in Practice confirming compliance with conditions of Corporate Governance, as stipulated under Regulation 34 read with Schedule V of the Listing Regulations is given as an annexure to this Report.

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, 2023 as follows:

Particulars	**Amount (₹ in millions)**
Audit Fees	₹ 13
Certification Fees	₹ 2
Reimbursement of expenses	₹ 1
Other services	₹ 3
Total	**₹ 19**

Details of material subsidiary

NATCO Pharma (Canada) Inc., Canada is the material subsidiary of the Company based on the income or net worth of the Company for Financial Year 2020-21 and will continue as material subsidiary as per Regulation 3 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The following are the details of NATCO Pharma (Canada) Inc.:

1. Date of Incorporation: 7th November, 2012
2. Place of Incorporation: Canada
3. Name of Statutory Auditors: KPMG LLP
4. Dates of appointment of Statutory Auditors: 5th October, 2020

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.

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.

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.

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 the following link:

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

https://www.natcopharma.co.in/wp-content/uploads/2019/10/CODE-OF-PRACTICES-AND-PROCEDURES-FOR-FAIR-DISCLOSURE-OF-UNPUBLISHED-PRICE-SENSITIVE-INFORMATION.pdf

EMPLOYEE STOCK OPTION SCHEMES

Based on the recommendation of the Compensation Committee, the Board and members of the Company approved the NATCO Employee Stock Option Scheme, 2017 (NATSOP2017) 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
NATSOP2017	Opening Balance as on April 1, 2022	97,580
	Options vested and Exercised during the year	37,000
	Closing Balance of Options as March 31, 2023	60,580*

* NATSOP2017 Scheme has been closed during FY 2022-23 and balance Options were lapsed.

Subsequent to the allotment of the aforesaid shares to the eligible employees, the NATSOP2017 Scheme has been closed. The Compliance Certificate from the Secretarial Auditors of the Company i.e., M/s. B K & Associates, Practicing Company Secretary pursuant to Regulation 13 of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 certifying that the Company has implemented the NATSOP2017 Employee Stock Options Scheme in accordance with the applicable provisions of the Regulations.

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, 2023
2016-17	1st Interim	0.75	August 9, 2016	September 15, 2023	8,74,748.50
	2nd Interim	6.00	February 14, 2017	March 22, 2024	50,50,764.00
2017-18	1st Interim	1.25	August 7, 2017	September 13, 2024	14,09,433.75
	2nd Interim	7.00	February 6,2018	March 15, 2025	40,02,509.00
2018-19	1st Interim	1.50	August 8, 2018	September 14, 2025	9,72,091.50
	2nd Interim	3.50	February 12, 2019	March 21, 2026	21,30,842.00
	3rd Interim	1.25	May 27, 2019	July 3, 2026	8,46,546.25
2019-20	1st Interim	1.25	August 9, 2019	September 15, 2026	7,94,342.50
	2nd Interim	1.00	November 12, 2019	December 19, 2026	6,49,370.00
	3rd Interim	3.50	February 12, 2020	March 21, 2027	21,99,284.50
	4th Interim	1.00	June 17, 2020	July 24, 2027	6,27,814.65
2020-21	1st Interim	1.25	August 12, 2020	September 18, 2027	6,48,288.41
	2nd Interim	3.00	November 12, 2020	December 19, 2027	13,61,588.15
	3rd Interim	1.00	February 11, 2021	March 19, 2028	6,16,927.81
2021-22	1st Interim	2.00	August 12, 2021	September 18, 2028	11,33,163.58
	2nd Interim	0.50	November 11, 2021	December 18, 2028	3,12,214.27
	3rd Interim	2.00	February 14, 2022	March 23, 2029	1,13,1279.66
2022-23	1st Interim	3.50	August 9, 2022	September 15, 2029	13,83,114.53
	2nd Interim	0.75	November, 10, 2022	December 17, 2029	3,72,023.72
	3rd Interim	1.25	February 9, 2023	March 18, 2030	0

** 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
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
2015-2016	February 11, 2016	14,55,091.00	March 19, 2023

(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, 2022	105	24600
Number of shareholders and shares transferred to IEPF	Nil	Nil
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 2022-23	18	1900
Aggregate number of shareholders and outstanding shares held in the Unclaimed Suspense Account as on March 31, 2023	87	22700

CERTIFICATE ON COMPLIANCE WITH CODE OF CONDUCT

The Members of
NATCO Pharma Limited

As required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, I hereby confirm that the Company has adopted a Code of Conduct for all Board Members and Senior Management and the same has been placed on the Company's Website. All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct in respect for the Financial Year ended March 31, 2023.

For **NATCO Pharma Limited**

Rajeev Nannapaneni
Director & CEO
DIN: 00183872

Place: Hyderabad
Date: August 09, 2023

CEO AND 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, 2023 and that to the best of our knowledge and belief:

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

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

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

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

D. We have indicated to the auditors and the Audit Committee

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

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

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

	Rajeev Nannapaneni	**S.V.V.N. Appa Rao**
Place: Hyderabad	Director & Chief Executive Officer	Chief Financial Officer
Date: May 29, 2023	DIN: 00183872	

CERTIFICATE OF COMPLIANCE

The Members of
NATCO Pharma Limited
Natco House, Road # 2, Banjara Hills
Hyderabad 500 034, Telangana, India

I have examined the compliance of conditions of Corporate Governance by M/s. NATCO Pharma Limited, for the year ended March 31, 2023 as per the relevant provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations').

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

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

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

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

D. Renuka
Practicing Company Secretary
ICSI Peer Review UIN: L2000TL172900
UDIN: A011963E000745652

Place: Hyderabad
Date: August 9, 2023

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,
Telangana, India.

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, Telangana, India 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 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, 2023 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 RaoThallapaka	05273533	August 25, 2014
5	Govinda Prasad Dasu	00160408	February 13, 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
10	Ganapati Bhat Pavan	09691260	August 9, 2022

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
Practicing Company Secretary
ICSI Peer Review UIN: L2000TL172900
UDIN: A011963E000745685

Place: Hyderabad
Date: August 09, 2023

COMPLIANCE CERTIFICATE

[Pursuant to Regulation 13 of the Securities Exchange Board of India
(Share Based Employee Benefits and Sweat Equity) Regulations, 2021]

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

I Kiran Kumar Bodla, Company Secretary in practice, have been appointed as the Secretarial Auditor vide a resolution passed at its meeting held on May 30, 2022 by the Board of Directors of Natco Pharma Limited (hereinafter referred to as 'the Company'), having CIN L24230TG1981PLC003201 and having its registered office at Natco House, Road No. 2, Banjara Hills, Hyderabad-500034, Telangana, India. This certificate is issued under Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (hereinafter referred to as "the Regulations"), for the year ended March 31, 2023 ('Period under review').

Management Responsibility:

It is the responsibility of the Management of the Company to implement the Scheme(s) including designing, maintaining records and devising proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

Verification:

The Company has implemented Natco Employees Stock Option Scheme 2017 (NATSOP 2017) viz Employee Stock Option Scheme in accordance with the erstwhile SEBI (Share Based Employee Benefits) Regulations, 2014 and the Special Resolution(s) passed by the members of the Company at the 34th Annual General Meeting held on 28th September 2017.

For the purpose of verifying the compliance of the Regulations, I have examined the following:

1. Scheme(s) received from/furnished by the Company;
2. Articles of Association of the Company;
3. Resolutions passed at the meeting of the Board of Directors;
4. Shareholders resolutions passed at the General Meeting(s);
5. Shareholders resolution passed at General Meetings w.r.t variation in the scheme (if any); NA*
6. Shareholders resolution passed at General Meeting w.r.t approval for implementing the scheme(s) through a trust(s); NA*
7. Minutes of the meetings of the Compensation Committee;
8. Trust Deed; NA*
9. Details of trades in the securities of the company executed by the trust through which the scheme is implemented; NA*
10. Relevant Accounting Standards as prescribed by the Central Government;
11. Detailed terms and conditions of the scheme as approved by Compensation Committee;
12. Bank Statements towards Application money received under the scheme(s);
13. Valuation Report; NA*
14. Exercise Price / Pricing formula; NA*
15. Statement filed with recognised Stock Exchange(s) in accordance with Regulation 10 of these Regulations;
16. Disclosure by the Board of Directors;
17. Relevant provisions of the Regulations, Companies Act, 2013 and Rules made thereunder;

*Not applicable for the period under review.

Certification:

In my opinion and to the best of my knowledge and according to the verifications as considered necessary and explanations furnished to me by the Company and its Officers, I certify that the Company has implemented the NATSOP 2017 Employee Stock Option Scheme in accordance with the applicable provisions of the Regulations and Resolution(s) of the Company in the General Meeting(s).

Assumption & Limitation of Scope and Review:

1. Ensuring the authenticity of documents and information furnished is the responsibility of the Board of Directors of the Company.
2. My responsibility is to give certificate based upon our examination of relevant documents and information. It is neither an audit nor an investigation.
3. 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.
4. This certificate is solely for your information and it is not to be used, circulated, quoted, or otherwise referred to for any purpose other than for the Regulations.

For BK & Associates
Company Secretaries

CS Kiran Kumar Bodla
CS Kiran Kumar Bodla
Proprietor
FCS No.: 11093
C P No.: 15876
PR No.: 717/2020
UDIN: F011093E000767475

Place: Hyderabad
Date: 09.08.2023

BUSINESS RESPONSIBILITY AND SUSTAINABILITY REPORT

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, 2022 to March 31, 2023
10	Name of the Stock Exchange(s) where shares are listed:	Equity shares are listed on the National Stock Exchange of India Limited (NSE) and the BSE Limited (BSE)
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 Vice President, 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	Chemical and chemical products, pharmaceuticals, medicinal chemicals and botanical 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)	100%

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

S. No.	Product/Service	NIC Code	% of total Turnover
	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	9 manufacturing units and 2 R&D Centers	1 Corporate office	12

17. Markets served by the entity:

a. Number of locations

Location	Number
National (No. of States)	28 States and 8 Union Territories
International (No. of Countries)	50+

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

For FY 23 the contribution of exports is 73.38% of the total turnover.

c. A brief on types of customers:

Distributors, Stockists, Hospitals, Government agencies, Top 3 generic companies of the world, Regional players and National players of respective territories/countries.

IV. Employees

18. Details at the end of the Financial Year:

a. Employees and workers (including differently abled): 2022-2023

S. No.	Particulars	Total (A)	Male		Female	
			No. (B)	% (B / A)	No. (C)	% (C / A)
			EMPLOYEES			
1.	Permanent (D)	3434	3101	90.3%	333	9.7%
2.	Other than-Casuals (E)	512	432	84.4%	80	15.6%
3.	**Total employees permanent (D + E)**	**3946**	**3533**	**89.5%**	**413**	**10.5 %**
			WORKERS			
4.	Permanent (F)	545	493	90.5%	52	9.5%
5.	Other than Permanent (G)	0	0	0		
6.	**Total workers (F + G)**	**545**	**493**	**90.5%**	**52**	**9.5%**

b. Differently abled Employees[1] and workers:

S. No.	Particulars	Total (A)	Male		Female	
			No. (B)	% (B / A)	No. (C)	% (C / A)
			DIFFERENTLY ABLED WORKERS			
1.	Permanent (F)	1	1	1	0	-
2.	Other than permanent (G)	0	0	0	0	-
3.	**Total differently abled workers (F + G)**	**1**	**1**	**1**	**0**	**-**

[1]The Corporation does not have differently abled employees

19. Participation/Inclusion/Representation of women

S. No.	Particulars	Total (A)	No. and percentage of Females	
			No. (B)	% (B / A)
1.	Board of Directors	10	1	10%
2.	Key Management Personnel	2	-	-

20. Turnover rate for permanent employees and workers (Disclose trends for the past 3 years)

Particulars	FY 2022-23			FY -2021-22			FY 2020-2021		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent Employees	14.4%	1.8%	16.2%	16.1%	1.7%	17.8%	9.5%	0.9%	10.4%
Permanent Workers	3.2%	1.1%	4.4%	0.4%	0.01%	0.45%	0.2%	0.1%	0.3%
Casuals	3.7%	0.4%	4.0%						

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.	Natco Pharma USA LLC (Formerly known as Dash Pharmaceuticals LLC)	Step-down Wholly-Owned Subsidiary of the Company	100	No

VI. CSR Details

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

(ii) Turnover in ₹ 23,510 million

(iii) Net worth in ₹ 47,020 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[1] in Place (Yes/No) (If Yes, then provide web-link for grievance redress policy)	FY 2022-23 Current Financial Year			FY 2021-22 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
Shareholders		180	12		0	-	-
Investors (other than shareholders)		0	-	-	2	-	-

[1]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 solutions 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 27.5% 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 the following- - Positive economic benefit as it brings about cost-saving - Efficient usage of resources, - Regulatory compliance and beyond. Conscious efforts are undertaken to reduce our freshwater consumption in all operations by implementing water conservation measures, wastewater recycling, condensate recycling, rainwater collection, treatment and reuse, and rainwater recharge initiatives. In the current year,recycled 37.73% of the total water requirement and recycled in cooling towers and other utility applications.
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 programme, ii) Enable scale up iii) Set in a systemic approach iv) Ensure long term sustainability of the programme		Positive Identifying initiatives that are not performing well, so that they can be recalibrated and improved, thereby ensuring the investment finds true purpose - Effective programmes can continue to receive funding,enable scale-up to include more communities and impact more lives.
4.	Learning and development	Opportunity	The Company believes learning and development is one of the key factors in equipping employees to contribute sustainably. Training, succession planning and activities that enable employee involvement are the factors for motivate employees to contribute continuously		Positive Consistent efforts towards training in the areas of Quality, cGMP, EHS, skill building, and physical well-being equip employees to align with business needs.
5.	Learning and development	Opportunity	Training, succession plaining and other motivational are the factors for employees to contribute continuously		Continuous training towards CGMP, Quality and EHS

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.

Disclosure Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
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 theentity 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 facilities.								
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)	Integrating sustainability across our value chain begins at the product development stage itself while ensuring realistic development timelines to meet the unmet needs of the patients. Embedding sustainability practices is visible in how we continue to take steps to increase our renewable energy consumption consistently. 27.5% of our total energy requirement is met through renewable energy sources. Sustainable water management is an important part of our environmental protection efforts. We strive to eliminate the disposal of hazardous waste in landfills and by incineration and create utilisation of waste for beneficial use (reuse, recovery, re-processing, recycling, co-processing, and conversion as alternative fuels and raw material (AFR). We firmly believe that people and communities are the foundation for sustainable growth. At NATCO, we are dedicated to fostering the growth and potential of the people that make up our workforce. Through the NATCO trust, we supported education, healthcare, and social empowerment programmes, leaving an indelible and positive impact on the communities we touch.								

Disclosure Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
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.	The Sustainability Working Group that comprises senior leaders and key management personnel as members is responsible for decision-making on Sustainability aspects.								

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)								
	P1	P2	P3	P4	P5	P6	P1	P2	P3	P4	P5	P6	P7	P8	P9
Performance against above policies and follow up action	The review mechanism of all the policies is 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.	P1	P2	P3	P4	P5	P6	P7	P8	P9
	N	Y	Y	N	N	N	N	Y	N

12. If the 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, and processes, based on the need are assessed by an internal mechanism. 3rd party assessments are undertaken in the case of the Environment and Safety Management Systems ISO 14001 and ISO 45001 conducted by DNV and a CSR assessment conducted by M/s. Give Grants (i.e., SaathiRe Social Impact Solutions Private Limited).

SECTION C: PRINCIPLE WISE PERFORMANCE DISCLOSURE

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	Total number of training and awareness programmes held	Topics / principles covered under the training and its impact	% age of persons inrespective category covered by the awareness programmes
Board of Directors and Key Managerial Personnel	4	Familiarisation Programme conducted to the Board of Directors and Key Managerial Personnel. On a need basis, updates on various business operations, evolving market dynamics, investor highlights and changes in the regulations, are communicated. During the quarterly updates, financial results, overall business compliance, improvements and concerns on Environmental Safety Health performance, products and processes-related strategies are communicated.	100%
Employees other than BoD and KMPs	198	The employees of the Company undergo various training programmes throughout the year. Comprehensive training sessions covering Code of conduct for Employees, Policy on Sexual Harassment (POSH), ongoing training on current good manufacturing (cGMP), good manufacturing practices(GMP), safety in the pharmaceutical industry, first aid, fire safety, emergency preparedness and physical well- being.	96 %
Workers	176	The workers of the Company undergo various trainings throughout the year. Policy on Sexual Harassment (POSH), skill upgradation, Health & Safety, and Emergency preparedness are conducted based on yearly training schedule.	96 %

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		
Settlement			NIL		
Compounding fee			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		
Punishment		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.**

   Not applicable

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 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.

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

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 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 2022-23 (Current Financial Year)	FY 2021-22 (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 2022-23 , 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**

   Not applicable

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:**

	Details of improvements in environmental and social impacts
R&D	Focused on the environmental and safety performance of our processes making our R&D and manufacturing operations create a holistic impact. The use of technology and a proactive approach enables to develop and launch complex and niche molecules with non- infringing processes
Capex	Investing in renewable energy (solar and wind)

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

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

   The organisation is yet to have a procedure in place for sustainable sourcing. However, we are committed to sourcing materials from vendors that produce in an environmentally and socially just manner in line with the required regulatory norms.

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 authorised e-waste recyclers/collection centers/authorised dismantlers.
   - Hazardous wastes disposed to authorised cement industries/authorised pre- processing facilities /authorised 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.**

   The Extended Producer Responsibility (EPR) is applicable to the activities of the organisation. An 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". In the current reporting year, we collected and recycled about 58 tons of various categories of plastic packing materials across different states of India under the Extended Producer Responsibility (EPR) regulation.

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	3101	2414	77.8%	3101	100%	0	0	0	0	-	0
Femal e	333	196	58.9%	333	100%	333	100%	0	0	-	0
Total	**3434**	**2610**	**76%**	**3434**	**100%**	**333**	**100%**	**0**	**0**	**-**	**0**

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

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

[4] Day care (Creche) facilities are available at the formulation's facilities (Kothur & Nagarjuna Sagar), Vizag and R&D Center but have not been utilised.

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[4]	
		Num ber (B)	%(B/A)	Number (C)	%(C/A)	Number (D)	%(D/A)	Number (E)	%(E/A)	Number (F)	%(F/A)
Permanent workers											
Male	493	432	87.6%	493	100%	_	_	_	_	_	_
Femal e	52	35	67.3%	52	100%	0	0	_	_	_	_
Total	**545**	**467**	**85.7%**	**545**	**100%**	**_**	**_**	**_**	**_**	**_**	**_**
Other than permanent workers											
Male	432	0	0	432	100%	_	_	_	_	_	_
Female	80	0	0	80	100%	0	0	_	_	_	_
Total	**512**	**0**	**0**	**512**	**100%**	**_**	**_**	**_**	**_**	**_**	**_**

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

Benefits	FY 2022-2023			FY 2021-2022		
	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	22%	1%	Y	31.2%	6%	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.

The Company strongly supports and upholds the human rights of employees working therein. The Company adheres to the fundamental belief in the elimination of discrimination in respect of employment towards their race, caste, nationality, religion, disability, age, sex, marital status, political affiliations, freedom of association and collective bargaining. The Company will not support any abusive behaviour against any individual. The Company does not allow any sort of ill-behaviour including gestures, language, and physical contact, that is sexually coercive, threatening, abusive or exploitative with anyone at the workplace.

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 but parental leaves are not applicable.

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

We do have committees that follow a mechanism to receive and redress grievance for both workers and employees.

Works Committee:

To discuss and address the working conditions, Process Improvement methods, Health and hygiene Practices, Good Manufacturing Practices, Good Documentation Practices, Productivity Improvement Measures, Preventive Maintenance Measures, Machine Utilisation, Utilities and Resources Utilisation, Absenteeism of Employees, Improvement of Morale of employees, Working Conditions in the Shop floor etc.

Grievance Redressal Committee:

To improve the measures for securing and preserving good relations between the management and their employees in order to inculcate a congenial work environment and to make them productive in the workplace.

IC-POSH Committee:

With an aim of providing women safety at the workplace, this committee has unit wise meetings to discuss and address the complaints received under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

Safety Committee:

To aim of a safety committee is to mitigate the risk of workplace injuries and illnesses.

Safety Committee consists of an equal number of representatives of workers and management to promote co-operation between the workers and the management in maintaining proper safety and health. Safety committees work together to carrying out safety, environmental and occupational health surveys, safety audits, Risk assessment, emergency and disaster management plans and implementation of the recommendations suggested in the reports and create safety awareness amongst all employees.

Canteen & Welfare Committee:

To promote and encourage the measures in the factory of their common concern towards Canteen and other welfare measures and address the same, in order to preserve amity and cordial relations between the management staff and workmen.

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

Benefits	FY 2022-2023			FY 2021-2022		
	Total employee/ workers in respective categories (A)	No. of employees / workers in respective category, who are part of association(s) or Union[5] (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	0	0		0		0
- Male	0	0		0		0
- Female	0	0		0		0
Total Permanent Workers[6]	545	345	63.3%	513	513	
- Male	493	303	61.5%	419	419	100%
- Female	52	41	78.5%	94	94	100%

[5]Unions (Mekaguda, Kothur, Nagarjuna Sagar 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 2022-2023					FY 2021-2022				
	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	3101	1769	57.1%	1346	43.4%	3157	1251	39.6%	0	0
Female	333	282	84.7%	175	52.6%	355	146	41.1%	0	0
Total	**3434**	**2051**	**59.7%**	**1521**	**44.3%**	**3512**	**1397**	**39.9%**	**0**	**0**
Workers + Casuals										
Male	925	907	98.1%	855	92.4%	419	0	0	0	0
Female	132	115	87.1%	130	98.5%	94	0	0	0	0
Total	**1057**	**1022**	**96.7%**	**985**	**93.2%**	**513**	**0**	**0**	**0**	**0**

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

Annual Appraisal

Category	FY 2022-2023 Current Financial Year			FY 2021-2022 Previous Financial Year		
	Total (A)	No. (B)	% (B/A)	Total (C)	No. (D)	% (D/C)
Employees						
Male	3101	2170	69.9	3157	1833	58.1
Female	333	231	69.4	638	158	27.8
Total	**3434**	**2401**	**69.9**	**3795**	**1991**	**52.5**

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 of such system?

Yes. We have integrated the Environment Health and Safety (EHS) Management system into the way we manage our business. Our EHS policy navigates the implementation and enables the sustenance of our EHS management system. The

Company provides the necessary resources and support for appropriate EHS initiatives and programmes to ensure the implementation of the EHS policy in line with our business objectives and compliance obligations. Integrating EHS objectives into the business plan, performance tracking and governance processes is an ongoing mechanism. All our manufacturing facilities have implemented safety management systems compliant with local regulations and based on recognised safety management standards. Around 50% of our manufacturing facilities are certified with ISO 45001:2018 & and ISO 45001-2015 standards. Implemented ISO 14001-2015 EMS (Environment Management System) & and ISO45001-2018 OHSM (Occupational Health & Safety Management) Systems at our Formulations manufacturing units located at Kothur, Vizag and Dehradun during the reporting year. Implementation at Nagarjuna Sagar, Guwahati & R&D division is in progress.

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

All health, safety and environmental hazards are evaluated, and corrective measures are implemented at the development and manufacturing stages. Process safety is ensured throughout the entire lifecycle of the product right from the design stage of the product and is supported by periodic assessments and monitoring.

Safe operations are ensured with the help of various tools of risk analysis, such as EHS by design checklists, Risk-Based Exposure assessment for all chemicals, Hazard and Operability Analysis (HAZOPs), Hazard Identification and Risk Assessment (HIRA), Qualitative Risk Analysis (QRA), Walkthrough Observations, Plant Safety Inspections, Internal and External Safety Audits. The Company has a process to identify work- related hazards and assess risks on a routine and non-routine basis. Routine activities are covered under Hazard Identification and Risk Assessment (HIRA) and non-routine Activities are covered under the work permit system. Any change in process and facility is addressed through the Change Management System in order to ensure a safe workplace. Additionally, our site leadership teams are involved in proactively identifying unsafe acts and conditions. To protect our employees from hazards, stringent administrative controls, engineering controls, a work permit system, trained workforce equipped with the right personal protective equipment are some of the non-negotiables across our facilities.

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

Yes. Building a safety-oriented mindset in our workforce is at the core of our safety management system. Our interventions focus on enabling employee consultation, participation, and involvement in building a strong safety culture. We have adopted a blended approach encompassing informal interventions, such as toolbox talks, and formalised procedures. Employees are sensitised about embedding a proactive approach to safety in their day-to-day activities. Employees are encouraged to report unsafe acts / unsafe conditions, and near misses and to give suggestions for improving the Safety and Health at the workplace. The company provides a congenial working environment that empowers employees to implement novel ideas.

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

Yes. Each operational site has a qualified doctor and nurses available round the clock to monitor the health of our employees. The sites have a fully functional Occupational Health Centre. We provide comprehensive health insurance schemes to every employee in line with our Group Medical Insurance policy and Employee State Insurance Scheme.

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

Safety Incident/ Number	Category	FY:2022-23	FY: 2021-22
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 organisation consistently focuses on and ensures leadership commitment, line management ownership, employee involvement and awareness for a safe and healthy workplace. The following measures were taken in the current reporting year-

- Facilities are protected with fire hydrant systems, smoke detection and alarm systems, sprinkler systems, nitrogen blanketing systems, gas detection systems, exhaust ventilation systems, closed transfer systems,
- Safety interlocks for process equipment, auto control mechanisms for critical processes and personnel protective equipment are in place,
- Change management system and Pre-Start Up Safety reviews.
- Mechanical integrity assurance by Preventive maintenance.

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

	FY 2022-23 Current Financial Year			FY 2021-22 Previous Financial Year		
	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	12	0	-	8	0	-
Health & Safety	01	0	LEV system provided	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**

- Auto modular type fire extinguishing systems installed.
- Onsite emergency plans are revised and updated by incorporating the requirements as per the site-specific potential hazards.
- Emergency exit door assessment was done, and the additional doors were installed as per the assessment report findings.

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. The interests of the stakeholders also have a key influence on our business strategy. We identify stakeholders on the basis of their contribution to the value chain and who influence our business or are part of it. Our methods of stakeholder engagement include surveys (such as supplier, customer, and employee surveys), workshops, online video calls, regular interactions with the CSR teams and impact assessments, periodic updates, investor meetings and calls, and interactions with team members.

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 & Marginalised 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 and one and 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 programmes, Intranet and reviews	Need based	Policies, benefits and training
Patients	No	Assistance programmes like NATREACH. Patient education leaflets	Need based	Educating the patients
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 programme	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. For new recruits (employees/workers), the induction programme covers Company related Human Rights Policy and awareness.

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

Category	FY 2022-2023					FY 2021-2022				
	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	3434	0	0	3434	100%	3512	0	0	3512	100%
Male	3101	0	0	3101	100%	3157	0	0	3157	100%
Female	333	0	0	333	100%	355	0	0	355	100%
					Other than permanent Employees					
Casual Employees	512	0	0	512	100%	735	0	0	735	100%
Male	432	0	0	432	100%	638	0	0	638	100%
Female	80	0	0	80	100%	97	0	0	97	100%
					Workers					
Contractual	545	0	0	545	100%	513	0	0	513	100%
Male	493	0	0	493	100%	419	0	0	419	100%
Female	52	0	0	52	100%	94	0	0	94	100%

3. **Details of remuneration/salary/wages:**

	Male		Female	
	Number	Median remuneration/ salary/ wages of respective category	Number	Median remuneration/ salary/ wages of respective category
Board of Directors[7] (BoD)	5	1,92,00,000.00	0	0
Key Managerial Personnel	2	75,05,463.00	0	0
Employees other than BoD and KMP	3657	5,06,088.00	423	3,25,920.00
Workers - Unionised	344	6,23,544.00	42	5,35,326.00

[7]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, we do have committee responsible for addressing the human rights.

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:**

	FY 2022-23 Current Financial Year			FY 2021-22 Previous Financial Year		
	Filed during the year	Pending resolution at the end of year	Remarks	Filed during the year	Pending resolution at the end of year	Remarks
Sexual Harassment	None			None		
Discrimination at workplace	None			None		
Child Labour	None			None		
Forced Labour/ Involuntary Labour	None			None		
Wages	None			None		
Other human rights related issues	None			None		

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 an IC – POSH Committee and Grievance redressal Committee to handle such complaints 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	Factories department for Working hours and safety of Employees and Workmen

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:**

Safety Incident/ Number	FY 2022-23 (Current Financial Year)	FY2021-22 (Previous Financial Year)
Total electricity consumption (A)	192496GJ	197308GJ
Total fuel consumption (B)	289507GJ	173315GJ
Energy consumption through other sources (C) (Solar & Wind Energy)	71913GJ	70242GJ
Total energy consumption (A+B+C)	553916GJ	440865GJ
Energy intensity per rupee of turnover (Total energy consumption/turnover in rupees)	19.70GJ/Million rupees	21.57GJ/Million rupees

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:**

Safety Incident/ Number	FY 2022-23 (Current Financial Year)	FY2021-22 (Previous Financial Year)
Water withdrawal by source (in kiloliters)		
(i) Surface water	151944KL[8]	69173KL
(ii) Groundwater	108035KL[8]	91630KL
(iii) Third party water	41694KL	43800KL
(iv) Seawater / desalinated water	0	0
(v) Others	0	0
Total volume of water withdrawal (in kiloliters) (i + ii + iii + iv + v)	301673KL8	204603KL
Total volume of water consumption (in kiloliters)	301673KL8	204603KL
Water intensity per rupee of turnover (Water consumed / turnover)	10.729KL/Million rupees	10.011KL/Million rupees

Note: [8] Increase in total water consumption is due to two manufacturing facilities (Crop Health Sciences) commencing operations and two Finished Dosage Formulations units undergoing expansion and commenced operations.

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, the 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) systems at 4 of our manufacturing facilities. Two at API units located at Mekaguda – 450KL/D (Telangana state) and at Chennai-250KL/D (Tamilnadu state), third at Crop health Sciences division - 75KL/D [Technical plant located at Attivaram, Naidupeta (Andhra Pradesh state)] and fourth ZLD at Formulations unit at Kothur - 360KL/D (Telangana state).

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

Parameter	Please specify unit	FY 2022-23 (Current Financial Year)	FY 2021-22 (Previous Financial Year)
NOx	mg/nm^3	152	140
Sox	mg/nm^3	201	220
Particulate Matter (PM)	mg/nm^3	51	45
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.

Yes. We have engaged a NABL accredited, and MOEF & CC recognised third-party testing agency.

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

Parameter	Unit	FY 2022-23 (Current Financial Year)	FY 2021-22 (Previous Financial Year)
Total Scope 1 emissions (Break-up of the GHG into CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, NF_3, if available)	Metric tons of CO_2 equivalent	24890	13477
Total Scope 2 emissions (Break-up of the GHG into CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, NF_3, if available)	Metric tons of CO_2 equivalent	43870	44967
Total Scope 1 and Scope 2 emissions per rupee of turnover	Metric Tons of CO_2 Equivalent/Million	2.45Tons/Million	3.455Tons/Million

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. We have undertaken a self-assessment to review the greenhouse gas emission details.

7. **Does the entity have any project related to reducing Green House Gas emission? If so, 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 2022-23, the Renewable energy mix is at 27.51% of the total energy consumption, reducing 18426 tCO_2e of GHG missions. 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 2022-23 (Current Financial Year)	FY2021-22 (Previous Financial Year)
Total Waste generated (in metric tons)		
Plastic waste **(A)**	58MT	60 MT
E-waste **(B)**	1.363MT	1.578MT
Bio-medical waste **(C)**	20.093MT	19.865MT
Construction demolition waste **(D)**	0	0
Battery waste **(E)**	468nos	427nos
Radioactive waste **(F)**	0	0
Other Hazardous waste . Please specify, if any. **(G)**	2227MT	1955MT
Other Non-hazardous waste generated **(H)**. Please specify, if any. (Break-up by composition i.e. by materials relevant to the sector)	0	0
Total (A + B + C + D + E + F + G + H)	2306.456 Tons + 468 nos	2016.44 Tons + 427 nos
For each category of waste generated, total waste recovered through recycling, re-using or other recovery operations (in metric tons)		
Category of waste		
(i) Recycled	1555MT	642MT
(ii) Re-used	1058.65MT	1065.42MT
(iii) Other recovery options	33MT	65MT
Total	2646.65MT	1772.42MT
For each category of waste generated, total waste recovered through recycling, re-using or other recovery operations (in metric tons)		
Category of waste		
(i) Incineration	57MT	57MT
(ii) Landfilling	602MT	1191MT
(iii) Other disposal operations (Composting)	104MT	83MT
Total	763MT	1331MT

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

The Company has not undergone any independent assessment/evaluation/assurance by an external agency. We have conducted a self-assessment.

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

Our waste management strategy is aimed at totally eliminating hazardous waste disposal by either sending it to landfills or by incineration. We are focused on the utilisation of waste for beneficial use (reuse, recovery, re-processing, recycling, co-processing, and conversion as alternate fuels (AFR)) rather than disposal by landfilling or incineration.

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

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

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

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

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

(iii) Biodegradable wastes from the canteen is converted as compost by using the organic waste converter and used as manure for the 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 laws/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 (PHARMEXCIL) Export Promotion Council of India	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**

Name and brief details of project	SIA Notification No.	Date of notification	Whether conducted by independent external agency (Yes /No)	Results communicated in public domain (Yes / No)	Relevant Web Link
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 2022-23 (Current Financial Year)	FY2021-22 (Previous Financial Year)
Directly sourced from MSMEs/ small producers	16.0%	11.3%
Sourced directly from within the district and neighboring districts (Within Telangana)	48.0%	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[9]	100%
Recycling and/or safe disposal	Not available

[9]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 2022-23			FY 2021-22		
	Received during the year	Pending resolution at the end of year	Remarks	Received during the year	Pending resolution at the end of year	Remarks
Cyber- security	None	None		None	None	-
(i) Quality complaints	0	0	-	26	0	-
(ii) Packing complaints	1	1	-	20	0	-
(iii) Medical complaints	0	0	-	04	0	-

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 FY 2022-23.

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. We are in the process of adoption of the ISO 27001 framework for Information security and we are in the process of being certified during the initial phase of next financial year.

Highlights of the Information security and Data Integrity Policy

- 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 the 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 proven.

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 FY2022-23, the Company has not been served penalty/action taken by regulatory authorities on the safety of products/services or on any other business-related issues.

On the cyber security side, we are following Cyber Security Measures for all kinds of data.

- We have our internal Information Security Policies
- We have deployed a next-generation firewall to ensure that the company network is protected and so is the data
- We use the latest anti-virus, anti-malware, and protective measures to ensure that data protection is taken care of
- Data leakage protection measures are in place

SUSTAINABILITY PERFORMANCE TABLE

Disclosures as per GRI	UNIT	2022-23
ECONOMIC PERFORMANCE[1]		
Revenue	₹ Million	28,117
Operating cost	₹ Million	14,346
Employee compensation	₹ Million	4,867
Payments to provider of capital	₹ Million	145
Payments to Govt. (Tax)	₹ Million	1,466
Community investments	₹ Million	140
Economic Value retained (PAT)	₹ Million	7,153
Financial assistance received from Govt.	₹ Million	75
Payments to provider of capital (Dividend)	₹ Million	1,004
Payments to Govt. (Dividend/Buyback Tax)	₹ Million	11
ENVIRONMENT PERFORMANCE*[2]		
Materials:		
Raw materials used in API[3]	Tonnes	1,139
Raw materials used in FDF[4]	Tonnes	336
Energy:		
Total consumption from non-renewable sources	GJ	4,82,003
Total consumption from renewable sources	GJ	73,050
GHG emissions:[5]		
Direct (Scope 1) emissions - onsite fuel burining	t CO_2 eq.	24,890
Indirect (Scope 2) emissions - Purhcased Electrciity	t CO_2 eq.	43,870
Scope-3 emissions (Not yet started the computing)		
TOTAL		68,760
GHG Emissions Redcued as a result of our conservation initaives & use of renewable soruces	t CO_2 eq.	18426
Water:		
Total water withdrawal	KL	3,01,673
Wastewater:		
Total volume of planned discharges	KL	2,66,697
Waste		
Hazardous waste		
Recovery[6]	Tonnes	33
Landfill	Tonnes	602
Incineration	Tonnes	57
Recycle[7]	Tonnes	1,555
Non-Hazardous waste		
Composting[8]	Tonnes	104
Transport of hazardous waste	Tonnes	2,214

Disclosures as per GRI	UNIT	2022-23
EMPLOYEE DATA[9]		
Total workforce-gender wise		
Male	%	89.65
Female	%	10.35
Total workforce - age wise - MALE +Female		
< 30	%	27.03
30-50	%	68.18
>50	%	4.79
Total workforce - employee type		
Managerial (E1 & Above) + (M1-M4)	%	33.20
Supervisory (St-S4) & (FT /MT / F1- F3) (A1 to A8)	%	40.15
Workmen (W0- W7) & B1-B3	%	14.56
Contractual members- CASUALS (CL/AT/ BT)	%	12.09
New employee hire - gender wise		
Male	%	18.84
Female	%	1.71
New employee hire - age wise		
< 30	%	13.67
30-50	%	6.72
>50	%	0.16
Employee turnover rate		
Male	%	21.93
Female	%	3.45
< 30	%	9.89
30-50	%	12.74
>50	%	2.76
Overall Employee turnover rate**	%	25.38
Average hours of training		
Workmen	Hours	14
Sueprvisory	Hours	29
Middle Management (Exeecutive to Deputy Manager)	Hours	36
Managers and above	Hours	37
Individuals within the organisation's governance bodies		
Gender		
Male		9
Female		1
Individuals within the organisation's governance bodies		
Age wise		
< 30		
30-50		1
>50		9

Disclosures as per GRI	UNIT	2022-23
SAFETY PERFORMANCE **		
For all employees & contractors[10]		
Number of fatalities	Numbers	0
Rate of fatalities	Nos/Million manhours	0
Rate of recordable work related injuries	Nos/Million manhours	0
Reportable Incidents -Employees & Contractors (Fatalities/LTI[11]/Dangerous occurrences)	Numbers	0
RWC[12]/LWC[13]	Numbers	0
MTC[14]	Numbers	4
First Aid Cases	Numbers	188

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

1. Economic performance data covers alla geographies and contains consolidated figures
2. Environment data - comprises 9 manufacturing facilities & two R&D centres
3. All raw materials consumed for API manufacturing are being considered (excluding solvents)
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 CO_2 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 authorised collection centres for recycling. Waste oils sent to authorised 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 Nagarjuna Sagar
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 (excluding audited Economic performance data) are as per management

** includes advanced retirement scheme

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 2023, 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 2023, 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 we have obtained is sufficient and appropriate to provide a basis for our opinion on the standalone financial statements.

Key Audit Matters

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

Revenue Recognition

See Note 3(d) and Note 23 to 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/ 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 enters into product supply agreements which also requires revenue to be recognised on profit sharing basis in certain cases. The nature of these arrangements are inherently complex. Considering the complexity involved, recognition of revenue from such contracts has also been considered 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 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. 4) We have verified the terms of the agreement, invoices, confirmations and payments received by the Company for revenues recognised during the year in relation to product supply agreements. 5) Tested manual journals posted to revenue to identify unusual transactions.

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

See Note 30 (D) and (E) to 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 and accordingly the same has been considered 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 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.

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 financial statements and auditor's report thereon. The Company's annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take 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 judgements 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 scepticism 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 2023 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2023 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 Auditors) 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 2023 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. The following are the instances of delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

S.No.	Pertaining to Financial Year	Amount	Due date of transfer	Actual date of transfer
1	2014-15	₹ 445,000	19 March 2022	17 May 2023
2	2015-16	₹ 531,625	19 March 2023	17 May 2023

d (i) The management has represented that, to the best of their 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 person(s) or entity(ies), 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 their 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 person(s) or entity(ies), 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 Parties ("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), as provided under (i) and (ii) above, contain any material misstatement.

e. The interim dividend declared and paid by the Company during the year and until the date of this audit report is in accordance with Section 123 of the Act.

f. As proviso to rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable for the Company only with effect from 1 April 2023, reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 is not applicable.

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/payable 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/payable 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
Firm's Registration No.:116231W/W-100024

Vikash Somani
Partner
Membership No.: 061272
ICAI UDIN: 23061272BGYRVS1843

Place: Hyderabad
Date: 29 May 2023

Annexure A to the Independent Auditor's Report on the Standalone Financial Statements of NATCO Pharma Limited for the year ended 31 March 2023

(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.

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

(i) (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 3 years. In accordance with this programme, 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 leases agreements are duly executed in favour of the lessee) disclosed in the standalone financial statements are held in the name of the Company.

(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 the 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 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.

(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 not provided any guarantee or security or granted advances in the nature of loans, secured or unsecured to companies, firms, limited liability partnership or any other parties during the year. The Company has made investments in companies and other parties and granted loans (including interest free loans to employees) to other parties, in respect of which the requisite information is as below. The Company has not made any investments in firms and limited liability partnership and not granted any loan to companies, firms and limited liability partnerships 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 as below:

Particulars	Guarantees	Security	Loans (₹ in million)	Advances in nature of loans
Aggregate amount during the year				
Others	-	-	44	-
Balance outstanding as at balance sheet date				
Subsidiary	-	-	5	-
Others	-	-	102	-

(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 and terms and conditions of the loans granted during the year are, prima facie, not prejudicial to the interest of the Company.

(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:

Name of the entity	Amount (₹ in millions)	Due Date	Extent of delay
OMRV Hospitals Private Limited	11	Multiple dates	Yet to be received as on 31 March 2023

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 ₹ 10 million (principal amount) overdue for more than ninety days as at 31 March 2023. In our opinion, reasonable steps have been taken by the Company for recovery of the principal. Further, the Company has not given any advance in the nature of loan.

(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 or advance in the nature of 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.

(f) The Company has not granted any loans or advances in the nature of loans, secured or unsecured to companies, firms, limited liability partnership or any other parties during the year which are 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 accounts 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 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 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 Service Tax, Provident Fund, Employees State Insurance, Income-Tax, Duty of Customs or Cess or other statutory dues have been regularly deposited by the Company with the appropriate authorities.

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 Service Tax, Provident Fund, Employees State Insurance, Income-Tax, Duty of Customs or Cess or other statutory dues were in arrears as at 31 March 2023 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 Duty of Customs and Income-Tax which have not been deposited on account of any dispute are as follows:

Name of the statute	Nature of the dues	Amount (in ₹ millions)	Period to which the amount relates	Forum where dispute is pending
The Customs Act, 1962	Customs Duty	2 (0)*	July 2006 to June 2010	The Customs Excise and Service Tax Appellate Tribunal, Hyderabad
The Income Tax Act, 1961	Income Taxes	229	Assessment year 2017-18	Income Tax Appellate Tribunal, Hyderabad
The Income Tax Act, 1961	Income Taxes	68	Assessment year 2018-19	Commissioner of Income-tax (Appeals), Hyderabad

*Represents amount paid under protest

As explained to us, the Company did not have any disputed statutory dues on account of Goods and Service Tax, Provident Fund, Employees State Insurance or Cess or other statutory dues.

(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 has not obtained any term loans during the year. 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 its 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) of the Order is not applicable.

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

(c) 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.

(d) 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 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
Firm's Registration No.:116231W/W-100024

Vikash Somani
Partner
Membership No.: 061272
ICAI UDIN: 23061272BGYRVS1843

Place: Hyderabad
Date: 29 May 2023

Annexure B to the Independent Auditor's Report on the standalone financial statements of NATCO Pharma Limited for the year ended 31 March 2023

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 Act

(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 2023 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 2023, 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 and Board of Directors' Responsibilities 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 Act.

Auditor's 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 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 financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, 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 standalone 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 standalone 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 financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

Vikash Somani
Partner
Membership No.: 061272
ICAI UDIN: 23061272BGYRVS1843

Place: Hyderabad
Date: 29 May 2023

Standalone Balance Sheet

as at 31 March 2023

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

Particulars	Notes	As at 31 March 2023	As at 31 March 2022
I. Assets			
(1) Non-current assets			
(a) Property, plant and equipment	5	22,182	21,581
(b) Capital work-in-progress	40	628	1,287
(c) Other intangible assets	6	156	161
(d) Investments in subsidiaries	7	4,303	3,441
(e) Financial assets			
(i) Investments	8	873	863
(ii) Loans	9	5	5
(iii) Other financial assets	10	169	191
(f) Non-current tax assets		345	105
(g) Other non-current assets	11	271	469
Total non-current assets		**28,932**	**28,103**
(2) Current assets			
(a) Inventories	12	6,160	6,977
(b) Financial assets			
(i) Investments	8	1,399	1,196
(ii) Trade receivables	13	7,931	5,756
(iii) Cash and cash equivalents	14	69	59
(iv) Bank balances other than (iii) above	14	4,051	950
(v) Loans	9	102	104
(vi) Other financial assets	10	3,072	3,818
(c) Other current assets	11	2,163	2,817
Total current assets		**24,947**	**21,677**
Total assets		**53,879**	**49,780**
II. EQUITY AND LIABILITIES			
(1) Equity			
(a) Equity share capital	15	365	365
(b) Other equity	16	46,655	41,554
Total equity		**47,020**	**41,919**
(2) Liabilities			
(A) Non-current liabilities			
(a) Financial liabilities			
(ia) Lease liabilities	18	10	79
(ii) Other financial liabilities	19	17	13
(b) Provisions	20	853	957
(c) Deferred tax liabilities, (net)	30	289	300
Total non-current liabilities		**1,169**	**1,349**
(B) Current liabilities			
(a) Financial liabilities			
(i) Borrowings	17	1,599	3,890
(ia) Lease liabilities	18	2	26
(ii) Trade payables	22		
- Total outstanding dues of micro enterprises and small enterprises; and		54	132
- Total outstanding dues of creditors other than micro enterprises and small enterprises		1,770	1,280
(iii) Other financial liabilities	19	821	810
(b) Other current liabilities	21	1,191	204
(c) Provisions	20	169	170
(d) Current tax liabilities (net)		84	-
Total current liabilities		**5,690**	**6,512**
Total liabilities		**6,859**	**7,861**
Total equity and liabilities		**53,879**	**49,780**
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: 29 May 2023

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
M. No. ACS41964

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 29 May 2023

Standalone Statement of Profit and Loss

for the year ended 31 March 2023

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

Particulars	Notes	For the year ended 31 March 2023	For the year ended 31 March 2022
1. Income			
(a) Revenue from operations	23	23,510	17,678
(b) Other income	24	855	946
Total income		**24,365**	**18,624**
2. Expenses			
(a) Cost of materials consumed	25	4,753	5,192
(b) Purchases of stock-in-trade		198	209
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	26	346	(55)
(d) Employee benefits expense	27	4,257	4,101
(e) Finance costs	28	86	133
(f) Depreciation and amortisation expenses	5 and 6	1,509	1,384
(g) Other expenses	29	5,509	6,101
Total expenses		**16,658**	**17,065**
3. Profit before tax (1-2)		**7,707**	**1,559**
4. Tax expense:	30		
(a) Current tax		1,331	325
(b) Deferred tax		5	(157)
Total tax expenses		**1,336**	**168**
5. Profit for the year (3-4)		**6,371**	**1,391**
6. Other comprehensive income (OCI)			
(a) Items that will not be reclassified to profit or loss			
(i) Remeasurement of defined benefit liability/(asset)		26	6
Tax on remeasurement of defined benefit liability/(asset)		(9)	(2)
(ii) Fair value changes in Equity investments through OCI		(236)	442
Tax impact on Fair value changes in Equity investments through OCI		25	(42)
Other comprehensive income for the year, net of tax		**(194)**	**404**
7. Total comprehensive income for the year (5+6)		**6,177**	**1,795**
8. Earnings per equity share (Face value of ₹ 2 each)	31		
Basic (in ₹)		34.90	7.63
Diluted (in ₹)		34.90	7.63
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
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Company Secretary
M. No. ACS41964

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 29 May 2023

Standalone Statement of Cash Flows

for the year ended 31 March 2023

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

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Cash flows from operating activities		
Profit before tax for the year	7,707	1,559
Adjustments for:		
Depreciation and amortisation expense	1,509	1,384
Finance costs	86	133
Equity settled share based payments	-	22
Interest income	(430)	(377)
Provision for impairment of receivables and advances, net	(239)	271
Bad debts written off	108	199
Capital work-in-progress written off	23	-
Liabilities written back	(16)	-
Net gain on sale of property, plant and equipment	(178)	(427)
Guarantee income	(8)	(9)
Dividend income on equity investment at fair value through other comprehensive income	(1)	(2)
Unrealised foreign exchange loss/(gain), net	(0)	(9)
Operating profit before working capital changes	**8,561**	**2,744**
Changes in working capital:		
Decrease in inventories	817	715
(Increase) in trade receivables	(2,043)	(2,216)
Decrease in loans	2	34
(Increase)/ decrease in other financial assets	(8)	15
Decrease/ (increase) in other assets	655	(376)
Increase in trade payables	411	17
(Decrease)/ increase in provisions	(79)	9
Increase in other financial liabilities	6	56
Increase/ (decrease) in other liabilities	1,006	(96)
Cash generated from operating activities	**9,328**	**902**
Income taxes paid, net of refund	(1,484)	(325)
Net cash generated from operating activities (A)	**7,844**	**577**
Cash flows from investing activities		
Purchase of property, plant and equipment (Refer note b below)	(1,425)	(2,255)
Proceeds from sale of property, plant and equipment	305	538
Acquisition of intangible assets	(41)	(99)
Investments in subsidiaries	(862)	(1,608)
Loans given to subsidiary companies	-	(4)
Repayment of loans by subsidiary companies	-	114
Repayment of loans by others	-	4
Proceeds from sale of investments	151	118
Purchase of investments	(600)	(180)
Deposits with banks	(4,014)	(913)
Redemption of bank deposits	947	2,540
Interest received	406	495
Dividend received	1	2
Redemption of deposits other than with banks	3,538	3,861
Deposits other than with banks	(2,772)	(3,538)
Net cash used in investing activities (B)	**(4,366)**	**(925)**
Cash flows from financing activities		
Proceeds from issue of share capital	0	0
Payment on buy-back of shares, including transaction costs and taxes on buy-back	(74)	-
Net (repayment of) / proceeds from short-term borrowings (refer note c below)	(2,292)	1,339
Dividends paid	(1,004)	(821)
Finance cost paid	(82)	(139)
Principal and interest payment of lease liabilities (refer note c below)	(16)	(23)
Net cash (used in)/ generated from financing activities (C)	**(3,468)**	**356**
Net increase in cash and cash equivalents (A+B+C)	**10**	**8**
Cash and cash equivalents as at the beginning of the year	59	51
Cash and cash equivalents as at the end of the year	**69**	**59**

Standalone Statement of Cash Flows

for the year ended 31 March 2023

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

Components of cash and cash equivalents

Particulars	As at 31 March 2023	As at 31 March 2022
Cash and cash equivalents:		
Cash on hand	3	4
Balance with Banks:		
- Current accounts	66	55
	69	**59**

Notes:

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

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

c) Movement in borrowings and lease liabilities in accordance with Ind AS 7:

Particulars	As at 31 March 2023	As at 31 March 2022
Short-term borrowings:		
Opening balance	3,890	2,551
Net (repayment of) / proceeds from short-term borrowings	(2,292)	1,339
Non-cash items (Foreign exchange changes)	1	-
Closing balance	**1,599**	**3,890**
Lease liabilities:		
Opening balance	105	13
Non cash changes	(77)	115
Cash flow changes	(16)	(23)
Closing balance	**12**	**105**
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: 29 May 2023

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
M. No. ACS41964

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 29 May 2023

Standalone Statement of Changes in Equity

for the year ended 31 March 2023
(All amounts in ₹ millions, except share data and where otherwise stated)

A. Equity Share Capital

	Number of Shares	Amount
As at 01 April 2021	18,23,37,825	365
Changes in equity share capital due to prior period errors	-	-
Restated balance at the beginning of current year	**18,23,37,825**	**365**
Changes in Equity share capital during the year	1,82,340	0
As at 31 March 2022	**18,25,20,165**	**365**
Changes in equity share capital due to prior period errors	-	-
Restated balance at the beginning of current year	18,25,20,165	365
Changes in Equity share capital during the year	(50,050)	(0)
As at 31 March 2023	**18,24,70,115**	**365**

B. Other Equity

	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 01 April 2021	**13,915**	**516**	**11**	**595**	**175**	**25,205**	**128**	**40,545**
Changes in accounting policy or prior period errors								
Restated balance at the beginning of the year	**13,915**	**516**	**11**	**595**	**175**	**25,205**	**128**	**40,545**
Profit for the year	-	-	-	-	-	1,391	-	**1,391**
Remeasurement of defined benefit plan, net of tax	-	-	-	-	-	4	-	**4**
Changes in fair value of Equity investments, net of tax	-	-	-	-	-	-	422	**422**
Profit on sale of investments	-	-	-	-	-	92	(101)	**(9)**
Equity settled share based payments	-	-	-	-	22	-	-	**22**
Dividends paid	-	-	-	-	-	(821)	-	**(821)**
Share options exercised	163	-	-	-	(163)	-	-	**-**
As at 31 March 2022	**14,078**	**516**	**11**	**595**	**34**	**25,871**	**449**	**41,554**
Changes in accounting policy or prior period errors								
Restated balance at the beginning of the year	**14,078**	**516**	**11**	**595**	**34**	**25,871**	**449**	**41,554**

Standalone Statement of Changes in Equity

for the year ended 31 March 2023
(All amounts in ₹ millions, except share data and where otherwise stated)

	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**	
Profit for the year	-	-	-	-	-	6,371	-	**6,371**
Remeasurement of defined benefit plan, net of tax	-	-	-	-	-	17	-	**17**
Changes in fair value of Equity investments, net of tax	-	-	-	-	-	-	(211)	**(211)**
Buy back of Equity shares	(47)	-	0	-	-	(0)	-	**(47)**
Tax on Buy back of shares	-	-	-	-	-	(11)	-	**(11)**
Expenses on Buy back of shares	-	-	-	-	-	(16)	-	**(16)**
Profit on sale of investments	-	-	-	-	-	118	(116)	**2**
Dividends paid	-	-	-	-	-	(1,004)	-	**(1,004)**
Share options exercised	34	-	-	-	(34)	-	-	**-**
As at 31 March 2023	**14,065**	**516**	**11**	**595**	**-**	**31,346**	**122**	**46,655**

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: 29 May 2023

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
M. No. ACS41964

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 29 May 2023

Notes to standalone financial statements

1. Reporting entity information

NATCO Pharma Limited ("the Company") is a public limited company domiciled in India with its registered office situated at NATCO House, Road No. 2, Banjara Hills, Hyderabad – 500034. The Company has been incorporated under the provisions of Companies Act, 2013 and its equity shares are listed on the National Stock Exchange (NSE) and BSE Limited (BSE) in India.

The Company is engaged in the business of pharmaceuticals and agricultural chemicals which comprises research and development, manufacturing and selling of bulk drugs, 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 under the historical cost convention on an accrual basis and going concern except for certain financial instruments which are measured at fair values, notified under the Act and Rules prescribed thereunder.

The standalone financial statements for the year ended 31 March 2023 were authorised and approved for issue by the Company's Board of Directors on 29 May 2023.

Details of Company's accounting policies are included in Note 3.

B. Functional and presentation currency

These 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 which are measured on an alternative basis on each reporting date:

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

In preparing these standalone financial statements, Management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from the estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Refer Note 4 for the estimates and judgements made in preparation of these standalone financial statements.

F. Measurement of fair values

A number of the Company's accounting policies and disclosures 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. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the finance team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the

Notes to standalone financial statements

Accounting Standards, including the level in the fair value hierarchy in which the valuations should be classified.

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.

G. Current/ Non-current classification

The Company classifies an asset as current asset when:

- it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;
- it holds the asset primarily for the purpose of trading;
- it expects to realise the asset within twelve months after the reporting period; or
- the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when –

- it expects to settle the liability in its normal operating cycle;
- it holds the liability primarily for the purpose of trading;
- the liability is due to be settled within twelve months after the reporting period; or
- it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. 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.

All other liabilities are classified as non-current.

3. Significant accounting policies

a. Property, plant and equipment (PPE)

Recognition and initial measurement

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Items of property, plant and equipment (including capital-work-in progress) are measured at cost (which includes capitalised borrowing costs, if any) less accumulated depreciation and accumulated impairment losses, if any. Freehold land is carried at historical cost less any accumulated impairment losses.

Cost of an item of property, plant and equipment includes its purchase price, duties, taxes (non-deductible), 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.

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 and the cost can be measured reliably.

Notes to standalone financial statements

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 i.e. from/(upto) the date on which asset is ready for use/(disposed off).

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

Assets	Estimated useful life (in years)	Useful life as per Schedule II (in years)
Buildings	3 to 60	3 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 reporting date and adjusted, 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 costs 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.

Amortisation

The cost of capitalised software is amortised over a period of 1-6 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).

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

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 assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities which are carried at historical cost denominated in a foreign currency are reported using the exchange rates at the date of transaction. Foreign currency exchange differences are generally recognised in profit or loss, except foreign currency exchange differences arising from the translation of the following items which are recognised in other comprehensive income ('OCI') –

- an investment in equity securities designated as at fair value through other comprehensive income (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).

d. Revenue from Contracts with Customers

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

Notes to standalone financial statements

The Company generates revenue from its ordinary activities i.e. from sale of goods and services. A contract in this context shall fulfill all of the following conditions:

- Both the parties to the contract agree on the contract terms
- Performance obligation of each of the parties is identifiable and there exists a commitment to perform their respective obligations; and
- The commercial substance or the purchase consideration is measurable and the collectability is probable.

Disaggregation of revenue

The Company disaggregates revenue from contracts with customers by products and geography. The Company believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of Company's revenues and cashflows are affected by industry, market and other economic factors.

Contract balances

The Company classifies the right to consideration in exchange for sales of goods as trade receivables and advance consideration as contract liability against payment.

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. The variable consideration i.e. additional amount representing the profit share component is recognised as revenue only to the extent that it is highly probable that a significant reversal will not occur.

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

Sale of services:

Revenue from sale of services, includes in certain instances, certain performance obligations and based on evaluation of whether or not these obligations are in consequential, 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 are interest and other costs (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred in connection with the borrowing of funds. Borrowing costs directly attributable to the

Notes to standalone financial statements

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

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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 which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. 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. The Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased. 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, including in substance fixed payment;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amount expected to be payable under a residual value guarantees,
- exercise price of a purchase option where the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. The Company recognises the amount of the re-measurement of lease liability due to modification as an adjustment to the right-of use asset and Statement of profit and loss depending upon the nature of modification. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognises any remaining amount of the re-measurement in Statement of profit or loss.

Notes to standalone financial statements

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets in 'property, plant and equipment' and lease liabilities separately in the Balance sheet within 'financial liabilities'.

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-derivative 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. Recognition and Initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument. At the time of initial recognition, these financial assets (unless it is a trade receivable without a significant financing component) or financial liabilities are measured at fair value. A trade receivable without a significant financing component is initially measured at the transaction price.

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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

On initial recognition, a financial asset is classified as measured at:

- amortised cost;
- Fair value through other comprehensive income– debt investment or equity investment ("FVOCI"); or
- Fair value through profit or loss ("FVTPL").

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.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortised Cost:

A financial asset shall be classified and measured at amortised cost if both of the following conditions are met and is not designated as FVTPL:

- 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 other comprehensive income if both of the following conditions are met and is not designated as FVTPL:

- 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.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

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 other comprehensive income.

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.

Interest income and expense and dividend income:

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). Interest income is included in other income in the Statement of Profit and Loss.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Dividend income is recognised in profit or loss on the date when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

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Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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 either 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 for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI;

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit – impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- Significant financial difficulty of the borrower of insurer
- a breach of contract;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties

The Company measures loss allowances at an amount equal to lifetime expected credit losses.

Loss allowances for trade receivables, loans, contract assets are always measured at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, that includes forward-looking information.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtors does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

k. Inventories

Inventories are valued at the lower of cost or net realisable value. The cost of inventories is determined on a moving weighted average basis, and includes cost for acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their present location and condition. In the case of raw materials and stock-in-trade, cost comprises of cost of purchase. In the case of finished goods and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The net realisable value of work-in-progress is determined with reference to the selling prices of related finished goods. Raw materials, components and other supplies held for use in the production of finished products are not written down below cost except in cases when a decline in the price of materials indicates that the cost of the finished products shall exceed the net realisable value. The comparison of cost and net realisable value is made on an item-by-Item basis.

The provision for inventory obsolescence is assessed regularly based on estimated usage and shelf life of products.

l. Income taxes

Income tax comprises current an d 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. The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets.

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.

Current tax assets and liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

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.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of

Notes to standalone financial statements

relevant taxable temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Temporary differences in relation to a right-of-use asset and a lease liability for a specific lease are regarded as a net package (the lease) for the purpose of recognising deferred tax.

Deferred tax assets recognised or unrecognised are reviewed at each reporting date and are recognised / reduced to the extent that it is probable / no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

The Company offsets, the current tax assets and liabilities (on a year on year basis) and deferred tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity).

m. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

n. Post-employment, long-term and short-term employee benefits

Defined contribution plan

A defined contribution plan is a post-employment benefit under which an entity pays a specific contribution to a separate entity and has no obligation to pay any further amounts. The Company's contribution to provident fund and employee state insurance schemes is charged to the Statement of profit and loss during the period in which the employee renders the related service. The Company's contributions towards Provident Fund are deposited with the Regional Provident Fund Commissioner under a defined contribution plan. The Company has no obligation, other than the contribution payable to these funds.

Defined benefit plan

The Company has gratuity as defined benefit plan where the amount that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The liability recognised in the balance 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 recognised on the basis of the amount paid or payable for the period during which services are rendered by the employee. Short-term employee benefits are measured on an undiscounted basis and expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term basis if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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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 using an appropriate valuation model.

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 cost is recognised, together with a corresponding increase in 'Share options outstanding account' reserves in Equity, over the period in which the performance and / or service conditions are fulfilled in employee benefits expense. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

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, and 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

Contingent liability is a possible obligation arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. The Company does not recognise a contingent liability but discloses its existence in the standalone financial statements.

Contingent asset is not recognised in standalone financial statements since this may result in the recognition of income that may never be realised. However, when the realisation of income is virtually certain, then the related asset is not a contingent asset and is recognised.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

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.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under the contract and an allocation of other costs directly related to fulfilling the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract

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

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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, 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. Segment reporting

An operating segment is component of the company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Company's Chief Executive Officer (CEO) to make decisions for which discrete financial information is available. Based on the management approach as defined in Ind AS 108, the Chief Operating Decision Maker ("CODM") evaluates the company's performance and allocates resources based on analysis of various performance indicators by business segments and geographic segments. The analysis of geographical segments is based on the areas in which the customers of the Company are located.

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 31 March 2023, MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2015 by issuing the Companies (India Accounting Standards) Amendment Rules, 2023, applicable from 01 April 2023, as below:

a) Ind AS 1 – Presentation of Financial Statements

The amendment require companies to disclose their material accounting policies rather than their significant accounting policies. Accounting policy information, together with other information, is material when it can reasonably be expected to influence decisions of primary users of generate purpose financial statements. The Company does not expect this amendment to have any significant impact in its financial statements.

b) Ind AS 12 – Income Taxes

The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendments narrowed the scope of the recognition exemptions in paragraphs 15 and 24 of Ind AS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The Company is evaluating the impact, if any, in its financial statements.

c) Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

The amendments will help entities to distinguish between accounting policies and accounting estimates. The definition of a change in accounting estimates has been replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainties". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The Company does not expect this 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

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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 judgements 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 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 (refer note (ii) below)	Total
A. Cost or Deemed cost (Gross carrying amount)									
As at 01 April 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**
Additions	232	930	1,007	4	19	20	54	-	**2,266**
Disposals	(18)	(73)	(266)	(2)	(3)	(42)	(5)	(105)	**(514)**
Balance as at 31 March 2023	**2,855**	**10,495**	**16,253**	**46**	**455**	**245**	**400**	**430**	**31,179**
B. Accumulated depreciation									
As at 01 April 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**
Charge for the year	-	304	1,032	4	38	23	44	18	**1,463**
Disposals	-	(34)	(208)	(1)	(2)	(34)	(4)	(29)	**(312)**
Balance as at 31 March 2023	**-**	**1,762**	**6,549**	**39**	**199**	**149**	**270**	**29**	**8,997**
C. Net carrying amounts (A-B)									
As at 31 March 2022	2,641	8,146	9,787	8	276	107	121	495	**21,581**
As at 31 March 2023	**2,855**	**8,733**	**9,704**	**7**	**256**	**96**	**130**	**401**	**22,182**

(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 Corporation (MIDC) at Taloja Industrial area for period of 69 years.

(iii) Land parcels with an aggregate carrying amount of ₹ 4 (31 March 2022: ₹ 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.

(iv) Refer to note 41 for disclosure of leases under Ind AS 116.

(v) Refer to note 17 for details of assets mortgaged.

(vi) The Company has not revalued any property, plant and equipment after initial recognition, during the current year and previous year.

(vii) Expenditure incurred towards purchase of assets/ equipments for reasearch activities amounts to ₹ 203 (31 March 2022: ₹ 109).

Notes to standalone financial statements

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

6. Intangible assets

	Computer Software	Total
A. Cost or Deemed cost (Gross carrying amount)		
As at 01 April 2021	252	**252**
Additions	99	**99**
Disposals	(0)	**(0)**
As at 31 March 2022	**351**	**351**
Additions	41	**41**
Disposals	-	**-**
As at 31 March 2023	**392**	**392**
B. Accumulated amortisation		
As at 01 April 2021	158	**158**
Amortisation for the year	32	**32**
Disposals	(0)	**(0)**
As at 31 March 2022	**190**	**190**
Amortisation for the year	46	**46**
Disposals	-	**-**
As at 31 March 2023	**236**	**236**
C. Net carrying amounts (A-B)		
As at 31 March 2022	161	**161**
As at 31 March 2023	**156**	**156**

(i) The Company has not revalued any intangible assets after initial recognition, during the current year and previous year.

7. Investments in subsidiaries

	As at 31 March 2023	As at 31 March 2022
Non-current		
Interest in Subsidiaries		
Investment in equity instruments (fully paid-up)		
At cost less provision for other than temporary impairment		
Unquoted		
28,565 (31 March 2022: 17,850) common shares of US$1,000 each, in Natco Pharma Inc.	2,155	1,305
2,272,009 (31 March 2022: 2,272,009) equity shares of US$10 each, in Time Cap Overseas Limited	1,542	1,542
2,810,881 (31 March 2022: 2,810,881) equity shares of Canadian Dollar 1 each, in NATCO Pharma (Canada) Inc.	232	232
2,095,000 (31 March 2022: 2,095,000) equity shares of Singapore Dollar 1 each, in NATCO Pharma Asia Pte. Ltd.	102	102
3,808,572 (31 March 2022: 3,608,572) equity shares of Australian Dollar 1 each, in NATCO Pharma Australia PTY Ltd.	205	193
342,714 (31 March 2022: 342,714) equity shares of 100 PHP each, in NATCO Lifesciences Philippines Inc.	47	47
Deemed investment in NatcoFarma do Brasil Ltda.	20	20
	4,303	**3,441**
Aggregate book value of unquoted investments	4,303	3,441
Aggregate amount of impairment in the value of investments	-	-

Notes to standalone financial statements

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

8. Investments

	As at 31 March 2023	As at 31 March 2022
I. Non-current		
a) Investment in equity instruments (fully paid-up)		
Unquoted		
At fair value through other comprehensive income		
139,451 (31 March 2022: 139,451) equity shares of ₹10 each, in OMRV Hospitals Private Limited	106	106
21,769 (31 March 2022: 21,769) equity shares of ₹10 each, in Veda Seedsciences Private Limited	99	99
8,000 (31 March 2022: 8,000) equity shares of ₹ 10 each, in Cipher Oncology Private limited	14	10
4,054 (31 March 2022: 4,054) equity shares of 1USD each, in NATIVITA Joint Limited Liability Company	0	0
30 (31 March 2022: 30) equity shares of Euro 0.5 per share of Pharnasanta B.V	0	0
750 (31 March 2022: 750) equity shares of ₹100 each, in Jeedimetla Effluent Treatment Limited	0	0
34,400 (31 March 2022: 34,400) equity shares of ₹10 each, in Pattancheru Enviro-Tech Limited	0	0
10 (31 March 2022: Nil) equity shares of ₹10 each, in Redlciffe Hygiene Private Limited	0	0
27,000 (31 March 2022: 27,000) equity shares of ₹10 each, in Jayalakshmi Spinning Mills Limited	0	0
	219	**215**
b) Other investments		
Unquoted		
At fair value through other comprehensive income		
4,044 (31 March 2022: 3,146) units of ₹10,000 each, in Endiya Trust	102	35
65,979 (31 March 2022: 65,979) shares of seed -2 preferred stock in ISCA Inc.	38	151
500,000 (31 March 2022: 5,00,000) 0.05% compulsorily convertible preference shares (CCPS) of ₹100 each, in OMRV Hospitals Private Limited	50	50
5,726 (31 March 2022: Nil) 0.0001% compulsorily convertible preference shares (CCPS) of ₹ 10 each, in Eyestem Research Pvt. Ltd	75	-
2,371,988 (31 March 2022: Nil) 0.001% Compulsorily convertible preference shares (CCPS) of USD 1 each, in Eywa Pharma Pte Ltd	249	-
8,116 (31 March 2022: Nil) 0.001% Compulsorily convertible preference shares (CCPS) of ₹ 10 each, in Redcliffe Hygiene Private Limited	130	-
1,000,000 (31 March 2022: 1,000,000) 0.15% compulsorily convertible debentures (CCD) of ₹10 each, in Simplify Wellness India Private Limited	10	10
	654	**246**
Unquoted		
At amortised cost		
National savings certificates	0	0
Quoted		
At amortised cost		
Nil (31 March 2022: 100,000) 6.75% non-convertible debentures (NCD) of ₹1,000 each, in Muthoot Finance limited	-	100
Nil (31 March 2022: 190) 9.15% Perpetual Bonds of ₹ 1,000,000 each, in ICICI Bank Ltd	-	199
Nil (31 March 2022: 100) 7.73% Series III Perpetual Bonds of ₹ 1,000,000 each, issued by State Bank of India	-	103
	-	**402**
Total non-current investments	**873**	**863**

Notes to standalone financial statements

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

	As at 31 March 2023	As at 31 March 2022
Aggregate book value of unquoted investments	873	461
Aggregate book value of quoted investments	-	402
Aggregate market value of quoted investments	-	399
Aggregate amount of impairment in the value of investments	-	-
II. Current		
a) Investments in equity instruments (fully paid-up)		
Quoted		
At fair value through other comprehensive income		
7,000 (31 March 2022: 7,000) equity shares of ₹10 each, in Neuland Laboratories Limited	13	7
5,500 (31 March 2022: 5,500) equity shares of ₹1 each, in Sun Pharmaceuticals Industries Limited	5	5
530 (31 March 2022: 530) equity shares of ₹2 each, in Alkem Laboratories Limited	2	2
12,400 (31 March 2022: 12,400) equity shares of ₹1 each, in Zydus Lifesciences Limited	6	4
320,000 (31 March 2022: 320,000) equity shares of ₹2 each, in Laurus Labs Limited	94	189
150,000 (31 March 2022: 150,000) equity shares of ₹1 each, in Lanco Infratech Limited	0	0
22,700 (31 March 2022: 22,700) equity shares of ₹1 each, in GMR Infrastructure Limited	1	1
15,000 (31 March 2022: 15,000) equity shares of ₹1 each, in Panacea Biotec Limited	2	2
2,100 (31 March 2022: 2,100) equity shares of ₹1 each, in ICICI Prudential Life Insurance Company Limited	1	1
2,000 (31 March 2022: 2,000) equity shares of ₹1 each, fully paid-up in JB Chemicals and Pharmaceuticals Ltd	4	3
1,25,000 (31 March 2021: 3,25,577) equity shares of ₹10 each, in Medplus Health Services Limited	81	330
2,270 (31 March 2022: 2,270) equity shares of ₹5 each, in GMR Power & Urban Infra Limited	0	-
18,300 (31 March 2022: 18,300) equity shares of ₹1 each, in Ravinder Height Limited	-	1
	209	**545**
b) Investment in Bonds, Debentures and Commercial Papers (fully paid-up)		
Quoted		
At amortised cost		
Nil (31 March 2022: 250) 8.85% Perpetual Bonds of ₹ 1,000,000 each, in HDFC Bank Ltd	-	256
100,000 (31 March 2022: Nil) 8.35% Perpetual Bonds of ₹1,000/- each, through issuer Piramal Capital & Housing Finance Limited	107	-
440 (31 March 2022: Nil) 9.15% Perpetual Bonds of ₹ 1,000,000 each, in ICICI Bank Ltd	484	-
100 (31 March 2022: Nil) 7.73% Series III Perpetual Bonds of ₹ 1,000,000 each, issued by State Bank of India	106	-
100,000 (31 March 2022: Nil) 6.75% non-convertible debentures (NCD) of ₹1,000 each, in Muthoot Finance limited	100	-
Nil (31 March 2022: 15) 10.25% non-convertible debentures (NCD) of ₹1,000,000 each,in Muthoot Microfin Limited	-	15
	797	**271**
Unquoted		
At amortised cost		
Nil (31 March 2022: 800) 5.10% Commercial Paper (CP) of ₹500,000/- each, through issuer Julius Baer Capital (India) Private Limited	-	380
500 (31 March 2022: Nil) 7.10% Commercial Paper (CP) of ₹500,000/- each, through issuer Julius Baer Capital (India) Private Limited	244	-

Notes to standalone financial statements

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

	As at 31 March 2023	As at 31 March 2022
300 (31 March 2022: Nil) 7.2% Commercial Paper (CP) of ₹500,000/- each, through issuer Piramal Capital & Housing Finance Limited	149	-
	393	**380**
Total current investments	**1,399**	**1,196**
Information about the Company's exposure to market risks is included in Note 33.		
Aggregate book value of unquoted investments	393	380
Aggregate book value of quoted investments	1,006	816
Aggregate market value of quoted investments	989	812
Aggregate amount of impairment in the value of investments	-	-

9. Loans

	As at 31 March 2023	As at 31 March 2022
(Unsecured, considered good)		
Non-current		
Loan to subsidiary (Refer note 36)	5	5
Total non-current loans	**5**	**5**
Current		
Loans to employees	69	65
Loans to directors (Refer note 36)	23	29
Loans to others	10	10
Total current loans	**102**	**104**

Information about the Company's exposure to credit risk is included in Note 33.

10. Other financial assets

	As at 31 March 2023	As at 31 March 2022
(Unsecured, considered good)		
Non-current		
Security deposits	168	147
Bank deposits due to mature after 12 months from the reporting date*	-	34
Interest on deposits, accrued but not due	1	10
	169	**191**
*Bank deposits are given as margin money against bank guarantees/performance guarantees issued by banks.		
Current		
Deposits other than with banks	2,772	3,538
Interest on loans and deposits, accrued but not due	285	252
Interest on loans to related party, accrued but not due (Refer note 36)	0	0
Margin money against buy back of shares	10	-
Other receivables	5	28
	3,072	**3,818**

Information about the Company's exposure to credit risk is included in Note 33.

Notes to standalone financial statements

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

11. Other assets

	As at 31 March 2023	As at 31 March 2022
Non-current		
Capital advances		
Unsecured, considered good	269	466
Unsecured, considered doubtful	32	-
	301	**466**
Less: Allowance for doubtful advances	(32)	-
	269	**466**
Advances other than capital advances		
(Unsecured, considered good)		
- Prepaid expenses	1	2
- Balance with statutory authorities	1	1
	2	**3**
	271	**469**
Current		
(Unsecured, considered good)		
Advances other than capital advances		
- Advance to material suppliers/ service providers	594	932
- Prepaid expenses	251	309
- Export incentives	25	192
- Balance with statutory authorities	1,293	1,384
	2,163	**2,817**

12. Inventories

	As at 31 March 2023	As at 31 March 2022
Raw materials [including goods-in-transit of ₹ 61 (31 March 2022: ₹ 9)]	2,223	2,446
Work-in-progress	1,293	1,750
Finished goods	1,519	1,424
Stock-in-trade [including goods-in-transit of ₹ 8 (31 March 2022: Nil)]	78	62
Stores and spares [including goods-in-transit of ₹ 5 (31 March 2022: ₹ 2)]	741	967
Packing materials [including goods-in-transit of ₹ 3 (31 March 2022: ₹ 17)]	306	328
	6,160	**6,977**

The write-down value of inventories during the year amounted to ₹ 835 (31 March 2022: ₹ 2321). The write down are included in changes in inventories and cost of materials consumed.

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 2023	As at 31 March 2022
Current		
Unsecured, considered good	8,081	6,178
Less: Provision for impairment	150	422
	7,931	**5,756**

Ageing of trade receivables as at 31 March 2023

Outstanding for following periods from due date of payment	Undisputed	
	Considered good	Credit impaired
Unbilled	4,830	-
Not due	2,706	19
Less than 6 months	346	12
6 months to 1 year	45	21
1-2 years	4	18
2-3 years	-	79
More than 3 years	-	1
Total	**7,931**	**150**

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	1,886	13
Less than 6 months	429	18
6 months to 1 year	444	324
1-2 years	16	66
2- 3 years	1	1
More than 3 years	0	-
Total	**5,756**	**422**

Refer note 17 for details of trade receivables hypothecated against borrowings.

Refer note 36 for details of trade receievables from related parties.

There are no disputed trade receivables as at 31 March 2023 and 31 March 2022.

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 as at 31 March 2023 and as at 31 March 2022.

Information about the Company's exposure to credit risks and market risks and impairment losses for trade receivables is included in Note 33.

Transfer of trade receivables

The Company sold with recourse trade receivables to banks. These trade receivables have not been derecognised from the balance sheet, because the Company retains substantially all of the risks and rewards – primarily credit risk. The amount received on transfer has been recognised as a secured bank loan (see Note 17).

Notes to standalone financial statements

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

The following information shows the carrying amount of trade receivables at the reporting date that have been transferred but have not been derecognised and the associated liabilities.

	As at 31 March 2023	As at 31 March 2022
Carrying amount of trade receivables transferred to a bank	649	684
Carrying amount of associated liabilities	(649)	(684)

14. Cash and bank balances

	As at 31 March 2023	As at 31 March 2022
Cash and cash equivalents		
Cash on hand	3	4
Balances with banks:		
- On current accounts	66	55
	69	**59**
Bank balances other than cash and cash equivalents		
Deposits (having original maturity more than 3 months) due to mature within 12 months from the reporting date*	4,014	913
Unpaid dividend accounts	37	37
	4,051	**950**

* It includes bank deposits lien marked against buy-back of shares amounting to ₹ 525 (31 March 2022 : Nil) and Bank deposits given as margin money against bank guarantees/ performance guarantees issued by banks amounting to ₹ 20 (31 March 2022 : Nil)

15. Equity share capital

i. Authorised share capital

	As at 31 March 2023		As at 31 March 2022	
	Number of Shares	Amount	Number of Shares	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 2023		As at 31 March 2022	
	Number of Shares	Amount	Number of Shares	Amount
Equity shares of ₹2 each	18,24,70,115	365	18,25,20,165	365
	18,24,70,115	**365**	**18,25,20,165**	**365**

iii. Reconciliation of number of equity shares outstanding at the beginning and at the end of the year

	As at 31 March 2023		As at 31 March 2022	
	Number of Shares	Amount	Number of Shares	Amount
Equity shares				
Shares outstanding at the beginning of the year	18,25,20,165	365	18,23,37,825	365
Add: Equity shares issued pursuant to employee stock option plan (Refer note 15 (viii))	37,000	0	1,82,340	0
Less: Bought back and extinguished during the year (Refer note (a) given below)	(87,050)	-	-	-
Shares outstanding at the end of the year	**18,24,70,115**	**365**	**18,25,20,165**	**365**

Notes to standalone financial statements

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

Note:

(a) The Board of Directors at its meeting held on 08 March 2023 had approved the buy-back of fully paid up equity shares of face value of ₹ 2 each from the eligible equity shareholders of the Company other than the Promoters, the Promoter group and Persons who are in control of the Company, at a price not exceeding ₹ 700 per equity share (Maximum Buy-back Price), payable in cash for an aggregate amount not exceeding ₹ 2,100 million (Maximum Buy-back Size, excluding transaction costs and taxes thereon), from the Open Market route through the stock exchange mechanism under the Companies Act, 2013 and Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018, as amended ('Buy-back Regulations').

The Buy-back commenced on 21 March 2023 and as of 31 March 2023, the scheme of Buy-back was open. The Company bought back 87,050 equity shares as of the balance sheet date, resulting in total cash consideration of ₹ 47 million (excluding ₹ 27 million towards transaction cost and tax on Buy-back). These equity shares were extinguished as at 31 March 2023 as per the records of the depositories. In line with the requirement of Companies Act, 2013, an amount of ₹ 47 million has been utilised from securities premium account for the buyback. Balance expense towards transaction cost and the tax on buy-back amounting to ₹ 27 million has been debited directly to the retained earnings. Further, capital redemption reserve of ₹ 0.17 million representing the nominal value of shares bought back, has been created in accordance with Section 69 of the Companies Act, 2013. Subsequent to the year end, the Company has bought back additional 3,360,245 equity shares. The aforesaid buy-back was closed by the Company on 12 May 2023. Till the date of closure of the buy-back, the Company has bought back 3,447,295 equity shares under the aforesaid approved buy-back at a volume weighted average price of ₹ 609.17 per equity share (excluding transaction costs and taxes).

iv. Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares having a par value of ₹2 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The final dividend proposed by the Board of Directors is subject to the approval of the Shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts in proportion of their shareholding.

v. Details of shareholders holding more than 5% of the total number of equity shares.

Name of the equity shareholder	As at 31 March 2023		As at 31 March 2022	
	Number of Shares	% holding	Number of Shares	% holding
V C Nannapaneni*	2,80,45,905	15.37%	2,80,27,975	15.36%
Time Cap Pharma Labs Private Limited	1,71,75,420	9.41%	1,71,75,420	9.41%
V S Swathi Kantamani	1,59,83,340	8.76%	1,59,83,340	8.76%
Natsoft Information Systems Private Limited	1,57,84,900	8.65%	1,57,67,500	8.64%

*including shares held in the capacity of Karta of Hindu Undivided Family (HUF) aggregating to 5,440,045 (31 March 2022: 5,440,045).

As per records of the Company including its register of shareholders/members, the above shareholding represents both legal and beneficial ownership of shares.

Details of shares held by Promotors at the end of the period

Name of the promoter	As at 31 March 2023			As at 31 March 2022		
	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*	2,80,45,905	15.37%	0.06%	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%	-

Notes to standalone financial statements

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

Name of the promoter	As at 31 March 2023			As at 31 March 2022		
	Number of shares	% of total shares	% Change during the year	Number of shares	% of total shares	% Change during the year
Neelima Sita Nannapaneni	1,82,960	0.10%	-	1,82,960	0.10%	-
Devendranth Alapati	15,000	0.01%	-	15,000	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	1,57,84,900	8.65%	0.11%	1,57,67,500	8.64%	-
Time Cap Pharma Labs Private Limited	1,71,75,420	9.41%	-	1,71,75,420	9.41%	-
Natco Aqua Limited	16,000	0.01%	-	16,000	0.01%	-
NDL Infratech Private Limited	94,050	0.05%	-	94,050	0.05%	0.32%
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%	-
	8,91,20,575	**48.84%**		**8,90,85,245**	**48.81%**	

*including shares held in the capacity of Karta of Hindu Undivided Family (HUF), aggregating 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 2023		As at 31 March 2022	
	Number of Options	% holding	Number of Options	% holding
NATCO Employee Stock Option Plan:				
ESOP 2017	-	-	37,000	0.02%
	-	**-**	**37,000**	

vii. Aggregate number of shares bought back during the period of five years immediately preceding the reporting date:

	2022-23	2021-22	2020-21	2019-20	2018-19
Equity shares bought-back	87,050	-	-	9,84,344	20,15,656

viii. Share based payments

(a) The Company has instituted the NATCO Employee Stock Option Plan 'ESOP-2017' ("the ESOP Scheme"). The ESOP Schemes were formulated in accordance with the Securities and 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 Scheme, the Board of Directors of the Company granted 600,000 options to eligible employees on 2 November 2017. The terms of the ESOP Scheme 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.

Notes to standalone financial statements

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

(b) Assumptions used for ESOP Valuation

	ESOP 2017
Grant date	2-Nov-17
Fair value at grant rate (₹)	971
Exercise price (₹)	2
Expected volatility range	42.92% - 163.51%
Risk-free	6.14% - 6.61%
Time to maturity (in Years)	4
Expected dividends yields	0.75%

(c) During the year ended 31 March 2023, the Company had accrued stock compensation cost of Nil (31 March 2022: ₹22) in respect of the ESOP Schemes.

(d) The details of options are as follows :

ESOP 2017	As at 31 March 2023		As at 31 March 2022	
	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
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Vested during the year	-	-	1,82,340	2
Exercised during the year	37,000	2	1,82,340	2
Expired during the year	-	-	250	2
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	**-**	**-**	**37,000**	**2**

The weighted average remaining contractual life of unvested options is Nil (31 March 2022: Nil).

The weighted average share price on the date of exercise of options during the years ended 31 March 2023 and 31 March 2022 was ₹ 791.43 and ₹ 822 per share, respectively.

There were no stock options granted by the Company during the years ended 31 March 2023 and 31 March 2022. 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:

	2022-23			2021-22		
	Date of approval of Board of Directors	Dividend per Equity share (₹)	Amount in (₹) million	Date of approval of Board of Directors	Dividend per Equity share (₹)	Amount in (₹) million
First interim dividend	09 August 2022	3.50	639	12 August 2021	2.00	365
Second interim dividend	10 November 2022	0.75	137	11 November 2021	0.50	91
Third interim dividend	09 February 2023	1.25	228	14 February 2022	2.00	365
Total			**1,004**			**821**

Notes to standalone financial statements

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

16. Other equity

A Reserve and surplus

	As at 31 March 2023	As at 31 March 2022
Securities premium reserve		
Balance at the beginning of the year	14,078	13,915
Add: share options exercised	34	163
Less: Buy-back of shares during the year	(47)	-
Balance at the end of the year	**14,065**	**14,078**
Capital reserve		
Balance at the beginning of the year	516	516
Add: Transferred during the year	-	-
Balance at the end of the year	**516**	**516**
Capital redemption reserve		
Balance at the beginning of the year	11	11
Add: Transferred during the year	0	-
Balance at the end of the year	**11**	**11**
General reserve		
Balance at the beginning of the year	595	595
Add: Additions during the year	-	-
Balance at the end of the year	**595**	**595**
Share options outstanding account		
Balance at the beginning of the year	34	175
Less: Shares exercised during the year	(34)	(163)
Add: Employee stock options expense	-	22
Balance at the end of the year	**-**	**34**
Retained earnings		
Balance at the beginning of the year	25,871	25,205
Add: Profit for the year	6,371	1,391
Add: Remeasurement of defined benefit obligation, net of tax	17	4
Less: Expensess on Buyback of Equity shares	(16)	-
Less: Interim dividends	(1,004)	(821)
Less: Tax on buy-back of shares	(11)	-
Less: Transferred to Capital redemption reserve	(0)	-
Add: Transfer from FVOCI - equity investments - Realised profit on FVOCI	118	92
Balance at the end of the year	**31,346**	**25,871**
Total reserves and surplus	**46,533**	**41,105**

Notes to standalone financial statements

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

B Other items of OCI

	As at 31 March 2023	As at 31 March 2022
FVOCI - Equity instruments		
Opening balance	449	128
Less: Transferred to retained earnings - Realised profit on FVOCI	(116)	(101)
Less: Changes in fair value	(236)	464
Tax impact on the above adjustments	25	(42)
Closing balance	122	449
Total other items of OCI	**122**	**449**
Total other equity	**46,655**	**41,554**

C Nature and purpose of 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 (FVOCI)

The Company has elected to recognise the change in fair value of certain investments in equity shares in other comprehensive income. These changes are accumulated within the FVOCI equity instruments reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity instruments are derecognised.

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. The expense towards transaction cost and the tax on buy-back amounting to ₹ 27 million has been debited directly to the retained earnings.

Notes to standalone financial statements

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

17. Borrowings

	As at 31 March 2023	As at 31 March 2022
Current		
Loan repayable on demand from banks:		
Working capital loans (secured)	749	2,890
Working capital loans (unsecured)	850	1,000
	1,599	**3,890**

Notes:

(i) Working capital loans (secured) represents cash credit and 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 1.21% to 7.20% p.a (31 March 2022: 0.60% to 8.05% p.a).

(iv) Information about the Company's exposure to interest rate, foreign currency and liquidity risks is included in Note 33.

(v) Quarterly statements of current assets filed by the Company with banks or financial institutions are in agreement with the books of account.

(vi) The Company does not have any charges or satisfaction which is yet to be registered with Registrar of Companies beyond the statutory period.

(vii) The Company has not availed any specific borrowing during the year.

(viii) There were no delay/default in repayment of dues or delays in payment of interest to banks.

18. Lease liabilities

	As at 31 March 2023	As at 31 March 2022
Non-current		
Lease liabilities (Refer note 41)	10	79
	10	**79**
Current		
Lease liabilities (Refer note 41)	2	26
	2	**26**

Notes to standalone financial statements

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

19. Other financial liabilities

	As at 31 March 2023	As at 31 March 2022
Non-current		
Deposits from customers	17	13
	17	**13**
Current		
Book overdraft	94	165
Capital creditors	320	311
Unpaid dividend *	37	37
Payroll related liabilities	370	297
	821	**810**

* Amount lying in unpaid/unclaimed dividend account shall be credited to Investor Education and Protection Fund ('IEPF') as per prescribed timelines under Companies Act, 2013 with due approvals except for the following, pertaining to unclaimed dividend lying in unclaimed suspense account -

Pertaining to financial Year	Amount due (₹ million)	Due date of transfer	Actual date of transfer
2014-2015	0.45	19-Mar-22	17-May-23
2015-2016	0.53	19-Mar-23	17-May-23

20. Provisions

	As at 31 March 2023	As at 31 March 2022
Non-current		
Provision for employee benefits:		
Provision for gratuity (refer note (a))	468	574
Provision for compensated absences (refer note (b))	385	383
	853	**957**
Current		
Provision for employee benefits:		
Provision for gratuity (refer note (a))	52	56
Provision for compensated absences (refer note (b))	55	52
Other provisions		
Provision for sales return (refer note (d))	62	62
	169	**170**

(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 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 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.

Notes to standalone financial statements

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

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 2023	As at 31 March 2022
Opening balance	770	819
Current service cost	68	74
Interest cost	56	57
Benefits paid	(139)	(174)
Remeasurement or Actuarial gain/ (loss) arising from:		
Experience adjustment	(5)	34
Change in financial assumptions	(17)	(40)
Closing balance	**733**	**770**

(ii) Reconciliations of present value of plan assets

	As at 31 March 2023	As at 31 March 2022
Opening balance	140	139
Interest income	10	10
Employer contribution	198	166
Benefits paid	(139)	(174)
Return on plan assets, excluding interest income	4	(1)
Closing balance	**213**	**140**

(iii) Reconciliation of net defined benefit obligation

	As at 31 March 2023	As at 31 March 2022
Present value of funded obligation	733	770
Fair value of plan assets	(213)	(140)
Amount recognised in the balance sheet	**520**	**630**

(iv) Expense recognised in the statement of profit and loss under employee benefits expense:

	For the year ended 31 March 2023	For the year ended 31 March 2022
Current service cost	68	74
Interest cost	56	57
Interest income	(10)	(10)
Net cost	**114**	**121**

(v) Remeasurements recognised in the statement of other comprehensive income

	For the year ended 31 March 2023	For the year ended 31 March 2022
Experience adjustment on funded obligation	(22)	(7)
Return on plan assets, excluding interest income	(4)	1
Net gratuity costs in other comprehensive income	**(26)**	**(6)**

Notes to standalone financial statements

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

(vi) Plan assets comprises of the following:

	As at 31 March 2023	As at 31 March 2022
Group gratuity fund with LIC	213	140

(vii) Summary of actuarial assumptions:

	As at 31 March 2023	As at 31 March 2022
Discount rate	7.50%	7.30%
Estimates rate of return on plan assets	7.50%	7.30%
Salary escalation rate	7.00%	7.00%
Attrition rate	3.00%	3.00%
Upto 30 Years	2.00%	2.00%
31-44 Years	1.00%	1.00%
Above 44 Years		
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.

(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 2023	As at 31 March 2022
A. Defined benefit obligation without effect of projected salary growth	733	770
Changes in defined benefit obligation due to:		
B. Salary escalation rate		
Salary rate +100 basis points	77	83
Salary rate -100 basis points	(69)	(74)
C. Discount rate		
Discount rate +100 basis points	(76)	(80)
Discount rate -100 basis points	91	95
D. Attrition rate		
Attrition rate +100 basis points	4	3
Attrition rate -100 basis points	(4)	(3)

Notes to standalone financial statements

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

(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 ₹ 592 (31 March 2022: ₹ 703).

(x) Maturity profile of defined benefit obligation (valued on undiscounted basis):

	For the year ended 31 March 2023	For the year ended 31 March 2022
Within 1 year	52	56
2 to 5 years	163	175
6 to 10 years	307	337
More than 10 years	**1,557**	**1,553**

(xi) The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 12 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 2023 is ₹ 440 (31 March 2022: ₹ 435). Expense recognised in the statement of profit and loss under employee benefit expense is ₹ 88 (31 March 2022: ₹ 72).

(c) The Indian Parliament has approved the Code on Social Security, 2020 which would impact the contributions towards provident fund and gratuity. The Ministry of Labour and Employment has released draft rules for the Code on Social Security, 2020 on 13 November 2020, and has invited suggestions from stakeholders which are under active consideration by the Ministry. The Company will assess the impact and its evaluation once the subject rules are notified and will give appropriate impact in its financial statements in the period in which, the Code becomes effective and related rules to determine the financial impact are published.

(d) Provision for sales return

	As at 31 March 2023	As at 31 March 2022
Opening balance	62	-
Created during the year	-	62
Utilised during the year	-	-
Closing balance	**62**	**62**

21. Other liabilities

	As at 31 March 2023	As at 31 March 2022
Current		
Financial guarantee liability	1	8
Statutory liabilities	167	118
Advance from customers	950	45
Others	73	33
	1,191	**204**

Notes to standalone financial statements

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

22. Trade payables

	As at 31 March 2023	As at 31 March 2022
Current		
Total outstanding dues of micro enterprises and small enterprises ('MSME') [Refer note below]	54	132
Total outstanding dues of creditors other than micro enterprises and small enterprises	1,770	1,280
	1,824	**1,412**

Ageing of trade payables as at 31 March 2023

Outstanding for following periods from due date of payment	MSME	Others	Disputed dues -MSME	Disputed dues - Others
Unbilled	-	146	-	-
Not due	54	796	-	-
Less than 1 year	-	727	-	-
1-2 years	-	52	-	-
2-3 years	-	49	-	-
More than 3 years	-	-	-	-
Total	**54**	**1,770**	**-**	**-**

Ageing of trade payables as at 31 March 2022

Outstanding for following periods from due date of payment	MSME	Others	Disputed dues -MSME	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**	**-**	**-**

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 enterprises and Small enterprises as defined in the MSMED are set out in following disclosure.

		As at 31 March 2023	As at 31 March 2022
(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 enterprises and small enterprises (Includes ₹ 29 shown under capital creditors for current year)	83	132
	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 MEMED Act, 2006;	-	-

Notes to standalone financial statements

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

	As at 31 March 2023	As at 31 March 2022
(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 year, 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.

23. Revenue from operations

	For the year ended 31 March 2023	For the year ended 31 March 2022
Revenue from contracts with customers:		
Sale of products	22,682	15,323
Sale of services	650	2,248
Job work income	76	46
Total (a)	**23,408**	**17,617**
Other operating revenues		
Export incentives	79	40
Scrap sales	23	21
Total (b)	**102**	**61**
Total revenue from operations (a+b)	**23,510**	**17,678**
Disaggregation of revenue from contracts with customers		
Revenue based on Geography (product destination):		
India	4,913	6,029
USA	14,599	9,451
Rest of the world	3,896	2,137
	23,408	**17,617**
Revenue based on products		
Pharmaceuticals	22,999	17,568
Agro chemicals	409	49
	23,408	**17,617**
Timing of revenue recognition		
Goods transferred at a point in time	22,682	15,323
Services transferred over time	726	2,294
	23,408	**17,617**
Reconciliation of revenue from contracts with customers with contract price:		
Revenue as per contracted price	**23,874**	**18,365**
Adjusted for:		
Sales returns	(384)	(593)
Trade discounts and rebates	(82)	(155)
Total Revenue from contracts with customers	**23,408**	**17,617**

Notes to standalone financial statements

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

Contract balances

The following table provides information about trade receivables and contract liabilities from contract with customers

	As at 31 March 2023	As at 31 March 2022
Trade receivables (including unbilled revenue amounting to ₹ 4,830 (31 March 2022: ₹2,980) (Refer note 13)	7,931	5,756
Contract liabilities (Refer note 21)	950	45

Contract liabilities resulting from advance payments by customers for delivery of goods and services 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 2023 is ₹ 950 (31 March 2022: ₹ 45) resulting from advance payments and shown under other current liabilities.

24. Other income

	For the year ended 31 March 2023	For the year ended 31 March 2022
Dividend income on Equity instruments at FVOCI-investment held at reporting date (refer note 8)	1	2
Renewable Energy (Wind Power) income	14	14
Interest income on financial assets carried at amortised cost	430	377
Net gain on sale of property, plant and equipment	178	427
Foreign exchange gain, (net)	195	114
Guarantee income	8	9
Miscellaneous income	29	3
	855	**946**

25. Cost of materials consumed

	For the year ended 31 March 2023	For the year ended 31 March 2022
Raw materials consumed	4,312	4,867
Packing materials consumed	441	325
	4,753	**5,192**

26. Changes in inventories of finished goods, work-in-progress and stock-in-trade

	For the year ended 31 March 2023	For the year ended 31 March 2022
Opening stock:		
- Finished goods	1,424	1,303
- Work-in-progress	1,750	1,834
- Stock-in-trade	62	44
	3,236	**3,181**
Closing stock:		
- Finished goods	1,519	1,424
- Work-in-progress	1,293	1,750
- Stock-in-trade	78	62
	2,890	**3,236**
	346	**(55)**

Notes to standalone financial statements

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

27. Employee benefits expense

	For the year ended 31 March 2023	For the year ended 31 March 2022
Salaries, wages and bonus (Refer note below)	3,796	3,572
Contribution to provident fund and other funds	245	254
Gratuity expense (Refer note 20)	114	121
Equity settled share based payments expense (Refer note 15(viii))	-	22
Staff welfare expenses	102	132
	4,257	**4,101**

Note (a): Employee benefits expense includes compensation amounting to ₹ 291 (31 March 2022: Nil) paid under voluntary retirement scheme during the year.

Note (b) 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 ₹ 245 (31 March 2022: ₹ 254).

28. Finance costs

	For the year ended 31 March 2023	For the year ended 31 March 2022
Interest expense on working capital loans measured at amortised cost	67	95
Other borrowing costs	16	31
Interest expenses on lease liabilities	3	7
	86	**133**

29. Other expenses

	For the year ended 31 March 2023	For the year ended 31 March 2022
Consumption of stores and spares	374	355
Power and fuel	819	764
Rental charges (Refer note 41)	2	4
Repairs and maintenance		
- Buildings	52	68
- Plant and equipments	218	168
Insurance	261	259
Rates and taxes	416	219
Factory maintenance expenses	385	363
Clinical and analytical charges	398	449
Carriage and freight outward	250	89
Donations*	224	53
Corporate social responsibility (CSR) expenses (Refer note 35)	70	121
Communication expenses	36	53
Office maintenance	76	84
Travelling and conveyance	310	191
Legal and professional fees	436	403

Notes to standalone financial statements

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

	For the year ended 31 March 2023	For the year ended 31 March 2022
Payment to auditors		
- Audit fee including limited reviews	11	6
- Certifications	2	3
- Other services	3	-
- Reimbursement of expenses	1	0
Director's sitting fee	3	3
Provision for impairment of receivables and advances, net	(239)	271
Bad debts written off	108	199
Capital work-in-progress written off	23	-
Royalty expense	25	39
Sales promotion expenses	345	181
Research and development expenses	806	1,641
Miscellaneous expenses	94	115
	5,509	**6,101**

* Includes ₹ 150 (31 March 2022: ₹ 10) contribution made to electoral bonds and ₹ 4 (31 March 2022: ₹ 3) contribution made to political parties.

30. Income-tax

(A) Components of Income-tax expenses

	For the year ended 31 March 2023	For the year ended 31 March 2022
(i) Tax expense recognised in profit and loss		
Current tax:		
Current year tax	1,329	325
Income-tax for earlier years	2	-
	1,331	**325**
Deferred tax charge/(credit) (net):		
Minimum Alternate Tax (MAT) credit recognition (Refer note (E))	(536)	(560)
Origination and reversal of temporary differences	541	403
	5	**(157)**
Tax expense for the year	**1,336**	**168**
(ii) Tax recognised in other comprehensive income		
Items that will not be reclassified to profit or loss		
- Remeasurement of defined benefit liability/(asset)	(9)	(2)
- Tax effect of Fair value change on Equity instruments through OCI	25	(42)
	16	**(44)**

Notes to standalone financial statements

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

(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 2022: 34.944%) and the reported tax expense in the statement of profit or loss are as follows:

	For the year ended 31 March 2023	For the year ended 31 March 2022
Profit before tax	7,707	1,559
Enacted tax rate applicable to the Company in India*	34.944%	34.944%
Tax using the Company's domestic tax rate	**2,693**	**545**
Tax effect of:		
Expense not deductible for tax purposes	41	45
Additional deduction allowed under Income-tax Act	(2,518)	(291)
MAT charge for the year	1,330	324
Recognition of MAT credit	(536)	(560)
Tax pertaining to earlier years	2	-
Others	319	105
Income-tax expense	**1,331**	**168**

*The Taxation Laws (Amendment) Ordinance, 2019 ('Ordinance') was promulgated by the President of India on 20 September 2019. The Ordinance has amended the Income-tax Act, 1961 and Finance Act, 2019 to inter-alia provide an option to a domestic company to pay income-tax at reduced rate of 22% plus applicable surcharge and cess subject to certain conditions. The Company has made an assessment of the impact of the Ordinance and decided to continue with the existing tax structure until utilisation of accumulated minimum alternative tax (MAT) credit.

(C) Deferred tax assets and liabilities

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that created these differences is given below:

	For the year ended 31 March 2023	For the year ended 31 March 2022
Deferred tax assets/(liabilities):		
Minimum Alternate Tax*	1,297	761
Trade receivables and other advances	85	147
Property, plant and equipment	(2,050)	(1,523)
Provision for employee benefits	407	368
Investments	(28)	(53)
	(289)	**(300)**

* 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.

Notes to standalone financial statements

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

(D) Movement in deferred tax assets and liabilities

The details of movement in deferred tax assets and liabilities for the year ended 31 March 2023:

	As at 01 April 2022	Recognised in profit and loss	Recognised in OCI	As at 31 March 2023
Deferred tax assets/(liabilities):				
Minimum Alternate Tax	761	536	-	1,297
Trade receivables and other advances	147	(62)	-	85
Property, plant and equipment	(1,523)	(527)	-	(2,050)
Provision for employee benefits	368	48	(9)	407
Investments	(53)	-	25	(28)
Net deferred tax assets/(liabilities)	**(300)**	**(5)**	**16**	**(289)**

The details of movement in deferred tax assets and liabilities for the year ended 31 March 2022:

	As at 01 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 and other advances	53	94	-	147
Property, plant and equipment	(1,047)	(476)	-	(1,523)
Provision for employee benefits	395	(24)	(2)	368
Investments	(14)	3	(42)	(53)
Net deferred tax assets/(liabilities)	**(412)**	**157**	**(44)**	**(300)**

(E) Unrecognised deferred tax assets

	As at 31 March 2023	As at 31 March 2022
Unrecognised MAT credit entitlement	1,325	613
	1,325	**613**

The Company did not recognise deferred tax assets of ₹ 1,325, 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.

Notes to standalone financial statements

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

31. Earnings per share (EPS)

	For the year ended 31 March 2023	For the year ended 31 March 2022
Earnings:		
Profit for the year attributable to equity shareholders (a)	6,371	1,391
Shares:		
Number of equity shares at the beginning of the year	18,25,20,165	18,23,37,825
Weighted average number of equity shares issued on exercise of stock options	32,438	34,344
Weighted average number of equity shares bought back during the year	(238)	-
Weighted average number of equity shares – Basic (b)	**18,25,52,365**	**18,23,72,169**
Dilutive effect of potential equity share on employee stock options outstanding	-	36,920
Weighted average number of equity shares – Diluted (c)	**18,25,52,365**	**18,24,09,089**
Earnings per equity share (Face Value of ₹ 2/- each):		
Basic (in ₹) (a/b)	34.90	7.63
Diluted (in ₹) (a/c)	34.90	7.63

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 2023:

Particulars	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
A. Financials assets					
Financial assets measured at FVTOCI					
Non-current investments	8	873	-	-	873
Current investments	8	209	209	-	-
Financial assets measured at amortised cost					
Current investments	8	1,190	-	-	-
Loans	9	107	-	-	-
Trade receivables	13	7,931	-	-	-
Cash and cash equivalents	14	69	-	-	-
Bank balances other than cash and cash equivalents	14	4,051	-	-	-
Other financial assets	10	3,241	-	-	-
		17,671	**209**	**-**	**873**
B. Financials liabilities					
Financial liabilities measured at amortised cost					
Borrowings	17	1,599	-	-	-
Trade payables	22	1,824	-	-	-
Other financial liabilities	19	838	-	-	-
		4,261	**-**	**-**	**-**

Notes to standalone financial statements

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

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	-	-	-
Trade payables	22	1,412	-	-	-
Other financial liabilities	19	823	-	-	-
		6,125	**-**	**-**	**-**

The Company's financial liabilities comprise of borrowings from banks, 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, other bank balances, trade receivables, loans, investment in quoted and unquoted debentures and bonds, borrowings, trade payables, other financial assets and other financial 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

Valuation technique and significant unobservable inputs

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 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. The valuers have considered discounted cashflow method for the purpose of valuation of investments. The assumptions involved are primarily growth rate, discount rate and terminal growth rate.

Transfer between Level 1 and 2

There have been no transfers from Level 2 to Level 1 or vice-versa in 2022-23 and no transfers in either direction in 2021-22.

Notes to standalone financial statements

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

Change in Level 3 fair values

Particulars	Unquoted FVTOCI Equity investments	
	31-Mar-23	31-Mar-22
Opening balance	461	490
Additions/(deletions) during the year	430	(61)
Net change in fair value (recognised in FVTOCI)	(18)	32
Closing balance	**873**	**461**

33. Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and deployment of risk management framework. The Board of Directors have adopted a Risk Policy, which empowers the management to access and monitor the risk management parameters along with action taken and the same is updated to Board of Directors.

The Company's risk management policies are established to identify and analyse the risks being faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee of the Company oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risk faced by the Company. The Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and adhoc reviews of risk management controls and procedures, the result of which are reported to the Audit Committee.

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:

Particulars	As at 31 March 2023	As at 31 March 2022
Fixed rate instruments		
Financial assets	7,981	5,543
Variable rate instruments		
Financial liabilities (other than lease liability)	1,599	3,890

Notes to standalone financial statements
(All amounts in ₹ millions, except share data and where otherwise stated)

Sensitivity

Particulars	Impact on profit and loss	
	31 March 2023	31 March 2022
1% increase in interest rate	(16)	(39)
1% decrease in interest rate	16	39

The interest rate sensitivity is based on the closing balance of loans from banks.

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 the Company. The Company exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities.

The Company exposure to foreign currency financial assets and financial liabilities expressed in ₹ are as follows:

Financial assets

	31 March 2023			31 March 2022		
	Trade receivables*	Loans	Other financial assets	Trade receivables*	Loans	Other financial assets
- USD	1,656	5	0	1,381	5	0
- EUR	46	-	-	28	-	-
- CAD	42	-	-	23	-	-
- SGD	35	-	-	49	-	-

Financial liabilities

	31 March 2023			31 March 2022		
	Trade payables	Other financial liabilities	Borrowings*	Trade payables	Other financial liabilities	Borrowings*
- USD	168	-	616	205	6	657
- EUR	4	-	-	1	2	4
- GBP	0	-	-	0	1	-
- CAD	-	108	33	-	-	22
- SGD	0	-	-	0	-	-
- CHF	0	-	-	-	-	-

* Includes bills discounted which are forming part of trade receivables and current borrowings amounting to ₹ 649 (31 March 2022: ₹ 684). These are realised amounts and hence, there is no further foreign currency risk 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.

Notes to standalone financial statements

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

The following table demonstrates the sensitivity to a reasonably possible change in various foreign currencies. 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		Impact on equity, net of tax	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Sensitivity				
₹/USD - Appreciate by 10%	88	52	57	34
₹/EUR - Appreciate by 10%	4	2	3	1
₹/GBP - Appreciate by 10%	(0)	(0)	(0)	(0)
₹/CAD - Appreciate by 10%	(10)	0	(6)	0
₹/USD - Depreciate by 10%	(88)	(52)	(57)	(34)
₹/EUR - Depreciate by 10%	(4)	(2)	(3)	(1)
₹/GBP - Depreciate by 10%	0	0	0	0
₹/CAD - Depreciate by 10%	10	(0)	6	(0)

B. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and loans given. Credit risk arises from cash held with banks and financial institutions, as well as credit exposure to clients, including outstanding accounts receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

Trade and other receivables:

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business.

The maximum exposure to credit risk for trade receivables (Gross) by geographic region is as follows:

	As at 31 March 2023	As at 31 March 2022
India	1,470	1,717
USA	916	842
Rest of the world	865	638
	3,251	**3,198**

The above exposure does not include unbilled revenue.

Movement in allowance for credit losses

	As at 31 March 2023	As at 31 March 2022
Balance as at 01 April	422	151
Net remeasurement of loss allowance	(164)	470
Amount written off during the year	(108)	(199)
	150	**422**

Notes to standalone financial statements

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

As per simplified approach the Company makes provision of expected credit losses on trade receivable using a provision matrix to mitigate the risk of default payment and make appropriate provision at each reporting date wherever required.

Other financial assets:

Other financial assets primarily consists of 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 interest received defaults.

C. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company takes into account the liquidity of the market in which the entities operates. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The Company's principal sources of liquidity are the cash flows generated from operations. The Company has no long-term borrowings and believes that the working capital is sufficient for its current requirements. Accordingly, no liquidity risk is perceived.

Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is insignificant.

As at 31 March 2023	Carrying value	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Financial liabilities					
Borrowings	1,599	1,599	-	-	1,599
Lease liabilities	12	2	6	386	394
Trade payables	1,824	1,824	-	-	1,824
Other financial liabilities	838	821	17	-	838
Total	**4,273**	**4,246**	**23**	**386**	**4,655**

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**

Notes to standalone financial statements

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

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 is summarised as follows:

	As at 31 March 2023	As at 31 March 2022
Total borrowings	1,599	3,890
Less: Cash and cash equivalents	(69)	(59)
Net debt [A]	**1,530**	**3,831**
Total equity [B]	47,020	41,919
Total capital [C=A+B]	**48,550**	**45,750**
Gearing ratio (%) [A/C]	3%	8%

35. Corporate social responsibility (CSR) expenses

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
(a) amount required to be spent by the Company during the year	69	118
(b) amount spent during the year:		
(i) Construction or acquistion of any asset	-	-
(ii) On purpose other than (i) above	70	121
(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		
Education and infrastructure support	37	66
Health, nutrition, water, sanitation and hygiene	29	43
Animal welfare	3	3
Support to sports	0	3
Covid-19	-	4
Support to government departments	-	1
Rural development	1	1
Promotion of National Heritage, art, and culture	0	-
Setting up of old age home	0	-
Women empowerment	0	-
(g) details of related party transactions,		
(i) NATCO Trust	70	117
(h) Provision made with respect to a liability through contractual obligation	-	-
(i) Details of unspent obligations	-	-

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

(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
	NATCO Pharma USA LLC, USA (w.e.f. 01 January 2022)
	(Formerly known as Dash Pharmaceuticals LLC, USA - name changed w.e.f. 12 April 2023)
3. Entities in which Directors have control or have significant influence	Time Cap Pharma Labs Private Limited
	NATCO Trust
4. Key management personnel ("KMP")	
Chairman	Mr. Sreerama Murthy Gubbala
Managing Director	Mr. V C Nannapaneni
Chief Executive Officer ("CEO") and Wholetime Director	Mr. Rajeev Nannapaneni
Wholetime Director	Mr. Potluri Prasad Sivaramakrishna
Wholetime Director	Mr. Lingarao Donthineni
Wholetime Director	Dr. Pavan Bhat (w.e.f. 09 August 2022)
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
Independent Director	Mrs. Leela Digumarti

Notes to standalone financial statements

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

(b) Related party transactions during the year (excluding goods and service tax)

Particulars	For the year ended	
	31 March 2023	31 March 2022
Time Cap Overseas Limited, Mauritius		
Investment in equity shares	-	280
NATCO Pharma (Canada) Inc., Canada		
Sale of products	966	388
NATCO Pharma Asia Pte Ltd., Singapore		
Interest income on loan	-	4
Repayment of loan given	-	114
Sale of products	88	96
Purchases	-	0
Natcofarma Do Brasil Ltda., Brazil		
Sale of products	668	267
Corporate guarantee given	-	152
NATCO Pharma Australia Pty Ltd., Australia		
Investment in equity shares	12	95
NATCO Pharma Inc., United States of America		
Investment in equity shares	850	1,142
NATCO Pharma USA LLC, United States of America		
Sale of products	56	-
Reimbursment of expensese	1	-
NATCO Lifesciences Philippines Inc., Philippines		
Investment in equity shares	-	5
Sale of products	11	4
Loan given	-	4
Interest income on loan	0	0
Time Cap Pharma Labs Private Limited		
Rental expense	7	7
NATCO Trust		
Donations	16	3
Rental income	0	0
Contribution towards corporate social responsibility activities	70	117
Mr. V C Nannapaneni		
Managerial remuneration*	22	22
Leave encashment paid	1	1
Rental expense	3	3
Mr. Rajeev Nannapaneni		
Managerial remuneration*	20	20
Leave encashment paid	1	1
Rental expense	3	3
Mr. Potluri Prasad Sivaramakrishna		
Managerial remuneration*	19	21
Leave encashment paid	1	1
Interest income	0	0
Repayment of loan given	0	2

Notes to standalone financial statements

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

Particulars	For the year ended	
	31 March 2023	31 March 2022
Mr. Lingarao Donthineni		
Managerial remuneration*	32	31
Leave encashment paid	1	1
Interest income	2	2
Repayment of loan given	6	8
Dr. Pavan Bhat Ganapati		
Managerial remuneration*	41	-
Perquisite value of ESOPs exercised during the year	13	-
Leave encashment paid	1	-
Mr. S.V.V.N. Appa Rao		
Remuneration*	13	11
Leave encashment paid	0	0
Mr. Venkat Ramesh Chekuri		
Remuneration*	2	1
Perquisite value of ESOPs exercised during the year	1	-
Leave encashment paid	-	0
Mr. Adinarayana M		
Remuneration*	-	6
Leave encashment paid	-	-
Sitting fees:		
Mr. Govinda Prasad Dasu	1	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):

Particulars	As at	
	31 March 2023	31 March 2022
Loan receivable		
NATCO Pharma Asia PTE Ltd., Singapore	-	-
NATCO Lifesciences Philippines Inc., Philippines	5	5
Mr. Potluri Prasad Sivaramakrishna	-	0
Mr. Lingarao Donthineni	23	29
Interest accrued but not due on loans		
NATCO Lifesciences Philippines Inc., Philippines	0	0
Trade receivables		
NatcoFarma do Brasil Ltda., Brazil	423	169
NATCO Pharma Asia PTE Ltd., Singapore	35	48
NATCO Lifesciences Philippines Inc., Philippines	11	3
NATCO Pharma USA LLC., United States of America	48	-

Notes to standalone financial statements

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

Particulars	As at	
	31 March 2023	31 March 2022
Financial Guarantee liability		
NatcoFarma do Brasil Ltda., Brazil	(1)	(8)
Advance from customers		
NATCO Pharma (Canada) Inc., Canada	(105)	(15)
Remuneration payable		
Mr. V.C. Nannapaneni	(1)	(1)
Mr. Rajeev Nannapaneni	(0)	(1)
Mr. Lingarao Donthineni	(1)	(1)
Mr. Potluri Prasad Sivaramakrishna	(1)	(1)
Dr. Pavan Bhat Ganapati	(5)	-
Mr. S.V.N.N. Appa Rao	(0)	(0)
Mr.Venkat Ramesh Chekuri	(0)	(0)
Corporate Guarantee		
NatcoFarma do Brasil Ltda.	329	299

*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

Particulars	As at	
	31 March 2023	31 March 2022
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	48	87
Pending export obligation under EPCG Scheme	27	57
Corporate Guarantee (refer Note - 1 below)	329	299

Note 1:

The Company has given Corporate Guarantees aggregating to ₹ 329 (31 March 22: 299) to the banks on behalf of its step-down subsidiary NatcoFarma do Brasil Ltda., Brazil

(b) Contingent liabilities

(i) Matters under appeals with tax authorities:

Particulars	As at	
	31 March 2023	31 March 2022
Disputed sales tax liabilities	-	10
Disputed Income tax liabilities	144	68
Disputed customs liability	2	2

Notes to standalone financial statements

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

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. The Company does not have any long-term contracts including derivatives for which there are any material foreseeable losses.

40. Capital work-in-progress

a) Movement in Capital work-in-progress

Particulars	As at	
	31 March 2023	31 March 2022
Opening balance	**1,287**	**2,234**
Capital expenditure incurred	1,033	1,634
Capitalised during the year	(1,692)	(2,581)
Closing balance	**628**	**1,287**

b) Capital work-in-progress (CWIP) ageing schedule

As at 31 March 2023

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 (*)	368	247	13	-	**628**

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**

(*) Project execution plans are assessed on an annual basis and all the projects are executed as per rolling annual plan.

There are no project whose completion is overdue or has exceeded its cost compared to its original plan.

No projects have been temporarily suspended as at 31 March 2023 and 31 March 2022.

Notes to standalone financial statements

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

41. Leases

Movement in lease liabilities

Particulars	As at 31 March 2023	As at 31 March 2022
Balance at the beginning	105	13
Additions	-	108
Deletions	(80)	(0)
Interest expenses	3	7
Repayment of principal and interest on lease liabilities	(16)	(23)
Balance at the end	**12**	**105**

Undiscounted contractual maturities of lease liabilities

Particulars	As at 31 March 2023	As at 31 March 2022
Less than one year	2	26
One to five years	8	77
More than five years	384	424
	394	**527**

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.

The Company has taken certain rented premises on lease with contract terms within one year. These leases are short-term in nature and the Company has elected not to recognise right-of-use-assets and lease liabilities for these assets. The Company has incurred following expenses relating to short-term leases for which the recognition exemption has been applied (Refer note 29).

Rental expense for short-term leases

	31 March 2023	31 March 2022
Expense relating to short-term leases (refer note 29)	2	4
	2	**4**

Amounts recognised in the statement of profit and loss

	31 March 2023	31 March 2022
Depreciation on right of use asset	18	24
Interest expense	3	7
	21	**31**

Notes to standalone financial statements

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

Amounts recognised in the statement of cash flows

	31 March 2023	31 March 2022
Payment of lease liabilities	(16)	(23)
Expense relating to short-term leases (Refer note 29)	(2)	(4)
	(18)	**(27)**

Details of Right of use of Assets

	Land	Buildings	Total
A. Cost or Deemed cost (Gross carrying amount)			
As at 01 April 2021	302	-	**302**
Additions	197	48	**245**
Disposals	(12)	-	**(12)**
Balance as at 31 March 2022	**487**	**48**	**535**
Additions	-	-	**-**
Disposals	(105)	-	**(105)**
Balance as at 31 March 2023	**382**	**48**	**430**
B. Accumulated depreciation			
As at 01 April 2021	28	-	**28**
Charge for the year	23	1	**24**
Disposals	(12)	-	**(12)**
Balance as at 31 March 2022	**39**	**1**	**40**
Charge for the year	16	2	**18**
Disposals	(29)	-	**(29)**
Balance as at 31 March 2023	**26**	**3**	**29**
C. Net carrying amounts (A-B)			
As at 31 March 2022	448	47	**495**
As at 31 March 2023	**356**	**45**	**401**

42. Ratios

S. No.	Particulars	Numerator	Denominator	Unit	31-Mar-23	31-Mar-22	% Variance	Reasons for Variance*
a.	Current ratio	Current assets	Current liabilities	Number of times	4.4	3.3	31.14%	The increase is on account of increase in bank balances owing to increase in revenues and reduction in borrowings.
b.	Debt equity ratio	Current + Non-current borrowings	Total equity	Number of times	0.0	0.1	0.00%	
c.	Debt service coverage ratio	Net profit after tax + interest + depreciation and amortisation +/- Loss or gain on sale of property, plant & equipment	Interest + Lease interest payments + Current lease liabilities + Current borrowings	Number of times	4.6	0.6	657.38%	The increase is on account of increase in revenue for the year leading to overall increase in profit for the year.

Notes to standalone financial statements

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

S. No.	Particulars	Numerator	Denominator	Unit	31-Mar-23	31-Mar-22	% Variance	Reasons for Variance*
d.	Return on equity	Net profits after taxes	Average shareholder's equity	%	14%	3%	366.67%	The increase is on account of increase in revenue for the year leading to overall increase in profit for the year.
e.	Inventory turnover ratio	Cost of goods sold	Average inventory	Number of times	0.9	0.8	12.05%	
f.	Trade receivables turnover ratio	Net sales	Average trade receivables	Number of times	3.4	3.8	-9.04%	
g.	Trade payables turnover ratio	Purchases	Average trade payable	Number of times	2.9	3.8	-23.62%	
h.	Net capital turnover ratio	Net sales	Current assets - Current liabilities	Number of times	1.2	1.2	5.17%	
i.	Net profit ratio	Net profits after taxes	Net sales	%	27%	8%	237.50%	The increase is on account of increase in revenue for the year leading to overall increase in profit for the year.
j.	Return on capital employed	Earning before interest and taxes	Total equity - Intangible assets + Non current borrowing + Current borrowings + Deferred tax liabilities	%	16%	9%	77.78%	The increase is on account of increase in revenue for the year leading to overall increase in profit for the year.
k.	Return on investment	Income generated from invested funds	Average invested funds in treasury investments	%	5%	7%	-28.57%	The decrease is on account reduced interest rates for the year as compared to previous year.

*Reasons for variances is given for 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) 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 person(s) or entity(ies), including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Company (Ultimate Beneficiaries) except as disclosed below. The Company has invested funds in the following entity, 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
27-May-22	521	NATCO Pharma Inc.	NATCO Pharma USA LLC (formerly known as Dash Pharmaceuticals LLC)	02-Jun-22
08-Dec-22	329	NATCO Pharma Inc.		13-Dec-22

The Company has complied with relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and the Companies Act, 2013. Such transactions are not violative of the Prevention of Money-Laundering Act, 2002 (15 of 2003).

(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 account and 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 2023 and as at 31 March 2022 under Prohibition of Benami Property Transactions Act, 1988 (as amended in 2016).

(vi) The Company is not declared as a wilful defaulter by any bank or financial institution or other lenders.

(vii) Compliance with number of layers of companies prescribed under clause (87) of Section 2 of the Companies Act, 2013 read with Companies (Restriction on number of Layers) Rules, 2017 is not applicable.

(viii) The Company has not entered into any scheme of arrangement which has an accounting impact on current or previous financial year.

(ix) The Company has not traded or invested in Crypto currency or Virtual currency during the current year and previous year.

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 Section 186 of the Companies Act, 2013

(a) The Company has made investments in the following Companies:

	As at 01 April 2022	Allotment/ purchase during the year	Sold during the year	Provision for Dimunition	As at 31 March 2023
Investment in equity Instruments					
Natco Pharma Inc.	1,305	850	-	-	2,155
Time Cap Overseas Limited	1,542	-	-	-	1,542
NATCO Pharma (Canada) Inc.	232	-	-	-	232
NATCO Pharma Asia Pte. Ltd	102	-	-	-	102
NATCO Pharma Australia PTY Ltd	193	12	-	-	205
NATCO Lifesciences Philippines Inc	47	-	-	-	47

	As at 01 April 2021	Allotment/ purchase during the year	Sold during the year	Provision for Dimunition	As at 31 March 2022
Investment in equity Instruments					
Natco Pharma Inc.	163	1,142	-	-	1305
Time Cap Overseas Limited	1262	280	-	-	1542
NATCO Pharma (Canada) Inc.	145	87	-	-	232
NATCO Pharma Asia Pte. Ltd	102	-	-	-	102
NATCO Pharma Australia PTY Ltd	98	95	-	-	193
NATCO Lifesciences Philippines Inc	42	5	-	-	47

(b) The Company has given interest bearing loans to its subsidiary Companies:

	As at 01 April 2022	Given/(repaid) during the year	Impact of foreign exchange translation	As at 31 March 2023*	Maximum balance outstanding during the year
NATCO Lifesciences Philippines Inc	5	-	(0)	5	5

The Company has given interest bearing loans to its subsidiary Companies:

	As at 01 April 2021	Given/(repaid) during the year	Impact of foreign exchange translation	As at 31 March 2022*	Maximum balance outstanding during the year
NATCO Pharma Asia Pte. Ltd	114	(114)	-	-	114
NATCO Lifesciences Philippines Inc	-	4	1	5	5

* Restated at the closing conversion rate as the loan was given in foreign currency.

The loan to subsidiaries are given for general business purpose. The said loan carries an interest rate of 5% p.a. (31 March 2022: 5% p.a.). The loan is scheduled for repayment within 5 years from the date of drawdown.

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 and specified domestic transactions entered into with associated enterprises during the financial year and expects such records to be in existence latest by 31 October 2023 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.

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

Vikash Somani
Partner
Membership Number: 061272

Place: Hyderabad
Date: 29 May 2023

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
M. No. ACS41964

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 29 May 2023

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 2023, 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 the other auditors on separate financial statements of such subsidiaries/ step down 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 2023, 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, 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.

Revenue Recognition

See Note 3(e) and Note 22 to 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 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/ 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 enters into product supply agreements which also requires revenue to be recognised on profit sharing basis in certain cases. The nature of these arrangements are inherently complex. Considering the complexity involved, recognition of revenue from such contracts has also been considered 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 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. 4) We have verified the terms of the agreement, invoices, confirmations and payments received by the Company for revenues recognised during the year in relation to product supply agreements. 5) Tested manual journals posted to revenue to identify unusual transactions.

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

See Note 29 (D) and (E) to consolidated 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 and accordingly the same has been considered 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 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.

Impairment of Goodwill

See Note 6 to consolidated financial statements	
The key audit matter	**How the matter was addressed in our audit**
The Holding Company performs impairment assessment of Goodwill under Ind AS 36 "Impairment of Assets" on an annual basis and whenever there is an indication of impairment. The aforesaid assets arose on acquisition of NATCO Pharma USA LLC (Formerly known as Dash Pharmaceuticals LLC). In performing the impairment test, the Holding Company has made several key assumptions, such as growth rates, discount rates and forecasted cash flows relating to the aforesaid entity. We identified impairment of Goodwill as a key audit matter because these estimates involve significant judgement, and the underlying assumptions are inherently uncertain.	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) Evaluated the design and implementation of key internal financial controls of the Holding Company with respect to the impairment assessment of Goodwill and tested operating effectiveness of such controls. 2) Tested budgeting procedures upon which the cash flow forecasts were based. We also compared the actual past performances with the budgeted figures. 3) Involved valuation specialists to assist us in evaluating the key assumptions and methodology used by the Holding Company, in particular those relating to the forecast of the revenue growth, profit margins and discount rate. The valuation specialists also compared the assumptions to externally derived data in relation to key inputs such as projected economic growth, competition, cost inflation and discount rates. 4) Assessed the sensitivity of the outcome of impairment assessment to changes in key assumptions. 5) Assessed the adequacy of the disclosures including disclosures of key assumptions, judgements and sensitivities.

Other Information

The Holding Company's Management and Board of Directors are responsible for the other information. The other information comprises the information included in the Holding Company's Annual report, but does not include the financial statements and 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 will not express any form of assurance conclusion thereon.

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

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take 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 judgements and estimates that are reasonable and prudent; and the 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 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 scepticism 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 audit 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.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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/ step down subsidiaries, whose financial statements reflects total assets (before consolidation adjustments) of ₹ 8,103 million as at 31 March 2023, total revenues (before consolidation adjustments) of ₹ 5,559 million and net cash inflows (before consolidation adjustments) amounting to ₹ 198 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/ step down 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/ step down subsidiaries is based solely on the reports of the other auditors.

   These subsidiaries/ step down 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/ step down 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/ step down 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.

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/ step down 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 2023 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 2023 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 Auditors) 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/ step down subsidiaries, as noted in the "Other Matters" paragraph:

a. The consolidated financial statements disclose the impact of pending litigations as at 31 March 2023 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 2023.

c. The following are the instances of delay in transferring amounts, to the Investor Education and Protection Fund by the Holding Company during the year ended 31 March 2023:

S.No.	Pertaining to Financial Year	Amount	Due date of transfer	Actual date of transfer
1	2014-15	₹ 445,000	19 March 2022	17 May 2023
2	2015-16	₹ 531,625	19 March 2023	17 May 2023

d (i) The Holding Company's management has represented to us that, to the best of its knowledge and belief, other than as disclosed in the 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 person(s) or entity(ies), 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 Holding Company's management has represented to us that, to the best of its knowledge and belief, as disclosed in the Note 43(iii) to the consolidated financial statements, no funds have been received by the Holding Company from any person(s) or entity(ies), 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 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), as provided under (i) and (ii) above, contain any material misstatement.

e. The interim dividend declared and paid by the Holding Company during the year and until the date of this audit report is in accordance with Section 123 of the Act.

f. As proviso to rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable for the Holding Company only with effect from 1 April 2023, reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 is not applicable.

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
Firm's Registration No.:116231W/W-100024

Vikash Somani
Partner
Membership No.: 061272
ICAI UDIN:23061272BGYRVT3814

Place: Hyderabad
Date: 29 May 2023

Annexure A to the Independent Auditor's Report on the Consolidated Financial Statements of NATCO Pharma Limited for the year ended 31 March 2023

(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 remarks given by the auditor in their report under the Companies (Auditor's Report) Order, 2020 (CARO):

Sr. No.	Name of the entities	CIN	Holding Company/ Subsidiary	Clause number of the CARO report which is unfavourable/ qualified
1	NATCO Pharma Limited	L24230TG1981PLC003201	Holding company	Clause (iii) (c) and (iii) (d)

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

Vikash Somani
Partner
Membership No.: 061272
ICAI UDIN:23061272BGYRVT3814

Place: Hyderabad
Date: 29 May 2023

Annexure B to the Independent Auditor's Report on the consolidated financial statements of NATCO Pharma Limited for the year ended 31 March 2023

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 Act

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

Opinion

In conjunction with our audit of the consolidated financial statements of NATCO Pharma Limited (hereinafter referred to as "the Holding Company") as of and for the year ended 31 March 2023, we have audited the internal financial controls with reference to financial statements of the Holding Company , as of that date.

In our opinion, the Holding 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 2023, based on the internal financial controls with reference to 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 and Board of Directors' Responsibilities for Internal Financial Controls

The Holding 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 Holding Company's 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 Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 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 financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, 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 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 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 consolidated 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 consolidated 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 consolidated financial statements.

Inherent Limitations of Internal Financial Controls with Reference to Financial Statements

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

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

Vikash Somani
Partner
Membership No.: 061272
ICAI UDIN:23061272BGYRVT3814

Place: Hyderabad
Date: 29 May 2023

Consolidated Balance Sheet

as at 31 March 2023

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

Particulars	Notes	As at 31 March 2023	As at 31 March 2022
I. Assets			
(1) Non-current assets			
(a) Property, plant and equipment	5	22,391	21,789
(b) Capital work-in-progress	39	643	1,295
(c) Goodwill	6	552	507
(d) Other intangible assets	6	1,326	822
(e) Financial assets			
(i) Investments	7	873	1,044
(ii) Other financial assets	9	170	193
(f) Non-current tax assets		345	105
(g) Other non-current assets	10	271	469
Total non-current assets		**26,571**	**26,224**
(2) Current assets			
(a) Inventories	11	7,429	7,620
(b) Financial assets			
(i) Investments	7	3,050	2,037
(ii) Trade receivables	12	8,561	6,206
(iii) Cash and cash equivalents	13	1,319	1,111
(iv) Bank balances other than (iii) above	13	4,144	950
(v) Loans	8	102	104
(vi) Other financial assets	9	3,108	3,901
(c) Other current assets	10	2,290	2,938
Total current assets		**30,003**	**24,867**
Total assets		**56,574**	**51,091**
II. EQUITY AND LIABILITIES			
(1) Equity			
(a) Equity share capital	14	365	365
(b) Other equity	15	48,373	42,271
Equity attributable to owners of the Company		**48,738**	**42,636**
(c) Non-controlling interest		-	-
Total equity		**48,738**	**42,636**
(2) Liabilities			
(A) Non-current liabilities			
(a) Financial liabilities			
(ia) Lease liabilities	17	11	80
(ii) Other financial liabilities	18	17	13
(b) Provisions	19	853	957
(c) Deferred tax liabilities, net	29	124	301
Total non-current liabilities		**1,005**	**1,351**
(B) Current liabilities			
(a) Financial liabilities			
(i) Borrowings	16	1,650	4,040
(ia) Lease liabilities	17	6	35
(ii) Trade payables	21		
- total outstanding dues of micro enterprises and small enterprises; and		54	132
- total outstanding dues of creditors other than micro enterprises and small enterprises		2,584	1,486
(iii) Other financial liabilities	18	859	833
(b) Other current liabilities	20	1,408	399
(c) Provisions	19	169	170
(d) Current tax liabilities (net)		101	9
Total current liabilities		**6,831**	**7,104**
Total liabilities		**7,836**	**8,455**
Total equity and liabilities		**56,574**	**51,091**
Significant accounting policies	3 and 4		

The accompanying notes form an integral part of the consolidated financial statements

As per our Report of even date attached

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

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

Vikash Somani
Partner
Membership Number: 061272

V C Nannapaneni
Managing Director
DIN: 00183315

Rajeev Nannapaneni
Director and Chief Executive Officer
DIN: 00183872

Venkat Ramesh Chekuri
Company Secretary
M. No. ACS41964

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 29 May 2023

Place: Hyderabad
Date: 29 May 2023

Consolidated Statement of Profit and Loss

for the year ended 31 March 2023

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

Particulars	Notes	For the year ended 31 March 2023	For the year ended 31 March 2022
1. Income			
(a) Revenue from operations	22	27,071	19,448
(b) Other income	23	1,046	990
Total income		**28,117**	**20,438**
2. Expenses			
(a) Cost of materials consumed	24	4,753	5,192
(b) Purchases of stock-in-trade		1,757	585
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	25	(237)	(168)
(d) Employee benefits expense	26	4,867	4,448
(e) Finance costs	27	145	177
(f) Depreciation and amortisation expenses	5 and 6	1,638	1,426
(g) Other expenses	28	6,575	6,756
Total expenses		**19,498**	**18,416**
3. Profit before tax (1-2)		**8,619**	**2,022**
4. Tax expense:	29		
(a) Current tax		1,627	478
(b) Deferred tax		(161)	(156)
Total tax expenses		**1,466**	**322**
5. Profit for the year (3-4)		**7,153**	**1,700**
6. Other comprehensive income (OCI)			
(a) Items that will not be reclassified to profit or loss			
(i) Remeasurement of defined benefit liability/(asset)		26	6
Tax on remeasurement of defined benefit liability/(asset)		(9)	(2)
(ii) Fair value changes in Equity investments through OCI		(236)	442
Tax impact on Fair value changes on Equity investments through OCI		25	(42)
(b) Items that will be reclassified to profit or loss			-
(i) Exchange differences on translating financial statements of foreign operations		221	93
Other comprehensive income for the year, net of tax		**27**	**497**
7. Total comprehensive income for the year (5+6)		**7,180**	**2,197**
8. Profit for the year attributable to:			
Owners of the Company		7,153	1,700
Non-controlling interests		-	-
Profit for the year		**7,153**	**1,700**
9. Other comprehensive income for the year attributable to:			
Owners of the Company		27	497
Non-controlling interests		-	-
Other comprehensive income for the year		**27**	**497**
10. Total comprehensive income for the year attributable to:			
Owners of the Company		7,180	2,197
Non-controlling interests		-	-
Total comprehensive income for the year		**7,180**	**2,197**
11. Earnings per equity share (Face value of ₹ 2 each)	30		
Basic (in ₹)		39.18	9.32
Diluted (in ₹)		39.18	9.32
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: 29 May 2023

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
M. No. ACS41964

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 29 May 2023

Consolidated Statement of Cash Flows

for the year ended 31 March 2023

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

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Cash flows from operating activities:		
Profit before tax for the year	8,619	2,022
Adjustments for:		
Depreciation and amortisation expense	1,638	1,426
Finance costs	145	177
Equity settled share based payments	-	22
Interest income	(512)	(390)
Provision for impairment of receivables and advances, net	(239)	271
Bad debts written off	108	199
Capital work-in-progress written off	23	-
Liabilities written back	(16)	(16)
Net gain on sale of property, plant and equipment	(178)	(427)
Dividend income on equity investment at fair value through other comprehensive income	(1)	(2)
Change in Fair value of financial assets measured at fair value through profit and loss	52	(12)
Unrealised foreign exchange loss/(gain), net	(0)	(9)
Operating profit before working capital changes	**9,639**	**3,261**
Changes in working capital:		
Decrease in inventories	191	564
(Increase) in trade receivables	(2,223)	(2,389)
Decrease in loans	2	37
Decrease/ (Increase) in other financial assets	40	(56)
Decrease/ (increase) in other assets	649	(387)
Increase in trade payables	1,020	74
(Decrease)/ increase in provisions	(79)	9
Increase in other financial liabilities	6	31
Increase/ (decrease) in other liabilities	1,021	(197)
Cash generated from operating activities	**10,266**	**947**
Income taxes paid, net of refund	(1,775)	(482)
Net cash generated from operating activities (A)	**8,491**	**465**
Cash flows from investing activities:		
Purchase of property, plant and equipment (Refer note b below)	(1,463)	(2,328)
Proceeds from sale of property, plant and equipment	305	538
Acquisition of intangible assets	(593)	(99)
Acquisition of subsidiary, net of cash and cash equivalents acquired	-	(1,031)
Repayment of loans by others	-	4
Proceeds from sale of investments	151	706
Purchase of investments	(1,256)	(294)
Deposits with banks	(4,107)	(913)
Redemption of bank deposits	937	2,540
Interest received	488	498
Dividend received	1	2
Redemption of deposits other than with banks	3,538	3,861
Deposits other than with banks	(2,772)	(3,537)
Net cash used in investing activities (B)	**(4,771)**	**(53)**
Cash flows from financing activities		
Proceeds from issue of share capital	0	0
Purchase from non-controlling interest	-	(18)
Payment on buy-back of shares, including transaction costs and taxes on buy-back	(74)	-
Net (repayment of) / proceeds from short-term borrowings (refer note c below)	(2,390)	1,382
Dividends paid	(1,004)	(822)
Finance cost paid	(142)	(170)
Principal and interest payment of lease liabilities (refer note c below)	(20)	(24)
Net cash (used in)/ generated from financing activities (C)	**(3,630)**	**348**
Net increase in cash and cash equivalents (A+B+C)	**90**	**760**
Effect of currency translation adjustment	118	93
Cash and cash equivalents as at the beginning of the year	1,111	258
Cash and cash equivalents as at the end of the year	**1,319**	**1,111**

Consolidated Statement of Cash Flows

for the year ended 31 March 2023

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

Components of cash and cash equivalents

Particulars	As at 31 March 2023	As at 31 March 2022
Cash and cash equivalents:		
Cash on hand	3	4
Balance with Banks:		
- Current accounts	1,316	1,107
	1,319	**1,111**

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 and capital creditors.

c) Movement in borrowings and lease liabilities in accordance with Ind AS 7:

Particulars	As at 31 March 2023	As at 31 March 2022
Borrowings from banks:		
Opening balance	4,040	2,658
Proceeds from/ (repayment of) borrowings, net	(2,390)	1,382
Non-cash items (foreign exchange changes)	0	0
Closing balance	**1,650**	**4,040**
Lease liabilities:		
Opening balance	115	18
Cash flow changes	(20)	(24)
Non-cash changes	(78)	121
Closing balance	**17**	**115**
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: 29 May 2023

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
M. No. ACS41964

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 29 May 2023

Consolidated Statement of Changes in Equity

for the year ended 31 March 2023
(All amounts in ₹ millions, except share data and where otherwise stated)

A. Equity Share Capital

	Number of Shares	Amount
As at 01 April 2021	18,23,37,825	365
Changes in equity share capital due to prior period errors	-	-
Restated balance at the beginning of current year	**18,23,37,825**	**365**
Changes in Equity share capital during the year	1,82,340	0
As at 31 March 2022	**18,25,20,165**	**365**
Changes in equity share capital due to prior period errors	-	
Restated balance at the beginning of current year	18,25,20,165	365
Changes in Equity share capital during the year	(50,050)	(0)
As at 31 March 2023	**18,24,70,115**	**365**

B. Other Equity

	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	Gain/(loss) on FVTOCI equity securities	Foreign currency translation reserve			
As at 01 April 2021	**13,915**	**516**	**11**	**595**	**175**	**25,682**	**128**	**(171)**	**40,851**	**18**	**40,869**
Changes in accounting policy or prior period errors	-	-	-	-	-	-	-	-	**-**	-	-
Restated balance at the beginning of the year	**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**
Remeasurement of defined benefit plan, net of tax	-	-	-	-	-	4	-	-	**4**	-	**4**
Changes in fair value of Equity investments, net of tax	-	-	-	-	-	-	422	-	**422**	-	**422**
Exchange differences on translating financial statements of foreign operations	-	-	-	-	-	-	-	93	**93**	-	**93**
Profit on sale of equity instruments	-	-	-	-	-	101	(101)	-	**-**	-	**-**
Employee stock option expense	-	-	-	-	22	-	-	-	**22**	-	**22**
Dividends paid	-	-	-	-	-	(821)	-	-	**(821)**	-	**(821)**
Equity settled share based payments	163	-	-	-	(163)	-	-	-	**-**	-	**-**
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**

Consolidated Statement of Changes in Equity

for the year ended 31 March 2023
(All amounts in ₹ millions, except share data and where otherwise stated)

	Reserves and Surplus						Other comprehensive income				
	Securities premium	Capital reserve	Capital redemption reserve	General reserve	Share options outstanding account	Retained earnings	Gain/(loss) on FVTOCI equity securities	Foreign currency translation reserve	Total other equity attributable to owners of the Company	Non-controlling interest	Total equity
Profit for the year	-	-	-	-	-	7,153	-	-	**7,153**	-	**7,153**
Remeasurement of defined benefit plan, net of tax	-	-	-	-	-	17	-	-	**17**	-	**17**
Changes in fair value of Equity investments, net of tax	-	-	-	-	-	-	(211)	-	**(211)**	-	**(211)**
Exchange differences on translating financial statements of foreign operations	-	-	-	-	-	-	-	221	**221**	-	**221**
Profit on sale of equity instruments	-	-	-	-	-	118	(118)	-	**-**	-	**-**
Buy back of Equity shares	(47)	-	-	-	-	(0)	-	-	**(47)**	-	**(47)**
Tax on buy back of shares	-	-	-	-	-	(11)	-	-	**(11)**	-	**(11)**
Expenses on buy back of shares	-	-	-	-	-	(16)	-	-	**(16)**	-	**(16)**
Dividends paid	-	-	-	-	-	(1,004)	-	-	**(1,004)**	-	**(1,004)**
Equity settled sharebased payments	34	-	-	-	(34)	-	-	-	**-**	-	**-**
Changes in non-controlling interest	-	-	-	-	-	-	-	-	**-**	-	**-**
As at 31 March 2023	**14,065**	**516**	**11**	**595**	**-**	**32,923**	**120**	**143**	**48,373**	**-**	**48,373**

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: 29 May 2023

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
M. No. ACS41964

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 29 May 2023

Notes to consolidated financial statements

1. Reporting entity information

NATCO Pharma Limited ("the Company" or "the Parent") is a public limited company domiciled in India and incorporated in India with its registered office situated at NATCO House, Road No. 2, Banjara Hills, Hyderabad – 500034. The Company has been incorporated under the provisions of Companies Act, 2013 and its equity shares are listed on the National Stock Exchange (NSE) and BSE Limited (BSE) in India.

These consolidated financial statements comprise the Company and its subsidiaries (together referred to as "the Group") for the year ended 31 March 2023 is engaged in the business of pharmaceuticals and agricultural chemicals which comprises research and development, manufacturing and selling of bulk drugs, 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

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, notified under Section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act under the historical cost convention on an accrual basis and going concern except for certain financial instruments which are measured at fair values, notified under the Act and Rules prescribed thereunder.

The consolidated financial statements for the year ended 31 March 2022 were authorised and approved for issue by the Company's Board of Directors on 29 May 2023.

Details of Group's accounting policies are included in Note 3.

B. Functional and presentation currency

These 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 millions, 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.

The Group classifies an asset as current asset when:

- it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;
- it holds the asset primarily for the purpose of trading;
- it expects to realise the asset within twelve months after the reporting period; or
- the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when –

- it expects to settle the liability, in its normal operating cycle;
- it holds the liability primarily for the purpose of trading;
- the liability is due to be settled within twelve months after the reporting period; or
- it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. 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.

All other liabilities are classified as non-current.

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

E. Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis except for the following items which are measured an alternative basis each reporting date:

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

In preparing these consolidated financial statements, Management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from the estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Key accounting estimates, judgements and assumptions in preparation of these consolidated financial statements are given in Note 4.

G. Measurement of fair values

A number of the Group's accounting policies and disclosures 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. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Accounting Standards, including the level in the fair value hierarchy in which the valuations should be classified.

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. Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see 3(c)). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The consideration transferred in the acquisition is generally measured at fair value as at the date the control is acquired (acquisition date), as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see 3(c)). Any gain on a bargain purchase is recognised in the Other comprehensive income ('OCI') and accumulated in equity as capital reserve if there exists clear evidence of the underlying reasons for classifying the business

Notes to consolidated financial statements

combination as a bargain purchase. If there does not exist clear evidence of the underlying reasons for classifying the business combination as a bargain purchase, then gain on a bargain purchase is recognised directly in equity as capital reserve. Transaction costs/ acquisition related costs are expensed as incurred and services are received, except if 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 recognised in the statement of profit and loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in the statement of profit and loss

ii. 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.

Consolidation procedure followed is as under:

Items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries are combined like to like basis. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.

iii. Non-controlling interests (NCI)

NCI are measured initially 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.

iv. 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	
		2023	2022
NATCO Pharma, Inc.,	United States of America	100.00	100.00
Time Cap Overseas Limited	Mauritius	100.00	90.44
NATCO Farma do Brazil Ltda	Brazil	100.00	90.89
NATCO Pharma (Canada), Inc.	Canada	99.04	99.04
Natco Pharma Asia Pte. Ltd.	Singapore	100.00	99.76
NATCO Pharma Australia PTY Ltd.	Australia	100.00	100.00
NATCO Lifesciences Philippines Inc.	Philippines	100.00	100.00
NATCO Pharma USA LLC (Formerly known as Dash Pharmaceuticals LLC) name changed w.e.f. 12 April 2023	United States of America	100.00	100.00

Note 1: NATCO Farma Do Brazil is the Subsidiary of Time Cap Overseas Limited and interest in NATCO Pharma interest in NATCO Farma Do Brazil represents effective holding of the Group.

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

v. 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.

vi. Translation elimination

The Group combines the separate financial statements of the parent and its subsidiaries line by line adding together

Notes to consolidated financial statements

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 in the same way as unrealised gains unless the transaction provide (except for foreign currency translation gain or losses) 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 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 2023.

vii. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

b. Property, plant and equipment (PPE)

Recognition and initial measurement

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Items of property, plant and equipment (including capital-work-in progress) 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 (non-deductible), 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. Freehold land is not depreciated

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 for its intended use 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.

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 and the cost of the item can be measured reliably.

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. i.e., from/(up to) the date on which the asset is use/(disposed-off).

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

Assets	Estimated useful life (in years)	Useful life as per Schedule II (in years)
Buildings	3 to 60	3 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 reporting date and adjusted, 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)

Notes to consolidated financial statements

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 Other Intangible assets

Recognition and initial measurement

Goodwill

Goodwill arising on the acquisition of subsidiaries (See Note 3(a(i)) is measured at cost less accumulated impairment losses.

Other Intangible assets

Intangible assets (software) are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalisation criteria are met and cost 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.

Amortisation

The cost of capitalised software is amortised over a period of 1-6 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.

The cost of patents in Natco Pharma Australia Pty Ltd is amortised over a period of 20 years on a diminishing value basis.

The cost of rights to abbreviated new drug applications is amortised over a period of 15 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

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 assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities which are carried at historical cost denominated in a foreign currency are reported using the exchange rates at the date of transaction. Foreign currency exchange differences are generally recognised in profit or loss, except foreign currency exchange differences arising from the translation of the following items which are recognised in other comprehensive income ('OCI') -

- an investment in equity securities designated as at fair value through other comprehensive income (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).

Foreign Operations

The assets and liabilities of foreign operations (subsidiaries, 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 reporting date,
2. income and expenses items are translated at average exchange rates for respective periods; and
3. Foreign currency differences are recognised in OCI and accumulated in the equity (as exchange differences on translating the financial statements of a foreign operation), except to the extent that the exchange differences are allocated to NCI.

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.

Notes to consolidated financial statements

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 from contracts with customers

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

The Group generates revenue from its ordinary activities i.e. from sale of goods and services. A contract in this context shall fulfil all of the following conditions:

- Both the parties to the contract agree on the contract terms
- Performance obligation of each of the parties is identifiable and there exists a commitment to perform their respective obligations; and
- The commercial substance or the purchase consideration is measurable and the collectability is probable.

Disaggregation of revenue

The Group disaggregates revenue from contracts with customers by products and geography. The Group believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of Group's revenues and cashflows are affected by industry, market and other economic factors.

Contract balances

The Group classifies the right to consideration in exchange for sales of goods as trade receivables and advance consideration as contract liability against payment.

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

Sale of goods:

Revenue from sale of goods is recognised when a promise in a customer contract (performance obligation) has been satisfied by transferring control over the promised goods to the customer. Control is usually transferred upon shipment/ delivery to/ upon receipt of goods by the customer, in accordance with the delivery and acceptance terms agreed with the customers. The amount of revenue to be recognised is based on the consideration expected to be received in exchange for goods, excluding trade discounts, volume discounts, sales returns, chargeback, medicaid payments, rebates, shelf stock adjustments, where applicable and any taxes or duties collected on behalf of the government which are levied on sales such as goods and services tax, etc., where applicable. Revenue is only recognised to the extent that it is highly probable a significant reversal will not occur.

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

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

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

Sale of services:

Revenue from sale of services, includes in certain instances, certain performance obligations and based on evaluation of whether or not these obligations are in consequential, 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

Notes to consolidated financial statements

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

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Impairment loss, if any, is recognised in the Statement of profit and loss.

The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses incremental borrowing rate. The Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased. 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.

The lease payments include

- fixed payments, including in substance fixed payment;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amount expected to be payable under a 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 or loss.

It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, if

Notes to consolidated financial statements

the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities separately in the Balance sheet within 'financial liabilities'.

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 recognised 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-derivative 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 amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

j. Financial instruments

i. Initial recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. At the time of initial recognition, these financial assets (unless it is a trade receivable without a significant financing component) or financial liabilities are measured at fair value. A trade receivable without a significant financing component is initially measured at the transaction price.

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.

Notes to consolidated financial statements

ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at:

- amortised cost;
- Fair value through other comprehensive income– debt investment or equity investment ('FVOCI'); or
- Fair value through profit or loss ('FVTPL').

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.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortised Cost:

A financial asset shall be classified and measured at amortised cost if both of the following conditions are met is not designated as FVTPL:

- 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.
- On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Fair Value through OCI:

A financial asset shall be classified and measured at fair value through other comprehensive income if both of the following conditions are met and is not designated as FVTPL:

- 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.
- On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

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 other comprehensive income.

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.

Interest income and expense and dividend income:

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). Interest income is included in other income in the Statement of Profit and Loss. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Dividend income is recognised in profit or loss on the date when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL

Notes to consolidated financial statements

if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in statement of profit or loss.

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 either 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 for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI;

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit – impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- Significant financial difficulty of the borrower of insurer;
- a breach of contract;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group measures loss allowances at an amount equal to lifetime expected credit losses.

Loss allowances for trade receivables, loans, contract assets are always measured at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

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When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtors does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

l. Inventories

Inventories are valued at the lower of cost or net realisable value. The cost of inventories is determined on a moving weighted average basis, and includes cost for acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their present location and condition. In the case of raw materials and stock-in-trade, cost comprises of cost of purchase. In the case of finished goods and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The net realisable value of work-in-progress is determined with reference to the selling prices of related finished goods. Raw materials, components and other supplies held for use in the production of finished products are not written down below cost except in cases when a decline in the price of materials indicates that the cost of the finished products shall exceed the net realisable value. The comparison of cost and net realisable value is made on an item-by-Item basis.

The provision for inventory obsolescence is assessed regularly based on estimated usage and shelf life of products.

m. Income taxes

Income tax comprises current an d 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. The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets.

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.

Current tax assets and liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

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.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Notes to consolidated financial statements

Temporary differences in relation to a right-of-use asset and a lease liability for a specific lease are regarded as a net package (the lease) for the purpose of recognising deferred tax.

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.

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 recognised on the basis of the amount paid or payable for the period during which services are rendered by the employee. Short-term employee benefits are measured on an undiscounted basis and expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term basis if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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

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the instrument at the date of grant using an appropriate valuation model.

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 cost is recognised, together with a corresponding increase in 'Share options outstanding account' reserves in Equity, over the period in which the performance and / or service conditions are fulfilled in employee benefits expense. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

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 and 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

Contingent liability is a possible obligation arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. The Company does not recognise a contingent liability but discloses its existence in the consolidated financial statements.

Contingent asset is not recognised in consolidated financial statements since this may result in the recognition of income that may never be realised. However, when the realisation of income is virtually certain, then the related asset is not a contingent asset and is recognised.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

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.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under the contract and an allocation of other costs directly related to fulfilling the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

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.

Notes to consolidated financial statements

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 recognised 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 recognised 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 recognised 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 consolidated financial statements. Otherwise, events after the balance sheet date of material size or nature are only disclosed.

w. Segment reporting

An operating segment is component of the company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's Chief Executive Officer to make decisions for which discrete financial information is available. Based on the management approach as defined in Ind AS 108, the Chief Operating Decision Maker ("CODM") evaluates the group's performance and allocates resources based on analysis of various performance indicators by business segments and geographic segments. The analysis of geographical segments is based on the areas in which the customers of the Group are located.

x. 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 31 March 2023, MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2015 by issuing the Companies (India Accounting Standards) Amendment Rules, 2023, applicable from 01 April 2023, as below:

a) Ind AS 1 – Presentation of Financial Statements

The amendment require companies to disclose their material accounting policies rather than their significant accounting policies. Accounting policy information, together with other information, is material when it can reasonably be expected to influence decisions of primary users of generate purpose financial statements. The Group does not expect this amendment to have any significant impact in its financial statements.

b) Ind AS 12 – Income Taxes

The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendments narrowed the scope of the recognition exemptions in paragraphs 15 and 24 of Ind AS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The Group is evaluating the impact, if any, in its financial statements.

c) Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

The amendments will help entities to distinguish between accounting policies and accounting estimates. The definition of a change in accounting estimates has been replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainties". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The Group does not expect this amendment to have any significant impact in its financial statements.

Notes to consolidated 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 Group's disclosure of significant accounting policies which are provided in Note 3 to the consolidated financial statements, 'Significant accounting policies'.

Critical judgments:

Taxes on income:

Significant judgements 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 consolidated 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 consolidated 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 Group'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 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	Furnitures	Vehicles	Computers	Right-of-use assets (refer note (ii) below)	Total
A. Cost or Deemed cost (Gross carrying amount)									
As at 01 April 2021	2,476	8,966	13,958	69	439	243	304	310	**26,765**
Acquisition through business combination (Refer note 41)	-	1	-	0	2	-	1	-	**4**
Additions	198	799	1,714	5	31	36	58	258	**3,099**
Disposals	(33)	(53)	(75)	(0)	(1)	(8)	(0)	(12)	**(182)**
Exchange differences on translation of foreign operations	-	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**
Additions	232	935	1,031	3	20	20	57	4	**2,302**
Disposals	(18)	(79)	(266)	(1)	(3)	(42)	(5)	(111)	**(525)**
Exchange differences on translation of foreign operations	-	3	3	-	1	-	-	1	**8**
Balance as at 31 March 2023	**2,855**	**10,593**	**16,386**	**76**	**491**	**249**	**414**	**450**	**31,514**
B. Accumulated depreciation									
As at 01 April 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 differences on translation of foreign operations	-	4	4	0	1	0	1	-	**10**
Balance as at 31 March 2022	**-**	**1,509**	**5,752**	**47**	**183**	**163**	**239**	**47**	**7,940**
Charge for the year	-	311	1,046	5	40	25	45	21	**1,493**
Disposals	-	(39)	(209)	(1)	(2)	(34)	(4)	(29)	**(318)**
Exchange differences on translation of foreign operations	-	2	2	1	1	1	1	-	**8**
Balance as at 31 March 2023	**-**	**1,783**	**6,591**	**52**	**222**	**155**	**281**	**39**	**9,123**
C. Net carrying amounts (A-B)									
As at 31 March 2022	2,641	8,225	9,866	27	290	108	123	509	**21,789**
As at 31 March 2023	**2,855**	**8,810**	**9,795**	**24**	**269**	**94**	**133**	**411**	**22,391**

(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.

Notes to consolidated financial statements

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

(iii) Land parcels with an aggregate carrying amount of ₹ 4 (31 March 2022: ₹ 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 consolidated financial statements.

(iv) Refer to note 40 for disclosure of leases under Ind AS 116.

(v) Refer to note 16 for details of assets mortgaged.

(vi) The Group has not revalued any property, plant and equipment after initial recognition, during the current year and previous year.

(vii) Expenditure incurred towards purchase of assets/ equipments for reasearch activities amounts to ₹ 203 (31 March 2022: ₹ 109).

6. Intangible assets

		Other Intangible assets					
	Goodwill	Commercial product portfolio	Distributor relationships	Pipeline product portfolio	Rights to abbreviated new drug applications	Computer Software	Total
A. Cost or Deemed cost (Gross carrying amount)							
As at 01 April 2021	-	-	-	-	-	256	**256**
Acquisition through business combination (refer Note 41)	500	363	77	228	-	-	**668**
Additions	-	-	-	-	-	99	**99**
Disposals	-	-	-	-	-	(0)	**(0)**
Exchange differences on translation of foreign operations	7	4	1	3	-	2	**10**
As at 31 March 2022	**507**	**367**	**78**	**231**	**-**	**357**	**1,033**
Additions	-	-	-	-	552	41	**593**
Disposals	-	-	-	-	-	-	**-**
Exchange differences on translation of foreign operations	45	32	7	19	-	1	**59**
As at 31 March 2023	**552**	**399**	**85**	**250**	**552**	**399**	**1,685**
B. Accumulated amortisation							
As at 01 April 2021	-	-	-	-	-	162	**162**
Amortisation for the year	-	9	2	5	-	32	**48**
Disposals	-	-	-	-	-	(0)	**(0)**
Exchange differences on translation of foreign operations	-	-	-	-	-	1	**1**
As at 31 March 2022	**-**	**9**	**2**	**5**	**-**	**195**	**211**
Amortisation for the year	-	39	8	22	30	46	**145**
Disposals	-	-	-	-	-	-	**0**
Exchange differences on translation of foreign operations	-	1	0	1	1	0	**3**
As at 31 March 2023	**-**	**49**	**10**	**28**	**31**	**241**	**359**
C. Net carrying amounts (A-B)							
As at 31 March 2022	507	358	76	226	-	162	**822**
As at 31 March 2023	**552**	**350**	**75**	**222**	**521**	**158**	**1,326**

Notes to consolidated financial statements

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

(i) The Group has not revalued any intangible assets after initial recognition, during the current year and previous year.

(ii) Impairment:

See accounting policy in note 3(i).

Impairment testing for cash generating unit ('CGU') containing goodwill -

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 ""NATCO Pharma USA LLC"" (Formerly known as Dash Pharmaceuticals LLC) which is part of the pharma segment (refer note 41 for details). The carrying amount of goodwill as at 31 March 2023 is ₹ 552 (31 March 2022: ₹ 507).

Following key assumptions were considered while performing goodwill valuation:

Annual growth rate for 5 years (Average): 19.14%

Terminal value growth rate: 2%

Discount rate: 16.2%

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.

Discount rate = (We*Re)+(Wd*Rd)

Re = Risk free return + (Market premium x Beta for the Company) + additional risk premium

Rd = Cost of debt* (1-tax rate)

We,Wd = Average debt to capital ratio

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 2022-2023.

7. Investments

		As at 31 March 2023	As at 31 March 2022
I.	**Non-current**		
	Unquoted		
	At fair value through other comprehensive income		
	a. Investment in equity instruments (fully paid-up)		
	139,451 (31 March 2022: 139,451) equity shares of ₹10 each, in OMRV Hospitals Private Limited	106	106
	21,769 (31 March 2022: 21,769) equity shares of ₹10 each, in Veda Seedsciences Private Limited	99	99
	8,000 (31 March 2022: 8,000) equity shares of ₹10 each, in Cipher Oncology Private Limited	14	10
	34,400 (31 March 2022: 34,400) equity shares of ₹10 each, in Pattancheru Enviro-Tech Limited	0	0
	27,000 (31 March 2022: 27,000) equity shares of ₹10 each, in Jayalakshmi Spinning Mills Limited	0	0
	4,054 (31 March 2022: 4,054) equity shares of 1USD each, in NATIVITA Joint Limited Liability Company	0	0
	30 (31 March 2022: 30) equity shares of Euro 0.5 per share of Pharnasanta B.V	0	0
	750 (31 March 2022: 750) equity shares of ₹100 each, in Jeedimetla Effluent Treatment Limited	0	0
	10 (31 March 2022: Nil) equity shares of ₹10 each, in Redlciffe Hygiene Private Limited	0	-
		219	**215**

Notes to consolidated financial statements

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

	As at 31 March 2023	As at 31 March 2022
Unquoted		
b. Other investments		
4,044 (31 March 2022: 3,146) units of ₹10,000 each, in Endiya Trust	102	35
65,979 (31 March 2022: 65,979) shares of series seed-2 preferred stock in ISCA Inc.	38	151
1,000,000 (31 March 2022: 1,000,000) 0.15% compulsorily convertible debentures (CCD) of ₹10 each, in Simplify Wellness India Private Limited	10	10
5,726 (31 March 2022: Nil) 0.0001% compulsorily convertible preference shares (CCPS) of ₹ 10 each, in Eyestem Research Pvt. Ltd	75	-
2,371,988 (31 March 2022: Nil) 0.001% Compulsorily convertible preference shares (CCPS) of USD 1 each, in Eywa Pharma Pte Ltd	249	-
8,116 (31 March 2022: Nil) 0.001% Compulsorily convertible preference shares (CCPS) of ₹ 10 each, in Redcliffe Hygiene Private Limited	130	-
500,000 (31 March 2022: 500,000) 0.05% compulsorily convertible preference shares (CCPS) of ₹100 each, in OMRV Hospitals Private Limited	50	50
	654	**246**
Unquoted		
At amortised cost		
National savings certificates	0	0
Investment in corporate bond fund in Axis Bank Ltd	-	181
	0	**181**
Quoted		
At amortised cost		
Nil (31 March 2022: 100,000) 6.75% non-convertible debentures (NCD) of ₹1,000 each, in Muthoot Finance limited	-	100
Nil (31 March 2022: 190) 9.15% Perpetual Bonds of ₹ 1,000,000 each, in ICICI Bank Ltd	-	199
Nil (31 March 2022: 100) 7.73% Series III Perpetual Bonds of ₹ 1,000,000 each, issued by State Bank of India	-	103
	-	**402**
Total non-current investments	**873**	**1,044**
Aggregate book value of unquoted investments	873	642
Aggregate book value of quoted investments	-	402
Aggregate market value of quoted investments	-	399
Aggregate amount of impairment in the value of investments	-	-
II. Current		
a) Investments in equity instruments (fully paid-up)		
(At fair value through other comprehensive income)		
Quoted		
7,000 (31 March 2022: 7,000) equity shares of ₹10 each, in Neuland Laboratories Limited	13	7
5,500 (31 March 2022: 5,500) equity shares of ₹1 each, in Sun Pharmaceuticals Industries Limited	5	5
530 (31 March 2022: 530) equity shares of ₹2 each, in Alkem Laboratories Limited	2	2
12,400 (31 March 2022: 12,400) equity shares of ₹1 each, in Zydus Lifesciences Limited	6	4
320,000 (31 March 2022: 320,000) equity shares of ₹2 each, in Laurus Labs Limited	94	189
150,000 (31 March 2022: 150,000) equity shares of ₹1 each, in Lanco Infratech Limited	0	0

Notes to consolidated financial statements

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

	As at 31 March 2023	As at 31 March 2022
22,700 (31 March 2022: 22,700) equity shares of ₹1 each, in GMR Infrastructure Limited	1	1
15,000 (31 March 2022: 15,000) equity shares of ₹1 each, in Panacea Biotec Limited	2	2
2,100 (31 March 2022: 2,100) equity shares of ₹1 each, in ICICI Prudential Life Insurance Company Limited	1	1
2,000 (31 March 2022: 2000) equity shares of ₹1 each, fully paid-up in JB Chemicals and Pharmaceuticals Ltd	4	3
1,25,000 (31 March 2022: 3,25,577) equity shares of ₹10 each, in Medplus Health Services Limited	81	331
2,270 (31 March 2022: 2,270) equity shares of ₹5 each, in GMR Power & Urban Infra Limited	0	0
18,300 (31 March 2022: 18,300) equity shares of ₹1 each, in Ravinder Height Limited	0	0
	209	**545**
b) Investment in Bonds, Debentures and Commercial Papers (fully paid-up)		
Unquoted		
(At amortised cost)		
Investment in Guaranteed investment certificates in ICICI Bank, Canada	1,651	841
300 (31 March 2022: Nil) 7.20% Commercial Paper (CP) of ₹500,000/- each, through issuer Piramal Capital & Housing Finance Limited	149	-
Nil (31 March 2022: 800) 5.10% Commercial Paper (CP) of ₹500,000/- each, through issuer Julius Baer Capital (India) Private Limited	-	380
500 (31 March 2022: Nil) 7.10% Commercial Paper (CP) of ₹500,000/- each, through issuer Julius Baer Capital (India) Private Limited	244	-
	2,044	**1,221**
Quoted		
(At amortised cost)		
Nil (31 March 2022: 250) 8.85% Perpetual Bonds of ₹1,000,000 each, in HDFC Bank Ltd	-	256
100,000 (31 March 2022: Nil) 8.35% Perpetual Bonds of ₹1,000 each, through issuer Piramal Capital & Housing Finance Limited	107	-
440 (31 March 2022: Nil) 9.15% Perpetual Bonds of ₹ 1,000,000 each, in ICICI Bank Ltd	484	-
100 (31 March 2022: Nil) 7.73% Series III Perpetual Bonds of ₹ 1,000,000 each, issued by State Bank of India	106	-
100,000 (31 March 2022: Nil) 6.75% non-convertible debentures (NCD) of ₹1,000 each, in Muthoot Finance limited	100	-
Nil (31 March 2022: 15) 10.25% non-convertible debentures (NCD) of ₹1,000,000 each,in Muthoot Microfin Limited	-	15
	797	**271**
Total current investments	**3,050**	**2,037**
The Group has not traded or invested in crypto currency or virtual currency during the year.		
Information about the Group's exposure to market risks is included in Note 32.		
Aggregate book value of unquoted investments	2,044	1,221
Aggregate book value of quoted investments	1,006	816
Aggregate market value of quoted investments	989	812
Aggregate amount of impairment in the value of investments	-	-

Notes to consolidated financial statements

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

8. Loans

	As at 31 March 2023	As at 31 March 2022
(Unsecured, considered good)		
Current		
Loans to employees	69	65
Loans to directors (Refer note 35)	23	29
Loans to others	10	10
	102	**104**

Information about the Company's exposure to credit is included in Note 32.

9. Other financial assets

	As at 31 March 2023	As at 31 March 2022
(Unsecured, considered good)		
Non-current		
Security deposits	168	148
Bank deposits due to mature after 12 months from the reporting date*	1	35
Interest on deposits accrued but not due	1	10
	170	**193**
* Bank deposits are given as margin money against bank guarantees/performance guarantees issued by banks.		
Current		
Deposits other than with banks	2,772	3,538
Interest on deposits, accrued but not due	285	252
Derivative assets	-	10
Margin money against buy back of shares	10	-
Other receivables	41	101
	3,108	**3,901**

Information about the Company's exposure to credit risk is included in Note 32.

10. Other assets

	As at 31 March 2023	As at 31 March 2022
Non-current		
Capital advances		
Unsecured, considered good	269	466
Unsecured, considered doubtful	32	-
	301	**466**
Less: Allowance for doubtful advances	(32)	-
	269	**466**
Advances other than capital advances		
(Unsecured, considered good)		
- Prepaid expenses	1	2
- Balance with statutory authorities	1	1
	2	**3**
	271	**469**

Notes to consolidated financial statements

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

	As at 31 March 2023	As at 31 March 2022
Current		
(Unsecured, considered good)		
Advances other than capital advances		
- Advance to material suppliers/service providers	660	1,000
- Prepaid expenses	283	326
- Export incentives	25	192
- Balance with statutory authorities	1,322	1,419
- Other advances	-	1
	2,290	**2,938**

11. Inventories

	As at 31 March 2023	As at 31 March 2022
Raw materials [including goods-in-transit of ₹ 61 (31 March 2022: ₹ 9)]	2,223	2,446
Work-in-progress	1,293	1,750
Finished goods [including goods-in-transit of Nil (31 March 2022: ₹ 4)]	2,788	2,067
Stock-in-trade [including goods-in-transit of ₹ 8 (31 March 2022: Nil)]	78	62
Stores and spares [including goods-in-transit of ₹ 5 (31 March 2022: ₹ 2)]	741	967
Packing materials [including goods-in-transit of ₹ 3 (31 March 2022: ₹ 17)]	306	328
	7,429	**7,620**

The write-down value of inventories during the year amounted to ₹ 835 (31 March 2022: ₹ 2,321). The write down are included in changes in inventories and cost of materials consumed.

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 2023	As at 31 March 2022
Current		
Unsecured, considered good	8,711	6,628
Less: Provision for impairment	150	422
	8,561	**6,206**

Ageing of trade receivables as at 31 March 2023

Outstanding for following periods from due date of payment	**Undisputed**	
	Considered good	**Credit impaired**
Unbilled	4,830	-
Not due	3,088	19
Less than 6 months	566	12
6 months to 1 year	58	21
1-2 years	19	18
2-3 years	-	79
More than 3 years	-	1
Total	**8,561**	**150**

Notes to consolidated financial statements

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

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	2,197	13
Less than 6 months	554	18
6 months to 1 year	452	324
1-2 years	21	66
2-3 years	2	1
More than 3 years	-	-
Total	**6,206**	**422**

Refer note 16 for details of trade receivables hypothecated against borrowings.

Refer note 35 for details of trade receievables from related parties.

There are no outstanding trade receivables by directors or other officers of the Holding Company or by firms or private companies in which director is partner or member as at 31 March 2023 and as at 31 March 2022.

There are no disputed trade receivables as at 31 March 2023 and 31 March 2022.

Information about the Group's exposure to credit and market risks and impairment losses for trade receivables is included in Note 32.

Transfer of trade receivables

The Holding company sold with recourse trade receivables to banks. These trade receivables have not been derecognised from the balance sheet, because the Holding company retains substantially all of the risks and rewards – primarily credit risk. The amount received on transfer has been recognised as a secured bank loan (see Note 16).

The following information shows the carrying amount of trade receivables at the reporting date that have been transferred but have not been derecognised and the associated liabilities.

Carrying amount of trade receivables transferred to a bank	649	684
Carrying amount of associated liabilities	(649)	(684)

13. Cash and bank balances

	As at 31 March 2023	As at 31 March 2022
Cash and cash equivalents:		
Cash on hand	3	4
Balance with banks:		
- On Current accounts	1,316	1,107
	1,319	**1,111**
Other bank balances		
Deposits (having original maturity more than 3 months) due to mature within 12 months from the reporting date*	4,107	913
Unpaid dividend accounts	37	37
	4,144	**950**

* It includes bank deposits lien marked against buy-back of shares amounting to ₹ 525 (31 March 2022 : Nil) and Bank deposits given as margin money against bank guarantees/ performance guarantees issued by banks amounting to ₹ 20 (31 March 2022 : Nil).

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 2023		As at 31 March 2022	
	Number of shares	Amount	Number of shares	Amount
Equity shares of ₹2 each	**200,000,000**	**400**	**200,000,000**	**400**

ii. Issued, subscribed and fully paid up

	As at 31 March 2023		As at 31 March 2022	
	Number of shares	Amount	Number of shares	Amount
Equity shares of ₹2 each	18,24,70,115	365	18,25,20,165	365
	18,24,70,115	**365**	**18,25,20,165**	**365**

iii. Reconciliation of number of equity shares outstanding at the beginning and at the end of the year

	As at 31 March 2023		As at 31 March 2022	
	Number of shares	Amount	Number of shares	Amount
Equity shares				
Shares outstanding at the beginning of the year	18,25,20,165	365	18,23,37,825	365
Add: Equity shares issued pursuant to employee stock option plan	37,000	0	1,82,340	0
Less: Bought back and extinguished during the year (Refer note (a) given below)	(87,050)	0	-	-
Shares outstanding at the end of the year	**18,24,70,115**	**365**	**18,25,20,165**	**365**

(a) The Board of Directors at its meeting held on 08 March 2023 had approved the buy-back of fully paid up equity shares of face value of ₹ 2 each from the eligible equity shareholders of the Company other than the Promoters, the Promoter group and Persons who are in control of the Company, at a price not exceeding ₹ 700 per equity share (Maximum Buy-back Price), payable in cash for an aggregate amount not exceeding ₹ 2,100 million (Maximum Buy-back Size, excluding transaction costs and taxes thereon), from the Open Market route through the stock exchange mechanism under the Companies Act, 2013 and Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018, as amended ('Buy-back Regulations').

The Buy-back commenced on 21 March 2023 and as of 31 March 2023, the scheme of Buy-back was open. The Holding company bought back 87,050 equity shares as of the balance sheet date, resulting in total cash consideration of ₹ 47 million (excluding ₹ 27 million towards transaction cost and tax on Buy-back). These equity shares were extinguished as at 31 March 2023 as per the records of the depositories. In line with the requirement of Companies Act, 2013, an amount of ₹ 47 million has been utilised from securities premium account for the buyback. Balance expense towards transaction cost and the tax on buy-back amounting to ₹ 27 million has been debited directly to the retained earnings. Further, capital redemption reserve of ₹ 0.17 million representing the nominal value of shares bought back, has been created in accordance with Section 69 of the Companies Act, 2013. Subsequent to the year end, the Company has bought back additional 3,360,245 equity shares. The aforesaid buy-back was closed by the Company on 12 May 2023. Till the date of closure of the buy-back, the Company has bought back 3,447,295 equity shares under the aforesaid approved buy-back at a volume weighted average price of ₹ 609.17 per equity share (excluding transaction costs and taxes).

iv. Rights, preferences and restrictions attached to equity shares

The Holding company has only one class of equity shares having a par value of ₹2 per share. Each holder of equity shares is entitled to one vote per share. The Holding company declares and pays dividend in Indian Rupees. The final dividend proposed by the Board of Directors is subject to the approval of the Shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Holding 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 consolidated financial statements

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

v. Details of shareholders holding more than 5% of the total number of equity shares

Name of the equity shareholder	As at 31 March 2023		As at 31 March 2022	
	Number of shares	% holding	Number of shares	% holding
V C Nannapaneni *	2,80,45,905	15.37%	2,80,27,975	15.36%
Time Cap Pharma Labs Private Limited	1,71,75,420	9.41%	1,71,75,420	9.41%
V S Swathi Kantamani	1,59,83,340	8.76%	1,59,83,340	8.76%
Natsoft Information Systems Private Limited	1,57,84,900	8.65%	1,57,67,500	8.64%

*including shares held in the capacity of Karta of Hindu Undivided Family (HUF) aggregating to 5,440,045 (31 March 2022: 5,440,045).

As per records of the Holding company including its register of shareholders/members, the above shareholding represents both legal and beneficial ownership of shares.

Details of shares held by Promotors at the end of period

Name of the Promoter	As at 31 March 2023			As at 31 March 2022		
	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*	2,80,45,905	15.37%	0.06%	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%	-
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	1,57,84,900	8.65%	0.11%	1,57,67,500	8.64%	-
Time Cap Pharma Labs Private Limited	1,71,75,420	9.41%	-	1,71,75,420	9.41%	-
Natco Aqua Limited	16,000	0.01%	-	16,000	0.01%	-
NDL Infratech Private Limited	94,050	0.05%	-	94,050	0.05%	0.32%
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%	-
	8,91,20,575	**48.84%**		**8,90,85,245**	**48.81%**	

*including shares held in the capacity of Karta of Hindu Undivided Family (HUF) aggregating to 5,440,045 (31 March 2022: 5,440,045).

vi. Shares reserved for issuance under Stock Option Plans of the Holding company

	As at 31 March 2023		As at 31 March 2022	
	Number of Options	% holding	Number of Options	% holding
NATCO Employee Stock Option Plan:				
ESOP 2017	-	-	37,000	0.02%
	-		**37,000**	

Notes to consolidated financial statements

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

vii. Aggregate number of shares bought back during the period of five years immediately preceding the reporting date:

	2022-23	2021-22	2020-21	2019-20	2018-19
Equity shares bought-back	87,050	-	-	9,84,344	20,15,656

viii. Share based payments

(a) The Group has instituted the NATCO Employee Stock Option Plan 'ESOP-2017' ("the ESOP Scheme"). The ESOP Schemes were formulated in accordance with the Securities and 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 granted 600,000 options to eligible employees on 2 November 2017. The terms of the ESOP Scheme 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.

(b) Assumptions used for ESOP Valuation

	ESOP 2017
Grant date	2-Nov-17
Fair value at grant rate (₹)	971
Exercise price (₹)	2
Expected volatility range	42.92% - 163.51%
Risk-free	6.14% - 6.61%
Time to maturity (in Years)	4
Expected dividends yields	0.75%

(c) During the year ended 31 March 2023, the Company had accrued stock compensation cost of ₹ Nil (31 March 2022: ₹22) in respect of the ESOP Schemes.

(d) The details of options are as follows :

ESOP 2017	As at 31 March 2023		As at 31 March 2022	
	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
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Vested during the year	-	-	1,82,340	2
Exercised during the year	37,000	2	1,82,340	2
Expired during the year	-	-	250	2
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	**-**	**-**	**37,000**	**2**

The weighted average remaining contractual life of unvested options is Nil (31 March 2022: Nil).

The weighted average share price on the date of exercise of options during the years ended 31 March 2023 and 31 March 2022 was ₹ 791.43 and ₹ 822 per share, respectively.

There were no stock options granted by the Company during the years ended 31 March 2023 and 31 March 2022. The fair value of stock options granted in earlier years had been measured using the Black–Scholes option pricing model at the date of the grant. The Black-Scholes option pricing model includes assumptions regarding dividend yields, expected volatility, expected terms and risk free interest rates.

Notes to consolidated financial statements

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

ix. Dividend paid

Dividends on equity shares were declared and paid by the Company during the year:

	2022-23			2021-22		
	Date of approval of Board of Directors	Dividend per Equity share (₹)	Amount in (₹) million	Date of approval of Board of Directors	Dividend per Equity share (₹)	Amount in (₹) million
First interim dividend	09 August 2022	3.50	639	12 August 2021	2.00	365
Second interim dividend	10 November 2022	0.75	137	11 November 2021	0.50	91
Third interim dividend	09 February 2023	1.25	228	14 February 2022	2.00	365
Total			**1,004**			**821**

15. Other equity

A Reserve and surplus

	As at 31 March 2023	As at 31 March 2022
Securities premium		
Balance at the beginning of the year	14,078	13,915
Add: share options exercised	34	163
Less: Buy-back of shares during the year	(47)	-
Balance at the end of the year	**14,065**	**14,078**
Capital reserve		
Balance at the beginning of the year	516	516
Add: Transferred during the year	-	-
Balance at the end of the year	**516**	**516**
Capital redemption reserve		
Balance at the beginning of the year	11	11
Add: Transferred from retained earnings	0	-
Balance at the end of the year	**11**	**11**
General reserve		
Balance at the beginning of the year	595	595
Add: Transferred from retained earnings	-	-
Balance at the end of the year	**595**	**595**
Share options outstanding account		
Balance at the beginning of the year	34	175
Less: Shares exercised during the year	(34)	(163)
Add: Employee stock options expense	-	22
Balance at the end of the year	**-**	**34**

Notes to consolidated financial statements

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

	As at 31 March 2023	As at 31 March 2022
Retained earnings		
Balance at the beginning of the year	26,666	25,682
Add: Profit for the year	7,153	1,700
Less: Interim dividend	(1,004)	(821)
Less: Tax on buy-back of shares	(11)	-
Less: Transferred to Capital redemption reserve	(0)	-
Less: Expenses on buy-back of Equity Shares	(16)	-
Add: Remeasurement of post employment benefit obligation, net of tax	17	4
Add: Transfer from FVOCI - equity investments - Realised profit on FVOCI	118	101
Balance at the end of the year	**32,923**	**26,666**
	48,110	**41,900**

B Other Comprehensive Income

	As at 31 March 2023	As at 31 March 2022
FVOCI - Equity investments		
Balance at the beginning of the year	449	128
Less: Transfer to retained earnings - Realised profit on FVOCI	(118)	(101)
Less: Changes in fair value	(236)	464
Add: Tax impact on the above adjustments	25	(42)
Balance at the end of the year	**120**	**449**
Foreign currency translation reserve		
Balance at the beginning of the year	(78)	(171)
Add : Adjustments during the year	221	93
Balance at the end of the year	**143**	**(78)**
Total other items of OCI	**263**	**371**
Total Other equity	**48,373**	**42,271**

C Nature and purpose of 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.

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.

Notes to consolidated financial statements

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

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 (FVOCI)

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 FVOCI 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. The expense towards transaction cost and the tax on buy-back amounting to ₹ 27 million has been debited directly to the retained earnings.

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 2023	As at 31 March 2022
Current		
Loan repayable on demand from banks:		
Working capital loans (secured)	749	2,890
Working capital loans (unsecured)	901	1,150
	1,650	**4,040**

Notes:

(i) Working capital loans (secured) represents cash credit and 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 1.21% to 16.00% p.a (31 March 2022: 0.60% to 16%. p.a).

(iv) Information about the Group's exposure to interest rate, foreign currency and liquidity risks is included in Note 32.

(v) Quarterly statements of current assets filed by the Company with banks or financial institutions are in agreement with the books of account.

Notes to consolidated financial statements

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

(vi) The Holding Company does not have any charges or satisfaction which is yet to be registered with Registrar of Companies beyond the statutory period.

(vii) The Group has not availed any specific borrowing during the year.

(viii) There were no delay/ default in repayment of dues or delays in payment of interest to banks.

17. Lease liabilities

	As at 31 March 2023	As at 31 March 2022
Non-current		
Lease liabilities (Refer note 40)	11	80
	11	**80**
Current		
Lease liabilities (Refer note 40)	6	35
	6	**35**

18. Other financial liabilities

	As at 31 March 2023	As at 31 March 2022
Non-current		
Deposits from customers	17	13
	17	**13**
Current		
Book overdraft	94	165
Capital creditors	320	311
Unpaid dividend *	37	37
Payroll related liabilities	391	318
Other payables	17	2
	859	**833**

* Amount lying in unpaid/unclaimed dividend account shall be credited to Investor Education and Protection Fund ('IEPF') as per prescribed timelines under Companies Act, 2013 with due approvals except for the following, pertaining to unclaimed dividend lying in unclaimed suspense account -

Pertaining to financial Year	Amount due (₹ million)	Due date of transfer	Actual date of transfer
2014-2015	0.45	19-Mar-22	17-May-23
2015-2016	0.53	19-Mar-23	17-May-23

Notes to consolidated financial statements

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

19. Provisions

	As at 31 March 2023	As at 31 March 2022
Non-current		
Provision for employee benefits:		
Provision for gratuity (refer note (a))	468	574
Provision for compensated absences (refer note (b))	385	383
	853	**957**
Current		
Provision for employee benefits:		
Provision for gratuity (refer note (a))	52	56
Provision for compensated absences (refer note (b))	55	52
Other provisions		
Provision for sales return (refer note (d))	62	62
	169	**170**

(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 Holding 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 Holding 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 2023	As at 31 March 2022
Opening balance	770	819
Current service cost	68	74
Interest cost	56	57
Benefits paid	(139)	(174)
Remeasurement or Actuarial gain/ (loss) arising from:		
Experience adjustment	(5)	34
Change in financial assumptions	(17)	(40)
Closing balance	**733**	**770**

Notes to consolidated financial statements

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

(ii) Reconciliations of present value of plan assets

	As at 31 March 2023	As at 31 March 2022
Opening balance	140	139
Interest income	10	10
Employer contribution	198	166
Benefits paid	(139)	(174)
Actuarial losses recognised in the other comprehensive income:	-	
Return on plan assets, excluding interest income	4	(1)
Closing balance	**213**	**140**

(iii) Reconciliation of net defined benefit obligation

	As at 31 March 2023	As at 31 March 2022
Present value of funded obligation	733	770
Fair value of plan assets	(213)	(140)
Amount recognised in the balance sheet	**520**	**630**

(iv) Expense recognised in the statement of profit and loss under employee benefits expense:

	For the year ended 31 March 2023	For the year ended 31 March 2022
Current service cost	68	74
Interest cost	56	57
Interest income	(10)	(10)
Net cost	**114**	**121**

(v) Remeasurements recognised in the statement of Other Comprehensive Income

	For the year ended 31 March 2023	For the year ended 31 March 2022
Experience adjustment on funded obligation	(22)	(7)
Return on plan assets, excluding interest income	(4)	1
Net gratuity costs in other comprehensive income	**(26)**	**(6)**

(vi) Plan assets comprises of the following:

	As at 31 March 2023	As at 31 March 2022
Group gratuity fund with LIC	213	140

Notes to consolidated financial statements

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

(vii) Summary of actuarial assumptions:

	As at 31 March 2023	As at 31 March 2022
Discount rate	7.50%	7.30%
Estimates rate of return on plan assets	7.50%	7.30%
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 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 2023	As at 31 March 2022
A. Defined benefit obligation without effect of projected salary growth	733	770
Changes in defined benefit obligation due to:		
B. Salary escalation rate		
Salary rate +100 basis points	77	83
Salary rate -100 basis points	(69)	(74)
C. Discount rate		
Discount rate +100 basis points	(76)	(80)
Discount rate -100 basis points	91	95
D. Attrition rate		
Attrition rate +100 basis points	4	3
Attrition rate -100 basis points	(4)	(3)

(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 ₹ 592 (31 March 2022: ₹ 703).

Notes to consolidated financial statements

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

(x) Maturity profile of defined benefit obligation (valued on undiscounted basis):

	As at 31 March 2023	As at 31 March 2022
Within 1 year	52	56
2 to 5 years	163	175
6 to 10 years	307	337
More than 10 years	1,557	1,553

(xi) The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 12 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 2023 is ₹ 440 (31 March 2022: ₹ 435). Expense recognised in the statement of profit and loss under employee benefit expense is ₹ 88 (31 March 2022: ₹ 72).

(c) The Indian Parliament has approved the Code on Social Security, 2020 which would impact the contributions towards provident fund and gratuity. The Ministry of Labour and Employment has released draft rules for the Code on Social Security, 2020 on 13 November 2020, and has invited suggestions from stakeholders which are under active consideration by the Ministry. The Holding company will assess the impact and its evaluation once the subject rules are notified and will give appropriate impact in its financial statements in the period in which, the Code becomes effective and related rules to determine the financial impact are published.

(d) Provision for sales return

	As at 31 March 2023	As at 31 March 2022
Opening balance	62	-
Created during the year	-	62
Utilised during the year	-	-
	62	**62**

20. Other liabilities

	As at 31 March 2023	As at 31 March 2022
Current		
Statutory liabilities	193	143
Advance from customers	862	30
Others	353	226
	1,408	**399**

21. Trade payables

	As at 31 March 2023	As at 31 March 2022
Current		
Total outstanding dues of micro enterprises and small enterprises ('MSME') [Refer note below]	54	132
Total outstanding dues of creditors other than micro enterprises and small enterprises	2,584	1,486
	2,638	**1,618**

Notes to consolidated financial statements

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

Ageing of trade payables as at 31 March 2023

Outstanding for following periods from due date of payment	MSME	Others	Disputed dues -MSME	Disputed dues - others
Unbilled	-	146	-	-
Not due	54	1,479	-	-
Less than 1 year	-	858	-	-
1-2 years	-	52	-	-
2-3 years	-	49	-	-
More than 3 years	-	-	-	-
Total	**54**	**2,584**	**-**	**-**

Ageing of trade payables as at 31 March 2022

Outstanding for following periods from due date of payment	MSME	Others	Disputed dues -MSME	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**	**-**	**-**

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 enterprises and Small enterprises as defined in the MSMED are set out in following disclosure.

		As at 31 March 2023	As at 31 March 2022
(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 enterprises and small enterprises (Includes ₹ 29 shown under capital creditors for current year)	83	132
	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.

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 2023	For the year ended 31 March 2022
Revenue from contracts with customers:		
Sale of products	26,243	16,755
Sale of services	650	2,248
Job work income	76	46
Total (a)	**26,969**	**19,049**
Other operating revenues:		
Export incentives	78	40
Compensation and claims (refer note 1 below)	-	338
Scrap sales	24	21
Total (b)	**102**	**399**
Total revenue from operation (a+b)	**27,071**	**19,448**
Disaggregation of revenue from contracts with customers		
Revenue based on Geography (product destination):		
India	4,913	6,029
USA	16,060	9,782
Rest of the world	5,996	3,238
	26,969	**19,049**
Revenue based on products		
Pharmaceuticals	26,560	19,000
Agro Chemicals	409	49
	26,969	**19,049**
Timing of revenue recognition:		
Goods transferred at a point in time	26,243	16,755
Services transferred over time	726	2,294
	26,969	**19,049**
Reconciliation of revenue from contracts with customers with contract price:		
Revenue as per contracted price	**28,711**	**21,764**
Adjusted for:		
Sales returns	(449)	(593)
Trade discounts and rebates	(1,293)	(2,122)
Total revenue from contract with customers	**26,969**	**19,049**

Contract balances

The following table provides information about trade receivables and contract liabilities from contract with customers

	As at 31 March 2023	As at 31 March 2022
Trade receivables (including unbilled revenue amounting to ₹ 4,830 (31 March 2022: ₹2,980) (Refer note 12)	8,561	6,206
Contract Liabilities (Refer note 20)	862	30

Contract liabilities resulting from advance payments by customers for delivery of goods and services 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 2023 is ₹ 862 (31 March 2022: ₹ 30) resulting from advance payments and shown under other current liabilities.

Notes to consolidated financial statements

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

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.

23. Other income

	For the year ended 31 March 2023	For the year ended 31 March 2022
Dividend income on equity instruments at FVOCI - investment held at reporting date (refer note 7)	1	2
Interest income on financial assets carried at amortised cost	512	390
Net gain on sale of property, plant and equipment	178	427
Renewable energy (Wind Power) income	14	14
Foreign exchange gain, (net)	214	103
Fair value gain on Financial assets measured at FVTPL	-	12
Miscellaneous income	127	42
	1,046	**990**

24. Cost of materials consumed

	For the year ended 31 March 2023	For the year ended 31 March 2022
Raw materials consumed	4,312	4,867
Packing materials consumed	441	325
	4,753	**5,192**

25. Changes in inventories of finished goods, work-in-progress and stock-in-trade:

	For the year ended 31 March 2023	For the year ended 31 March 2022
Opening stock:		
- Finished goods	2,067	1,303
- Work-in-progress	1,750	1,834
- Stock-in-trade	62	334
Acquisition through business combination (Refer note 41)	-	202
	3,879	**3,673**
Closing stock:		
- Finished goods	2,788	2,067
- Work-in-progress	1,293	1,750
- Stock-in-trade	78	62
	4,159	**3,879**
Currency translation adjustment	(43)	(38)
	(237)	**(168)**

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 2023	For the year ended 31 March 2022
Salaries, wages and bonus (Refer note (a) below)	4,380	3,913
Contribution to provident fund and other funds (Refer note (b) below)	267	257
Gratuity expense (Refer note 19)	114	121
Equity settled share based payments expense (Refer note 14(viii))	-	22
Staff welfare expenses	106	135
	4,867	**4,448**

Note (a): Employee benefits expense includes compensation amounting to ₹ 291 (31 March 2022: Nil) paid under voluntary retirement scheme during the year.

Note (b): 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 ₹ 245 (31 March 2022: ₹ 254).

27. Finance costs

	For the year ended 31 March 2023	For the year ended 31 March 2022
Interest expense on working capital loans measured at amortised cost	92	125
Other borrowing costs	50	45
Interest expenses on lease liabilities	3	7
	145	**177**

28. Other expenses

	For the year ended 31 March 2023	For the year ended 31 March 2022
Consumption of stores and spares	374	355
Power and fuel	819	764
Rental charges (Refer note 40)	49	32
Repairs and maintenance:		
- Buildings	52	68
- Plant and equipments	218	168
- Others	1	-
Insurance	276	263
Rates and taxes	508	357
Factory maintenance expenses	385	363
Clinical and analytical charges	398	449
Carriage and freight outward	304	111
Donations*	224	53
Corporate social responsibility (CSR) expenses (Refer note 34)	70	121
Communication expenses	41	54
Office maintenance	88	96
Travelling and conveyance	371	222

Notes to consolidated financial statements

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

	For the year ended 31 March 2023	For the year ended 31 March 2022
Legal and professional fees	733	490
Payment to auditors	19	11
Product development and legal charges	10	87
Director's sitting fee	3	3
Provision for impairment of receivables and advances, net	(239)	271
Bad debts written off	108	199
Capital work-in-progress written off	23	-
Royalty expense	25	39
Sales promotion expenses	657	326
Research and development expenses	892	1,682
Fair value loss on Financial assets measured at FVTPL	52	-
Miscellaneous expenses	114	172
	6,575	**6,756**

* Includes ₹ 150 (31 March 2022: ₹ 10) contribution made to electoral bonds and ₹ 4 (31 March 2022: ₹ 3) contribution made to political parties.

29. Income-tax

(A) Components of Income-tax expenses

	For the year ended 31 March 2023	For the year ended 31 March 2022
(i) Tax expense recognised in profit and loss		
Current tax:		
Current year tax	1,625	478
Income-tax for earlier years	2	-
	1,627	**478**
Deferred tax charge/(credit) (net):		
Minimum Alternate Tax (MAT) credit recognition (Refer note 29 (E))	(536)	(560)
Business losses	(132)	-
Origination and reversal of temporary differences	507	404
	(161)	**(156)**
Tax expense for the year	**1,466**	**322**
(ii) Tax recognised in other comprehensive income		
Items that will not be reclassified to profit or loss		
- Remeasurement of defined benefit liability/(asset)	(9)	(2)
- Tax effect of fair value change on Equity instruments through OCI	25	(42)
	16	**(44)**

Notes to consolidated financial statements

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

(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 2022: 34.944%) and the reported tax expense in the statement profit and loss are as follows:

	For the year ended 31 March 2023	For the year ended 31 March 2022
Profit before tax	**8,619**	**2,022**
Enacted tax rate in India*	34.944%	34.944%
Tax using the Holding Company's domestic tax rate	**3,012**	**707**
Tax effect of:		
Expense not deductible for tax purposes	41	45
Additional deduction allowed under Income-tax Act	(2,518)	(291)
Effect of change in tax laws and rate in jurisdictions outside India	(31)	(8)
MAT charge for the year	1,330	324
Business losses	131	-
Recognition of MAT credit	(536)	(560)
Others	35	105
Tax pertaining to earlier years	2	-
Income tax expense	**1,466**	**322**

*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:

	As at 31 March 2023	As at 31 March 2022
Deferred tax assets/(liabilities):		
Minimum Alternate Tax*	1,297	761
Business losses	131	-
Trade receivables and other advances	85	147
Property, plant and equipment	(2,050)	(1,523)
Provision for employee benefits	407	368
Investments	(28)	(54)
Others	34	-
	(124)	**(301)**

* As per Indian tax laws, companies are liable for a Minimum Alternate Tax ("MAT" tax) when current tax, as computed under the provisions of the Income-tax Act, 1961 ("Tax Act"), is determined to be below the MAT tax computed under section 115JB of the Tax Act. The excess of MAT tax over current tax is eligible to be carried forward and set-off in the future against the current tax liabilities over a period of 15 years.

The Group offsets tax assets and liabilities year on year basis only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Significant management judgement is required in determining provision for income-tax, deferred tax assets and liabilities and recoverability of deferred tax assets. The recoverability of deferred tax assets is based on estimates of taxable income by each jurisdiction in which the relevant entity operates and the period over which deferred tax assets will be recovered.

Notes to consolidated financial statements

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

(D) Movement in deferred tax assets and liabilities

The details of movement in deferred tax assets and liabilities for the year ended 31 March 2023:

	As at 01 April 2022	Recognised in profit and loss	Recognised in OCI	As at 31 March 2023
Deferred tax assets/(liabilities):				
Minimum Alternate Tax	761	536	-	1,297
Business losses	-	131	-	131
Trade receivables and other advances	147	(62)	-	85
Property, plant and equipment	(1,523)	(527)	-	(2,050)
Provision for employee benefits	368	48	(9)	407
Investments	(54)	-	25	(28)
Others	-	35	(1)	34
Net deferred tax assets/(liabilities)	**(301)**	**161**	**15**	**(124)**

The details of movement in deferred tax assets and liabilities for the year ended 31 March 2022:

	As at 01 April 2021	Recognised in profit and loss	Recognised in OCI	As at 01 April 2022
Deferred tax assets/(liabilities):				
Minimum Alternate Tax	201	560	-	761
Trade receivables and other advances	53	94	-	147
Property, plant and equipment	(1,046)	(477)	-	(1,523)
Provision for employee benefits	394	(24)	(2)	368
Investments	(15)	3	(42)	(54)
Net deferred tax assets/(liabilities)	**(413)**	**156**	**(44)**	**(301)**

(E) Unrecognised deferred tax assets

	As at 31 March 2023	As at 31 March 2022
Unrecognised MAT credit entitlement	1,325	613
Carry forward losses of subsidiaries	-	172
	1,325	**785**

The Group did not recognise deferred tax assets of ₹ 1325, primarily on MAT credit entitlement, 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)

	For the year ended 31 March 2023	For the year ended 31 March 2022
Earnings:		
Profit for the year attributable to equity shareholders (a)	7,153	1,700
Shares:		
Number of equity shares at the beginning of the year	18,25,20,165	18,23,37,825
Weighted average number of equity shares issued on exercise of stock options	32,438	34,344
Weighted average number of equity shares bought back during the year	(238)	-
Weighted average number of equity shares – Basic (b)	**18,25,52,365**	**18,23,72,169**
Dilutive effect of potential equity share on employee stock options outstanding	-	36,920
Weighted average number of equity shares – Diluted (c)	**18,25,52,365**	**18,24,09,089**
Earnings per equity share (Face Value of ₹ 2/- each):		
Basic (in ₹) (a/b)	39.18	9.32
Diluted (in ₹) (a/c)	39.18	9.32

31. Financial instruments - fair values

A. Accounting classification and fair values

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities including their levels in the fair value hierarchy.

As at 31 March 2023:

Particulars	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
A. Financials assets					
Financial assets measured at FVTOCI					
Non-current investments	7	873	-	-	873
Current investments	7	209	209	-	-
Financial assets measured at amortised cost					
Current investments	7	2,841	-	-	-
Loans	8	102	-	-	-
Trade receivables	12	8,561	-	-	-
Cash and cash equivalents	13	1,319	-	-	-
Bank balances other than cash and cash equivalents	13	4,144	-	-	-
Other financial assets	9	3,278	-	-	-
		21,327	**209**	**-**	**873**
B. Financials liabilities					
Financial liabilities measured at amortised cost					
Borrowings	16	1,650	-	-	-
Trade payables	21	2,638	-	-	-
Other financial liabilities	18	876	-	-	-
		5,164	**-**	**-**	**-**

Notes to consolidated financial statements

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

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	-	-	-
		15,546	**545**	**-**	**461**
B. Financials liabilities					
Financial liabilities measured at amortised cost					
Borrowings	16	4,040	-	-	-
Trade payables	21	1,618	-	-	-
Other financial liabilities	18	846	-	-	-
		6,619	**-**	**-**	**-**

The Group's financial liabilities comprise of borrowings from banks, 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, other bank balances, trade receivables, loans, investment in quoted and unquoted debentures and bonds, borrowings, trade payables, other financial assets and other financial 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.

B. Measurement of fair values

Valuation technique and significant unobservable inputs

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 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. The valuers have considered discounted cashflow method for the purpose of valuation of investments. The assumptions involved are primarily growth rate, discount rate and terminal growth rate.

Transfer between Level 1 and 2

There have been no transfers from Level 2 to Level 1 or vice versa in FY 2022-23 and no transfers in either direction in FY 2021-22

Notes to consolidated financial statements

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

Change in Level 3 fair values

Particulars	Unquoted FVTOCI Equity investments	
	31 March 2023	31 March 2022
Opening balance	461	490
Movement during the year	430	(61)
Net change in fair value	(18)	32
Closing balance	**873**	**461**

32. Financial risk management

The Board of Directors of the Group has overall responsibility for the establishment and deployment of risk management framework. The Board of Directors have adopted a Risk Policy, which empowers the management to access and monitor the risk management parameters along with action taken and the same is updated to Board of Directors.

The Group's risk management policies are established to identify and analyse the risks being faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee of the Group oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risk faced by the Group. The Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and adhoc reviews of risk management controls and procedures, the result of which are reported to the Audit Committee.

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 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 2023	As at 31 March 2022
Fixed rate instruments		
Financial assets	10,032	6,955
Variable rate instruments		
Financial liabilities (other than lease liability)	1,650	4,040

Sensitivity

Particulars	Impact on profit and loss	
	31 March 2023	31 March 2022
1% increase in interest rate	(17)	(40)
1% decrease in interest rate	17	40

Notes to consolidated financial statements

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

The interest rate sensitivity is based on the closing balance of loans from banks.

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 the 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 2023				31 March 2022			
	Trade receivables*	Borrowings*	Other financial liabilities	Trade payables	Trade receivables*	Borrowings*	Other financial liabilities	Trade payables
- USD	1,484	616	-	168	1,381	808	6	303
- EUR	46	-	-	4	28	4	2	1
- PHP	9	-	-	-	-	-	-	1
- CAD	659	33	-	-	19	22	-	99
- GBP	-	-	-	-	-	-	1	-
- SGD	52	-	-	0	(3)	-	-	-

* Includes bills discounted which are forming part of trade receivables and current borrowings amounting to ₹ 649 (31 March 2022: ₹ 684). These are realised amounts and hence, there is no further foreign currency risk involved.

Foreign currency sensitivity

A reasonably possible strengthening (weakening) of the Indian Rupee against various foreign currencies at 31 March would have affected the measurement of financial instruments denominated in foreign currencies and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

The following table demonstrates the sensitivity to a reasonably possible change in various foreign currencies. 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		Impact on equity, net of tax	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Sensitivity				
₹/USD - Appreciate by 10%	70	26	46	17
₹/EUR - Appreciate by 10%	4	2	3	1
₹/PHP - Appreciate by 10%	1	(0)	1	(0)
₹/CAD - Appreciate by 10%	2	(0)	1	(0)
₹/USD - Appreciate by 10%	(70)	(26)	(46)	(17)
₹/EUR - Appreciate by 10%	(4)	(2)	(3)	(1)
₹/PHP - Appreciate by 10%	(1)	0	(1)	0
₹/CAD - Appreciate by 10%	(2)	0	(1)	0

Notes to consolidated financial statements

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

B. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and loans given. Credit risk arises from cash held with banks and financial institutions, as well as credit exposure to clients, including outstanding accounts receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Group assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

Trade and other receivables:

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Group grants credit terms in the normal course of business.

The maximum exposure to credit risk for trade receivables (Gross) by geographic region is as follows:

	As at 31 March 2023	As at 31 March 2022
India	1,470	1,691
USA	1,075	1,012
Rest of the world	1,336	945
	3,881	**3,648**

The above exposure does not include unbilled revenue.

Movement in allowance for credit losses

	As at 31 March 2023	As at 31 March 2022
Balance at the beginning of the year	422	151
Net remeasurement of loss allowance	(164)	470
Amount written off during the year	(108)	(199)
Balance at the end of the year	**150**	**422**

As per simplified approach the Group makes provision of expected credit losses on trade receivable using a provision matrix to mitigate the risk of default payment and make appropriate provision at each reporting date wherever required.

Other financial assets:

Other financial assets primarily consists of 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 bonds and other entities are strategic investments in the normal course of business of the Group. Loans to related parties are given for business purposes. The Group reassesss the recoverability of loans periodically. Interest recoveries from these loans are regular and there is no interest received 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.

Notes to consolidated financial statements

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

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 2023

	Carrying value	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Financial liabilities					
Borrowings	1,650	1,650	-	-	1,650
Lease liabilities	17	4	6	386	396
Trade payables	2,638	2,638	-	-	2,638
Other financial liabilities	876	859	17	-	876
Total	**5,181**	**5,151**	**23**	**386**	**5,560**

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**

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 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 is summarised as follows:

	As at 31 March 2023	As at 31 March 2022
Total borrowings	1,650	4,040
Less: Cash and cash equivalents	(1,319)	(1,111)
Net debt [A]	**331**	**2,929**
Total equity [B]	48,738	42,636
Total capital [C=A+B]	**49,069**	**45,565**
Gearing ratio (%) [A/C]	1%	6%

Notes to consolidated financial statements

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

34. Corporate social responsibility (CSR) expenses

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
(a) amount required to be spent by the Company during the year	69	118
(b) amount spent during the year:	-	-
(i) Construction or acquistion of any asset	-	-
(ii) On purpose other than (i) above	70	121
(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		
Education and infrastructure support	37	66
Health, nutrition, water, sanitation and hygiene	29	43
Animal welfare	3	3
Support to sports	0	3
Covid-19	-	4
Support to government departments	-	1
Rural development	1	1
Promotion of National Heritage, art, and culture	0	-
Setting up of old age home	0	-
Women empowerment	0	-
(g) details of related party transactions		
(i) NATCO Trust	70	117
(h) Provision made with respect to a liability through contractual obligation	-	-
(i) Details of unspent obligations	-	-

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 Private Limited
	NATCO Trust
2. Key management personnel ("KMP")	
Chairman	Mr. Sreerama Murthy Gubbala
Managing Director	Mr. V C Nannapaneni
Chief Executive Officer ("CEO") and Wholetime Director	Mr. Rajeev Nannapaneni
Wholetime Director	Mr. Potluri Prasad Sivaramakrishna
Wholetime Director	Mr. Lingarao Donthineni
Wholetime Director	Dr. Pavan Bhat (w.e.f. 09 August 2022)
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
Independent Director	Mrs. Leela Digumarti

Notes to consolidated financial statements

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

(b) Related party transactions during the year (excluding goods and service tax)

	For the year ended	
	31 March 2023	31 March 2022
Time Cap Pharma Labs Private Limited		
Rental expense	7	7
NATCO Trust		
Donations	16	3
Rental income	0	0
Contribution to corporate social responsibility activities	70	117
Mr. V.C. Nannapaneni		
Managerial remuneration*	22	22
Leave encashment paid	1	1
Rental expenses	3	3
Mr. Rajeev Nannapaneni		
Managerial remuneration*	20	20
Leave encashment paid	1	1
Rental expenses	3	3
Mr. Potluri Prasad Sivaramakrishna		
Managerial remuneration*	19	21
Leave encashment paid	1	1
Interest income	0	0
Repayment of loan given	0	2
Mr. Lingarao Donthineni		
Managerial remuneration*	32	31
Leave encashment paid	1	1
Interest income	2	2
Repayment of loan given	6	8
Dr. Pavan Bhat Ganapati		
Managerial remuneration*	41	-
Perquisite value of ESOPs exercised during the year	13	-
Leave encashment paid	1	-
Mr. S.V.V.N. Appa Rao		
Remuneration*	13	11
Leave encashment paid	0	0
Mr. Venkat Ramesh Chekuri		
Remuneration*	2	1
Perquisite value of ESOPs exercised during the year	1	-
Leave encashment paid	-	0
Mr. Adinarayana M		
Remuneration*	-	6
Leave encashment paid	-	-
Sitting fees		
Mr. Govinda Prasad Dasu	1	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 consolidated financial statements

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

(c) Related party closing balances as on balance sheet date receivable/(payable):

	As at	
	31 March 2023	**31 March 2022**
Loan receivable		
Mr. Potluri Prasad Sivaramakrishna	-	0
Mr. Lingarao Donthineni	23	29
Remuneration payable		
Mr. V.C. Nannapaneni	(1)	(1)
Mr. Rajeev Nannapaneni	(0)	(1)
Mr. Lingarao Donthineni	(1)	(1)
Mr. Potluri Prasad Sivaramakrishna	(1)	(1)
Dr. Pavan Bhat Ganapati	(5)	-
Mr. S.V.N.N. Appa Rao	(0)	(0)
Mr.Venkat Ramesh Chekuri	(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.

36. Segment reporting

Basis for segmentation

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.

The following summary describes the operations in each of the Group's reportable segments:

Pharmaceuticals - Manufacturing and selling of bulk drugs, finished dosage formulations and related services

Agro Chemicals - Manufacturing and selling of Agro chemicals

Information about reportable segments

	For the year ended 31 March 2023	For the year ended 31 March 2022
I. Segment revenue		
a. Pharmaceuticals	26,662	19,399
b. Agro chemicals	409	49
	27,071	**19,448**
Add: Unallocated	-	-
Total revenue from operations	**27,071**	**19,448**
II. Segment results		
a. Pharmaceuticals	8,884	2,480
b. Agro chemicals	(120)	(281)
Total segment result	**8,764**	**2,199**
Less:		
a. Finance cost	145	(177)
b. Net unallocated (income)/expenditure	-	-
Total profit before tax	**8,909**	**2,022**

Notes to consolidated financial statements

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

	For the year ended 31 March 2023	For the year ended 31 March 2022
III. Segment assets		
a. Pharmaceuticals	48,662	44,609
b. Agro chemicals	3,966	3,373
Total segment assets	**52,628**	**47,982**
Add: Unallocated	3,946	3,110
Total assets	**56,574**	**51,092**
IV. Segment liabilities		
a. Pharmaceuticals	5,947	4,064
b. Agro chemicals	14	41
Total segment liabilities	**5,961**	**4,105**
Add: Unallocated	1,875	4,350
Total liabilities	**7,836**	**8,455**

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:

	For the year ended 31 March 2023	For the year ended 31 March 2022
India	5,014	6,090
USA	16,060	9,782
Rest of the world	5,997	3,576
	27,071	**19,448**

ii. Non-current assets*

	As at 31 March 2023	As at 31 March 2022
India	22,968	23,030
USA	1,724	1,177
Rest of the world	220	206
	24,912	**24,413**

* Non-current assets for this purpose consist of property, plant and equipment, goodwill, Capital work-in-progress and intangible assets.

iii. Major customers

The Group has one customer (31 March 2022: two customers) who contributed more than 10% of the Group's total revenue during the current year and previous year respectively. The revenue from such major customer(s) during the year is ₹ 9,592 (31 March 2022: ₹ 7,079).

Notes to consolidated financial statements

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

37. Contingent liabilities and commitments

		As at	
		31 March 2023	31 March 2022
(a)	**Commitments**		
	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	48	87
	Pending export obligation under EPCG Scheme	27	57
(b)	**Contingent liabilities**		
(i)	**Matters under appeals with tax authorities:**		
	Disputed sales tax liabilities	-	10
	Disputed Income tax liabilities	144	68
	Disputed customs liability	2	2

The Group 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 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 Group'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.

(iii) The Hon'ble Supreme Court of India (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. The Group does not have any long-term contracts including derivatives for which there are any material foreseeable losses.

39. Capital work-in-progress

a) Movement in Capital work-in-progress

	As at	
	31 March 2023	31 March 2022
Opening balance	1,295	2,234
Capital expenditure incurred	1,039	1,643
Capitalised during the year	(1,691)	(2,581)
Closing balance	**643**	**1,295**

Notes to consolidated financial statements

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

b) Capital work-in-progress aging schedule

As at 31 March 2023

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 (*)	383	247	13	-	**643**

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**

(*) Project execution plans are assessed on an annual basis and all the projects are executed as per rolling annual plan.

There are no project whose completion is overdue or has exceeded its cost compared to its original plan.

No projects have been temporarily suspended as at 31 March 2023 and 31 March 2022.

40. Leases

Movement in lease liabilities	As at	
	31 March 2023	31 March 2022
Balance at the beginning	115	18
Additions	4	114
Deletions	(85)	(0)
Interest expenses	3	7
Repayment of principal and interest on lease liabilities	(20)	(24)
Balance at the end	**17**	**115**

Undiscounted contractual maturities of lease liabilities

	As at	
	31 March 2023	31 March 2022
Less than one year	4	26
One to five years	10	77
More than five years	384	424
	398	**527**

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.

The Group has taken certain rented premises on lease with contract terms within one year. These leases are short-term in nature and the Group has elected not to recognise right-of-use-assets and lease liabilities for these assets. The Group has incurred following expenses relating to short-term leases for which the recognition exemption has been applied (Refer note 28).

Rental expense for short-term leases

	For the year ended	
	31 March 2023	31 March 2022
Expense relating to short-term leases (refer note 28)	49	32
	49	**32**

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

Amounts recognised in the Consolidated statement of profit and loss

	For the year ended	
	31 March 2023	31 March 2022
Depreciation on right of use asset	21	28
Interest expense	3	7
	24	**35**

Amounts recognised in the Consolidated statement of cash flows

	For the year ended	
	31 March 2023	31 March 2022
Payment of lease liabilities	20	(24)
Expense relating to short-term leases (refer note 28)	49	32
	69	**8**

Details of Right of use of Assets

	Land	Buildings	Vehicles	Total
A. Cost or Deemed cost (Gross carrying amount)				
As at 01 April 2021	302	-	8	**310**
Additions	197	60	1	**258**
Disposals	(12)	-	-	**(12)**
Exchange differences on translation of foreign operations	-	-	-	**-**
Balance as at 31 March 2022	**487**	**60**	**9**	**556**
Additions	-	4	-	**4**
Disposals	(105)	(6)	-	**(111)**
Exchange differences on translation of foreign operations	-	1	-	**1**
Balance as at 31 March 2023	**382**	**59**	**9**	**450**
B. Accumulated depreciation				
As at 01 April 2021	28	-	3	**31**
Charge for the year	23	2	3	**28**
Disposals	(12)	-	-	**(12)**
Exchange differences on translation of foreign operations	-	-	-	**-**
Balance as at 31 March 2022	**39**	**2**	**6**	**47**
Charge for the year	16	4	1	**21**
Disposals	(29)	-	-	**(29)**
Exchange differences on translation of foreign operations	-	-	-	**-**
Balance as at 31 March 2023	**26**	**6**	**7**	**39**
C. Net carrying amounts (A-B)				
As at 31 March 2022	448	58	3	**509**
As at 31 March 2023	**356**	**53**	**2**	**411**

Notes to consolidated financial statements

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

41. Acquisition of subsidiaries

During the previous year, NATCO Pharma Limited, through its wholly-owned subsidiary, NATCO Pharma Inc. USA, has acquired NATCO Pharma USA LLC, USA (formerly known as Dash Pharmaceuticals LLC, USA)("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.

The acquisition provides NATCO Pharma Limited access to 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. Acquisition-related costs

The Group acquisition-related cost of ₹ 11 is excluded from the consideration transferred and are included in other expenses for the year ended 31 March 2022.

C. 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**

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.

Notes to consolidated financial statements

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

D. Goodwill

Goodwill arising from the acquisition has been determined as follows:

	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.

E. 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:

	Total revenue	Loss for the year
Dash	331	(36)

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 2023

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	96%	47,020	89%	6,373	-719%	(194)	86%	6,179
Foreign subsidiaries								
NATCO Pharma Inc.	5%	2,459	-1%	(89)	0%	-	-1%	(89)
NATCO Lifesciences Philippines Inc.	0%	34	0%	8	0%	-	0%	8
Time Cap Overseas Limited	1%	655	2%	133	0%	-	2%	133
NATCO Pharma (Canada), Inc.	6%	3,007	9%	622	0%	-	9%	622
NATCO Pharma Asia Pte. Ltd.	0%	171	1%	57	0%	-	1%	57
NATCO Pharma Australia PTY Ltd.	0%	3	0%	(7)	0%	-	0%	(7)
Adjustment arising out of consolidation	-9%	(4,611)	1%	56	44%	221	4%	277
Total	**100%**	**48,738**	**100%**	**7,153**	**-674%**	**27**	**100%**	**7,180**

Notes to consolidated financial statements

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

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)
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**

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) 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 person(s) or entity(ies), including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Holding Company (Ultimate Beneficiaries) except as disclosed below.

The Holding Company has invested funds in the following entity, including foreign entities (Intermediaries) with the understanding that the Intermediary shall directly invest in other entities identified on behalf of the Group (Ultimate Beneficiaries).

Date of investment	Amount of investment	Name of the intermediary	Name of Ultimate Beneficiary	Date of investment in Ultimate Beneficiary
27-May-22	521	NATCO Pharma Inc.	NATCO Pharma USA LLC (formerly known as Dash Pharmaceuticals LLC)	02-Jun-22
08-Dec-22	329	NATCO Pharma Inc.		13-Dec-22

The Holding Company has complied with relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and the Companies Act, 2013. Such transactions are not violative of the Prevention of Money-Laundering Act, 2002 (15 of 2003).

(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 Group 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 account and 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).

Notes to consolidated financial statements

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

(v) There are no proceeding initiated or pending against the Company as at 31 March 2023 and as at 31 March 2022 under Prohibition of Benami Property Transactions Act, 1988 (as amended in 2016).

(vi) Compliance with number of layers of companies prescribed under clause (87) of Section 2 of the Companies Act, 2013 read with Companies (Restriction on number of Layers) Rules, 2017 is not applicable.

(vii) The Group has not entered into any scheme of arrangement which has an accounting impact on current or previous financial year.

(viii) The Group has not traded or invested in Crypto currency or Virtual currency during the current year and previous year.

(ix) 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, 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.

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 Group is in the process of updating the documentation for the international transactions and specified domestic transactions entered into with associated enterprises during the financial year and expects such records to be in existence latest by 31 October 2023 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 consolidated financial statements, particularly on the amount of tax expense and that of provision for taxation.

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

Vikash Somani
Partner
Membership Number: 061272

Place: Hyderabad
Date: 29 May 2023

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
M. No. ACS41964

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 29 May 2023

Notice

Notice is hereby given that the 40th Annual General Meeting of the members of the Company will be held on Friday, the 29th day of September, 2023 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 2022-23**
   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, 2023, together with the reports of Board of Directors, and the Auditors and other reports thereon.

2. **To confirm three interim dividends aggregating to ₹ 5.50 per share paid on equity shares during the Financial Year 2022-23 as dividend for the FY 2022-23**

3. **Re-appointment of Sri Rajeev Nannapaneni (DIN: 00183872) as a Director liable to retire by rotation**

   "RESOLVED THAT Sri Rajeev Nannapaneni (DIN: 00183872) who retires by rotation and being eligible offers himself for re-appointment, be and is hereby re-appointed as a Director of the Company, who shall be liable for retirement by rotation.**"**

4. **Re-appointment of Sri P.S.R.K Prasad (DIN: 07011140) as a Director liable to retire by rotation**

   "RESOLVED THAT Sri P.S.R.K Prasad (DIN: 07011140) who retires by rotation and being eligible offers himself for re-appointment, be and is hereby re-appointed as a Director of the Company, who shall be liable for retirement by rotation.**"**

Special Business:

5. **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 re-appointed by the Board of Directors of the Company to conduct the Cost Audit for the financial year ending March 31, 2024, be and is hereby ratified.

   RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may deem fit, necessary and delegate to any Director(s) or Company Secretary or any other Officer(s) of the Company for obtaining permissions and approvals, if any, in this connection.**"**

6. **Revision in the remuneration of Sri V.C. Nannapaneni (DIN: 00183315) Managing Director**
   To consider and, if thought fit, with or without modifications, to pass the following Resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the Shareholders' Resolution dated March 25, 2022 (passed through postal ballot vide notice dated February 14, 2022), provisions of Sections 196, 197, 198, and all other applicable provisions of the Companies Act, 2013 ("Act") read with the rules made thereunder and the provisions of Schedule V and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, and based on the recommendations of the Nomination and Remuneration Committee (NRC), the consent of the members of the Company be and is hereby accorded to revise one of the terms in the appointment of Sri V.C. Nannapaneni (DIN: 00183315) Managing Director i.e., by increasing the Managerial Commission from 0.5% to 1% for the financial year 2023-24.

   FURTHER RESOLVED THAT other terms of his appointment except above shall stand as it is as specified in the Shareholders' Resolution dated March 25, 2022."

7. **Revision in the remuneration of Sri Rajeev Nannapaneni (DIN: 00183872) Director and Chief Executive Officer**
   To consider and, if thought fit, with or without modifications, to pass the following Resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the Shareholders' Resolution dated March 25, 2022 (passed through postal ballot vide notice dated February 14, 2022), provisions of Sections 196, 197, 198, and all other applicable provisions of the Companies Act, 2013 ("Act") read with the rules made thereunder and the provisions of Schedule V and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, and based on the recommendations of the Nomination and Remuneration Committee (NRC), the consent of the members of the Company be and is hereby accorded to revise one of the terms in the appointment of Sri Rajeev Nannapaneni (DIN: 00183872) as Director and Chief Executive Officer i.e., by increasing the Managerial Commission from 0.5% to 1% for the financial year 2023-24.

   FURTHER RESOLVED THAT other terms of his appointment except above shall stand as it is as specified in the Shareholders' Resolution dated March 25, 2022."

By Order of the Board
For **NATCO Pharma Limited**

Venkat Ramesh Chekuri
Company Secretary and
Compliance Officer
(ACS: 41964)

Date: August 9, 2023
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, General Circular No. 2/2022 dated May 5, 2022, General Circular No. dated 10/2022 dated December 28, 2022 and SEBI vide Circular SEBI/HO/CFD/PoD-2/P/CIR/2023/4 dated January 5, 2023 (collectively referred to as "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 Circulars, the AGM of the Company is being held through VC / OAVM. The detailed procedure for e-voting and participation in the meeting through VC/OAVM is as per Note 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 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 authorising 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 **"Aurum", Door No. 4-50/P-II/57/4F & 5F, Plot No. 57, 4th & 5th Floors, Jayabheri Enclave Phase – II, Gachibowli, Hyderabad – 500 032, 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 Circulars, Notice of the 40th AGM along with the Annual Report for the FY 2022-23 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/Depositories. Members may note that the 40th AGM Notice and Annual Report for the FY 2022-23 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, September 26, 2023 to Friday, September 29, 2023 (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) Authority 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 and Share Transfer Agents 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 22, 2023 ("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 26, 2023 and ends at 5.00 p.m. (IST) on Thursday, the September 28, 2023. 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 Scrutiniser for conducting the e-voting process in accordance with the law and in a fair and transparent manner.

(d) 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.

(e) 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, 22 September, 2023, 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, 22 September, 2023 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 and 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. (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** Download on the App Store GET IT ON 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/myeasitoken/Registration/EasiRegistration 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/myeasitoken/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 and 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.

8) 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 25, 2023 (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 authorised signatory(ies) who are authorised to vote, to the Scrutiniser 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.

5. 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 the Directors seeking re-appointment at the Annual General Meeting:

Name of the Director	Sri Rajeev Nannapaneni	Sri P.S.R.K. Prasad
Category	Director & CEO	Director & Executive Vice President (Corporate Engineering Services)
DIN	00183872	07011140
Birth date and Age	June 22, 1977 and 46 years	January 15, 1958 and 65 years
Qualifications	BA (Quantitative Economics) & B.A. (History)	B.E. Mechanical Engineering
Past experience(s)	**Worked with** Merrill Lynch financial services, USA Natco Systems LLC, USA	**Worked with** Ahmedabad Textile Industry's Research Association Mehta Inorganic & Marine Chemical Industries Coromandel Fertilisers Limited Shah Ceramics Limited Stiles India Limited Saudi Ceramic Company., Riyadh
Date of first appointment as Director(s)	November 30, 2005	November 12, 2014
Nature of Appointment	Re-appointment pursuant to Director liable to retire by rotation	Re-appointment pursuant to Director liable to retire by rotation
Tenure of Appointment	NA	NA
Percentage of shares held	0.63	0.03
No. of board meetings attended out of 6 (Six) meetings held	6 (Six)	5 (Five)
Remuneration drawn by the Director(s) for Financial Year 2022-23	20.92 Million	19.20 Million
Relationship with other directors or KMP of the Company	Son of Sri V.C. Nannapaneni	Nil
Directorship in other Companies	Natco Aqua Limited Natsoft Information Systems Private Limited NATCO Foundation	Nil
Membership/ Chairmanship of Committees of other Boards	Nil	Nil

Explanatory statement

(Pursuant to Section 102(1) of the Companies Act, 2013)

ITEM NO. 5

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, 2024.

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, 2024.

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. 6

Revision in the remuneration of Sri V.C. Nannapaneni (DIN: 00183315) Managing Director

Sri V.C. Nannapaneni (DIN: 00183315) is associated with the Company as founder/promoter/mentor from incorporation of your Company. He has rich and varied experience in the Industry and is driving the Company towards higher growth in terms of revenues as well as profitability. He is highly qualified.

Sri V.C. Nannapaneni attained the age of 77 years (DOB: November 30, 1945) as on November 30, 2022. Services of Sri V.C. Nannapaneni are very much essential for the Company's future prospects and further growth of the Company. He is taking care of new product developments and their launch, overall guidance in clinical trails and R&D. It would be in the interest of the Company to have his vast experience and professional services as Managing Director to your Company. The Board believes that the Company will benefit from his professional expertise and rich varied experience.

Based on the performance evaluation and as recommended by the Nomination and Remuneration Committee keeping in view the expertise of Sri V.C. Nannapaneni, the Board of Directors at their meetings held on August 9, 2023 recommended for enhancing the payment of Managerial Commission from 0.5% to 1% for the FY 2023-24 by revising the terms of his appointment vide Shareholders' Resolution dated March 25, 2022, subject to the consent of members which is just and reasonable to Sri V.C. Nannapaneni.

Shareholders' approval is sought to the proposed revision in the terms of remuneration of Sri V.C. Nannapaneni, Managing Director by way of ordinary resolution under the provisions of the Companies Act and the SEBI (LODR) Regulations, 2015.

Except Sri V.C. Nannapaneni & Sri Rajeev Nannapaneni, no other Director or Key Managerial Personnel or their relatives is/are concerned or interested in the said item of business.

ITEM NO. 7

Revision in the remuneration of Sri Rajeev Nannapaneni (DIN: 00183872) Director and Chief Executive Officer

Sri Rajeev Nannapaneni, Director & Chief Executive Officer is associated with the Company for the past 23 years and he is looking after all the functional operations of the Company including but not limited to Production, Financial, Legal & Secretarial, New Drug Launches, Domestic and International Marketing, Exports, Imports, etc.

Based on the performance evaluation and as recommended by the Nomination and Remuneration Committee keeping in view the expertise of Sri Rajeev Nannapaneni (DIN: 00183872) as Director and Chief Executive Officer at their meetings held on August 9, 2023 approved for enhancing the payment of Managerial Commission from 0.5% to 1% for the FY 2023-24 by revising the terms of his appointment vide Shareholders' Resolution dated March 25, 2022, subject to the consent of members which is just and reasonable to Sri Rajeev Nannapaneni.

Shareholders' approval is sought to the proposed revision in the terms of remuneration of Sri Rajeev Nannapaneni, Director and Chief Executive Officer by way of ordinary resolution under the provisions of the Companies Act and the SEBI (LODR) Regulations, 2015.

Except Sri V.C. Nannapaneni & Sri Rajeev Nannapaneni, no other Director or Key Managerial Personnel or their relative is/are concerned or interested in the said item of business.

By Order of the Board
For **NATCO Pharma Limited**

Venkat Ramesh Chekuri
Company Secretary and
Compliance Officer
(ACS: 41964)

Date: August 9, 2023
Place: Hyderabad

Notes

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