Placement Document
Not for Circulation
Private and Confidential
Serial No. _____

NATCO PHARMA LIMITED

Originally incorporated as Natco Fine Pharmaceuticals Private Limited on September 19, 1981, the name of our Company (defined hereinafter) was changed to "Natco Pharma Limited" on December 30, 1994 under the Companies Act, 1956. The Registered and Corporate Office of our Company is at Natco House, Road no. 2, Banjara Hills, Hyderabad 500 034, Telangana; Telephone: +91 40 2354 7532; Fax: +91 40 2354 8243; Email: investorsnatco@natcopharma.co.in; Website: www.natcopharma.co.in; Corporate identification number: L24230TG1981PLC003201.

Natco Pharma Limited (our "**Company**" or the "**Issuer**") is issuing 10,000,000 equity shares of face value of Rs. 2 each (the "**Equity Shares**") at a price of Rs. 915 per Equity Share, including a premium of Rs. 913 per Equity Share, aggregating to Rs. 9,150 million (the "**Issue**").

ISSUE IN RELIANCE UPON SECTION 42 OF THE COMPANIES ACT, 2013, AS AMENDED, READ WITH RULES MADE THEREUNDER, AND CHAPTER VIII (QUALIFIED INSTITUTIONS PLACEMENT) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS AMENDED (THE "SEBI ICDR REGULATIONS").

THIS ISSUE AND THE DISTRIBUTION OF THIS PLACEMENT DOCUMENT IS BEING MADE TO ELIGIBLE QUALIFIED INSTITUTIONAL BUYERS ("QIBs") ONLY AS DEFINED IN THE SEBI ICDR REGULATIONS IN RELIANCE UPON CHAPTER VIII OF THE SEBI ICDR REGULATIONS AND SECTION 42 OF THE COMPANIES ACT, 2013, AS AMENDED, AND RULES MADE THEREUNDER. THIS PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PERSON OR CLASS OF INVESTORS WITHIN OR OUTSIDE INDIA OTHER THAN ELIGIBLE QIBs. THIS PLACEMENT DOCUMENT WILL BE CIRULATED ONLY TO SUCH ELIGIBLE QIBs WHOSE NAMES ARE RECORDED BY OUR COMPANY PRIOR TO MAKING AN INVITATION TO SUBSCRIBE TO EQUITY SHARES.

Invitation for subscription of the Equity Shares has been made pursuant to the Preliminary Placement Document, together with the Application Form. For further details, see "*Issue Procedure*" on page 161. The distribution of this Placement Document or the disclosure of its contents to any person, other than Eligible QIBs and persons retained by Eligible QIBs to advise them with respect to their subscription of the Equity Shares, is unauthorized and prohibited. Each prospective investor, by accepting delivery of this Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Placement Document or any documents referred to in this Placement Document.

A copy of this Placement Document (which includes disclosures prescribed under Form PAS-4 under the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended) has been delivered to the BSE Limited ("**BSE**") and National Stock Exchange of India Limited ("**NSE**" and, together with BSE, the "**Stock Exchanges**"). Our Company shall also make the requisite filings with the Registrar of Companies, Andhra Pradesh and Telangana (the "**RoC**") and the Securities and Exchange Board of India ("**SEBI**") within the stipulated period as required under the Companies Act, 2013, the Companies (Prospectus and Allotment of Securities) Rules, 2014 and the SEBI ICDR Regulations. This Placement Document has not been reviewed by SEBI, the Reserve Bank of India ("**RBI**"), the Stock Exchanges or any other regulatory or listing authority and is intended only for use by Eligible QIBs. This Placement Document has not been and will not be registered as a prospectus with the RoC, and will not be circulated or distributed to the public in India or any other jurisdiction and will not constitute a public offer in India or any other jurisdiction. The Issue is meant only for Eligible QIBs by way of a private placement and is not an offer to the public or to any other class of investors.

INVESTMENTS IN THE EQUITY SHARES INVOLVE A HIGH DEGREE OF RISK AND PROSPECTIVE INVESTORS SHOULD NOT INVEST ANY FUNDS IN THIS ISSUE UNLESS THEY ARE PREPARED TO TAKE THE RISK OF LOSING ALL OR ANY PART OF THEIR INVESTMENTS. PROSPECTIVE INVESTORS ARE ADVISED TO READ "RISK FACTORS" ON PAGE 41 CAREFULLY BEFORE TAKING AN INVESTMENT DECISION IN THIS ISSUE. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS ADVISORS ABOUT THE PARTICULAR CONSEQUENCES TO IT OF AN INVESTMENT IN THE EQUITY SHARES BEING ISSUED PURSUANT TO THE PRELIMINARY PLACEMENT DOCUMENT AND THIS PLACEMENT DOCUMENT.

The information on our Company's website or any website directly or indirectly linked to our Company's website or the websites of the BRLMs and the GCBRLMs (both defined hereinafter) or their respective affiliates do not form part of this Placement Document and prospective investors should not rely on such information contained in, or available through, such websites.

All of our Company's outstanding Equity Shares are listed on the Stock Exchanges. The closing price of the outstanding Equity Shares on BSE and NSE on December 8, 2017 was Rs. 930.85 and Rs. 931.40 per Equity Share, respectively. In-principle approvals under Regulation 28(1) of the Listing Regulations (as defined herein) for listing of the Equity Shares have been received from BSE and NSE on December 11, 2017. Application to the Stock Exchanges will be made for obtaining listing and trading approval for the Equity Shares offered through the Preliminary Placement Document. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to trading on the Stock Exchanges should not be taken as an indication of the merits of our Company, business or the Equity Shares.

YOU ARE NOT AUTHORIZED TO (1) DELIVER THIS PLACEMENT DOCUMENT TO ANY OTHER PERSON; (2) REPRODUCE THIS PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER; OR (3) RELEASE ANY PUBLIC ADVERTISEMENTS OR UTILISE ANY MEDIA, MARKETING OR DISTRIBUTION CHANNELS OR AGENTS TO INFORM THE PUBLIC AT LARGE ABOUT THE ISSUE. ANY DISTRIBUTION OR REPRODUCTION OF THIS PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

THIS PLACEMENT DOCUMENT HAS BEEN PREPARED BY OUR COMPANY SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE OF THE EQUITY SHARES DESCRIBED IN THIS PLACEMENT DOCUMENT.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A under the Securities Act) pursuant to the private placement exemption set out in Section 4(a)(2) of the Securities Act, and (b) outside the United States, in offshore transactions, in reliance on Regulation S under the Securities Act and the applicable laws of the jurisdiction where these offers and sales occur. For further information, see "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 174 and 180, respectively.

This Placement Document is dated December 14, 2017

GLOBAL COORDINATORS AND BOOK RUNNING LEAD MANAGERS	
Jefferies **Jefferies India Private Limited**	CREDIT SUISSE **Credit Suisse Securities (India) Private Limited**

BOOK RUNNING LEAD MANAGERS			
IDFC BANK **IDFC Bank Limited**	Edelweiss Ideas create, values protect **Edelweiss Financial Services Limited**	INGA **Inga Capital Limited** **(formerly Inga Capital Private Limited)**	JM FINANCIAL **JM Financial Institutional Securities Limited**

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NOTICE TO INVESTORS

Our Company has furnished and accepts full responsibility for all the information contained in this Placement Document and confirms that, to the best of our knowledge and belief, having made all reasonable enquiries, this Placement Document contains all information with respect to us and the Equity Shares which is material in the context of this Issue. The statements contained in this Placement Document relating to us and the Equity Shares are, in all material respects, true and accurate and not misleading. The opinions and intentions expressed in this Placement Document with regard to us and the Equity Shares are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to us and are based on reasonable assumptions. There are no other facts in relation to us and the Equity Shares, the omission of which would, in the context of this Issue, make any statement in this Placement Document misleading in any material respect. Further, all reasonable enquiries have been made by us to ascertain such facts and to verify the accuracy of all such information and statements.

Jefferies India Private Limited and Credit Suisse Securities (India) Private Limited (together, the "**GCBRLMs**") and IDFC Bank Limited, Edelweiss Financial Services Limited, Inga Capital Limited and JM Financial Institutional Securities Limited (together, the "**BRLMs**") have made reasonable enquiries but have not separately verified all of the information contained in this Placement Document (financial, legal or otherwise). Accordingly, neither the BRLMs and the GCBRLMs nor any of their respective affiliates including any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates make any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted by any of the BRLMs and the GCBRLMs or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates as to the accuracy or completeness of the information contained in this Placement Document or any other information supplied in connection with the Equity Shares. Each person receiving this Placement Document acknowledges that such person has not relied on the BRLMs and the GCBRLMs or any of their respective affiliates including any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates in connection with such person's investigation of the accuracy of such information or such person's investment decision, and each such person must rely on its own examination of us and the merits and risks involved in investing in the Equity Shares. Prospective investors should not construe the contents of this Placement Document as legal, tax, accounting or investment advice.

No person is authorized to give any information or to make any representation not contained in this Placement Document and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of us or any of the BRLMs and the GCBRLMs. The delivery of this Placement Document at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

The Equity Shares have not been approved, disapproved or recommended by any regulatory authority in any jurisdiction. No authority has passed on or endorsed the merits of this Issue or the accuracy or adequacy of this Placement Document. Any representation to the contrary may be a criminal offence in certain jurisdictions.

The subscribers of the Equity Shares will be deemed to make the representations, warranties, acknowledgments and agreements set forth in "*Notice to Investors*", "*Representation by Investors*", "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 2, 5, 174 and 180, respectively.

The Equity Shares have not been recommended by any foreign, federal or state securities commission or regulatory authority. As such, this Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by any one in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by our Company and the BRLMs and the GCBRLMs which would permit an issue of the Equity Shares or distribution of this Placement Document in any jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither the Preliminary Placement Document nor this Placement Document nor any other Issue-related materials in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

The Equity Shares to be issued pursuant to the Issue have not been approved, disapproved or recommended by the U.S. Securities and Exchange Commission, any other federal or state authorities in the United States

or the securities authorities of any non-United States jurisdiction or any other United States or non-United States regulatory authority. No authority has passed on or endorsed the merits of the Issue or the accuracy or adequacy of this Placement Document. Any representation to the contrary is a criminal offense in the United States and may be a criminal offence in other jurisdictions.

The Equity Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

Within the United States, this Placement Document is being provided only to persons who are reasonably believed to be "qualified institutional buyers" as defined in Rule 144A. Distribution of this Placement Document to any person other than the offeree specified by the BRLMs and the GCBRLMs or their representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorized and any disclosure of its contents, without the prior written consent of our Company, is prohibited. Any reproduction or distribution of this Placement Document in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited.

The distribution of this Placement Document or the disclosure of its contents without the prior consent of the Company to any person, other than Eligible QIBs specified by the BRLMs and the GCBRLMs or their representatives, and those retained by Eligible QIBs to advise them with respect to their subscription of the Equity Shares is unauthorized and prohibited. Each prospective investor, by accepting delivery of this Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Placement Document or any documents referred to in this Placement Document.

The distribution of this Placement Document and the issuance of Equity Shares pursuant to this Issue may be restricted by law in certain jurisdictions. As such, this Placement Document does not constitute, and may not be used for, or in connection with, an offer or solicitation by any one in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by us or the BRLMs and the GCBRLMs which would permit an Issue of the Equity Shares or distribution of this Placement Document in any jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither the Preliminary Placement Document nor this Placement Document nor any other Issue related materials in connection with the Equity Shares may be distributed or published, in or from any country or jurisdiction except under circumstances that will be in compliance with any applicable rules and regulations of any such country or jurisdiction.

In making an investment decision, prospective investors must rely on their own examination of us, the Equity Shares and the terms of this Issue, including the merits and risks involved. Investors should not construe the contents of this Placement Document as legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning the Issue. In addition, neither we nor any of the BRLMs and the GCBRLMs are making any representation to any offeree or subscriber of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or subscriber under applicable legal, investment or similar laws or regulations.

Each subscriber of the Equity Shares in this Issue is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in the Equity Shares under Indian law, including Chapter VIII of the SEBI ICDR Regulations and is not prohibited by SEBI or any other statutory authority from buying, selling or dealing in securities including Equity Shares. Each subscriber of Equity Shares in this Issue also acknowledges that it has been afforded an opportunity to request from us and has reviewed information relating to us and the Equity Shares.

The information on our website, www.natcopharma.co.in, or any website directly or indirectly linked to our website or on the respective websites of the BRLMs and the GCBRLMs or their respective affiliates or any website directly or indirectly linked to such websites does not constitute or form a part of this Placement Document. Prospective investors should not rely on the information contained in, or available through, any such websites.

This Placement Document contains a summary of some terms of certain documents which are qualified in their entirety by the terms and conditions of those documents.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("**RSA 421-B**") WITH THE STATE OF NEW HAMPSHIRE, NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE, CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT, NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION, MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE SUBSCRIBER, CUSTOMER, OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO INVESTORS IN CERTAIN OTHER JURISDICTIONS

For information relating to investors in certain other jurisdictions, see "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 174 and 180, respectively.

REPRESENTATIONS BY INVESTORS

All references to "you" or "your" in this section are to the prospective investors in this Issue. By bidding for and/ or subscribing to any of the Equity Shares in this Issue, you are deemed to have represented, warranted, acknowledged and agreed to us and the BRLMs and the GCBRLMs as follows:

(a) you (i) are an Eligible QIB as defined in the Preliminary Placement Document and this Placement Document and are not excluded pursuant to Regulation 86(1)(b) of the SEBI ICDR Regulations; (ii) have a valid and existing registration under applicable laws of India (as applicable); and (iii) undertake to acquire, hold, manage or dispose of any Equity Shares that are Allocated to you for the purposes of your business in accordance with Chapter VIII of the SEBI ICDR Regulations and undertake to comply with the SEBI ICDR Regulations, the Companies Act, 2013, the Companies Act, 1956 to the extent applicable and all other applicable laws, including in respect of reporting requirements, if any;

(b) If you are not a resident of India, but a QIB, you are an Eligible FPI as defined in the Preliminary Placement Document and this Placement Document and have a valid and existing registration with SEBI under the applicable laws in India, and can participate in the Issue only under Schedule 2 of FEMA 20. Non-resident QIBs including FVCIs, multilateral and bilateral development financial institutions are permitted to participate in the Issue.;

(c) you are eligible to invest in India under applicable laws, including FEMA 20, as amended and any notification, circulars or clarification issued thereunder, and have not been prohibited by SEBI or any other regulatory authority from buying, selling or dealing in securities;

(d) you will make all necessary filings with the appropriate regulatory authorities including with the RBI, as required, pursuant to applicable laws;

(e) if you are Allotted Equity Shares pursuant to this Issue, you shall not, for a period of one year from the date of Allotment, sell the Equity Shares so acquired except on the Stock Exchanges; (additional requirements apply if you are within the United States or a U.S. Person, see "*Transfer Restrictions*" on page 180);

(f) you are aware that this Placement Document has not been, and will not be, registered as a prospectus under the Companies Act, 2013 and the SEBI ICDR Regulations or under any other law in force in India. You are aware that this Placement Document has not been reviewed or affirmed by SEBI, RBI or the Stock Exchanges or any other regulatory or listing authority and is intended for use only by Eligible QIBs. This Placement Document has been filed with the Stock Exchanges for record purposes only and this Placement Document has been displayed on the websites of our Company and the Stock Exchanges;

(g) you are entitled and have necessary capacity to acquire/subscribe for the Equity Shares under the laws of all relevant jurisdictions which apply to you and that you have fully observed such laws and obtained all such governmental and other consents in each case which may be required there under and complied with all necessary formalities and have obtained all necessary consents and authorities to enable you to commit to participation in this Issue and to perform your obligations in relation thereto (including, in the case of any person on whose behalf you are acting, all necessary consents and authorisations to agree to the terms set out or referred to in the Preliminary Placement Document and this Placement Document), and will honour such obligations;

(h) neither we nor the BRLMs and the GCBRLMs nor any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates is making any recommendation to you or, advising you regarding the suitability of any transactions it may enter into in connection with this Issue; your participation in this Issue is on the basis that you are not, and will not, up to Allotment, be a client of any of the BRLMs and the GCBRLMs and that neither the BRLMs and the GCBRLMs nor any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates have any duty or responsibilities to you for providing the protection afforded to their clients or customers for providing advice in relation to this Issue and are not in any way acting in any fiduciary capacity;

(i) you confirm that, either: (i) you have not participated in or attended any investor meetings or presentations by us or our agents ("**Company Presentations**") with regard to us or this Issue; or (ii) if

you have participated in or attended any Company Presentations: (a) you understand and acknowledge that the BRLMs and the GCBRLMs may not have knowledge of the statements that we or its agents may have made at such Company Presentations and are therefore unable to determine whether the information provided to you at such Company Presentations may have included any material misstatements or omissions, and, accordingly you acknowledge that the BRLMs and the GCBRLMs have advised you not to rely in any way on any information that was provided to you at such Company Presentations, and (b) confirm that you have not been provided any material information that was not publicly available;

(j) you are aware and understand that the Equity Shares are being offered only to Eligible QIBs and are not being offered to the general public and the allotment of the Equity Shares shall be on a discretionary basis at the discretion of our Company in consultation with the BRLMs and the GCBRLMs;

(k) all statements other than statements of historical fact included in this Placement Document, including, without limitation, those regarding our financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our products), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and environment in which we will operate in the future. You should not place reliance on forward looking statements, which speak only as at the date of this Placement Document. We assume no responsibility to update any of the forward-looking statements contained in this Placement Document;

(l) you have been provided a serially numbered copy of the Preliminary Placement Document and this Placement Document and have read the Preliminary Placement Document and this Placement Document in its entirety including, in particular "*Risk Factors*" on page 41;

(m) in making your investment decision (i) you have relied on your own examination of our Company and the terms of this Issue, including the merits and risks involved; (ii) you have made your own assessment of our Company, the Equity Shares and the terms of this Issue based solely on the information contained in the Preliminary Placement Document and no other representation by us or any other party; (iii) you have consulted your own independent advisors (including tax advisors) or otherwise have satisfied yourself concerning, without limitation, the effects of local laws and taxation matters; (iv) you have relied solely on the information contained in the Preliminary Placement Document and no other disclosure or representation by us or the BRLMs and the GCBRLMs or any other party; (v) you have received all information that you believe is necessary or appropriate in order to make an investment decision in respect of us and the Equity Shares; and (vi) relied upon your investigation and resources in deciding to invest in this Issue. You are seeking to subscribe to/acquire the Equity Shares in this Issue for your own investment and not with a view to resale or distribution;

(n) you are a sophisticated investor and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the investment in the Equity Shares and you and any accounts for which you are subscribing to the Equity Shares: (i) are each able to bear the economic risk of the investment in the Equity Shares; (ii) will not rely on us, the BRLMs and the GCBRLMs or their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates for all or part of any such loss or losses that may be suffered including losses arising out of non-performance by our Company of any of its respective obligations or any breach of any representations and warranties by our Company, whether to you or otherwise; (iii) are able to sustain a complete loss on the investment in the Equity Shares; (iv) have no need for liquidity with respect to the investment in the Equity Shares; and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares;

(o) neither the BRLMs and the GCBRLMs nor any of their shareholders, investors, officers, employees, counsel, agents, representatives or affiliates have provided you with any tax advice or otherwise made any representations regarding the tax consequences of subscription, ownership or disposal of the Equity Shares (including, but not limited, to this Issue and the use of the proceeds from the Equity Shares). You will obtain your own independent tax advice from a reputable service provider and will not rely on the BRLMs and the GCBRLMs or any of its shareholders, investors, officers, employees, counsel, agents, representatives or affiliates when evaluating the tax consequences of the Equity Shares (including, but

not limited to, this Issue and the use of the proceeds from the Equity Shares). You waive and agree not to assert any claim against us, the BRLMs and the GCBRLMs or any of its shareholders, investors, officers, employees, counsel, agents, representatives or affiliates with respect to the tax aspects of the Equity Shares or as a result of any tax audits by tax authorities, wherever situated.

(p) where you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorized in writing, by each such managed account to acquire the Equity Shares for each managed account and to make (and you hereby make) the representations, warranties, acknowledgements and agreements herein for and on behalf of each such account, reading the reference to "you" to include such accounts;

(q) you agree and acknowledge that in terms of Section 42(7) of the Companies Act, 2013, we shall file the list of Eligible QIBs (to whom the Preliminary Placement Document are circulated) along with other particulars with the RoC and SEBI within 30 days of circulation of the Preliminary Placement Document and other filings required under the Companies Act, 2013;

(r) you are not a 'Promoter' of our Company, as defined under section 2(69) of the Companies Act, 2013 and the SEBI ICDR Regulations, and are not a person related to the Promoter and Promoter Group or to group companies of the Promoter and Promoter Group, either directly or indirectly and your Bid does not directly or indirectly represent the Promoter and Promoter Group, or persons related to the Promoter and Promoter Group or to group companies of the Promoter and Promoter Group;

(s) you have no rights under a shareholders' agreement or voting agreement with the Promoter and Promoter Group or persons related to the Promoter and Promoter Group, no veto rights or right to appoint any nominee director on the Board of Directors of our Company other than such rights acquired, if any, in the capacity of a lender not holding any Equity Shares of our Company, the acquisition of which shall not deem you to be a Promoter, a person related to the Promoter;

(t) you have no right to withdraw your Bid after the Issue Closing Date;

(u) you are eligible to Bid and hold the Equity Shares so Allotted together with any Equity Shares held by you prior to this Issue. You further confirm that your aggregate holding upon this Issue of the Equity Shares shall not exceed the level permissible as per any applicable regulations;

(v) the Bid submitted by you would not eventually result in triggering a tender offer under the Takeovers Regulations;

(w) your aggregate holding, together with other Eligible QIBs participating in this Issue that belong to the same group or are under common control as you, pursuant to the Allotment under the present Issue, shall not exceed 50% of this Issue. For the purposes of this representation:

  (a) the expression "**belongs to the same group**" shall be interpreted by applying the concept of "**companies under the same group**" as provided in sub-section (11) of Section 372 of the Companies Act, 1956; and

  (b) "**Control**" shall have the same meaning as is assigned to it under Regulation 2 (i)(e) of the Takeover Regulations;

(x) you shall not undertake any trade in the Equity Shares credited to your beneficiary account until such time that the final listing and trading approval for the Equity Shares is issued by the Stock Exchanges;

(y) you are aware that the pre-Issue and post-Issue shareholding pattern of our Company, as required by the Listing Regulations, will be filed by our Company with the Stock Exchanges, and if you are Allotted more than 5.00% of the Equity Shares in this Issue, we shall be required to disclose your name and the number of Equity Shares Allotted to you to the Stock Exchanges and the Stock Exchanges will make the same available on their website and you consent to such disclosure being made by us;

(z) you are aware that our Company shall make necessary filings with the RoC pursuant to the Allotment (which shall include certain details such as your name, address and number of Equity Shares Allotted) and if the Allotment of Equity Shares in the Issue results in you being one of the top ten shareholders of

our Company, we shall also be required to disclose your name and shareholding details to the RoC within 15 days of Allotment, and you consent to such disclosure being made by us;

(aa) you are aware that (i) applications for in-principle approval, in terms of Regulation 28(1) of the Listing Regulations, for listing and admission of the Equity Shares and for trading on the Stock Exchanges, were made and an approval has been received from each of the Stock Exchanges, and (ii) the application for the listing and trading approval will be made only after Allotment. There can be no assurance that the approvals for listing and trading in the Equity Shares will be obtained in time or at all. We shall not be responsible for any delay or non-receipt of such approvals for listing and trading or any loss arising from such delay or non-receipt;

(bb) you are aware and understand that the BRLMs and the GCBRLMs have entered into a placement agreement with our Company (the "**Placement Agreement**") whereby the BRLMs and the GCBRLMs have, subject to the satisfaction of certain conditions set out therein, undertaken severally and not jointly on reasonable effort basis to market the Issue on the terms and conditions set forth herein;

(cc) the contents of this Placement Document are our exclusive responsibility and neither the BRLMs and the GCBRLMs nor any person acting on their behalf, nor any of their respective shareholders, directors, officers, employees, counsel, advisors, representatives, agents or affiliates has, or shall have, any liability for any information, representation or statement contained in this Placement Document or any information previously published by or on behalf of us and will not be liable for your decision to participate in this Issue based on any information, representation or statement contained in this Placement Document or otherwise. By accepting a participation in this Issue, you agree and confirm that you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of either of the BRLMs and the GCBRLMs or us or any other person and neither the BRLMs and the GCBRLMs, nor we or our respective directors, officers, employees, counsel, advisors, representatives, agents or affiliates or any other person will be liable for your decision to participate in this Issue based on any other information, representation, warranty or statement that you may have obtained or received;

(dd) the only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares, is contained in the Preliminary Placement Document and this Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares issued in pursuance of this Issue and that you have neither received nor relied on any other information given or representations, warranties or statements made by BRLMs and the GCBRLMs (including any view, statement, opinion or representation expressed in any research published or distributed by any of the BRLMs and the GCBRLMs or its affiliates or any view, statement, opinion or representation expressed by any staff (including research staff) of any of the BRLMs and the GCBRLMs or its respective affiliates) or our Company or any of their respective shareholders, directors, officers, employees, counsel, advisors, representatives, agents or affiliates and neither the BRLMs and the GCBRLMs nor our Company or any of their respective shareholders, directors, officers, employees, counsel, advisors, representatives, agents or affiliates will be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty, statement or opinion;

(ee) you understand that neither the BRLMs and the GCBRLMs nor their affiliates have any obligation to subscribe or acquire all or any part of the Equity Shares subscribed by you in this Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with this Issue, including non-performance by us of any of our obligations or any breach of any representations or warranties by us, whether to you or otherwise;

(ff) you agree to indemnify and hold us and the BRLMs and the GCBRLMs and their respective employees, officers, directors, associates, representatives and affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, undertakings, acknowledgements and agreements made by you in the Preliminary Placement Document and this Placement Document. You agree that the indemnity set forth in this section shall survive the resale of the Equity Shares by, or on behalf of, the managed accounts;

(gg) each of the representations, warranties, acknowledgements and agreements set forth above shall continue to be true and accurate at all times up to and including the Allotment and listing and trading of the Equity

Shares on the Stock Exchanges;

(hh) you are a sophisticated investor who is seeking to subscribe the Equity Shares for your own investment and not with a view to distribution. In particular, you acknowledge that (i) an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment, (ii) you have sufficient knowledge, sophistication and experience in financial and business matters so as to be capable of evaluating the merits and risk of the subscription of the Equity Shares, and (iii) you are experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions and have such knowledge and experience in financial, business and investment matters that you are capable of evaluating the merits and risks of your investment in the Equity Shares;

(ii) you understand that the Equity Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States, and accordingly, may not be offered, sold or delivered within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;

(jj) any dispute arising in connection with this Issue will be governed by and construed in accordance with the laws of the Republic of India and the courts at Mumbai, India shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Preliminary Placement Document and this Placement Document;

(kk) you have made, or been deemed to have made, as applicable, the representations, warranties, acknowledgments and agreements set forth in this section and in "*Selling Restriction"* and *"Transfer Restrictions*" on pages 174 and page 180, respectively; and

(ll) the BRLMs and the GCBRLMs and their respective affiliates and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and agreements which are given to the BRLMs and the GCBRLMs on their own behalf and on behalf of us and are irrevocable.

OFF-SHORE DERIVATIVE INSTRUMENTS (P-NOTES)

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 22 of the SEBI FPI Regulations, an FPI (other than a Category III foreign portfolio investors and unregulated broad based funds which are classified as Category II FPI by virtue of their investment manager being appropriately regulated), including the affiliates of the BRLMs and the GCBRLMs, may issue, subscribe to or otherwise deal in offshore derivative instruments as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by an FPI against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying and all such offshore derivative instruments are referred to herein as "**P-Notes**" for which they may receive compensation from the purchasers of such P-Notes. These P-Notes may be issued only in favour of those entities which are regulated by any appropriate foreign regulatory authorities in the countries of their incorporation or establishment subject to compliance with "know your client" requirements. An FPI must ensure that the P-Notes are issued in compliance with all applicable laws including Regulation 4 and Regulation 22 of the SEBI FPI Regulations and circular no. CIR/IMD/FIIC/20/2014 dated November 24, 2014 issued by SEBI. P-Notes have not been and are not being offered or sold pursuant to the Preliminary Placement Document and this Placement Document. This Placement Document does not contain any information concerning P-Notes, including, without limitation, any information regarding any risk factors relating thereto.

Persons in the United States and U.S. persons subscribing to Equity Shares in the Issue may not issue P-Notes. Non-U.S. persons outside the United States subscribing Equity Shares in the Issue may only issue P-Notes in accordance with the conditions set forth in "*Transfer Restrictions*" on page 180.

Any P-Notes that may be issued are not securities of our Company and do not constitute any obligations of, claim on, or interests in our Company. Our Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by, and are solely the obligations of, third parties that are unrelated to our Company. Our Company and the BRLMs and the GCBRLMs do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with any P-Notes. Any P-Notes that may be issued are not securities of the BRLMs and the GCBRLMs and do not constitute any obligations of, or claims on, the BRLMs and the GCBRLMs. FPI affiliates (other than Category III FPI and unregulated broad-based funds which are classified as FPI by virtue of their investment manager being appropriately regulated) of the BRLMs and the GCBRLMs may subscribe, to the extent permissible under law, Equity Shares in the Issue, and may issue P-Notes in respect thereof.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosure as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGE

As required, a copy of this Placement Document has been submitted to the Stock Exchanges. The Stock Exchanges do not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of this Placement Document;

2. warrant that the Equity Shares issued pursuant to this Issue will be listed or will continue to be listed on the Stock Exchanges; or

3. take any responsibility for the financial or other soundness of our Company, our Promoters, its management or any scheme or project of our Company.

It should not for any reason be deemed or construed to mean that this Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquires any Equity Shares may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever by reason of any loss which may be suffered by such person consequent to, or in connection with, such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

PRESENTATION OF FINANCIAL AND OTHER DATA

In this Placement Document, unless the context otherwise indicates or implies references to:

- "you", "your", "offeree", "purchaser", "subscriber", "recipient", "investors" and "potential investor" are to the prospective investors in the Equity Shares issued pursuant to this Issue;
- unless otherwise specified, "we", "us" and "our" refers to Natco Pharma Limited and its Subsidiaries on a consolidated basis; and
- unless otherwise specified, "our Company", "the Company" and "the Issuer" refers to Natco Pharma Limited on a standalone basis.

References in this Placement Document to "India" are to the Republic of India and its territories and possessions and the "Government" or the "Central Government" or the "State Government" are to the Government of India, Central or State, as applicable. All references herein to the "U.S." or the "United States" are to the United States of America and its territories and possessions.

Currency and Units of Presentation

In this Placement Document, all references to:

- "AUD" are to Australian Dollar, the official currency of Australia;
- "BRL" are to Brazilian Real, the official currency of Brazil;
- "CAD" are to Canadian Dollar, the official currency of Canada;
- "Euro" or "€" are to official currency of member states of the European Union;
- "GBP" are to Pound Sterling, the official currency of the United Kingdom;
- "Rs." or "Rupees" are to Indian Rupees, the official currency of the Republic of India;
- "SGD" are to Singapore Dollar, the official currency of Singapore; and
- "USD" or "US$" or "$" are to United States Dollars, the official currency of the United States of America.

Financial Data

Our Company publishes its financial statements in Indian Rupees. The audited consolidated financial statements of our Company, including the notes thereto and reports thereon, as of and for the years ended March 31, 2015 and March 31, 2016 included herein have been prepared in accordance with the accounting principles generally accepted in India ("**Indian GAAP**") prescribed by the Institute of Chartered Accountants of India ("**ICAI**"), the Companies Act, 1956, the Companies Act, 2013, Accounting Standards notified under the Companies Act and the requirements of the Listing Regulations, each as applicable. The audited consolidated financial statements of our Company as of and for the year ended March 31, 2017 (including for the previous year period of March 31, 2016) as well as the unaudited condensed interim consolidated financial statements as of and for the six months ended September 30, 2017 (including for the previous year period of September 30, 2016), included herein have been prepared in accordance with Indian Accounting Standard ("**Ind AS**"). The unaudited condensed interim consolidated financial statements as of and for the six months ended September 30, 2017 (including for the comparative period of March 31, 2016), including the notes thereto and reports thereon, included in this Placement Document has been reviewed by our Statutory Auditors in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the ICAI.

Prior to April 1, 2016, we prepared our financial statements in accordance with Indian GAAP and the Companies Act. With effect from April 1, 2016, we adopted Ind AS notified under the Companies Act. Ind AS and Indian GAAP differ in certain significant respects from each other and from International Financial Reporting Standards and U.S. GAAP and other accounting principles with which prospective investors may be familiar. Further, the degree to which the financial statements prepared in accordance with Ind AS and Indian GAAP included in this

Placement Document provide meaningful information is dependent on the reader's familiarity with the respective accounting policies. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Placement Document should accordingly be limited.

In this Placement Document, certain monetary thresholds have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Unless the context requires otherwise, the financial data in this Placement Document is derived from our Financial Statements. Our Financial Year commences on April 1 of each year and ends on March 31 of the succeeding year, so all references to a particular "Fiscal Year", "Fiscal", "Financial Year" or "FY" are to the 12 month period ended on March 31 of that year.

References to the singular also refer to the plural and one gender also refers to any other gender, wherever applicable. Our Company has presented certain numerical information in this Placement Document in "million" units. One million represents 1,000,000 and one billion represents 1,000,000,000.

MARKET AND INDUSTRY DATA

Information regarding market size, market share, market position, growth rates and other industry data pertaining to our business contained in this Placement Document consists of estimates based on data reports compiled by governmental bodies, professional organisations and analysts and on data from other external sources, and on our knowledge of markets in which we compete.

Statistical information, industry and market data used throughout this Placement Document has been obtained from the report titled "Pharmaceutical Industry", November 2017 (the "**CARE Report**") which is commissioned report prepared by Credit Analysis & Research Limited ("**CARE**"), and from data subscribed from AIOCD Pharmasofttech AWACS Private Limited.

We have not commissioned any report for purposes of this Placement Document other than the CARE Report. We commissioned CARE to provide an independent assessment of the opportunities, dynamics and competitive landscape of the pharmaceutical industry. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Accordingly, no investment decision should be made on the basis of such information. Although we believe that industry data used in this Placement Document are reliable, it has not been independently verified by us or the BRLMs and the GCBRLMs or any of their affiliates or advisors. The extent to which the market and industry data used in this Placement Document is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which we conduct our business, and methodologies and assumptions may vary widely among different industry sources. Accordingly, investment decisions should not be based solely on such information.

The CARE Report is prepared by CARE Research, an independent division of CARE Ratings Limited. CARE Research has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in the CARE Report is guaranteed. The opinions expressed are not recommendation to buy, sell or hold an instrument.

This data is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from industry associations, government bodies or other organisations) to validate market-related analysis and estimates, so we have relied on internally developed estimates.

Neither we nor the BRLMs and the GCBRLMs have independently verified this data and neither we nor the BRLMs and the GCBRLMs make any representation regarding the accuracy or completeness of such data. Similarly, while we believe our internal estimates to be reasonable, such estimates have not been verified by any independent source and neither the BRLMs and the GCBRLMs nor we can assure potential investors as to their accuracy. Similarly, internal estimates and surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified and neither we nor the BRLMs and the GCBRLMs make any representation as to the accuracy and completeness of information based on trade, industry and government publications and websites, data reports compiled by government bodies, professional organisations and analysts, or from other external sources. **The extent to which the market and industry data used in this Placement Document is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data.**

FORWARD LOOKING STATEMENTS

All statements contained in this Placement Document that are not statements of historical fact constitute "forward-looking statements." Investors can generally identify forward-looking statements by terminology such as "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "can", "could", "may", "objective", "plan", "potential", "project", "pursue", "shall", "should", "will", "would", "will likely result", "is likely", "are likely", "believe", "expect", "expected to", "will continue", "will achieve", or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. However, these are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial condition and results of operations and business plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, planned projects, revenue and profitability (including, without limitation, any financial or operating projections or forecasts), new business and other matters discussed in this Placement Document that are not historical facts.

These forward-looking statements and any other projections contained in this Placement Document (whether made by us or any third party) are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that they may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements or other projections.

Important factors that could cause our actual results, performances and achievements to be materially different from any of the forward-looking statements include, among others:

- our inability to successfully develop or commercialise new products in a timely manner;
- a reduction in demand for some of our key products;
- a reduction in demand for our products from some of our key customers;
- a slowdown or shutdown in our manufacturing operations;
- our inability to resolve any quality control problems in a timely manner;
- our inability to accurately forecast demand for our products and manage our inventory;
- the termination of our marketing arrangements;
- the recall of our products;
- our inability to patent new processes and protect out intellectual property; and
- the failure of our R&D efforts hindering the introduction of new products.

By their nature, certain of the market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on revenue or income could materially differ from those that have been estimated, expressed or implied by such forward-looking statements or other projections. All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Additional factors that could cause our actual results, performance or achievements to differ include but are not limited to, those discussed in "*Risk Factors*", "*Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 41, 95 and 110, respectively.

The forward-looking statements contained in this Placement Document are based on the beliefs of the management, as well as the assumptions made by and information currently available to the management. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to rely on such forward-looking statements. In any event, these statements speak only as of the date of this Placement Document or the respective dates indicated in this Placement Document, and we undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise. If any of these risks and uncertainties materialize, or if any of our underlying assumptions prove to be incorrect, our actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

Our Company is a company incorporated under the laws of India. The Board of Directors of our Company comprises of 10 Directors. Except Rajeev Nannapaneni, all of our Company's Directors are Indian citizens. Except Rajeev Nannapaneni, all of our Company's key managerial personnel are residents of India and a substantial portion of the assets of our Company and such persons are located in India. Rajeev Nannapaneni is a citizen of USA. As a result, it may not be possible for investors outside India to effect service of process upon our Company or such persons in India, or to enforce against them judgments obtained in courts outside India.

India is not a signatory to any international treaty in relation to the recognition or enforcement of foreign judgments. Recognition and enforcement of foreign judgments is provided for under section 13 and section 44A of the Code of Civil Procedure, 1908, as amended ("**Civil Code"**).

Section 13 of the Civil Code provides that a foreign judgment shall be conclusive as to any matter thereby directly adjudicated upon between the same parties or parties litigating under the same title except:

(a) where it has not been pronounced by a court of competent jurisdiction;

(b) where it has not been given on the merits of the case;

(c) where it appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognise the law of India in cases where such law is applicable;

(d) where the proceedings in which the judgment was obtained were opposed to natural justice;

(e) where it has been obtained by fraud; or

(f) where it sustains a claim founded on a breach of any law then in force in India.

Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court (within the meaning of that section) in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the foreign judgment had been rendered by the relevant court in India. Under the Civil Code, a court in India will, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the foreign judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record but such presumption may be displaced by proving want of jurisdiction. However, section 44A of the Civil Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty and is not applicable to arbitration awards.

Among other jurisdictions, each of the United Kingdom, Singapore and Hong Kong has been declared by the Government to be a reciprocating territory for the purposes of section 44A of the Civil Code but the United States has not been so declared. A foreign judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a new suit based upon the foreign judgment and not by proceedings in execution. Such a suit has to be filed in India within three years from the date of the foreign judgment in the same manner as any other suit filed to enforce a civil liability in India. Accordingly, a judgment of a court in the United States may be enforced only by a fresh suit upon the foreign judgment and not by proceedings in execution.

It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce a foreign judgment if it viewed the amount of damages awarded as excessive or inconsistent with public policy, and it is uncertain whether an Indian court would enforce foreign judgments that would contravene or violate Indian law. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered pursuant to execution, and any such amount may be subject to tax in accordance with applicable laws. Any judgment for payment of amounts denominated in a foreign currency would be converted into Rupees on the date of the judgment and not on the date of the payment.

EXCHANGE RATES

Fluctuations in the exchange rate between the Rupee and foreign currencies will affect the foreign currency equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into foreign currencies of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth information with respect to the exchange rates between the Rupee and the U.S. dollar (Rs. Per US$), for the periods indicated. The exchange rates are based on the reference rates released by RBI, which are available on the website of RBI. No representation is made that any Rupee amounts could have been, or could be, converted into U.S. dollars at any particular rate, the rates stated below, or at all.

On December 8, 2017 the exchange rate (RBI reference rate) was Rs. 64.46 to US$ 1.00.

(Rs. Per US$)

	Period end	Average[(1)]	High	Low
Financial Year:				
2015	62.59	61.15	63.75	58.43
2016	66.33	65.46	68.78	62.16
2017	64.84	67.09	68.72	64.84
Month ended:				
May, 2017	64.55	64.42	64.99	64.02
June, 2017	64.74	64.44	64.74	64.26
July, 2017	64.08	64.46	64.82	64.08
August, 2017	64.02	63.97	64.24	63.63
September, 2017	65.36	64.44	65.76	63.87
October, 2017	64.77	65.08	65.55	64.76
November, 2017	64.43	64.86	65.52	64.41

(Source: www.rbi.org.in)

(1) Average of the official rate for each working day of the relevant period.

The following table sets forth information with respect to the exchange rates between the Rupee and the Euro (Rs. per €), for the periods indicated. The exchange rates are based on the reference rates released by RBI, which are available on the website of RBI. No representation is made that any Rupee amounts could have been, or could be, converted into Euro at any particular rate, the rates stated below, or at all.

On December 8, 2017 the exchange rate (RBI reference rate) was Rs. 75.80 to €1.00.

(Rs. per €)

	Period end	Average[(1)]	High	Low
Financial Year:				
2015	67.51	77.47	84.52	65.95
2016	75.10	72.31	77.36	66.16
2017	69.25	73.61	76.61	69.25
Month ended:				
May, 2017	72.14	71.23	72.75	69.89
June, 2017	74.00	72.41	74.00	71.94
July, 2017	75.22	74.20	75.22	73.43
August, 2017	76.04	75.60	76.75	74.86
September, 2017	77.06	76.79	77.76	76.10
October, 2017	75.42	76.48	77.27	75.42
November, 2017	76.49	76.12	77.14	75.08

(Source: www.rbi.org.in)

(1) Average of the official rate for each working day of the relevant period.

Note: In case of holidays, the exchange rate on the last traded day of the month has been considered as the rate for the period end.

DEFINITIONS AND ABBREVIATIONS

This Placement Document uses the definitions and abbreviations set forth below, which you should consider when reading the information contained herein.

The following list of certain capitalized terms used in this Placement Document is intended for the convenience of the reader/prospective investor only and is not exhaustive.

Unless otherwise specified, the capitalized terms used in this Placement Document shall have the meaning as defined hereunder. Further any references to any statute or regulations or policies shall include amendments thereto, from time to time.

The words and expressions used in this Placement Document but not defined herein, shall have, to the extent applicable, the meaning ascribed to such terms under the Companies Act, the SEBI ICDR Regulations, the SCRA, the Depositories Act or the rules and regulations made thereunder. Notwithstanding the foregoing, terms used in "*Statement of Tax Benefits*" and "*Financial Information*" on pages 198 and 214, respectively, shall have the meaning given to such terms in such sections.

Company Related Terms

Term	Description
"Articles"/ "Articles of Association"	The articles of association of our Company as amended from time to time
"Auditors" or "Statutory Auditors"	The statutory auditors of our Company, namely, Walker Chandiok & Co LLP
"Audited Consolidated Financial Statements"	The audited consolidated financial statements of our Company as of and for the Fiscals ended March 31, 2015, 2016 and 2017 which have been prepared in accordance with Indian GAAP (for the Fiscals ended March 31, 2015 and March 31, 2016), Ind AS (for the Fiscal ended March 31, 2017), and the Companies Act, 1956 and the Companies Act, 2013, read along with the respective notes thereto
"Board of Directors"/ "Board"	The Board of Directors of our Company, or a duly constituted committee thereof
"Company"	Natco Pharma Limited
"Consolidated Reviewed Financial Statement"	The unaudited condensed interim consolidated financial statements of the Company for the six months period ended September 30, 2017 prepared by the Company in accordance with Ind AS 34 "Interim Financial Reporting" prescribed under the Companies Act, 2013, together with the review report issued by the Statutory Auditor for this period in accordance with Standard on Review Engagements (SRE) 2410
"Director(s)"	Director(s) of our Company, unless otherwise specified
"Executive Directors"	Executive director(s) of our Company, unless otherwise specified
"Financial Statements"	The Audited Consolidated Financial Statements and the Consolidated Reviewed Financial Statement
"Independent Directors"	Independent director(s) of our Company, unless otherwise specified
"Memorandum"/ "Memorandum of Association"	The Memorandum of Association of our Company, as amended from time to time
"Natco Australia"	Natco Pharma Australia Pty Ltd., Australia
"Natco Brazil"	Natcofarma Do Brasil LTDA, Brazil
"Natco Canada"	Natco Pharma (Canada) Inc., Canada
"Natco Mauritius"	Time Cap Overseas Limited, Mauritius
"Natco Singapore"	Natco Pharma Asia Pte Ltd, Singapore
"Natco USA"	Natco Pharma Inc., USA
"Non-Executive Director"	Non-executive director of our Company, unless otherwise specified
"Promoter"	(i) V. C. Nannapaneni; (ii) Rajeev Nannapaneni; (iii) Venkaiah Chowdary Nannapaneni HUF; (iv) Durga Devi Nannapaneni; (v) Neelima Sita Nannapaneni; and (vi) IL&FS Trust Company Limited
"Promoter and Promoter	Individuals and entities forming part of the promoter and promoter group and

Term	Description
Group”	who hold Equity Shares in the Company are (i) Venkaiah Chowdary Nannapaneni HUF; (ii) Kantamani Ratna Kumar; (iii) Durga Devi Nannapaneni; (iv) V. C. Nannapaneni; (v) Rajeev Nannapaneni; (vi) Ramakrishna Rao Nannapaneni; (vii) Neelima Sita Nannapaneni; (viii) Devendranth Alapati; (ix) Bapanna Alapati; (x) Bapineedu Tummala; (xi) Tummala Jansi; (xii) T. Ananda Babu; (xiii) Vidyadhari Tummala; (xiv) T. Anila; (xv) Venkata Satya Swathi Kantamani; (xvi) Natsoft Information Systems Private Limited; (xvii) Time Cap Pharma Labs Limited; (xviii) Natco Aqua Limited; (xix) NDL Infratech Private Limited; (xx) Vistra ITCL India Limited; and (xxi) IL&FS Trust Company Limited
“Promoter Directors”	V. C. Nannapaneni and Rajeev Nannapaneni
“Promoter Group”	Unless the context requires otherwise, the entities forming part of our promoter group in accordance with SEBI ICDR Regulations and which are disclosed by our Company to the Stock Exchanges from time to time
“Registered and Corporate Office”	Natco House, Road No. 2, Banjara Hills, Hyderabad 500 034
“Shareholders”	Persons holding Equity Shares of our Company, unless otherwise specified in the context thereof
“Subsidiaries”	1. Natco Australia; 2. Natco Brazil (step-down subsidiary); 3. Natco Canada; 4. Natco Mauritius; 5. Natco Singapore; and 6. Natco USA

Issue Related Terms

Term	Description
“Allocated”/ “Allocation”	The allocation of Equity Shares following the determination of the Issue Price to investors on the basis of Application Forms submitted by them, in consultation with the BRLMs and the GCBRLMs and in compliance with Chapter VIII of the SEBI ICDR Regulations
“Allotment”/ “Allotted”	The issue and allotment of Equity Shares pursuant to this Issue
“Allottee(s)”	Bidders who are Allotted Equity Shares of our Company pursuant to this Issue
“Application Form”	The form (including any revisions thereof) pursuant to which a Bidder indicates its interest to subscribe for the Equity Shares of our Company pursuant to the Issue
“Book Running Lead Managers”/ “BRLMs”	IDFC Bank Limited, Edelweiss Financial Services Limited, Inga Capital Limited and JM Financial Institutional Securities Limited
“Bid(s)”	An indication of interest by a QIB, including all revisions and modifications of interest, as provided in the Application Form, to subscribe for Equity Shares to be issued pursuant to this Issue
“Bidder(s)”	An Eligible QIB who has made a Bid pursuant to the terms of the Preliminary Placement Document and the Application Form
“Bidding Period”/ “Issue Period”	The period between the Issue Opening Date and Issue Closing Date inclusive of both dates during which Bidders can submit their Bids including any revision and/or modifications thereof
“CAN”/ “Confirmation of Allocation Note”	Note or advice or intimation to Bidders confirming the Allocation of Equity Shares to such Eligible QIBs after determination of the Issue Price, and requesting payment for the entire applicable Issue Price for all the Equity Shares Allocated to such Eligible QIBs
“Closing Date”	The date on which the Allotment of the Equity Shares offered pursuant to this Issue shall be made, i.e. on or about December 15, 2017
“Cut-off Price”	The Issue Price of the Equity Shares to be issued pursuant to the Issue which has been finalised by our Company in consultation with the BRLMs and the GCBRLMs
“Designated Date”	The date of credit of Equity Shares pursuant to the Issue to the Allottee’s

Term	Description
	demat account, as applicable to the relevant Allottee
"Eligible FPIs"	FPIs that are eligible to participate in this Issue and do not include qualified foreign investors or Category III foreign portfolio investors (who are not eligible to participate in the Issue)
"Eligible QIBs"	QIBs which are not excluded pursuant to regulation 86(1)(b) of the SEBI ICDR Regulations. With respect to non-resident QIBs participation in this Issue, only Eligible FPIs participating only under Schedule 2 of the FEMA 2017 will be considered as Eligible QIBs and no other non-resident QIBs including FVCIs, multilateral and bilateral development financial institutions are permitted to participate in the Issue.
"Equity Shares"	The equity shares of face value Rs. 2 each of our Company
"Escrow Account"	The account titled 'Natco Pharma – QIP 2017 Escrow Account' opened with the Escrow Agent, subject to the terms of the Escrow Agreement, into which the application monies payable by Bidders in connection with subscription to Equity Shares pursuant to the Issue shall be deposited
"Escrow Bank"/ "Escrow Agent"	IDFC Bank Limited
"Escrow Agreement"	The agreement dated December 11, 2017 entered into amongst our Company, the Escrow Agent and the BRLMs and the GCBRLMs
"Floor Price"	The floor price of Rs. 937.63 per Equity Share, which has been calculated in accordance with Chapter VIII of the SEBI ICDR Regulations. In terms of the SEBI ICDR Regulations, the Issue Price cannot be lower than the Floor Price. Our Company has offered a discount of 2.41% i.e. Rs. 22.63 on the Floor Price of Rs. 937.63 per Equity Share in terms of Regulation 85 of the SEBI ICDR Regulations
"Global Coordinator Book Running Lead Managers" / "GCBRLMs"	Jefferies India Private Limited and Credit Suisse Securities (India) Private Limited
"Issue"	The issue and Allotment of 10,000,000 Equity Shares each at a price of Rs. 915 per Equity Share, including a premium of Rs. 913 per Equity Share, aggregating Rs. 9,150 million pursuant to Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013
"Issue Closing Date"	December 14, 2017 the last date up to which the Application Forms were accepted by our Company (or the BRLMs and the GCBRLMs, on behalf of our Company)
"Issue Opening Date"	December 11, 2017**,** the date on which the acceptance of the Application Forms commenced by our Company (or the BRLMs and the GCBRLMs, on behalf of our Company)
"Issue Price"	A price per Equity Share of Rs. 915
"Issue Size"	The aggregate size of the Issue, aggregating to Rs. 9,150 million
"Mutual Fund"	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended
"Pay-In Date"	Last date specified in the CAN for the payment of application monies by Bidders in the Issue
"Placement Agreement"	The agreement dated December 11, 2017 entered into between our Company and the BRLMs and the GCBRLMs
"Placement Document"	This Placement Document dated December 14, 2017 issued in accordance with Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013
"Preliminary Placement Document"	The Preliminary Placement Document dated December 11, 2017 issued in accordance with Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013
"QIBs"/ "Qualified Institutional Buyers"	A qualified institutional buyer as defined under Regulation 2(1)(zd) of the SEBI ICDR Regulations
"QIP"	Qualified institutions placement, being private placement to Eligible QIBs under Chapter VIII of the SEBI ICDR Regulations and applicable sections of the Companies Act, 2013, read with applicable rules of the Companies

Term	Description
	(Prospectus and Allotment of Securities) Rules, 2014
"Relevant Date"	December 11, 2017, which is the date of the meeting wherein the Board of Directors, or a duly authorised committee, decided to open the Issue

Conventional and General Terms/Abbreviations

Term	Description
"AGM"	Annual general meeting
"AIF(s)"	Alternative investment funds, as defined and registered with SEBI under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012
"AS"	Accounting Standards issued by the Institute of Chartered Accountants of India
"AY"	Assessment year
"BSE"	BSE Limited
"Category III Foreign Portfolio Investors"	An FPI registered as a category III foreign portfolio investor under the SEBI FPI Regulations
"CDSL"	Central Depository Services (India) Limited
"CESTAT"	Custom Excise and Service Tax Appellate Tribunal
"CIN"	Corporate identification number
"Companies Act"	The Companies Act, 1956 and/or the Companies Act, 2013, as applicable
"Companies Act, 1956"	The Companies Act, 1956 and the rules made thereunder (without reference to the provisions thereof that have ceased to have effect upon the notification of the Notified Sections)
"Companies Act, 2013"	The Companies Act, 2013 and the rules made thereunder to the extent in force pursuant to the notification of the Notified Sections
"Competition Act"	The Competition Act, 2002
"Credit Suisse"	Credit Suisse Securities (India) Private Limited
"CSR"	Corporate Social Responsibility
"Depositories Act"	The Depositories Act, 1996
"Depository"	A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participants) Regulations
"DP"/ "Depository Participant"	A depository participant as defined under the Depositories Act
"DIN"	Director Identification Number
"EBITDA"	Earnings Before Interest Tax Depreciation and Amortization
"Edelweiss"	Edelweiss Financial Services Limited
"EGM"	Extraordinary general meeting
"EPS"	Earnings per share, i.e., profit after tax for a financial year divided by the weighted average number of equity shares during the financial year
"ESOP"	Employee stock option scheme
"FD"	Fixed Deposit
"FDI"	Foreign Direct Investment
"FDI Policy"	Consolidated Foreign Direct Investment Policy notified under Circular No. D/o IPP F. No. 5(1)/2017-FC-1, effective from August 28, 2017
"FEMA"	Foreign Exchange Management Act, 1999, and the regulations framed thereunder
"FEMA 20"	The Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017
"Financial Year" / "Fiscal Year"/ "Fiscal"/ "FY"	A period of 12 months ending March 31, unless otherwise stated
"FPI"/ "Foreign Portfolio Investor(s)"	Foreign portfolio investors as defined under the SEBI FPI Regulations and includes a person who has been registered under the SEBI FPI Regulations.
"FVCI"	Foreign venture capital investors as defined under and registered with SEBI pursuant to the Securities and Exchange Board of India (Foreign Venture

Term	Description
	Capital Investors) Regulations, 2000
"GAAP"	Generally accepted accounting principles
"GDP"	Gross domestic product
"GoI"/"Government"	Government of India
"ICAI"	The Institute of Chartered Accountants of India
"Ind AS"/"IAS Rules"	Indian accounting standards as notified by the MCA vide Companies (Indian Accounting Standards) Rule 2015 in its G.S.R dated February 16, 2015
"Indian GAAP"	Generally accepted accounting principles in India
"Income Tax Act"/"IT Act"	The Income Tax Act, 1961
"ITAT"	Income Tax Appellate Tribunal
"Listing Regulations"	The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
"Mn"/ "million"	Million
"MCA"	Ministry of Corporate Affairs
"MIS"	Management information system
"MoU"	Memorandum of Understanding
"Networth"	Paid up share capital plus all reserves and surplus (excluding revaluation reserves)
"Non-Resident Indian(s)"/ "NRI"	Non-Resident Indian, as defined under Foreign Exchange Management (Deposit) Regulations, 2016
"Notified Sections"	Sections of the Companies Act, 2013 that have been notified by the Government of India
"NSDL"	National Securities Depository Limited
"NSE"	National Stock Exchange of India Limited
"p.a."	Per annum
"PAN"	Permanent account number
"PAT"	Profit after tax
"PBT"	Profit before tax
"RBI"	The Reserve Bank of India
"RBI Act"	The Reserve Bank of India Act, 1934
"Regulation S"	Regulation S under the Securities Act
"Rs"/"Rupees"/"Indian Rupees"	The legal currency of India
"RoC"	Registrar of Companies, Andhra Pradesh and Telangana
"RoC, AP"	Registrar of Companies, Andhra Pradesh
"SCRA"	Securities Contracts (Regulation) Act, 1956
"SCRR"	Securities Contracts (Regulation) Rules, 1957
"SEBI"	Securities and Exchange Board of India
"SEBI Act"	The Securities and Exchange Board of India Act, 1992
"SEBI AIF Regulations"	The Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012
"SEBI FPI Regulations"	The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014
"Insider Trading Regulations"	The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015
"SEBI ICDR Regulations"	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009
"Securities Act"	U.S. Securities Act of 1933
"SEZ"	Special Economic Zone
"Stock Exchanges"	BSE and NSE
"Supreme Court"	Supreme Court of India
"Takeover Regulations"	The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
"U.S. GAAP"	Generally accepted accounting principles in the United States of America
"U.S.$" / "USD" / "U.S. dollar"	United States Dollar, the legal currency of the United States of America
"USA"/ "U.S."/ "United	The United States of America

Term	Description
States”	
“VCF”	Venture capital fund as defined and registered with SEBI under the Securities and Exchange Board of India (Venture Capital Fund) Regulations, 1996 or the SEBI AIF Regulations, as the case may be

Technical and Industry Terms

Term	Description
“ANDA”	Abbreviated New Drug Application
“ANVISA”	The National Health Surveillance Agency, Brazil
“APIs”	Active pharmaceutical ingredients
“Bayer”	Bayer Corporation
“BMS”	Bristol-Myers Squibb Company
“CDSCO”	Central Drugs Standard Control Organization, India
“cGMP”	Current Good Manufacturing Purposes
“CML”	Chronic myeloid leukemia
“CNS”	Central nervous system
“DCA”	Drug Control Administration
“DCLA”	Drug Controlling and Licensing Authority
“DMF”	Drug Master Files
“DSIR”	Department of Scientific and Industrial Research
“EU GMP”	European Union Good Manufacturing Practice
“FDF”	Finished dosage formulation
“FTF”	First to file under Paragraph IV ANDA filing
“Gilead”	Gilead Sciences Ireland UC
“GMP (CDSCO)”	Good Manufacturing Practice certification by CDSCO
“IMS”	IMS Health Information and Consulting Services India Private Limited, Mumbai
“IPAB”	Intellectual Property Appellate Board
“IPR”	Intellectual property rights
“NCE”	New chemical entity
“NDDS”	New drug delivery system
“NDA”	New drug application
“Paragraph IV Certification”	Pursuant to use of a Paragraph IV certification, a generic manufacturer can either challenge the validity of applicable patents in the NDA or certify that the generic equivalent product will not infringe any patent held by the pioneer drug company whose patent(s) is part of the NDA. The generic manufacturer contemporaneously with its Paragraph IV certification must notify the innovator manufacturer that it is filing a Paragraph IV certification with its ANDA.
“PMDA Japan“	Pharmaceuticals and Medical Devices Agency, Japan
“Ph.D”	Doctor of Philosophy
“R&D”	Research and development
“TGA”	Therapeutic Goods Administration, Australia
“TPD Canada”	Therapeutic Products Directorate, Canada
“USFDA”	United States Food and Drug Administration
“WHO”	World Health Organization

DISCLOSURE REQUIREMENTS UNDER FORM PAS-4 PRESCRIBED UNDER THE COMPANIES ACT, 2013

The table below sets out the disclosure requirements as provided in PAS-4 and the relevant pages in this Placement Document where these disclosures, to the extent applicable, have been provided.

Sr. No.	Disclosure Requirements	Relevant Page of this Placement Document
1.	**GENERAL INFORMATION**	
(a)	Name, address, website and other contact details of the company indicating both registered office and corporate office.	Cover page
(b)	Date of incorporation of the company.	Cover page, 212
(c)	Business carried on by the company and its subsidiaries with the details of branches or units, if any.	95-109
(d)	Brief particulars of the management of the company.	149-157
(e)	Names, addresses, DIN and occupations of the directors.	149-151
(f)	Management's perception of risk factors.	41-63
(g)	Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of:	211
(i)	Statutory dues;	211
(ii)	Debentures and interest thereon;	NA
(iii)	Deposits and interest thereon; and	NA
(iv)	Loan from any bank or financial institution and interest thereon.	NA
(h)	Names, designation, address and phone number, email ID of the nodal/ compliance officer of the company, if any, for the private placement offer process.	213
2.	**PARTICULARS OF THE OFFER**	32
(a)	Date of passing of board resolution.	32
(b)	Date of passing of resolution in the general meeting, authorising the offer of securities.	32
(c)	Kinds of securities offered (i.e. whether share or debenture) and class of security.	Cover page, 32
(d)	Price at which the security is being offered including the premium, if any, along with justification of the price.	Cover page, 32
(e)	Name and address of the valuer who performed valuation of the security offered.	NA
(f)	Amount which the company intends to raise by way of securities.	Cover page and 32
(g)	Terms of raising of securities:	
(i)	Duration, if applicable;	NA
(ii)	Rate of dividend or rate of interest	NA
(iii)	Mode of payment	NA
(iv)	Repayment	NA
(h)	Proposed time schedule for which the offer letter is valid.	33
(i)	Purposes and objects of the offer.	71
(j)	Contribution being made by the promoters or directors either as part of the offer or separately in furtherance of such objects.	72
(k)	Principle terms of assets charged as security, if applicable.	NA
3.	**DISCLOSURES WITH REGARD TO INTEREST OF DIRECTORS, LITIGATION ETC.**	
(i)	Any financial or other material interest of the directors, promoters or key managerial personnel in the offer and the effect of such interest in so far as it is different from the interests of other persons	154 and 156
(ii)	Details of any litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against any promoter of the offeree company during the last three years immediately preceding the year of the circulation of the offer letter and any direction issued by such	211

Sr. No.	Disclosure Requirements	Relevant Page of this Placement Document
	Ministry or Department or statutory authority upon conclusion of such litigation or legal action shall be disclosed	
(iii)	Remuneration of directors (during the current year and last three Financial Years)	152
(iv)	Related party transactions entered during the last three Financial Years immediately preceding the year of circulation of offer letter including with regard to loans made or, guarantees given or securities provided	F pages (214)
(v)	Summary of reservations or qualifications or adverse remarks of auditors in the last five Financial Years immediately preceding the year of circulation of offer letter and of their impact on the financial statements and financial position of the company and the corrective steps taken and proposed to be taken by the company for each of the said reservations or qualifications or adverse remark	144-148
(vi)	Details of any inquiry, inspections or investigations initiated or conducted under the Companies Act, 2013 or any previous company law in the last three years immediately preceding the year of circulation of offer letter in the case of company and all of its subsidiaries. Also if there were any prosecutions filed (whether pending or not) fines imposed, compounding of offences in the last three years immediately preceding the year of the offer letter and if so, section-wise details thereof for the company and all of its subsidiaries	211
(vii)	Details of acts of material frauds committed against the company in the last three years, if any, and if so, the action taken by the company	211
4.	**FINANCIAL POSITION OF THE COMPANY**	
(a)	the capital structure of the company in the following manner in a tabular form:	74
(i)(a)	the authorised, issued, subscribed and paid up capital (number of securities, description and aggregate nominal value)	74
(b)	size of the present offer	Cover page, 32
(c)	paid up capital: A. after the offer	32, 74
	B. after conversion of convertible instruments (if applicable)	NA
(d)	share premium account (before and after the offer)	74
(ii)(a)	the details of the existing share capital of the issuer company in a tabular form, indicating therein with regard to each allotment, the date of allotment, the number of shares allotted, the face value of the shares allotted, the price and the form of consideration Provided that the issuer company shall also disclose the number and price at which each of the allotments were made in the last one year preceding the date of the offer letter separately indicating the allotments made for considerations other than cash and the details of the consideration in each case	74-76
(b)	Profits of the company, before and after making provision for tax, for the three Financial Years immediately preceding the date of circulation of offer letter	F pages (214)
(c)	Dividends declared by the company in respect of the said three Financial Years; interest coverage ratio for last three years (Cash profit after tax plus interest paid/interest paid)	77 and 125
(d)	A summary of the financial position of the company as in the three audited balance sheets immediately preceding the date of circulation of offer letter	34-36
(e)	Audited Cash Flow Statement for the three years immediately preceding the date of circulation of offer letter	40
(f)	Any change in accounting policies during the last three years and their effect on the profits and the reserves of the company.	127
5.	**DECLARATION BY THE DIRECTORS**	215-216
(a)	The company has complied with the provisions of the Act and the rules made thereunder.	216
(b)	The compliance with the Act and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government.	216

Sr. No.	Disclosure Requirements	Relevant Page of this Placement Document
(c)	The monies received under offer shall be used only for the purposes and objects indicated in the Offer letter.	216

SUMMARY OF BUSINESS

We are an R&D focused, vertically integrated pharmaceuticals company engaged in the development, manufacture and marketing of finished dosage formulations ("**FDF**") and active pharmaceutical ingredients ("**APIs**"), including niche and technically complex molecules. Our end-to-end capabilities comprise a strong R&D team, manufacturing facilities that produce a wide variety of dosage forms and in-house API capabilities.

Our pharmaceutical business is organized into domestic and international operations, according to the geographies in which we operate. For Fiscal 2017, our domestic and international operations accounted for 44.64% and 55.36%, respectively, of our revenue from operations. For six months ended September 30, 2017, our domestic and international operations accounted for 50.80% and 49.20%, respectively, of our revenue from operations.

We have a well established presence in the domestic formulations market, particularly in gastro hepatology and oncology therapeutic areas. In gastro hepatology therapeutic area, we have the leading market share in Hepatitis C drugs in India. *(Source: CARE Report)* We are also one of the major pharmaceutical companies in oncology therapeutic area in India. *(Source: CARE Report)* Further, we have diversified our product portfolio by launching products in Cardiology and Diabetology therapeutic areas in 2017.

We are focused on complex generics for the US market and our product portfolio is predominantly focused on high-barrier-to-entry products that are either difficult to formulate or manufacture or may face complex legal and regulatory challenges. We also have a longstanding track-record of alliances with global pharmaceutical companies for developing, manufacturing and marketing of pharmaceutical products. As of September 30, 2017, our portfolio includes 22 Paragraph IV filings.

Outside of India and the United States, we have grown our formulations business in several countries across North America, selected markets in Europe, Latin America and the Asia Pacific region. We market and distribute our products in Canada through our Subsidiary. In Europe, we primarily sell our products in United Kingdom and Germany through our business partners. Our formulations business in Latin America is primarily focused on the markets in Brazil and Venezuela. In addition, we also market our products in emerging markets in Asia-Pacific such as Singapore.

We also manufacture APIs which are primarily used for captive consumption. We also sell APIs to customers in domestic and various international markets such as Canada, Europe and certain countries in the Middle East. We have the capabilities to develop and manufacture products with multi-step synthesis which may comprise of semi synthetic fusion technologies, high-potency APIs and peptide chemistry. As of September 30, 2017, we have filed 42 active DMFs with the USFDA for our API products in therapeutic areas such as oncology, central nervous system, anti-asthmatic, anti-depressant and gastrointestinal disorders.

Our R&D efforts are primarily focused across the value chain of generics development for simple as well as differentiated dosage forms like modified release oral solids and API process development. We have a team of 245 scientists working across two R&D facilities located in India. As of September 30, 2017, we had filed 44 ANDAs, of which 27 ANDAs have received approval (including tentative approvals) We spent Rs. 703 million (6.45% of total revenue) and Rs. 1,216 million (5.85 % of total revenue)) in R&D expenditure during Fiscal 2016 and Fiscal 2017, respectively. We have also been granted approximately 216 patents worldwide, including granted patents we no longer maintain in force, as of September 30, 2017.

Our business operations are supported by modern manufacturing facilities located in India. We have seven manufacturing facilities engaged in manufacturing of formulations and APIs and four of our manufacturing facilities have received one or more approvals from regulatory authorities such as USFDA, Public Health Service of the Netherlands (EU GMP), German Health Authority, PMDA of Japan, Cofepris of Mexico and ANVISA of Brazil. As of September 30, 2017, we exported our products to approximately 40 countries.

Our total revenues for Fiscal 2016, Fiscal 2017 and the six months ended September 30, 2017, were Rs. 10,897 million. Rs. 20,789 million and Rs. 8,809 million, respectively.

Our Strengths

The following are our key strengths which we believe enable us to compete in our principal markets:

Well established presence in Domestic Formulations Market

We have a well-established presence in the domestic formulations market, particularly in gastro hepatology and oncology therapeutic areas. In gastro hepatology therapeutic area, we have the leading market share in Hepatitis C drugs in India (*Source: CARE Report*). Our Company has entered into a long-term license agreement with Gilead Sciences Ireland UC ("Gilead") to manufacture and sell Sofosbuvir, Ledipasvir and Velpatasvir (which are used for treatment of Hepatitis C) within specified jurisdictions. Under the terms of this license agreement, our Company is required to make royalty payments on the sale of products in each jurisdiction for a specified duration after which our Company acquires a perpetual royalty free license to sell products within the permissible jurisdictions. Our Company has also entered into a tripartite sublicense and technology transfer agreement with Bristol-Myers Squibb Company and the Medicines Patent Pool Foundation for the manufacture and sale of Daclatasvir in specified jurisdictions for the term of the patent. After the expiry of the patent, our Company will obtain a perpetual royalty free license to sell products within specified jurisdictions. We have launched generic sofosbuvir and its combinations for the treatment of Hepatitis C in India under the brands, Hepcinat Hepcinat LP, Velpanat and Natdac. As per data from AWACS, as of September 30, 2017, our aggregate market share for these brands in India was 52.34%, 49.65%, 21.08% and 67.14%, respectively.

We are one of the major pharmaceutical companies in domestic oncology therapeutic area. (*Source: CARE Report*) As of September 30, 2017, we had a portfolio of 30 products catering to various oncology diseases including breast, brain, bone, lung and ovarian cancer. Our oncology portfolio in India has six key brands, i.e. Veenat, Lenalid, Erlonat, Geftinat, Sorafenat and Bortenat, each of which has annual sales value of over Rs. 100 million for Fiscal 2017. We continually evaluate our product basket and focus on introducing new formulations in the oncology therapeutic area. Over the years, we have increased our product portfolio, starting from six products in 2004 to 30 active products, as of September 30, 2017. The Indian oncology market was valued at around Rs. 38,000 million in Fiscal 2017. (*Source: CARE Report*) As a result of our existing market position and product portfolio, we believe we are well positioned to capitalise on the expected growth in oncology therapeutic area.

Further, we diversified our product portfolio in India by launching products in Cardiology and Diabetology therapeutic areas in 2017. We believe that a diversified product portfolio diminishes the risk associated with the dependence on any particular therapeutic area. Our diverse range of products also allows us to achieve sales and distribution synergies and economies of scale.

Our marketing and distribution network in India consists of a specialized field force of approximately 420 marketing personnel and approximately 500 distributors, as of September 30, 2017, which enables us to increase the reach of our products in the domestic market. In addition, we also market our products directly to the hospitals, which continue to be an important channel of distribution, in India, especially for oncology products. We believe that our extensive distribution network enables us to increase our market share across key therapeutic areas and sustain our leadership position.

Focused approach to product selection targeting high-barrier-to-entry formulations in the United States

We are focused on complex generics for the US market and our product portfolio is predominantly focused on high-barrier-to-entry products that are either difficult to formulate or manufacture. As part of our de-risking strategy, we enter into product specific partnerships with global generic pharmaceutical to apply for ANDA approvals in the United States and market our products. As of September 30, 2017, our portfolio includes 27 approvals, including tentative approvals, and our key product launches within the last twelve months, include,

- Glatiramer Acetate (20mg and 40mg), a multiple sclerosis drug;
- Oseltamivir Phosphate- both oral solid dosage and suspension versions, for the treatment variants of influenza A and B;
- Liposomal Doxorubicin, for treatment of ovarian cancer; and
- Lanthanum Carbonate, for treatment of end stage renal disease.

Further, some of our products are difficult to manufacture, such as Glatiramer Acetate which involves peptide chemistry technology, liposomal doxorubicin with difficult drug delivery system, thereby leading to high entry-barriers for competitors. Our Company has entered into an exclusive license and supply

agreement with Mylan Inc., for the manufacture and supply of Glatiramer Acetate to Mylan Inc. and its affiliates. Mylan Inc. is permitted to sell such product within the United States, and our Company is entitled to receive a share of profits on such sales. We have also demonstrated our ability to handle complex manufacturing processes, such as lyophilization and complete isolation technology to manufacture cytotoxic products.

Manufacturing Facilities with Focus on Quality Assurance

We operate seven facilities engaged in manufacturing of FDFs and APIs in India. Our FDFs are manufactured at five facilities, of which two are located in Dehradun, Uttarakhand, two in Telangana (Kothur and Nagarjuna Sagar) and one in Guwahati, Assam. Our API products are manufactured at two facilities, of which one is located in Mekaguda, Telangana and second at Manali, Chennai. Four of our manufacturing facilities have been approved by either one or more foreign regulatory authorities such as USFDA, Public Health Service of the Netherlands (EU GMP), German Health Authority, PMDA of Japan, Cofepris of Mexico and ANVISA of Brazil. For further details, see "*Business – Manufacturing Process and Facilities*".

We believe quality is a key differentiator in our business and have adopted uniform manufacturing standards across all our facilities and to achieve standardized product quality for all our markets. We are capable of manufacturing wide range of dosage forms including oral solids, liquids and parenterals. We also manufacture products that require a specialized environment for manufacturing.

Strong Research & Development Capabilities

We are a R&D driven company and believe that our focus on R&D has been critical to our success. Our R&D activities primarily include developing new products, improving existing products and drug delivery systems and expanding product applications. We have two R&D centres in India and employed 245 scientists, as of September 30, 2017. We have R&D capabilities across synthetic chemistry, biotech and fermentation, nano-pharmaceuticals, new drug discovery and cell biology. Our scientists also have expertise in polymer based chemistry, peptides chemistry and cyto-toxic chemistry which we believe are critical part of our R&D capabilities.

For our international business, our R&D team works with our strategic partners to file Abbreviated New Drug Applications ("ANDAs"), in the United States. As of September 30, 2017, we had filed 44 ANDAs, of which 27 ANDAs have received approval, including 3 tentative approvals. Within our ANDAs filed, we made 22 Paragraph IV filings, of which 10 have received approvals (including tentative approvals). Over the years, our R&D team has also filed several Drug Master Files for niche API products with the USFDA. We spent Rs. 703 million (6.45% of total revenue) and Rs. 1,216 million (5.85% of total revenue) in R&D expenditure during Fiscal 2016 and Fiscal 2017, respectively.

Experienced Management Team

Our Promoter Directors and our Board of Directors have played a key role in developing our business and we benefit from their significant experience in the pharmaceuticals industry. We also have a qualified senior management team that has significant experience in all aspects of our business. We believe that our domain knowledge and experience of our Promoter Directors, executive directors and our senior management team in the pharmaceutical industry provides us with a significant competitive advantage as we seek to grow in our existing markets and enter new geographies.

Our Strategies

We focus on maintaining our market leading position in India, while seeking to significantly expand our international business, both in developed and other markets. In particular, we adopt the following key business strategies:

Grow our Domestic Formulations Business

Our domestic formulations business accounted for 42.66% and 45.56% of our revenue from operations for Fiscal 2017 and six months ended September 30, 2017 and will continue to be a significant part of our growth strategy in the future. We believe that consolidating our position in the therapeutic areas where we have a presence currently, namely, gastro hepatology, oncology, cardiology and diabetology would be key to our

growth in Indian branded generics market.

We are one of the major pharmaceutical companies in the domestic oncology therapeutic area. (*Source: CARE Report*) .The Indian oncology market was valued at around Rs. 38,000 million in Fiscal 2017. As India's cancer burden grows, the Indian cancer drug market is expected to grow significantly in the coming years. The oncology market in India is growing at approximately 20.00% every year since 2015 and is expected to further grow for the next three to five years. (*Source: CARE Report*) We intend to continue to consolidate our position in oncology therapeutic area in India where we believe there is significant growth potential. We intend to increase our presence across oncology segment in India by leveraging our R&D capabilities, with a strong focus on brand building, patient support programs and customer relationship management. As part of our strategy to increase our presence in oncology segment, we have launched generic Bone Marrow Transplant (BMT) product, Thiotepa and intend to build a full-fledged BMT portfolio in India.

We also conduct several awareness programs through camps across India for raising awareness around Hepatitis C and gastroentology. Our marketing and distribution network in India comprises of a specialized field force of approximately 420 marketing personnel and approximately 500 distributors, as of September 30, 2017, which expands our reach for our products in the Indian market.

In 2017, in line with our strategy to diversify domestic formulations portfolio, we launched products in Cardiology and Diabetology therapeutic areas. Cardiology is the second largest therapy area and diabetology is the fourth largest therapy area in India (*Source: CARE Report*). We believe that our entry into these therapeutic areas with well-focused niche products will provide us with significant growth opportunities. We currently intend to differentiate ourselves by launching specialized products in these highly fragmented therapeutic areas.

Expand our Portfolio of Products in the United States

Our strategy in the United States focuses on high-barrier-to-entry products that are either difficult to formulate and/or difficult to manufacture or may face complex legal and regulatory challenges. We intend to continue to focus on the existing and new generic products and enhance our product portfolio by making additional ANDA filings. We identify new potential opportunities in the generics space and either file paragraph IV ANDAs (either challenging the patent of the patent-holder or claiming non-infringement of the patent) or file for approvals to market generics when these products go off-patent. For example, during Fiscal 2017, this strategy was successfully leveraged as we received final approval on ANDA for generic versions of Oseltamivir Phosphate oral capsules from the USFDA.

We will continue to work with our strategic partners to either file for patent challenges or file for approvals to market generics when these products go off-patent. We seek to leverage our experience and research and development capabilities to assist in regulatory filings and approvals with our strategic partners. We have expanded our portfolio of approved products from 12 in Fiscal 2015 to 27 products, as of September 30, 2017. We expect to continue to increase our R&D efforts towards complex chemistries to grow our product portfolio in the United States. We are focused on developing and filing more ANDA's are the area of niche, differentiated products which we believe provide better growth opportunities and would help us in developing our business in the United States.

Grow our Presence Outside of India and the United States

We intend to continue to grow our sales in existing geographies in Europe Canada, Brazil and grow our market share in newer markets such as Australia and Philippines by increasing our product portfolio in these markets. Our growth strategy will vary from country to country depending on applicable regulatory requirements. In Europe, we primarily sell our products in the United Kingdom and Germany through our business partners. We will continue to carefully select products of value for launch in Europe. We are in the process of marketing and distributing our products in South East Asia through our Subsidiary in Singapore and other third party distributors. We intend to market and distribute our products in Australia through our subsidiary as well as through third party business partners. In the future, we may either engage with companies with strong local presence or alternatively appoint local distributors through whom we can undertake our own sales and marketing, in Europe and rest of the world.

We intend to expand our presence in markets across Latin America and the Asia Pacific region by leveraging our existing relationships with customers and expanding our product portfolio. We also intend to market and

sell certain selected products that we develop for India, the United States and other regulated markets in these emerging markets. Our strategy in emerging markets will be to create strong local presence and expertise with required infrastructure and develop capabilities to exploit growth potential offered by these markets. We are also focused on growing the reach of the Hepatitis C generic which is presently sold by us in 10 countries.

Expand our manufacturing and R&D capabilities

We presently operate seven manufacturing facilities which are located in Telangana, Tamil Nadu, Uttarakhand and Assam, engaged in manufacturing of formulations and APIs. We plan to increase our formulation manufacturing capabilities and towards this strategy, we are currently constructing another facility in Visakhapatnam, which is located in a SEZ location, and will provide us certain tax benefits. We expect that our Visakhapatnam facility will be ready to commence operations by 2018. We intend to apply for USFDA approval for the facility at Visakhapatnam, which would enable us to sell products from this facility in international markets. We believe that expanding our manufacturing capabilities will enable us to de-risk our manufacturing output as well as increase our overall production capacity. We also intend to enhance our production capacity and capabilities through additional capital expenditure in our existing manufacturing facilities at Kothur, Telangana; Mekaguda, Telangana and Manali, Chennai. For details, see "Use of Proceeds".

We continually aim to develop advanced range of our treatment options, enhance our product portfolio, expand into niche therapeutic areas, achieve technical competitiveness and bring in cost efficiency in existing products and processes, through investment in R&D. We intend to increase our R&D capabilities and expertise in niche areas with high entry barrier such as NCEs and differentiated dosage forms for generic products like modified release oral solids, as well as speciality generic products, which offer significant market opportunities.

Growth through Strategic Acquisitions

Our strategy to provide a broad range of products requires a wide array of technologies and capabilities. The rapid pace of technological development in the pharmaceuticals industry, specialized expertise required in different areas of medicine and the process of bringing a product from development to market make it difficult for us to grow our business only organically. Therefore, in addition to organic growth through our R&D efforts, we continue to explore acquisition targets to grow our business for key therapeutic areas by unlocking potential efficiency and synergy benefits. Where appropriate and advantageous for our business, we intend to selectively pursue opportunities that will:

- strengthen our market position;
- strengthen or expand our domestic product portfolio including oncology and gastro hepatology as well as newer therapeutic areas for us such as cardiology and diabetology;
- enhance our technical capabilities;
- acquire new products in existing or different therapeutic areas; and
- increase our sales, marketing and distribution network, customers and geographical reach.

SUMMARY OF THE ISSUE

The following is the general summary of the terms of the Issue. The summary should be read in conjunction with, and is qualified in its entirety by, more detailed terms appearing elsewhere in this Placement Document, including under the sections titled "Risk Factors", "Use of Proceeds", "Issue Procedure" and "Description of Equity Shares" on pages 41, 71, 161 and 186, respectively.

Issuer	Natco Pharma Limited
Issue Size	10,000,000 Equity Shares aggregating to Rs. 9,150 million A minimum of 10% of the Issue Size, i.e. at least 1,000,000 Equity Shares, shall be available for Allocation to Mutual Funds only, and the balance 9,000,000 Equity Shares shall be available for Allocation to all Eligible QIBs, including Mutual Funds In case of under-subscription or no subscription in the portion available for Allocation only to Mutual Funds, such portion or part thereof may be Allotted to other Eligible QIBs
Face Value	Rs. 2 per Equity Share
Issue Price	Rs. 915 per Equity Share
Minimum Offer Size	Minimum value of offer or invitation to subscribe to each Eligible QIB is Rs. 20,000 of the face value of the Equity Shares
Floor Price	Rs. 937.63 per Equity Share. Our Company has offered a discount of 2.41% (i.e. Rs. 22.63) on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations. The Floor Price, net of discount of 2.41% is Rs. 915
Eligible Investors	Eligible QIBs, to whom the Preliminary Placement Document and the Application Form has been circulated and who are eligible to bid and participate in the Issue. See "*Issue Procedure*", "*Selling Restriction"* and *"Transfer Restrictions*" on pages 161, 174 and 180, respectively. The list of Eligible QIBs to whom the Preliminary Placement Document and Application Form has been delivered was determined by the BRLMs and the GCBRLMs in consultation with our Company, at their sole discretion Other than Eligible FPIs participating in the Issue under Schedule 2 of the FEMA 2017, no other non-resident QIBs including FVCIs, multilateral and bilateral development financial institutions are permitted to participate in the Issue The Equity Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A under the Securities Act) pursuant to the private placement exemption set out in Section 4(a)(2) of the Securities Act, and (b) outside the United States, in offshore transactions, in reliance on Regulation S under the Securities Act and the applicable laws of the jurisdiction where these offers and sales occur. For further information, see "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 174 and 180, respectively
Dividend	See "*Description of Equity Shares*" and "*Dividend Policy*" on pages 186 and 77, respectively
Indian Taxation	See "*Statement of Tax Benefits*" on page 198
Date of Board Resolution authorizing the Issue	November 2, 2017
Date of passing of resolution by Shareholders authorizing the Issue	November 29, 2017
Equity Shares issued and outstanding immediately prior to the Issue	174,485,300 Equity Shares

Equity Shares issued and outstanding immediately after the Issue	184,485,300 Equity Shares
Listing	Our Company has obtained in principle approval dated December 11, 2017 in terms of Regulation 28(1) of the Listing Regulations for listing of the Equity Shares pursuant to the Issue, from the Stock Exchanges. Our Company shall make application to each of the Stock Exchanges after Allotment to obtain final listing and trading approvals for the Equity Shares
Lock-up	See "*Lock-up*" of "*Placement*" on page 172 for a description of restrictions on our Company and our Promoters in relation to Equity Shares
Transferability Restriction	The Equity Shares being Allotted pursuant to this Issue shall not be sold for a period of one year from the date of Allotment, except on the floor of the Stock Exchanges. For details in relation to other transfer restrictions, see "*Selling Restriction"* and *"Transfer Restrictions*" on pages 174 and 180, respectively.
Use of Proceeds	The net proceeds of the Issue, after deduction of fees, commissions and expenses in relation to the Issue, are expected to total approximately Rs. 8,950 million. See "*Use of Proceeds*" on page 71 for further information
Risk Factors	See "*Risk Factors*" on page 41 for a discussion of risks that you should consider before participating in the Issue
Closing Date	The Allotment is expected to be made on or about December 15, 2017
Ranking	The Equity Shares being issued pursuant to the Issue shall be subject to the provisions of the Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares including the rights in respect of dividends after the Closing Date. The holders of such Equity Shares as on the record date will be entitled to participate in dividends and other corporate benefits, if any, declared by our Company after the Closing Date, in compliance with the Companies Act. The holders of such Equity Shares may attend and vote in Shareholders' meetings in accordance with the provisions of the Companies Act. See "*Description of Equity Shares*" on page 186.
Voting Rights of Share Holders	See "*Description of Equity Shares- Voting Rights*" on page 189.
Security Codes for the Equity Shares	ISIN: INE987B01026 BSE Code: 524816 NSE Code: NATCOPHARM Bloomberg: NTCPH IN Equity

SUMMARY FINANCIAL INFORMATION

The following tables set out selected financial information derived from our Audited Consolidated Financial Statements and our Consolidated Reviewed Financial Statement, in each case prepared in accordance with the applicable accounting standards, Companies Act 2013, Companies Act 1956 and the requirements of Listing Regulations, as applicable, and presented in "Financial Information" on page 214. The selected financial information presented below should be read in conjunction with "Management's Discussion and Analysis of Our Financial Conditions and Results of Operations" and "Financial Information" on pages 110 and 214, respectively.

Summary Income Statement Information

Particulars	Six months ended September 30, 2017 (Ind AS)	Six months ended September 30, 2016 (Ind AS)
	(Rs. in millions)	(Rs. in millions)
Revenue		
Revenue from operations	8,720	8,082
Other income	89	84
Total Revenue	**8,809**	**8,166**
Expenses		
Cost of materials consumed	2,097	2,721
Excise duty	172	227
Purchases of stock–in–trade	335	643
Changes in inventories of finished goods, work-in-progress and stock in trade	(209)	(599)
Employee benefits expense	1,367	1,102
Finance costs	81	74
Depreciation and amortization expense	310	272
Other expenses	2,372	2,168
Total expenses	**6,525**	**6,608**
Profit before tax	**2,284**	**1,558**
Tax Expense		
Current tax	501	363
Deferred tax	2	39
Tax for earlier periods	-	19
Profit after tax	**1,781**	**1,137**
Other comprehensive income for the periods [net of tax]	**34**	**12**
Total comprehensive income for the period	**1,815**	**1,125**
Non-Controlling Interest	**(7)**	**(5)**
Total comprehensive income attributable to owners of parent	**1,822**	**1,130**

Particulars	Fiscal 2017 (Ind AS)	Fiscal 2016 (Ind AS)
	(Rs. in millions)	(Rs. in millions)
Revenue		
Revenue from operations	20,650	10,801
Other income	139	96
Total Revenue	**20,789**	**10,897**
Expenses		

Particulars	Fiscal 2017 (Ind AS) (Rs. in millions)	Fiscal 2016 (Ind AS) (Rs. in millions)
Cost of raw materials consumed	5,208	3,037
Excise duty	448	378
Purchases of stock–in–trade	971	152
Changes in inventories of finished goods and work-in-progress and stock in trade	(188)	(483)
Employee benefits expense	2,432	1,798
Finance costs	185	229
Depreciation and amortization expense	544	508
Other expenses	4,945	3,263
Total expenses	**14,545**	**8,882**
Profit before tax	**6,244**	**2,015**
Tax Expense		
Current tax	1,354	441
Deferred tax	1	38
Tax for earlier years	40	-
Profit after tax	**4,860**	**1,536**
Profit from Discounting Operations- net of tax	**-**	**22**
Other comprehensive income for the year-net of tax	**(34)**	**(49)**
Total comprehensive income for the year	**4,815**	**1,509**
Non-Controlling Interest	**(11)**	**(13)**
Total comprehensive income for the year attributable to owners of parent	**4,826**	**1,522**

Particulars	Fiscal 2016 (Indian GAAP) (Rs. in millions)	Fiscal 2015 (Indian GAAP) (Rs. in millions)
Revenue		
Revenue from operations (gross)	11,794	8,382
Less: Excise duty	378	129
Revenue from operations (net)	11,416	8,253
Other income	108	149
Total Revenue	**11,524**	**8,402**
Expenses		
Cost of materials consumed (including packing material consumed)	3,037	1,673
Purchases of stock–in–trade	905	843
Changes in inventories of finished goods and work-in-progress and stock in trade	(530)	(92)
Employee benefits expense	1,867	1,369
Finance costs	229	317
Depreciation and amortization expense	509	473
Other expenses	3,441	2,326
Total Expenses	**9,458**	**6,909**
Profit before exceptional items and tax	**2,066**	**1,493**
Exceptional item	-	151
Profit before tax	**2,066**	**1,342**
Profit from continuing operations before tax	1,996	1,265
Current tax	448	325
Deferred tax expense /(benefit)	31	(310)
Profit for the year from continuing operations after tax	1,517	1,250
Profit for the year from discontinuing operations before tax	71	77
Tax Expense	49	24

Particulars	Fiscal 2016 (Indian GAAP) (Rs. in millions)	Fiscal 2015 (Indian GAAP) (Rs. in millions)
Profit for the year from discontinuing operations after tax	**22**	**53**
Profit after tax and before minority interest	**1,538**	**1,303**
Minority interest	(13)	(43)
Profit for the year	**1,552**	**1,346**

Summary Balance Sheet

Particulars	As at 30 September 2017 (Ind AS) (Rs. in millions)	As at 31 March 2017 (Ind AS) (Rs. in millions)
ASSETS		
Non-current assets		
(a) Property, plant and equipment	8,989	8,272
(b) Capital work-in-progress	4,041	3,363
(c) Other intangible assets	55	58
(d) Financial assets		
Investments	4	1
Other financial assets	157	131
(e) Other non-current assets	661	478
Total	**13,907**	**12,303**
Current assets		
(a) Inventories	3,861	3,489
(b) Financial Assets		
Investments	495	321
Trade receivables	3,389	4,752
Cash and cash equivalents	113	235
Other bank balances	123	123
Loans	38	35
Other financial assets	666	752
(c) Other current assets	1,149	1,166
Total	**9,834**	**10,873**
Total assets	**23,741**	**23,176**
EQUITY AND LIABILITIES		
Equity		
(a) Equity share capital	349	349
(b) Other equity	17,755	16,144
Equity attributable to owners	**18,104**	**16,493**
Non-controlling interest	8	41
Total of Equity	**18,112**	**16,534**
Liabilities		
Non-current liabilities		
(a) Financial liabilities		
Other financial liabilities	8	8
(b) Provision for employee benefits	255	219
(c) Deferred tax liabilities (net)	152	150
Total	**415**	**377**
Current liabilities		
(a) Financial liabilities		
Borrowings	1,947	2,216
Trade payables	2,220	2,627
Other financial liabilities	747	1,014
(b) Other current liabilities	218	257
(c) Provision for employee benefits	25	18
(d) Current tax liabilities, net	57	133
Total	**5,214**	**6,265**
Total equity and liabilities	**23,741**	**23,176**

Particulars	As at March 31, 2017 (Ind AS)	As at March 31, 2016 (Ind AS)
	(Rs. in millions)	(Rs. in millions)
ASSETS		
Non-current assets		
(a) Property, plant and equipment	8,272	7046
(b) Capital work-in-progress	3,363	2118
(c) Other intangible assets	58	55
(d) Financial assets		
Investments	1	1
Other financial assets	131	106
(g) Deferred tax assets, net		
(e) Other non-current assets	478	521
	12,303	**9,847**
Current assets		
(a) Inventories	3,489	3,573
(b) Financial Assets		
Investments	321	221
Trade receivables	4,752	2,616
Cash and cash equivalents	235	242
Other bank balances	123	210
Loans	35	28
Other financial assets	752	770
(c) Income tax assets (net)	0	34
(d) Other current assets	1,166	676
	10,873	**8,370**
Total assets	**23,176**	**18,217**
EQUITY AND LIABILITIES		
Equity		
(a) Equity share capital	349	348
(b) Other equity	16,144	12,609
Equity attributable to owners	**16,493**	**12,957**
Non-controlling interest	41	49
Total of Equity	**16,534**	**13,006**
Liabilities		
Non-current liabilities		
(a) Financial liabilities		
Other financial liabilities	8	8
(b) Provision for employee benefits	219	125
(c) Deferred tax liabilities (net)	150	147
	377	**280**
Current liabilities		
(a) Financial liabilities		
Borrowings	2,216	984
Trade payables	2,627	2,756
Other financial liabilities	1,014	815
(b) Other current liabilities	257	327
(c) Provision for employee benefits	18	15
(d) Current tax liabilities, net	133	34
	6,265	**4,931**
Total equity and liabilities	**23,176**	**18,217**

Particulars	As at March 31, 2016 (Indian GAAP)	As at March 31, 2015 (Indian GAAP)
	(Rs. in million)	(Rs. in million)
Equity and liabilities		
Shareholders' funds		
Share capital	348	332
Reserves and surplus	12,635	8,129
	12,983	**8,461**
Minority interest	49	50
Non-current liabilities		
Long-term borrowings	-	970
Deferred tax liabilities (net)	144	119
Other long term liabilities	8	8
Long-term provisions	125	95
	277	**1,192**
Current liabilities		
Short-term borrowings	984	1,685
Trade payables		
- Dues to micro and small enterprises	25	15
- Dues to others	2,730	1,238
Other current liabilities	1,142	1,186
Short-term provisions	48	13
	4,929	**4,137**
Total	**18,238**	**13,840**
Assets		
Non-current assets		
Fixed assets		
Tangible assets	7,046	6,640
Intangible assets	89	459
Capital work-in-progress	2,118	1,290
Non-current investments	1	16
Long-term loans and advances	619	570
Other non-current assets	42	35
	9,915	**9,010**
Current assets		
Current investments	210	1
Inventories	3,573	2,200
Trade receivables	2,616	1,924
Cash and bank balances	451	134
Short-term loans and advances	1,038	551
Other current assets	435	20
	8,323	**4,830**
Total	**18,238**	**13,840**

Summary Cash Flow Statement

Particulars	For the six months ended September 30,	
	2017 (Rs. in million) (Ind AS)	2016 (Rs. in million) (Ind AS)
Net cash generated from/ (used in) operating activities	2,551	1,024
Net cash generated from/ (used in) investing activities	(2,079)	(1,457)
Net cash generated from/ (used in) financing activities	(370)	(204)
Net increase/ (decrease) in cash and cash equivalents	147	(623)

Particulars	For the Fiscal year ended March 31,	
	2017 (Ind AS) (Rs. In Million)	2016 (Ind AS) (Rs. In Million)
Net cash generated from/ (used in) operating activities	3,458	1,122
Net cash generated from/ (used in) investing activities	(2,994)	(1,755)
Net cash generated from/ (used in) financing activities	(1,709)	1,540
Net increase/ (decrease) in cash and cash equivalents	(1,239)	899

Particulars	For the Fiscal year ended March 31,	
	2016 (Indian GAAP) (Rs. in million)	2015 (Indian GAAP) (Rs. in million)
Net cash generated from/ (used in) operating activities	1,024	927
Net cash generated from/ (used in) investing activities	(1,755)	(1,148)
Net cash generated from/ (used in) financing activities	856	291
Net increase/ (decrease) in cash and cash equivalents	117	22

RISK FACTORS

An investment in our Equity Shares involves a high degree of risk. You should carefully consider each of the following risk factors together with all other information set forth in this Placement Document before making an investment in our Equity Shares. The risks and uncertainties described below are not the only risks that we currently face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business, prospects, results of operations, cash flows and financial condition.

If any or some combination of the following risks, or other risks that are not currently known or believed to be adverse, actually occur, our business, financial condition and results of operations could suffer, the trading price of, and the value of your investment in, our Equity Shares could decline and you may lose all or part of your investment. In making an investment decision with respect to this Issue, you must rely on your own examination of our Company and the terms of this Issue, including the merits and risks involved. To obtain a complete understanding of our Company, prospective investors should read this section in conjunction with "Business", "Industry Overview" and "Management's Discussions and Analysis of Financial Condition and Results of Operations" on pages 95, 78 and 110, respectively, as well as the financial, statistical and other information contained in this Placement Document. You should consult your tax, financial and legal advisors about the particular consequences to you of an investment in our Equity Shares.

Prospective investors should pay particular attention to the fact that our Company is incorporated under the laws of India and is subject to a legal and regulatory environment, which may differ in certain respects from that of other countries. This Placement Document also contains forward-looking statements that involve risks, assumptions, estimates and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Placement Document. See "Forward-Looking Statements" on page 15.

Unless otherwise stated, all financial information of our Company used in this section has been derived from the Consolidated Financial Statements. Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implications of any of the risks described in this section.

Risk relating to our business

1. ***If we do not successfully develop or commercialise new products in a timely manner, or if the products that we commercialise do not perform as expected, our business, results of operations and financial condition may be adversely affected.***

Our success depends significantly on our ability to develop and commercialise new niche and complex products in a timely manner. The development and commercialisation process is both time consuming and costly, and involves a high degree of business risk. During these periods, our competitors may be developing similar products of which we are unaware of that could compete directly or indirectly with our products under development. Due to the prolonged period of time for developing a new product and delays associated with regulatory approval process, we may invest resources in developing products that will face competition of which we are currently unaware. Such unforeseen competition may hinder our ability to effectively plan the timing of our product development, which could have an adverse impact on our results of operations and financial condition.

Commercialisation requires us to successfully develop, test, manufacture and obtain the required regulatory approvals for our products, while complying with applicable regulatory and safety standards in each jurisdiction we operate. In order to develop a commercially viable product, we must demonstrate, through extensive trials that the products are safe and effective for use in humans. Further, developing and commercializing a new product is time consuming, costly and subject to numerous factors, including: the ability to develop new products in a timely manner in compliance with regulatory requirements, the ability to correctly anticipate customer needs, delays or unanticipated costs, ability to scale up manufacturing methods to successfully manufacture commercial quantities of products in compliance with regulatory requirements.

Our products currently under development, if and when fully developed and tested, may not perform as we expect, or necessary regulatory approvals may not be obtained in a timely manner, or at all, and we may not be able to successfully and profitably produce and market such products. Even if we are successful in developing a new product, such product may become subject to litigation by other parties claiming that our product infringes on their patents or may be seized in transit by regulatory authorities for alleged infringement of third party intellectual

property rights or may be otherwise unsuccessful in the market place due to the introduction of superior products by our competitors. Moreover, it may take an extended period of time for our new products to gain market acceptance, if at all. To develop our product pipeline, we commit substantial time, efforts, funds and other resources for R&D. Our investments in new product launches and R&D for future products could result in higher costs without a proportionate increase in revenues, which may have an adverse effect on our business, results of operations, financial condition and cash flows.

2. We derive a significant portion of our revenue from the sale of certain products and any reduction in demand for these products could have an adverse effect on our business, results of operations and financial condition.

We generate a significant portion of our total revenue from the sale of a limited number of products. For the Fiscals 2016 and 2017 and the six months ended September 30, 2017, the sale of our top five formulations products accounted for 57.72%, 72.95% and 51.62% of our total FDF product sales, respectively. For the same periods, the sale of our top five API products accounted for 70.77% and 50.10% and 74.71% of our total API product sales, respectively. In addition, the sale of one of our products, generic Oseltamivir Phosphate which was launched in Fiscal 2017, accounted for 31.28% and 14.58% of our revenue from operations for Fiscal 2017 and the six months ended September 30, 2017, respectively.

Our revenue from the sale of products may decline as a result of increased competition, regulatory action, patent litigation, pricing pressures or fluctuations in the demand for or supply of such products. For example, we collaborated with Mylan's affiliates for the manufacture and marketing of the generic version of the drug Glatiramer Acetate in the United States, the introduction of which has been subject to patent litigation in several courts. Mylan Pharmaceuticals Inc. has received approval from the USFDA for the sale of generic Glatiramer Acetate, both versions of 20 mg and 40 mg in USA and elected to market the products even though an appeal of a lower court decision and a Patent Office decision is pending with respect to the 40 mg product. As a result of such an "at-risk" product launch, we could face the risk of incurring damages. We have also invested significant time and resources in the manufacture of Glatiramer Acetate and if we are unable to continue to sell the 40 mg product in the market, our business, results of operations and financial condition may be adversely affected.

3. We derive a significant portion of our revenue from a few customers and the loss of one or more such customers, the deterioration of their financial condition or prospects, or a reduction in their demand for our products could adversely affect our business, results of operations, financial condition and cash flows.

We are dependent on a limited number of customer groups for a significant portion of our revenues. For Fiscals 2016 and 2017 and the six months ended September 30, 2017, our top five customer groups contributed 34.14%, 47.10% and 35.98% of our Company's total revenues, respectively. Further, we currently do not have long term contractual arrangements with most of our significant customers and conduct business with them on the basis of purchase orders that are placed from time to time.

Further, some of our customers currently manufacture or may start manufacturing their own APIs and may discontinue purchasing APIs from us. The loss of one or more of our significant customers or a reduction in the amount of business we obtain from them could have an adverse effect on our business, results of operations and financial condition. Our reliance on a select group of customers may also constrain our ability to negotiate our arrangements, which may have an impact on our profit margins and financial performance. The deterioration of the financial condition or business prospects of these customers could reduce their requirement of our products and result in a significant decrease in the revenues we derive from these customers. We cannot assure you that we will be able to maintain historic levels of business from our significant customers, or that we will be able to significantly reduce customer concentration in the future.

4. Our business is subject to extensive regulation. If we fail to comply with regulations prescribed by governments and regulatory agencies, our business, results of operations and financial condition could be adversely affected.

We operate in a highly regulated industry and our operations are subject to extensive regulation in each market in which we do business. All aspects of our business, including our research and development activities, manufacturing operations and sales and marketing activities, are subject to extensive legislation and regulation by various local, regional, national and overseas regulatory regimes. Our business is also subject to, among other things, the receipt of all required licenses, permits and authorisations including local land use permits, manufacturing permits, building and zoning permits, and environmental, health and safety permits. We are also subject to the laws and regulations governing relationships with employees such as minimum wage and maximum

working hours, overtime, working conditions, hiring and termination of employees, contract labour and work permits. If we fail to comply with the applicable laws and regulations, we may be subject to penalties, including the revocation or suspension of our licenses and approvals and criminal sanctions. Our failure to obtain such licenses and approvals and comply with the applicable laws and regulations could lead to imposition of sanctions by the relevant authorities including penalties. Presently, we do not have registration for contract labour for our Registered and Corporate Office.

Further, regulatory authorities in the markets in which we market and sell our products such as United States, European Union, Latin America must approve our products before we, or our distribution agents can market them, irrespective of whether such products are approved in India or elsewhere. The penalties for non-compliance with these regulations can be severe, including the revocation or suspension of our business licenses and approvals and imposition of fines and criminal sanctions in those jurisdictions.

We also have ongoing obligations to regulatory authorities, such as the Central Drugs Standard Control Organization ("**CDSCO**") and the Food Safety and Standards Authority of India ("**FSSAI**"), in each case, in India, the United States Food and Drug Administration ("**USFDA**") in the United States, both before and after a product's commercial release. Regulatory agencies may at any time reassess our manufacturing facilities or the efficacy of our products based on newly developed scientific knowledge or other factors. For example, our facilities at Kothur and Mekaguda and products are subject to auditing processes by various regulators, including the USFDA. If such audits or other reassessments result in warnings or sanctions, the relevant regulator may amend or withdraw our existing approvals to manufacture and market our products in such relevant jurisdiction, which could adversely affect our business, results of operations and financial condition.

If we fail to comply with applicable statutory or regulatory requirements, there could be a delay in the submission or grant of approval for marketing new products. Moreover, if we fail to comply with the various conditions attached to such approvals, licenses, registrations and permissions once received, the relevant regulatory body may suspend, curtail or revoke our ability to market such products. Further, regulatory requirements are still evolving in many markets and are subject to change and as a result may, at times, be unclear or inconsistent. Consequently, there is increased risk that we may inadvertently fail to comply with such regulations, which could lead to enforced shutdowns and other sanctions imposed by the relevant authorities, as well as the withholding or delay in receipt of regulatory approvals for our new products.

5. In the United States and many of the international markets in which we sell our products, the approval process for a new product can be complex, lengthy and expensive. If we fail to obtain such approvals in a timely and cost efficient manner, or at all, our business, prospects, results of operations and financial condition could be adversely affected.

In the United States and many of the international markets in which we sell our products, the approval process for a new product can be complex, lengthy and expensive. The time taken to obtain approvals varies by country but generally takes between six months and several years from the date of application. As of September 30, 2017, we had filed 44 ANDA applications and 42 active DMF applications with the USFDA for our API products. If we fail to obtain such approvals, licenses, registrations and permissions, in a timely and cost efficient manner or at all, our business, prospects, results of operations and financial condition could be adversely affected.

In addition, if we fail to comply with applicable statutory or regulatory requirements, there could be a delay in the submission or grant of approval for marketing new products. Moreover, if we fail to comply with the conditions attached to such approvals, licenses, registrations and permissions once received, the relevant regulatory body may suspend, curtail or revoke our ability to market such products. We may also be required to defend our applications in a legal proceeding or otherwise, which may lead to an increase in time or costs for obtaining such approvals.

We also export pharmaceutical products from India, exporting API and formulation products to approximately 40 countries, including some where we have limited experience and are subject to risks related to complying with a wide variety of local laws, including restrictions on the import and export of certain intermediates, drugs, technologies and multiple and possibly overlapping tax structures. If we fail to comply with such regulations, it could lead to restrictions on sale of products, enforced shutdowns and other sanctions imposed by relevant authorities, as well as the withholding or delay in receipt of regulatory approvals for our new products.

6. Any manufacturing or quality control problems may damage our reputation and expose us to litigation or other liabilities, which could adversely affect our results of operations and financial condition.

We are required to meet stringent quality standards and specifications for manufacturing and storage of our products. We are liable for the quality of our products for the entire duration of the shelf life of the product and are exposed to claims resulting from quality control issues including manufacturing defects or negligence in storage or handling, which may lead to the deterioration of our products.

Our manufacturing facilities and products are subject to audit by regulatory agencies and if we are not in compliance with any of their requirements, our facilities and products may be the subject of a warning letter or sanctions, which could result in the withholding of product approval and the shut-down of our facilities. As part of its auditing process, a USFDA field investigator may issue a Form 483 letter (Notice of Inspectional Observations) after an on-site inspection. If we receive a Form 483 letter, we must respond in a prompt manner to avoid receiving a subsequent USFDA warning letter. For example, in the past, the USFDA has issued an FDA 483 letter for our Kothur facility. Although we have successfully responded to such USFDA letters and have received the EIR report, we cannot assure you that we will not receive warning letters at any of our facilities in the future. We are also required to meet quality standards and other specifications set out in our license agreements and other contractual arrangements.

In certain foreign jurisdictions, the quantum of damages, especially punitive, awarded in cases of product liability can be extremely high. After our products reach the market, certain developments could adversely affect demand for our products, including the regulatory review of products that are already marketed, new scientific information, greater scrutiny in advertising and promotion, the discovery of previously unknown side effects or the recall or loss of approval of products that we manufacture, market or sell.

The existence, or even threat, of a major product liability claim could damage the brand image of our products, our reputation and affect consumers' views of our other products. These and any other adverse associations with our products, including with respect to their efficacy, side effects, regulatory actions against our products, and adverse publicity arising thereto, may adversely affect our business, results of operations and financial condition. Any loss of our reputation or brand image may adversely affect our ability to enter into additional business contracts in the future.

7. Any delay in production at, the shutdown of any of our manufacturing facilities or a delay in setting up our new manufacturing facility could adversely affect our business, results of operations and financial condition.

The success of our manufacturing activities depends on, among other things, the continued functioning of our manufacturing processes and machinery, the productivity of our workforce and compliance with regulatory requirements. Any interruption at our manufacturing facilities, including natural or man-made disasters, workforce disruptions, regulatory approval delays, fire or the failure of machinery, could delay production or require us to shutdown the affected manufacturing facility. For example, the Chennai floods in November 2015, led to a shutdown of one of our facilities for few weeks. Moreover, some of our products are permitted to be manufactured at only such facility which has received specific approvals, and any shut down of such facility will result in us being unable to manufacture such product for the duration of such shut down. For example, all our formulation products that are exported to the United States are manufactured at our Kothur facility in Telangana. The sale of products into the United States from this facility accounted for 10.41%, 37.27% and 25.73% of our revenue from operations for Fiscals 2016 and 2017 and the six months ended September 30, 2017, respectively. Further, in terms of certain lease arrangement for one of our manufacturing facilities, our Company is required to obtain consent for, inter alia, alteration in capital structure of the Company, breach of which may lead to termination of the lease arrangement and forfeiture of certain part of advance amount paid. Our Company has not obtained such consent as of the date of this Placement Document

Accordingly, the shutdown of any of our facilities could result in us being unable to meet with our contractual commitments, which will have an adverse effect on our business, results of operation and financial condition. In addition, we operate in a highly regulated industry and may also be subject to manufacturing disruptions due to delays in receipt or renewal of regulatory approvals, which may require our manufacturing facilities to limit or cease production until the required approvals are received or renewed, as the case may be, or disputes concerning these approvals are resolved.

Further, we plan to increase our formulation manufacturing capabilities and are in the process of constructing another formulations facility in Visakhapatnam. The construction and opening of new manufacturing facilities is subject to certain risks that could result in delays or cost overruns, which could require us to expend additional capital. Consequently, if we are unable to set up our manufacturing facility in a timely manner and within budgeted costs, our business, results of operations and financial condition may be adversely affected.

8. We depend on third-party agreements for the manufacture of certain products and any failure to maintain these arrangements or enter into similar arrangements with new partners could adversely affect our business and prospects.

We have entered into certain third-party agreements covering a combination of joint development, manufacturing, licensing, supply, marketing and distribution of products. In addition, we have also entered into agreements with third parties for jointly developing and filing of ANDA applications for certain generic products and to subsequently sell these products in certain identified markets. These agreements require us to comply with certain conditions such as the supply of a certain quantity of products, sharing of technological information, exclusivity arrangements, conforming with certain quality standards and indemnifying our partners for losses incurred under certain circumstances. Further, certain agreements can be terminated by short notices. We expect that in near future a significant percentage of our product sales could be generated from products manufactured, supplied and distributed under such arrangements.

Our strategy also includes selectively partnering or collaborating with other pharmaceutical and related companies to assist us in potential commercialisation of our products. However, we may not be successful in entering into new collaborations with third parties on acceptable terms, or at all. If we fail to negotiate and maintain suitable development and commercialisation agreements, we may have to limit the size or scope of our manufacturing operations or we may have to delay one or more of our development or commercialisation programs. Any failure to enter into suitable arrangements with respect to the development, marketing and commercialisation of any products or our failure to develop, market and commercialise such product independently will have an adverse effect on our business, results of operations and financial condition.

9. Our success is dependent on our marketing arrangements with our partners for the sale and distribution of our products.

We export our products to approximately 40 countries worldwide. For the financial years 2016 and 2017 and the six months ended September 30, 2017, we derived 46.25%, 55.36% and 49.20% of our revenue from operations from exports from, and sales outside, India, respectively. Our marketing operations outside India are conducted directly as well through a number of local third party entity who import, register and distribute our products. Generally, our marketing partnerships agreements provide that either party may terminate such arrangements by giving a written notice. Additionally, some of these agreements may be terminated by the relevant counter party for other reasons, such as in the event certain milestones are not attained, the relevant counter party determines that the marketing of the product is no longer economically viable or the relevant counter party believes that either the product may infringe on an intellectual property right of a third party or we have breached the terms of the marketing agreement.

We retain some of our partners on a non-exclusive basis, and as a result these partners may engage in other competing businesses. We also compete for partners with other leading pharmaceutical companies that may have more visibility, greater brand recognition and financial resources, and a broader product portfolio than we do. If our competitors provide greater incentives to our partners, our partners may choose to promote the products of our competitors instead of our products and we may be unable to appoint another partner in such jurisdiction in a timely manner, or at all. Since we rely significantly on our marketing partners for sales outside India, any disruption, including our failure to renew or maintain our existing marketing agreements or enter into new marketing agreements, could adversely affect our financial condition and results of operations.

As a result of ongoing consolidation in the global generics market, it is likely that in future, a significant percentage of our revenues will be attributable to a smaller number of marketing agreements and the termination of any such marketing agreement could have an adverse effect on our revenues and profitability.

10. We derive a significant portion of our revenues from operations from a limited number of markets and any adverse developments in these markets could adversely affect our business.

We have historically derived a significant portion of our revenues from operations from a limited number of markets, namely the United States and India. For Fiscals 2016 and 2017 and the six months ended September 30, 2017, we derived 53.75%, 44.64% and 50.80% of our revenues from operations from business in India, respectively, and 10.82%, 37.77% and 26.74% of our revenues from operations from business in the United States, respectively. Our revenues from these markets may decline as a result of increased competition, regulatory action, pricing pressures or fluctuations in the demand for or supply of our products. Our failure to effectively react to these situations or to successfully introduce new products in these markets could adversely affect our business, prospects, results of operations and financial condition.

11. Our inability to accurately forecast demand for our products and manage our inventory may have an adverse effect on our business, results of operations and financial condition.

Our business depends on our estimate of the long-term demand for our products from our customers. If we underestimate demand or have inadequate capacity due to which we are unable to meet the demand for our products, we may manufacture fewer quantities of products than required, which could result in the loss of business. While we forecast the demand for our products and accordingly plan our production volumes, any error in our forecast could result in surplus stock, which may not be sold in a timely manner. At times when we have overestimated demand, we may have incurred costs to build capacity or purchased more raw materials and manufactured more products than required. Also, each of our products has a shelf life of a specified number of years and if not sold prior to expiry, may lead to losses or if consumed after expiry, may lead to health hazards. Our inability to accurately forecast demand for our products and manage our inventory may have an adverse effect on our business, results of operations, cash flows and financial condition.

12. Reforms in the health care industry and the uncertainty associated with pharmaceutical pricing, reimbursement and related matters could adversely affect the marketing, pricing and demand for our products.

In India, pharmaceutical prices, predominantly of the scheduled drugs, are subject to regulation and the Government has been actively reviewing prices for pharmaceuticals and margins offered to trade. The existence of price controls can limit the revenues we earn from our products. India enacted the National Pharmaceuticals Pricing Policy in 2012, which lays down the principles for pricing essential drugs. The drugs listed under the National List of Essential Medicines are subjected to price controls in India. On May 15, 2013, the Department of Pharmaceuticals released the revised Drugs (Prices Control) Order, 2013 ("**DPCO 2013**") (which replaced the earlier Drugs (Prices Control) Order, 1995). The DPCO 2013 governs the price control mechanism for formulations listed in the National List of Essential Medicines. Under the DPCO 2013, the price of scheduled drugs is determined on the basis of the average market price of the relevant drug, arrived at by considering the prices charged by all companies that have a market share of equal to or more than 1.0% of the total market turnover on the basis of moving annual turnover of the drug. National Pharmaceutical Pricing Authority ("**NPPA**") has subsequently released individual drug price notifications for majority of the products.

The DPCO 2013 was amended in 2016 and the Drugs (Price Control) Amendment Order, 2016 fixed or revised ceiling prices of certain formulations under the DPCO. The NPPA may also notify the ceiling price for additional formulations under the DPCO or some or all of the remaining formulations listed in the National List of Essential Medicines. The DPCO 2013 also regulates the margin that can be offered to the trade channels including the retailers. Currently, 30 of our formulation products (comprising 20 molecules with different strengths), which contributed to 24.92% of our revenues for six months ended September 30, 2017, fall within the list of scheduled formulations whose prices are regulated by the DPCO 2013.

Under terms of the DPCO 2013, non-compliance with the notified ceiling price or breaching the ceiling price would be tantamount to overcharging the consumer under the order, and the amount charged over and above the ceiling price shall be recovered along with interest thereon from the date of overcharging. Further, noncompliance with the price notification issued by NPPA, could also attract prosecution of the officers of the company under the Essential Commodities Act, 1955 including imprisonment for a term of up to seven years and shall also be liable to pay a fine. Any action against us or our management for violation of the DPCO 2013 may divert management attention and could adversely affect our business, prospects, results of operations and financial condition.

In the United States, numerous proposals that would affect changes in the United States health care system have been introduced or proposed in Congress. Further, in 2014, Congress launched an investigation to probe the escalating prices of generic drugs. In 2017, a large group of U.S states have accused key players in the generic drug industry of a broad price-fixing conspiracy in the United States. While we cannot predict the nature of the measures that may be adopted by domestic or international governmental and private organisations or their impact on our business and revenues, the announcement or adoption of any price cap proposals could increase our costs and reduce our profit margins. Furthermore, if healthcare legislation or third-party purchaser influence results in lower pharmaceutical prices, although the demand for our generic active pharmaceuticals may increase, our overall revenues may decrease and our profits could be adversely affected.

In addition, governments throughout the world heavily regulate the marketing and pricing of our products. Most countries also place restrictions on the manner and scope of permissible marketing to physicians, pharmacies and other health care professionals. The effect of such regulations may limit the amount of revenue we derive from our products. Moreover, if we fail to comply fully with such regulations, civil or criminal actions could be brought against us.

13. Stricter marketing norms prescribed by a new code of conduct in India for companies doing business in the pharmaceuticals industry could affect our ability to effectively market our products which may affect our profitability.

In December 2014, the Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers of the Government of India announced details of the Uniform Code of Pharmaceutical Marketing Practices ("**UCPMP**"), which became effective across India from January 1, 2015. The UCPMP is a voluntary code which, among other things, provides detailed guidelines about promotional materials, conduct of medical representatives, physician samples, gifts and relationships with healthcare professionals. For example, under the UCPMP, pharmaceutical companies may not supply or offer any gifts, pecuniary advantages or benefits in kind to persons qualified to prescribe or supply drugs. Further, the managing director or the chief executive officer of the company is responsible for ensuring adherence to the UCPMP and a self-declaration is required to be submitted by the managing director or the chief executive officer within two months of the closure of every financial year to the industry association. Although these guidelines are voluntary in nature, they may be made mandatory in the future and we may be required to spend a considerable amount of time and resources to conform to the requirements of the UCPMP.

Further, pursuant to a notification dated October 8, 2016, the Indian Medical Council (Professional Conduct, Etiquette and Ethics) Regulations, 2002 were amended to require that doctors in India are required to provide prescriptions to patients in terms of generic pharmaceutical names instead of particular brand or trade names of medicines. Our business relies, in part, on doctors, including specialists and super specialists, who prescribe our products identified by their brand names, particularly in our chosen therapeutic areas. In the event doctors, including specialists and super specialists, are unable to or are restricted from prescribing our brands, the demand for, and volume of sales of, our products may decrease, which may have an adverse effect on our business, results of operations and financial condition.

14. Any recall of our products could adversely affect our business, prospects, reputation and results of operations.

Defects, if any, in our products could require us to undertake product recalls whether voluntary or in compliance with order of a regulatory authority. We have ongoing obligations to the regulatory authorities in the markets we operate, both before and after a product's approval and commercial release. These regulatory authorities may at any time audit our manufacturing facilities or the efficacy of our products based on newly developed scientific knowledge or other factors. Such assessments may result in such regulatory authorities amending or withdrawing our existing approvals to manufacture and market our products in certain jurisdictions, which may also entail us having to recall our products from the relevant markets. Although we have not experienced any product recalls in the last five years, we cannot assure you that we will not experience any product recalls in the future.

If we are required to withdraw a product for any reason, it could expose us to adverse publicity associated with manufacturing or quality control problems, product liability claims, adversely affect our goodwill, which may lead to the loss of existing and future business contracts, and result in the write-off of related inventory, all of which could have a material adverse effect on our financial condition and results of operations.

15. We depend to a large extent on third-party suppliers and distributors for the raw materials and APIs to manufacture our products. A prolonged interruption in the supply of such products could adversely affect our business, results of operations and financial condition.

The raw materials essential to our manufacturing business are purchased primarily from suppliers in India and China. If we experience supply interruptions or delays, we may have to obtain substitute materials or products, which may lead to significant delays in production and higher raw material costs. Generally, we do not execute agreements with any of the suppliers for long-term supplies of raw materials. Therefore, we are exposed to the risk of inadequate supplies of raw materials and certain APIs, as well as price escalations. Our suppliers may be unable to provide us with a sufficient quantity of our raw materials or APIs at a suitable price for us to meet the demand for our products. We may also be unable to pass on any increases in the prices for raw materials and APIs to our customers. Further, for certain raw materials, we rely on limited suppliers because of the nature of the supply and scarce availability. If our suppliers are unable to supply us with adequate quantities of raw materials and APIs at commercially reasonable prices, or if we are unable to procure raw materials and APIs from other sources on commercially-acceptable term, or at all, our business and results of operations could be adversely affected.

In addition, we use third party transportation providers for the supply of most of our raw materials and delivery of our products to domestic and overseas customers and distributors. Factors such as increased transportation costs and transportation strikes could adversely impact the supply of raw materials that we require and the delivery of our products. Raw materials and products may be lost, delayed or damaged in transit for various reasons including accidents and natural disasters. In the event of any disruption to our supply of the raw materials and APIs necessary for the production of our pharmaceutical products at commercially acceptable prices, we may be forced to reduce, suspend or cease production or sale of certain of our pharmaceutical products, and our sales volumes for the relevant product could be adversely affected.

16. We intend to selectively pursue Paragraph IV filing opportunities in the United States, which may not be successful, may result in extensive and expensive litigation which we may not be successful in defending, and which may adversely affect our business, prospects and financial condition.

We have filed 44 abbreviated new drug applications ("**ANDA**") in the United States as of September 30 ,2017 and we intend to continue to file our own ANDAs, or through our partners, in the regulated markets. A Paragraph IV filing is made when an ANDA applicant believes its product or the use of its product does not infringe on the innovator's patents or where the applicant believes that such patents are not valid or enforceable. If successful, Paragraph IV filings enable the filer to launch the product in the United States prior to the expiry of the patent. These products are often difficult and expensive to manufacture. Innovators will often seek to restrict or will challenge the grant of a successful Paragraph IV filing which, if determined against the ANDA applicant, may result in expensive litigation and/or penalties and a loss of the investment in manufacturing the product. As of September 30, 2017, we had made 22 Paragraph IV filings. We continue to evaluate product opportunities involving non-expired patents going forward and this could result in patent litigation, the outcome of which may adversely affect our business, prospects, results of operations, cash flows and financial condition.

17. If our research and development efforts do not succeed, it may hinder the introduction of new products, which could adversely affect our business and results of operations.

In order to remain competitive, we must develop, test and manufacture new products, which must meet regulatory standards and receive requisite regulatory approvals. To accomplish this, we commit substantial effort, funds and other resources towards research and development. Our ongoing investments in new product launches and research and development for future products and new chemical entities could result in higher costs without a proportionate increase in revenues. Delays in any part of the process, our inability to recruit and retain quality scientists, researchers and development specialists, our inability to obtain necessary regulatory approvals for our products or failure of a product to be successful at any stage and therefore not reach the market could adversely affect our goodwill and affect our operating results. We may or may not be able to take our research and development innovations through the different testing stages without repeating our research and development efforts or incurring additional amounts towards such research. Additionally, our competitors may commercialise similar products before us. For further details on the investments we have incurred towards our research and development initiatives, see "*Business —Description of Our Business – Research and Development*".

18. If we are unable to patent new processes and protect our proprietary information or other intellectual property, our business may be adversely affected.

We rely on a combination of patents, non-disclosure agreements and non-competition agreements to protect our proprietary intellectual property. As of September 30, 2017, we have filed 189 patents internationally out of which 133 patents have been granted internationally. As of September 30, 2017, we have also filed 185 patent applications in India, which includes both product and process patents for various generic Formulations and APIs. We have been granted 83 patents in India. Due to the different regulatory bodies and varying requirements across the world, we may be unable to obtain intellectual property protection in those jurisdictions for certain aspects of our products or processes. Further, we have applied for but not yet obtained certain trademark registrations including our tradename 'Natco' and a substantial number of trademarks for our products are registered in name of third parties. These trademarks are licensed by the third parties to our Company. If these third parties decide to terminate the licensing arrangements with our Company for usage of their registered trademarks, we may not be able to continue to market our products under same brand name, which could adversely affect our competitive business position.

While we intend to defend against any threats to our intellectual property, we cannot assure you that our patents, trade secrets or other agreements will adequately protect our intellectual property. Our patent rights may not prevent our competitors from developing, using or commercializing products that are functionally equivalent or similar to our products. Further, our patent applications may fail to result in patents being issued, and our existing and future patents may be insufficient to provide us with meaningful protection or a commercial advantage. We cannot assure you that patents issued to or licensed by us in the past or in the future will not be challenged or circumvented by competitors or that such patents will be found to be valid or sufficiently broad to protect our processes or to provide us with any competitive advantage. We may be required to negotiate licenses for patents from third parties to conduct our business, which may not be available on reasonable terms or at all.

We also rely on non-disclosure agreements and non-competition agreements with certain employees, consultants and other parties to protect trade secrets and other proprietary rights that belong to us. We cannot assure you that these agreements will not be breached, that we will have adequate remedies for any breach or that third parties will not otherwise gain access to our trade secrets or proprietary knowledge. Any inability to patent new processes and protect our proprietary information or other intellectual property, could adversely affect our business.

19. If we inadvertently infringe on the patents of others, we may be subjected to legal action and our business and reputation may be adversely affected.

We operate in an industry characterized by extensive patent litigation, including both litigation by innovator companies relating to purported infringement of innovative products and processes by generic pharmaceuticals and litigation by competitors or innovator companies to delay the entry of a product into the market. Patent litigation can result in significant damages being awarded and injunctions that could prevent the manufacture and sale of certain products or require us to pay significant royalties in order to manufacture or sell such products. While it is not possible to predict the outcome of patent litigation, we believe any adverse result of such litigation could include an injunction preventing us from selling our products or payment of significant damages or royalty, which would affect our ability to sell current or future products or prohibit us from enforcing our patent and proprietary rights against others. For example, Hoffmann-La-Roche and Bristol-Myers Squibb has filed separate patent infringement suits against us before the Delhi High Court in relation to their patented drugs Erlotinib and Dasatinib, respectively. As a result of such infringement claims, we could be required to pay third party infringement claims, alter our technologies, obtain licenses or cease some portions of our operations. The occurrence of any of the foregoing could result in unexpected expenses. In addition, if we alter our technologies or cease production of affected items, our revenue could be adversely affected.

Further, certain of our license agreements, pursuant to which we are permitted to manufacture certain of our products, contain provisions which permit the licensor to terminate the license agreement in the event we were to misappropriate a third party's intellectual property. The occurrence of any of these events could subject us to legal action and adversely affect our business, reputation, cash flows and results of operations.

20. If our products cause, or are perceived to cause, severe side effects, our revenues and profitability could be adversely affected.

Our pharmaceutical products may cause severe side effects as a result of a number of factors, many of which are outside of our control. These factors, which may become evident only when the drugs are introduced into the

marketplace, include potential side effects not revealed in clinical testing, unusual but severe side effects in isolated cases, defective products not detected by our quality management system or misuse of our products by end-users. Our products may also be perceived to cause severe side effects when a conclusive determination as to the cause of the severe side effects is not obtained or is unobtainable.

In addition, our products may be perceived to cause severe side effects if other pharmaceutical companies' products containing the same or similar active pharmaceutical ingredients, raw materials or delivery technologies as our products cause or are perceived to have caused severe side effects, or if one or more regulators, such as the USFDA or the European Medicines Agency, or an international institution, such as the WHO, determines that products containing the same or similar pharmaceutical ingredients as our products could cause or lead to severe side effects.

If our products cause, or are perceived to cause, severe side effects, we may face a number of consequences, including:

- a severe decrease in the demand for, and sales of, the relevant products;
- the recall or withdrawal of the relevant products;
- removal of regulatory approvals for the relevant products or the relevant production facilities;
- damage to the brand name of our products and our reputation; and
- exposure to lawsuits and regulatory investigation relating to the relevant products that result in liabilities, fines or penalties.

As a result of these consequences, our sales and profitability could be adversely affected.

21. Some of our corporate records relating to minutes of the Board and Shareholders' meetings and forms filed with the Registrar of Companies are not traceable.

We are unable to trace certain corporate records in relation to our Company including copies of certain minutes of the Board and Shareholders' meetings and prescribed forms filed with the RoC, AP by our Company relating to certain allotments of Equity Shares made by our Company, sub-division of Equity Shares and appointment of Directors. These documents pertain to the period between 1981 and 1994. In relation to the Registrar of Companies filings, we have not been able to obtain copies of these documents from the Registrar of Companies. In the event that we fail to locate these documents and records, it may have an adverse effect on our business and operations.

22. Our international operations expose us to complex management, legal, tax and economic risks, which could adversely affect our business, results of operations and financial condition.

For the Fiscals 2016 and 2017 and the six months ended September 30, 2017, 46.25%, 55.36% and 49.20% of our revenue from operations was derived from our international operations. We have a global presence and sell our products in the United States, Europe and Emerging Markets. As a result, our business is subject to risks and challenges associated with international expansion operations and investments, including risks related to complying with several local laws, restrictions on the import and export of certain intermediates, drugs, technologies, multiple tax and cost structures, cultural and language factors. Further, regulatory requirements are still evolving in many markets and are subject to change and as a result may, at times, be unclear or inconsistent.

Additionally, the accounting standards, tax laws and other fiscal regulations in the jurisdictions we operate in are subject to differing interpretations. Differing interpretations of tax and other fiscal laws and regulations may exist within several governmental ministries, including tax administrations and appellate authorities, thus creating uncertainty and potentially unexpected results as well as risks as a result of non-compliance with such standards. The degree of uncertainty in tax laws and regulations, combined with significant penalties for default and a risk of aggressive action by several government or tax authorities, may result in our tax risks being significantly higher than expected. If we pursue an international expansion opportunity, we could face other internal or external risks, including, inter alia, foreign exchange and economic volatility, any need to obtain governmental approvals and permits under unfamiliar regulatory regimes, restrictions on the transfer of funds into or out of a country, inability to obtain adequate insurance, potential for political unrest, war or acts of terrorism, longer payment cycles in some countries and inability to maintain or enforce legal rights and remedies, including those relating to intellectual property, at a reasonable cost or at all.

We may face competition in other countries from companies that may have more experience with operations in such countries or with international operations generally. We may also face difficulties in integrating new facilities in different countries into our existing operations and create unforeseen operating difficulties, including

- the incurrence of debt, contingent liabilities or amortization expenses or write-offs of goodwill;
- difficulties in integrating the operations, technologies, research and development activities, personnel and distribution, marketing and promotion activities of acquired businesses;
- ineffectiveness or incompatibility of acquired technologies and manufacturing practices;
- potential loss of key employees of acquired businesses and cultural challenges associated with integrating employees from the acquired company into our organisation;
- inability to obtain the necessary regulatory approvals, including those of the competition authorities, in countries in which we seek to consummate acquisitions;
- inability to maintain the key business relationships and the reputations of acquired businesses;
- responsibility for liabilities of acquired businesses;
- increased regulatory scrutiny; and
- inability to maintain our standards, controls, procedures and policies, which could affect our ability to assess the effectiveness of our internal control structure and procedures for financial reporting and increased fixed costs.

If we do not effectively manage our international operations, it may affect our profitability from such countries, which may adversely affect our business, results of operations and financial condition.

23. Exchange rate fluctuations may adversely affect our results of operations as our export sales and sales outside India and a portion of our expenditures are denominated in foreign currencies.

Our financial statements are prepared in Indian Rupees. However, our net revenues from operations for our international operations and a portion of our expenditures are denominated in foreign currencies, including the United States dollar, the Euro and the Canadian dollar. While, as a result of portions of both our expenditures and net revenues from operations being denominated in foreign currencies, we have a natural hedge against exchange rate risks, the balance of our expenses and revenues is still affected by fluctuations in exchange rates among the United States dollar, Euro, the Canadian dollar and Indian rupee. Exchange rate fluctuations could affect the amount of income and expenditure we recognize, our ability to service our debt obligations denominated in foreign currencies and the value of our investments in our subsidiaries and joint ventures. In addition, the policies of the Reserve Bank of India may also change from time to time, which may limit our ability to effectively hedge our foreign currency exposures and may have an adverse effect on our results of operations.

Further, our future capital expenditures, including any imported equipment and machinery, may be denominated in foreign currencies. Consequently, a decline in the value of the Indian Rupee against such other currencies could increase the Indian Rupee cost of servicing our debt or making such capital expenditures. The exchange rates between the Indian Rupee and the United States dollar and the Euro have varied substantially in recent years and may continue to fluctuate significantly in the future.

24. Our ability to invest in overseas subsidiaries and joint ventures may be constrained by Indian and foreign laws, which could adversely affect our growth strategy and business prospects.

Under Indian foreign investment laws, an Indian company is permitted to invest in overseas joint ventures or wholly owned subsidiaries, not exceeding 400% of the Indian company's net worth as at the date of its last audited balance sheet (subject to certain exceptions), and any financial commitment exceeding USD 1 billion (or its equivalent) in a financial year will require prior approval of the RBI, even if the total financial commitment of the Indian company is within the aforementioned limit. This limitation also applies to any other form of financial commitment by the Indian company, including in terms of any loan, guarantee or counter guarantee issued by such Indian company. Further, there may be limitations stipulated in the host country for foreign investment. Investment or financial commitment not complying with the stipulated requirements is permitted with prior approval of the RBI. Additionally, there are also further requirements specified under the Companies Act, 2013

in relation to any acquisition that we propose to undertake in the future. These limitations on overseas direct investment could constrain our ability to acquire or increase our stake in overseas entities as well as to provide other forms of financial assistance or support to such entities, which may adversely affect our growth strategy and business prospects.

25. The pharmaceutical industry is intensely competitive and our inability to compete effectively may adversely affect our business, results of operations and financial condition.

The pharmaceutical industry is a highly competitive market with several major pharmaceutical companies present, and therefore it is challenging to improve market share and profitability. Many of our competitors may have greater financial, manufacturing, R&D, marketing and other resources, more experience in obtaining regulatory approvals, greater geographic reach, broader product ranges or a stronger sales force. Our competitors may succeed in developing products that are more effective, popular or cheaper than ours, which may render our products uncompetitive and adversely affect our business, results of operations, cash flows and financial condition.

Further, some of our competitors, which include major multinational corporations, are consolidating and integrating, and the strength of combined companies could affect our competitive position in all of our business areas. Consolidated corporations may have greater financial, manufacturing, R&D, marketing and other resources, broader product ranges and larger, stronger sales forces, which may make them more competitive than us. Pricing pressure could also arise due to the consolidation in trade channels and the formation of large buying groups, like we have witnessed in the United States. In 2016, we sold our US based Save Pharmacy business and agreed for an understanding on non - compete and non – solicitation of any of the agents, employees or clients with the purchaser for a period of three years. Additionally, if one of our competitors or their customers acquire any of our customers or suppliers, we may lose business from the customer or lose a supplier of a critical raw material or component, which may adversely affect our business, results of operations, cash flows and financial condition.

26. The nature of development and approval procedures in our pharmaceutical business may result in us lacking adequate information about our competitors' activities.

The development of a pharmaceutical product involves lengthy development and approval periods before a product may be commercialized. During these periods, our competitors may be developing similar products of which we are unaware of that could compete directly or indirectly with our products in development. Because of these extensive periods of internal development and regulatory approval required before a product may be commercialized, we may invest substantial efforts and resources in developing products that will face competition of which we are currently unaware. Such unforeseen competition may hinder our ability to effectively plan the timing and order of our product development, which could have an adverse impact on our financial condition and results of operations.

27. Changes in technology may render our current technologies obsolete or require us to make substantial capital investments.

Our industry rapidly changes due to technological advances and scientific discoveries. These changes result in the frequent introduction of new products and significant price competition. If our pharmaceutical technologies, such as our branded generic products, formulations and drug delivery systems become obsolete, and we are unable to effectively introduce new products, our business and results of operations could be adversely affected.

Although we strive to keep our technology, facilities and machinery current with the latest international standards, the technologies, facilities and machinery we currently employ may become less competitive or even obsolete due to advancement in technology or changes in market demand, which may require substantial new capital expenditure. The cost of implementing new technologies and upgrading our manufacturing facilities could be significant. If our competitors introduce superior technology and we cannot make enhancements to ours to remain competitive, either because we do not have the resources to continually improve our technology by investing in R&D or for any other reason, our competitive position, and in turn our business, financial condition and results of operations could be adversely affected.

28. Our contracts are governed by the laws of various countries and disputes arising from such contracts may be subject to the exclusive jurisdiction of courts situated in such countries.

Most of the contracts executed with our distributors and customers are governed by the laws of the country in which the distributor or customer is incorporated. Further, any disputes related to such contracts may be subject to the exclusive jurisdiction of courts situated in such countries. Any lawsuits with respect to such disputes must be instituted in a court having jurisdiction over the contract, which may cause difficulty for our Company to manage such suits and to obtain enforcement of awards and may also lead to greater costs for managing such litigation.

29. If third parties on whom we rely for clinical trials do not perform their obligations as contractually required or as we expect, and do not comply with cGMP, we may not be able to obtain regulatory approval for or commercialise our products.

We depend on independent clinical investigators, contract research organisations and other third-party service providers to conduct clinical trials and pre-clinical investigations of our new products and expect to continue to do so. We also collaborate with other parties having technical and business capabilities to conduct early stage testing of products we intend to develop. We rely on such parties for successful execution of our clinical trials, but we do not control many aspects of their activities. Third parties may also not complete activities on schedule or may not conduct our studies in accordance with applicable trial, plans and protocols. Nonetheless, we are responsible for confirming that each of our clinical trials is conducted in accordance with its general investigational plan and protocol. If third parties fail to carry out their obligations, product development, approval and commercialisation could be delayed or prevented or an enforcement action could be brought against us.

Our reliance on these third parties does not relieve us of our responsibility to comply with the regulations and standards of the USFDA and other regulatory authorities related to good clinical practices. In particular, these third-party manufacturers and service providers must comply with cGMP and their failure to do so could result in warning or deficiency letters from regulatory authorities, which could interfere with or disrupt their ability to complete our studies on time, thereby affecting our product approval process or even forcing a withdrawal of our product which may adversely affect our business, financial condition and results of operations.

30. Non-compliance with and changes in, safety, health, environmental and labor laws and other applicable regulations, may adversely affect our business, results of operations, financial condition and cash flows.

We are subject to laws and government regulations, including in relation to safety, health, environmental protection and labor. These laws and regulations impose controls on air and water discharge, noise levels, storage handling, employee exposure to hazardous substances and other aspects of our manufacturing operations. Further, our products, including the process of manufacture, storage and distribution of such products, are subject to numerous laws and regulations in relation to quality, safety and health. We handle and use hazardous materials in our R&D and manufacturing activities and the improper handling or storage of these materials could result in accidents, injure our personnel, property and damage the environment. We try to prevent such hazards by training our personnel, conducting industrial hygiene assessments and employing other safety measures. However, we cannot assure you that we will not experience accidents in the future. Any accident at our facilities may result in personal injury or loss of life, substantial damage to or destruction of property and equipment resulting in the suspension of operations.

Further, laws and regulations may limit the amount of hazardous and pollutant discharge that our manufacturing facilities may release into the air and water. The discharge of materials that are chemical in nature or of other hazardous substances into the air, soil or water beyond these limits may cause us to be liable to regulatory bodies or third parties. Any of the foregoing could subject us to litigation, which could lower our profits in the event we were found liable, and could also adversely affect our reputation. Additionally, the government or the relevant regulatory bodies may require us to shut down our manufacturing plants, which in turn could lead to product shortages that delay or prevent us from fulfilling our obligations to customers.

We are also subject to the laws and regulations governing employees, including in relation to minimum wage and maximum working hours, overtime, working conditions, hiring and termination of employees, contract labor and work permits. We have incurred and expect to continue incurring costs for compliance with such laws and regulations. We have also made and expect to continue making capital expenditures on an on-going basis to comply with all applicable environmental, health and safety and labor laws and regulations. These laws and regulations have, however, become increasingly stringent and it is possible that they will become significantly

more stringent in the future. We cannot assure you that we will not be found to be in non-compliance with, or remain in compliance with all applicable environmental, health and safety and labor laws and regulations or the terms and conditions of any consents or permits in the future or that such compliance will not result in a curtailment of production or a material increase in the costs of production.

31. Our business agreements include certain restrictive covenants which may restrict our business operations.

We enter into various agreements for our business operations, including manufacturing agreements, license agreements development agreements and supply agreements. These agreements contain restrictive terms, including obligations to:

- manufacture and supply products only within specified territories,
- offer and sell products only to entities approved by our licensors,
- conform the quality of our products to standards set by international organisations and in our contractual arrangements,
- source raw materials from approved suppliers,
- provide reports pertaining to our manufacturing operations from time to time,
- permit our licensors and clients to inspect our facilities and conduct audits,
- transfer intellectual property and know how pertaining to any improvements made in products during our manufacturing operations to our licensors,
- maintain our regulatory approvals in force,
- conform our marketing materials and product labelling to prescribed norms, and
- maintain insurance coverage in specified amounts.

Our customers also have the right to reject delivery of products which do not comply with their requirement or which fail the testing procedures set out in their agreements. Further, certain of our agreements contain profit and loss sharing provisions. In the event, that we are unable to meet such obligations, our customers may terminate their agreements with us and choose to work with our competitors, and we may be required to indemnify them on terms set out in the agreements. Certain of our agreements also provide for transfer of rights of the defaulting party to the non-defaulting party in the event of termination on default or a right of first refusal in ANDAs filed/approved. Compliance with these requirements may restrict our ability to undertake certain business operations and may increase our compliance costs.

32. Our facilities are subject to client inspections and quality audits and any failure on our part to meet their expectations or to comply with the quality standards set out in our contractual arrangements, could result in the termination of our contracts and adversely affect our business, results of operations and financial condition.

Pursuant to our contractual arrangements, certain of our clients have the right to regularly examine our manufacturing processes, quality control and procedures and registers of our manufacturing facilities after reasonable notice and at a reasonable time to ensure that our services are meeting their internal standards and regulatory requirements. Most of our clients routinely inspect and audit our facilities. Any failure on our part to meet the expectations of our clients and to comply with the quality standards set out in our contractual arrangements, could result in the termination of our contracts and our clients may choose to source their requirements from our competitors. We may also incur significant costs to upgrade our facilities and manufacturing processes. The occurrence of any such event could have an adverse effect on our business, results of operations and financial condition.

33. We have to comply with certain terms and conditions for the compulsory license granted to us by the Controller of Patents, Mumbai, for manufacture of generic of Sorafenib.

We have been granted compulsory license under the Patents Act, 1970 by the Controller of patents, Mumbai on March 9, 2012, for manufacture of generic of Sorafenib (the "**Product**"), which is patented by Bayer Corporation. Under the said compulsory license, we are required to comply with certain terms and conditions, such as (i) right to manufacture and sale of the Product is limited to India and manufacture of the Product has to be done at our

manufacturing facility; (ii) royalty to be paid to Bayer Corporation at the rate determined by the Controller of Patents; (iii) price of the Product not to exceed Rs. 8,800 per pack of 120 tablets; and (iv) to donate the Product free of cost to at least 600 needy patients per year. If we fail to comply with such terms and conditions, our compulsory license for the Product may be cancelled, which could have an adverse effect on our business, financial condition and results of operations.

34. Termination of our license agreement with Gilead could adversely affect our business plan of expansion to RoW markets.

We have entered into a non-exclusive licensing agreement with Gilead for manufacturing a generic version of Sofosbuvir and Ledipasvir and selling it in 112 countries including India ("**Territories**") (the "**Gilead Agreement**"). Drug made from Sofosbuvir is a medicine used for treating hepatitis C virus and sold globally by Gilead, under its brand 'Sovaldi'. The Gilead Agreement has enabled us to enter new markets with generic version of Sofosbuvir and subsequently, an opportunity to grow in these markets with introduction of our other existing products. Gilead has the right to terminate the Gilead Agreement on short notice. If the Gilead Agreement is terminated by Gilead, our Company's business plan of expansion to other markets, through sale of generic Sofosbuvir and subsequent introduction and sale of other products by our Company, may get adversely affected.

35. If we are unable to raise additional capital, our business, results of operations and financial condition could be adversely affected.

We will continue to incur significant expenditure in maintaining and growing our existing infrastructure. We cannot assure you that we will have sufficient capital resources for our current operations or any future expansion plans that we may have. While we expect our cash on hand and cash flow from operations to be adequate to fund our existing commitments, our ability to incur any future borrowings is dependent upon the success of our operations. Additionally, the inability to obtain sufficient financing could adversely affect our ability to complete expansion plans. Our ability to arrange financing and the costs of capital of such financing are dependent on numerous factors, including general economic and capital market conditions, credit availability from banks, investor confidence, the continued success of our operations and other laws that are conducive to our raising capital in this manner. Any unfavourable change to terms of borrowings may adversely affect our cash flows, results of operations and financial conditions. If we decide to meet our capital requirements through debt financing, we may be subject to certain restrictive covenants. If we are unable to raise adequate capital in a timely manner and on acceptable terms, or at all, our business, results of operations, financial condition and cash flows could be adversely affected.

36. Our management team and other key personnel, particularly in the area of research and development, are critical to our continued success and the loss of any such personnel could adversely affect our business.

Our success significantly depends upon the continued service of our management team and other key personnel, and our research and development team and the ability to retain and attract qualified individuals is critical to our success. These executives possess technical and business capabilities that are difficult to replace. Competition for individuals with specialized knowledge and experience is intense in our industry, and we may be unable to attract, motivate, integrate or retain qualified personnel at levels of experience that are necessary to maintain our quality and reputation or to sustain or expand our operations. If we lose the services of any of these executives for any reason, we may be unable to replace them in a timely manner or at all, which may affect our ability to continue to manage and expand our business. We cannot assure you that any contingency plans which we may implement to replace these executives will be successful.

Further, the members of our management team and other key personnel are employed pursuant to customary employment agreements, which may not provide adequate incentives for them to remain with us or adequately protect us in the event of their departure or otherwise. If we lose the services of any member of our management team or key personnel, we may be unable to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new personnel, which could adversely affect our business operations. Furthermore, as we expect to continue to expand our operations and develop new products, we will need to continue to attract and retain experienced management and key research and development personnel. If we are not able to attract and retain qualified personnel, our results of operations may be adversely affected.

37. Significant disruptions of information technology systems or breaches of data security could adversely affect our business.

We depend upon information technology systems, including internet-based systems, for our business operations. The size and complexity of our computer systems make them potentially vulnerable to breakdown, malicious intrusion and computer viruses. Although we have not experienced any significant disruptions to our information technology systems, we cannot assure you that we will not encounter disruptions in the future. Any such disruption may result in the loss of key information and disruption of production and business processes, which could adversely affect our business, results of operations and cash flows.

In addition, our systems are potentially vulnerable to data security breaches, whether by employees or others that may expose sensitive data to unauthorized persons. Such data security breaches could lead to the loss of trade secrets or other intellectual property, or could lead to the public exposure of personal information (including sensitive personal information) of our employees, customers and others. Any such security breaches could have an adverse effect on our business, reputation, results of operations, cash flows and financial condition.

38. Our insurance coverage may not be sufficient or adequate to protect us against all material hazards, which may adversely affect our business, results of operations, financial condition and cash flows.

We could be held liable for accidents that occur at our manufacturing facilities or otherwise arising out of our operations. In the event of personal injuries, fires or other accidents suffered by our employees or other people, we could face claims alleging that we were negligent, provided inadequate supervision or be otherwise liable for the injuries. We have an Industrial All Risk Policy for our research centre at Hyderabad for our assets such as R&D building, plant machinery and tools, stocks of raw materials, work in progress and finished goods. We maintain clinical trials insurance, keyman insurance, director and officer's liability insurance and product liability insurance for the products that we manufacture and sell. We also maintain medical insurance policies for our employees.

While we believe that the insurance coverage which we maintain would be reasonably adequate to cover the normal risks associated with the operation of our business, we cannot assure you that any claim under the insurance policies maintained by us will be honored fully, in part or on time, or that we have taken out sufficient insurance to cover all our losses. In addition, our insurance coverage expires from time to time. We apply for the renewal of our insurance coverage in the normal course of our business, but we cannot assure you that such renewals will be granted in a timely manner, at acceptable cost or at all. To the extent that we suffer loss or damage, for which we have not obtained or maintained insurance, or which is not covered by insurance, which exceeds our insurance coverage or where our insurance claims are rejected, the loss would have to be borne by us and our results of operations, cash flows and financial performance could be adversely affected.

39. We are susceptible to product liability claims that may not be covered by insurance, which may require substantial expenditure and may adversely affect our reputation and if successful, could require us to pay substantial sums.

Our business inherently exposes us to potential product liability claims, and the severity and timing of such claims are unpredictable. We face the risk of loss resulting from, and the adverse publicity associated with, product liability lawsuits especially in the United States and Europe, whether or not such claims are valid. We may also be subject to claims resulting from manufacturing defects or negligence in storage or handling which may lead to the deterioration of our products, or from defects arising from deterioration in our quality controls.

Product liability claims, regardless of their merits or the ultimate success of the defense against them, are expensive. Even unsuccessful product liability claims would likely require us to incur substantial amounts on litigation, divert our management's time, adversely affect our goodwill and impair the marketability of our products. Although we have obtained product liability coverage, if any product liability claim sustained against us is not covered by insurance or exceeds the policy limits, it could harm our business and financial condition.
A successful product liability claim that is excluded from coverage or exceeds our policy limits may require us to pay substantial sums and may adversely affect our financial position and results of operations. In addition, insurance coverage for product liability may become prohibitively expensive in the future. From time to time, the pharmaceutical industry has experienced difficulty in obtaining desired product liability insurance coverage. As a result, it is possible that, in the future, we may not be able to obtain the type and amount of coverage we desire at an acceptable price and self-insurance may become the sole commercially reasonable means available for managing the product liability risks of our business.

Further, the risk of product liability suits would also be likely to increase if we develop our own new patented products in the future, in addition to making generic versions of drugs that have been in the market for some time.

40. Decreased opportunities to obtain United States market exclusivity products may adversely affect our revenues and profits.

Our ability to achieve continued growth and profitability through sales of generic pharmaceuticals is dependent on our success in challenging patents, developing non-infringing products or developing products with increased complexity to provide opportunities with United States market exclusivity or limited competition. The failure to continue to develop such opportunities could adversely affect our sales and profitability.

To the extent that we succeed in being the first to market a generic version of a product, and particularly if we are the only company authorized to sell during the 180-day period of exclusivity in the United States market, as provided under the Hatch-Waxman Act, our sales, profits and profitability can be substantially increased in the period following the introduction of such product and prior to a competitor's introduction of an equivalent product. Even after the exclusivity period ends, there is often continuing benefit from being the first generic product in the market.

However, the number of significant new generic products for which Hatch-Waxman exclusivity is available, and the size of those product opportunities, has decreased in recent years. Additionally, increasingly we share the 180-day exclusivity period with other generic competitors, which diminishes the commercial value of the exclusivity.

The 180-day market exclusivity period is triggered by commercial marketing of the generic product or, in certain cases, can be triggered by a final court decision that is no longer subject to appeal holding the applicable patents to be invalid, unenforceable or not infringed. However, the exclusivity period can be forfeited by our failure to obtain tentative approval of our product within a specified statutory period or to launch a product following such a court decision. The Hatch-Waxman Act also contains other forfeiture provisions that may deprive the first Paragraph IV filer of exclusivity if certain conditions are met, some of which may be outside our control. Accordingly, we may face the risk that our exclusivity period is forfeited before we are able to commercialise a product and therefore may not be able to exploit a given exclusivity period for specific products.

41. If innovator pharmaceutical companies are successful in limiting the use of generics through their legislative, regulatory and other efforts, introductions of our generic products may be delayed.

Many pharmaceutical companies increasingly have used state and federal legislative and regulatory means to delay generic competition. These efforts have included:

- pursuing new patents for existing products that may be granted just before the expiration of earlier patents, which could extend patent protection for additional years or otherwise delay the launch of generics;
- selling the brand product as an authorized generic, either by the brand company directly, through an affiliate or by a marketing partner;
- request amendments to USFDA standards or otherwise delay generic drug approvals;
- seeking changes to United States Pharmacopeia, an organisation that publishes industry recognized compendia of drug standards;
- attaching patent extension amendments to non-related federal legislation;
- engaging in state-by-state initiatives to enact legislation that restricts the substitution of some generic drugs, which could have an impact on products that we are developing; and
- seeking patents on methods of manufacturing certain active pharmaceutical ingredients.

If pharmaceutical companies or other third parties are successful in limiting the use of generic products through these or other means, introductions of our generic products may be delayed, and our business, prospects, results of operations, and financial condition may be adversely affected.

42. Patent laws allowing innovator companies to extend their patents could delay the introduction of generic products and adversely affect our business.

In many countries, patent holders have the option of extending the terms of their patents. The United States Patent

and Trademark Office allows companies to extend the terms of their patents to make up for the time lost while awaiting USFDA approval. The USFDA also allows for exclusivity to be extended in specific cases like if special studies are done in identified populations. Companies are also known to make additional patents publicly known close to expiry of a patent for a particular molecule, which effectively extends the patent life and delays competition. If a company introduced, authorized or assisted another company to bring an authorized generic product to the market, then the generic market value of a product for which we intend to file a patent challenge may be reduced. The extension of patent terms or the extension of exclusivity in the marketplace by these or other means may delay our introduction of generic products and may adversely affect our business.

43. The availability of counterfeit drugs, such as drugs manufactured by other companies and passed off as our products, could adversely affect our goodwill and results of operations.

Entities in India and abroad could pass off their own products as ours, including counterfeit or pirated products. For example, certain entities could imitate our brand name, packaging materials or attempt to create look-alike products. As a result, our market share could be reduced due to replacement of demand for our products and decreases in our goodwill and the market registration of our products. The proliferation of unauthorized copies of our products, and the time and attention lost to defending claims and complaints about spurious products, could decrease our revenue and have an adverse effect on our goodwill, financial condition and results of operations.

44. We may make acquisitions of, or investments in, complementary businesses or products, or seek to engage in strategic transactions which involve numerous risks.

In addition to growth through our internal efforts, we regularly review the potential acquisition of technologies, products, product rights and complementary businesses and intend to continue to evaluate potential product and company acquisitions to increase our geographic presence and product portfolio. These strategic acquisitions may require that our management develop expertise in new areas, integrate the operations, technologies, research and development activities, personnel, operational culture and marketing and distribution initiatives, manage new business relationships and attract new types of customers. We may also experience disputes in relation to such acquisitions. Such strategic acquisitions, and any disputes we may experience, may require significant attention from our management, and the diversion of our management's attention and resources could have an adverse effect on our ability to manage our business. Further, we may not have access to financing on acceptable terms for such acquisitions or may fail to obtain governmental or third party consent to consummate these transactions.

We may also experience difficulties in integrating acquisitions into our existing business and operations. Our failure to derive anticipated synergies could affect our business, financial condition and results of operations. Future acquisitions may also expose us to potential risks, including risks associated with the integration of new operations, services and personnel, unforeseen or hidden liabilities, unanticipated capital requirements, the diversion of resources from our existing businesses and technologies, ineffectiveness or incompatibility of acquired technologies and manufacturing practices, our inability to generate sufficient revenue to offset the costs of acquisitions, currency risks, economic, political and regulatory risks associated with specific countries and potential loss of, or harm to, relationships with employees, suppliers or customers, and inability to maintain our standards, controls, procedures and policies, which could affect our ability to assess the effectiveness of our internal control structure and procedures for financial reporting and increased fixed costs, any of which could significantly disrupt our ability to manage our business and adversely affect our financial condition and results of operations.

45. We may be affected by strikes, work stoppages or increased wage demands by our employees that could interfere with our operations.

As at September 30, 2017, we had 4,805 employees and employees at certain of our facilities have formed labour unions. We cannot assure you that our relations with our employees shall remain cordial at all times and that employees will not undertake or participate in strikes, work stoppages or other industrial actions in the future. Any disagreements with the trade union of which certain of our employees are members could disrupt our workforce and lead to manufacturing disruptions at our facilities. Any labour disruptions may adversely affect our operations by delaying or slowing down our production of pharmaceutical products, increasing our cost of production or even halting a portion of our production. This may also cause us to miss sales commitments, hurt our relationships with customers and disrupt our supply chain, which would affect our revenue and margins and adversely affect our business, financial condition and results of operations.

46. We have in the past entered into related party transactions and will continue to do so in the future and we cannot assure you that we could not have achieved more favourable terms if such transactions had not been entered into with related parties.

We have in the past entered into transactions with certain of our related parties. While we believe that all such transactions have been conducted on an arm's length basis, we cannot assure you that we could not have obtained more favourable terms had such transactions been entered into with unrelated parties. Further, it is likely that we may enter into related party transactions in the future. We cannot assure you that such transactions, individually or in the aggregate, will not have an adverse affect on our financial condition and results of operations.

47. There are outstanding legal proceedings against us and associated individuals in India and outside of India. Our business, financial condition and results of operations may be adversely affected if we do not prevail in these proceedings.

There are certain outstanding proceedings pending against us, including in relation to infringement of patents. See "*Legal Proceedings*" on page 209. We cannot assure you that these proceedings will be decided in favor of us or our management, Directors and employees involved therein. Further, we cannot assure you that the financial provisions we have made for such proceedings and other litigation will be sufficient. Such proceedings and litigation could divert management time and attention, and consume financial resources in their defense or prosecution. In addition, should any new developments arise such as changes in Indian law or rulings against us by the regulators, appellate courts or tribunals, we may need to make provisions in our financial statements, which could increase our expenses and our current liabilities. An adverse outcome in such proceedings could have an adverse effect on the ability of our management, Directors and employees, who are involved in the above proceedings, to serve us, and may also have an adverse effect on our reputation, business, prospects, financial condition and results of operations.

48. The purposes for which the funds are being raised pursuant to the Issue have not been appraised by any bank or financial institutions. We have not entered into definitive agreements to use the proceeds of the Fresh Issue. Any delay in the schedule of implementation of the proceeds from the Issue may have an adverse impact on our profitability.

The purposes for which the funds are being raised pursuant to the Issue have not been appraised by any bank or financial institution. The estimate of costs is based on project reports, as well as based on internal management estimates, which are subject to change and may result in cost escalation. These estimates may be inaccurate, and we may require additional funds to implement the purposes of the Issue. We have not entered into definitive agreements for certain purposes of the Issue to utilise the proceeds from the Issue. Any change or cost escalation can significantly increase the cost of the purposes for which the funds are being raised pursuant to the Issue. The deployment of the proceeds from the Issue will be at the discretion of our Company. Our schedule of implementation for the use of proceeds from the Issue may be affected by various risks, including time and cost overruns as well as factors beyond our control. Any delay in our schedule of implementation may cause us to incur additional costs. Such time and cost overruns may adversely impact our business, financial condition, results of operations and cash flows. For details, see "*Use of Proceeds*" on page 71.

49. Certain reserved matters in the Investment agreement executed with CX Securities Limited may adversely affect our business operations.

Our Company has entered into an investment agreement dated November 28, 2013 with CX Securities Limited and others (the "**Investment Agreement**"). Pursuant to the Investment Agreement, certain reserved matters such as (i) acquisition of shares or assets having transaction value of more than Rs. 200 million; (ii) approval and adoption of annual budget; (iii) providing guarantees or loans, other than in ordinary course of business, exceeding Rs. 100 million cumulatively in a financial year; (iv) sale, transfer or other disposition of our Company or Subsidiaries or any other change in capital structure of the Company; (v) sale, transfer, assignment, mortgage, pledge, hypothecation of security interest or otherwise dispose of any asset exceeding Rs. 100 million in a single transaction or Rs. 250 million in aggregate in a calendar year; (vi) creation of legal entities, joint ventures, subsidiaries, partnerships, mergers, demergers, where value of such transaction is more than Rs. 100 million; (vii) dissolution or winding-up or liquidation of the Company and Subsidiaries, or any restructuring or reorganisation; (viii) enter into or make any amendments to any exclusive marketing agreements; (ix) commencement of new line of business, unrelated to the business of our Company; (x) declaration of payment of dividends (except dividends which are up to 25% of the consolidated profit after tax of our Company; (xi) Listing and de-listing of our Company and Subsidiaries; and (xii) prosecution or settlement of legal actions or claims exceeding Rs. 100

million in a financial year (the "**Reserved Matters**"), could only be decided by a core committee of Directors of the Company, of which one shall be the CX Securities Limited nominee director on our Board. Our Board's restricted ability to decide on the reserved matter may adversely affect our business operations and performance. The agreement requires prior consent in case of certain reserved matters including change in capital structure of our Company and certain procedures to be followed in respect to the same. We cannot assure you that such consent has been obtained or such procedures have been followed by our Company.

50. We may not be able to utilise the proceeds from this Issue in the manner set out in this Placement Document in a timely manner or at all.

Our funding requirements and the deployment of the proceeds from this Issue are based on our current business plan and strategy. We may have to revise this from time to time as a result of variations including in the cost structure, changes in estimates and other external factors, which may not be within the control of our management. This may entail rescheduling, revising or cancelling the planned expenditure and fund requirement and increasing or decreasing the expenditure for a particular purpose from its planned expenditure at the discretion of our Board. Accordingly, we may not be able to utilise the proceeds from this Issue in the manner set out in this Placement Document in a timely manner or at all. As a consequence of any increased expenditure, the actual deployment of funds may be higher than estimated. As regards utilisation of Net Proceeds for repayment of loans, the identification of loans to be repaid or prepaid will be based on various factors, including (i) cost of the borrowing (ii) any conditions attached to the loan restricting our ability to prepay/ repay such loan (iii) receipt of consents for prepayment from the respective lenders (iv) levy of any prepayment penalties or (v) other commercial and legal considerations.

51. Our lenders have imposed certain restrictive conditions on us under our financing arrangements. This may limit our ability to pursue our business and limit our flexibility in planning for, or reacting to, changes in our business or industry.

As of September 30, 2017, we had total outstanding borrowings of Rs. 1,947 million. Our financing arrangements are secured by our movable and immovable assets. Many of our financing agreements include conditions and restrictive covenants, including the requirement that we obtain consent or intimation from our respective lenders prior to carrying out certain activities and entering into certain transactions including (a) the amendment of our memorandum and articles of association; (b) incurrence of additional debt; (c) issuance of new securities and changing our capital structure or management structure; (d) formulating any scheme of amalgamation or reconstruction; (e) implementation of any scheme of expansion; (f) declaring dividend except out of profits of that year; (g) providing guarantee or letter of comfort in the nature of guarantee on behalf of any other company (including group companies); and (h) undertaking any trading activity other than the sale of products arising out of our own manufacturing operations. Additionally, some of our financing arrangements require that our Promoters continue to hold greater than 51% equity interest in our Company. These restrictions may limit our flexibility in responding to business opportunities, competitive developments and adverse economic or industry conditions. A breach of any of these covenants or a failure to pay interest or indebtedness when due under any of our financing arrangements, could result in a variety of adverse consequences, including the termination of one or more of our credit facilities, levy of penal interest, the enforcement of any security provided, acceleration of all amounts due under such facilities, right to appoint nominee on our Board and cross-defaults under certain of our other financing agreements, any of which may adversely affect our business, financial condition and results of operations. Further, our consortium working capital facility availed from various banks and lead by Allahabad Bank provides a right to the consortium banks to utilise proceeds from any fresh issuance of Equity Shares towards repayment of the working capital facility availed. These restrictions may limit our flexibility in responding to business opportunities, competitive developments and adverse economic or industry conditions. A breach of any of these covenants, or a failure to pay interest or indebtedness when due under any of our credit facilities, could result in a variety of adverse consequences, including the acceleration of our indebtedness, and could adversely affect our ability to conduct our business.

Our financing agreements also generally contain certain financial covenants including the requirement to maintain, among others, specified debt-to-equity ratios. These covenants vary depending on the requirements of the financial institution extending the loan and the conditions negotiated under each financing document. Such covenants may restrict or delay certain actions or initiatives that we may propose to take from time to time. There can be no assurance that we will comply with the covenants with respect to our financing arrangements in the future or that we will be able to secure waivers for any such non-compliance in a timely manner or at all. One of the consents received from our lenders for undertaking the Issue indicates that the consent is subject to the condition that post Issue, the shareholding of our Promoters shall not fall below 46.77% of the paid-up share

capital of our Company, at any point of time.

Any future inability to comply with the covenants under our financing arrangements or to obtain necessary consents required thereunder or any other breach under the financing agreements including default in repayment may lead to the termination of our credit facilities, levy of penal interest, acceleration of all amounts due under such facilities and the enforcement of any security provided. Further, our Chairman and Managing Director, VC Nannapaneni has issued personal guarantees for securing the performance of obligations and liabilities under certain unsecured working capital credit facilities availed by our Company. We cannot assure you that we will continue to comply with all conditions and restrictive covenants under our financing agreements in the future. If the obligations under any of our financing agreements are accelerated, we may have to dedicate a substantial portion of our cash flow from operations to make payments under such financing documents, thereby reducing the availability of cash for our working capital requirements and other general corporate purposes. Further, during any period in which we are in default, we may be unable to obtain further financing or any refinancing of our debt could be at higher rates with more onerous covenants, which could further restrict our business operations. Additionally, third parties may also have concerns over our financial position and it may be difficult to market our financial products. Any of these circumstances or other consequences could adversely affect our business, credit rating, prospects, financial condition and results of operations. Moreover, any such action initiated by our lenders could adversely affect the price of the Equity Shares.

52. Our Promoters will be able to exercise significant influence and control over our Company after the Issue and may have interests that are different from those of our other shareholders.

As of September 30, 2017, our Promoters and promoter group hold 51.19 % of the issued and outstanding Equity Shares of our Company. By virtue of their shareholding, our Promoters will have the ability to exercise significant control and influence over our Company and our affairs and business, including the election of Directors, the timing and payment of dividends, the adoption of and amendments to our Memorandum and Articles of Association, the approval of a merger, amalgamation or sale of substantially all of our assets and the approval of most other actions requiring the approval of our shareholders. The interests of our Promoters may be different from or conflict with the interests of our other shareholders and their influence may result in change of management or control of our Company, even if such a transaction may not be beneficial to our other shareholders.

53. We are subject to the United States Foreign Corrupt Practices Act and similar worldwide anti-bribery laws, which impose restrictions and may carry substantial penalties.

The United States Foreign Corrupt Practices Act (the "**FCPA**"), the U.K. Bribery Act and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to officials for the purpose of obtaining or retaining business. These laws may require not only accurate books and records, but also sufficient controls, policies and processes to ensure business is conducted without the influence of bribery and corruption. Our policies mandate compliance with these anti-bribery laws, which often carry substantial penalties including fines, criminal prosecution and potential debarment from public procurement contracts. Failure to comply may also result in reputational damages. Given the high level of complexity of these laws, however, there is a risk that some provisions may be inadvertently breached, for example through fraudulent or negligent behaviour of individual employees, our failure to comply with certain formal documentation requirements or otherwise. Any violation of these laws or allegations of such violations, whether or not merited, could have a material adverse effect on our reputation and could cause the trading price of our ordinary shares to decline.

In addition, in many less-developed markets, we rely heavily on third-party distributors and other agents for the marketing and distribution of our products. Many of these third parties do not have internal compliance resources comparable to ours. Business activities in many of these markets have historically been more susceptible to corruption. If our efforts to screen third-party agents and detect cases of potential misconduct fail, we could be held responsible for the noncompliance of these third parties under applicable laws and regulations, including the FCPA, which may have a material adverse effect on our reputation and our business, financial condition or results of operations.

Finally, we operate in certain jurisdictions that have experienced governmental corruption to some degree or are found to be low on the Transparency International Corruption Perceptions Index and, in some circumstances, anti-bribery laws may conflict with some local customs and practices. As a result of our policy to comply with FCPA and similar anti-bribery laws, we may be at a competitive disadvantage to competitors that are not subject to, or do not comply with, such laws in jurisdictions that have experienced higher levels of bribery and corruption.

54. Our Company has prepared financial statements under IND (AS). The transition to IND (AS) in India is very recent.

India has decided to adopt the "Convergence of its existing standards with IFRS" and not the IFRS. These "IFRS based or synchronized Accounting Standards" are referred to in India as the Indian Accounting Standards ("**IND (AS)**"). The Ministry of Corporate Affairs, Government of India, has through a notification dated February 16, 2015, set out the IND (AS) and the timelines for their implementation. Pursuant to the notification, IND (AS) is mandatorily applicable to companies (except banking companies, insurance companies and non-banking financial companies) effective from (i) the accounting periods beginning on or after April 1, 2016 (with comparatives for the period ending March 31, 2016 or thereafter), for companies with net worth of Rs. 5,000 million or more; and (ii) the accounting periods beginning on or after April 1, 2017 (with comparatives for the period ending March 31, 2017 or thereafter) for listed or to-be-listed companies (i.e. whose equity or debt securities are listed or are in the process of being listed on any stock exchange in or outside India) with net worth less than Rs. 5,000 million and unlisted companies with net worth between Rs. 2,500 million and Rs. 5,000 million. These requirements would also apply to any holding, subsidiary, joint venture or associate companies of such aforementioned companies. Accordingly, our Company has prepared its financial statements in accordance with IND (AS) for periods beginning on or after April 1, 2016. Accordingly our financial statements for the six months ended September 30, 2017 and Fiscals 2017 and 2016 prepared under IND (AS), may not be comparable to our historical financial statements.

55. Changing laws, rules and regulations and legal uncertainties including adverse application of tax laws and regulations such as application of Goods and Service Tax (GST), may adversely affect our business results of operations, cash flows and financial performance.

Our business and financial performance could be adversely affected by changes in law or interpretations of existing, or the promulgation of new, laws, rules and regulations in India applicable to us and our business. There can be no assurance that the central or the state governments may not implement new regulations and policies which will require us to obtain approvals and licenses from the governments and other regulatory bodies or impose onerous requirements and conditions on our operations. For example, majority of our pharmaceuticals business is based outside India and outward investments in India is governed by RBI regulations. Any change in such RBI regulation may have a severe impact on our businesses outside India or any expansion plans that involve support from our local operations. Any new regulations and policies and the related uncertainties with respect to the implementation of the new regulations may have a material adverse effect on all our business, financial condition and results of operations. In addition, we may have to incur capital expenditures to comply with the requirements of any new regulations, which may also materially harm our results of operations. The GoI has recently enacted the Central Goods and Services Tax Act, 2017 which lays down a comprehensive national GST regime which has combined taxes and levies collected by the central and state governments into a unified rate structure. This legislation was notified and made effective from July 1, 2017.

Based on such available information and to the best of our understanding we are of the view that there will be an Increase in overall taxes on procurement which will lead to an additional working capital requirement. While there will be an increase in overall taxes on procurement, the procurement cost is likely to reduce on account of the free flow of credits under GST regime. The ability of the company to take the benefit of reduction in procurement cost shall be dependent on its ability to increase or maintain the sale price of its products and negotiation of the purchase price with its vendors. Further in the transition period, the company expects some disruptions in the procurement and sale of goods, which could affect the immediate financial performance, however this is expected to a temporary and short term event.

The Government has also proposed major reforms in Indian tax laws with respect to the provisions relating to the general anti-avoidance rule ("**GAAR**"). As regards GAAR, the provisions have been introduced in the Finance Act, 2012 and have come into effect from April 1, 2017. The GAAR provisions intend to catch arrangements declared as "impermissible avoidance arrangements", which is any arrangement, the main purpose or one of the main purposes of which is to obtain a tax benefit and which satisfy at least one of the following tests (i) creates rights, or obligations, which are not ordinarily created between persons dealing at arm's length; (ii) results, directly or indirectly, in misuse, or abuse, of the provisions of the Income Tax Act; (iii) lacks commercial substance or is deemed to lack commercial substance, in whole or in part; or (iv) is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for bona fide purposes. If GAAR provisions are invoked, then the Indian tax authorities have wide powers, including denial of tax benefit or a benefit under a tax

treaty. As the taxation system is intended to undergo significant overhaul, its consequent effects on us cannot be determined at present and there can be no assurance that such effects would not adversely affect our business and future financial performance.

56. We have commissioned an industry report from CARE Research and third party database which has been used for industry related data in this Placement Document and such data has not been independently verified by us.

We have commissioned CARE Research to produce reports on the pharmaceutical industry. CARE Research has provided us with a report titled 'Report on Pharmaceutical Industry', which has been used for industry related data that has been disclosed in this Placement Document. We have not independently verified such data and information from third party database, disclosed in this Placement Document, and therefore we are unable to confirm the accuracy of such data. Such information may be inconsistent with the facts and statistics compiled by other studies within or outside India. We are also unable to assure you that that such data is complete or accurate. Moreover, the industry report referred to in this Placement Document includes projections that by their very nature are estimations. Therefore, discussions of matters relating to India, its economy and the industries in which we currently operate and their growth prospects, in this Placement Document, are subject to the caveat that the statistical and other data upon which such discussions are based may be incomplete and are speculative. For further details, see "*Industry Overview*" on page 78."

57. The information relating to the capacity and capacity utilisation of our manufacturing facilities included in this Placement Document has not been independently verified by an expert.

The information relating to the capacity and capacity utilisation of our manufacturing facilities included in this Placement Document has been prepared by the management and is based on certain estimates and assumptions. The accuracy of such information has not been independently verified by any expert, or the Book Running Lead Managers or their affiliates. Accordingly, investors should not place undue reliance on such data as a basis for making an investment in our Equity Shares.

Risks Relating to India

58. The occurrence of natural or man-made disasters could adversely affect our results of operations, cash flows and financial condition. Hostilities, terrorist attacks, civil unrest and other acts of violence could adversely affect the financial markets and our business.

The occurrence of natural disasters, including cyclones, storms, floods, earthquakes, tsunamis, tornadoes, fires, explosions, pandemic disease and man-made disasters, including acts of terrorism and military actions, could adversely affect our results of operations, cash flows or financial condition. Terrorist attacks and other acts of violence or war may adversely affect the Indian securities markets. In addition, any deterioration in international relations, especially between India and its neighbouring countries, may result in investor concern regarding regional stability which could adversely affect the price of the Equity Shares. In addition, India has witnessed local civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic or political events in India could have an adverse effect on our business. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse effect on our business and the market price of the Equity Shares.

59. Political instability or changes in the Government in India or in the Government of the states where we operate could cause us significant adverse effects.

The central Government has traditionally exercised, and continues to exercise, a significant influence over many aspects of the economy. Further, our business is also impacted by regulation and conditions in the various states in India where we operate. Our business, and the market price and liquidity of our Equity Shares may be affected by interest rates, changes in central or state Government policies, taxation and other political, economic or other developments in or affecting India. Since 1991, successive central Governments have pursued policies of economic liberalisation and financial sector reforms. Any slowdown in these demand drivers or change in Government policies may adversely impact our business and operations. Generally a significant adverse change in the central Government's policies could adversely affect our business, financial condition and results of operations and could cause the trading price of our Equity Shares to decline.

60. If there is a change in policies related to tax, duties or other such levies applicable to us, it may affect our results of operations.

New or revised accounting policies or policies related to tax, duties or other such levies promulgated from time to time by relevant tax authorities may adversely affect our results of operations. We cannot assure you as to what action current or future Governments will implement regarding tax incentives or excise duty benefits. Moreover, any Government policies restricting the allotment of land in areas where we intend to establish facilities could adversely affect our plans to expand our manufacturing facilities. We may not be able to comply with the obligations and stipulations that would allow us to avail ourselves of such benefits or concessions, and consequently, we may lose such benefits and concessions.

61. We may be affected by competition law in India and any adverse application or interpretation of the Competition Act could adversely affect our business.

The Competition Act regulates practices having an appreciable adverse effect on competition in the relevant market in India. Under the Competition Act, any formal or informal arrangement, understanding or action in concert, which causes or is likely to cause an appreciable adverse effect on competition is considered void and results in the imposition of substantial monetary penalties. Further, any agreement among competitors which directly or indirectly involves the determination of purchase or sale prices, limits or controls production, supply, markets, technical development, investment or provision of services, shares the market or source of production or provision of services by way of allocation of geographical area, type of goods or services or number of customers in the relevant market or directly or indirectly results in bid-rigging or collusive bidding is presumed to have an appreciable adverse effect on competition. The Competition Act also prohibits abuse of a dominant position by any enterprise.

On March 4, 2011, the Government issued and brought into force the combination regulation (merger control) provisions under the Competition Act with effect from June 1, 2011. These provisions require acquisitions of shares, voting rights, assets or control or mergers or amalgamations that cross the prescribed asset and turnover based thresholds to be mandatorily notified to and pre-approved by the CCI. Additionally, on May 11, 2011, the CCI issued Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011, as amended, which sets out the mechanism for implementation of the merger control regime in India.

The Competition Act aims to, among others, prohibit all agreements and transactions which may have an appreciable adverse effect on competition in India. Consequently, all agreements entered into by us could be within the purview of the Competition Act. Further, the CCI has extra-territorial powers and can investigate any agreements, abusive conduct or combination occurring outside India if such agreement, conduct or combination has an appreciable adverse effect on competition in India. However, we cannot predict the impact of the provisions of the Competition Act on the agreements entered into by us at this stage. We are not currently party to any outstanding proceedings, nor have we received notice in relation to non-compliance with the Competition Act or the agreements entered into by us. However, if we are affected, directly or indirectly, by the application or interpretation of any provision of the Competition Act, or any enforcement proceedings initiated by the CCI, or any adverse publicity that may be generated due to scrutiny or prosecution by the CCI or if any prohibition or substantial penalties are levied under the Competition Act, it would adversely affect our business, results of operations and prospects.

62. It may not be possible for you to enforce any judgment obtained outside India against us, our management or any of our respective affiliates in India, except by way of a suit in India on such judgment.

We are incorporated under the laws of India and substantially all our Directors and executive officers reside in India. A substantial majority of our assets, and the assets of our Directors and officers, are also located in India. As a result, you may be unable to:

- effect service of process outside of India upon us and such other persons or entities; or
- enforce in courts outside of India judgments obtained in such courts against us and such other persons or entities.

For further details, see "*Enforcement of Civil Liabilities*" on page 16.

63. A third party could be prevented from acquiring control of us because of anti-takeover provisions under Indian law.

There are provisions in Indian law that may delay, deter or prevent a future takeover or change in control of our Company. Under the Takeover Regulations, an acquirer has been defined as any person who, directly or indirectly, acquires or agrees to acquire shares or voting rights or control over a company, whether individually or acting in concert with others. Although these provisions have been formulated to ensure that interests of investors/shareholders are protected, these provisions may also discourage a third party from attempting to take control of our Company. Consequently, even if a potential takeover of our Company would result in the purchase of the Equity Shares at a premium to their market price or would otherwise be beneficial to our Shareholders, such a takeover may not be attempted or consummated because of Takeover Regulations.

64. Any downgrading of India's debt rating by an international rating agency could adversely affect our business and the price of our Equity Shares.

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely affect our business, our future financial performance, our shareholders' funds and the price of our Equity Shares.

Risks Relating to the Equity Shares and this Issue

65. The trading price of our Equity Shares may be subject to volatility and you may not be able to sell your Equity Shares at or above the Issue Price.

The trading price of our Equity Shares may fluctuate after this Issue due to a variety of factors, including our results of operations and the performance of our business, competitive conditions, general economic, political and social factors, the performance of the Indian and global economy and significant developments in India's fiscal regime, volatility in the Indian and global securities market, performance of our competitors, changes in the estimates of our performance or recommendations by financial analysts and announcements by us or others regarding contracts, acquisitions, strategic partnerships, joint ventures, or capital commitments. In addition, if the stock markets in general experience a loss of investor confidence, the trading price of our Equity Shares could decline for reasons unrelated to our business, financial condition or operating results. The trading price of our Equity Shares might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Each of these factors, among others, could adversely affect the price of our Equity Shares.

66. Investors may be subject to Indian taxes arising out of capital gains on the sale of our Equity Shares.
Capital gains arising from the sale of our Equity Shares are generally taxable in India. Any gain realized on the sale of our Equity Shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if securities transaction tax, or STT, has been paid on the transaction. STT will be levied on and collected by an Indian stock exchange on which our Equity Shares are sold. Any gain realized on the sale of our Equity Shares held for more than 12 months by an Indian resident, which are sold other than on a recognized stock exchange and as a result of which no STT has been paid, will be subject to capital gains tax in India. Further, any gain realized on the sale of our Equity Shares held for a period of 12 months or less will be subject to capital gains tax in India. Capital gains arising from the sale of our Equity Shares will be exempt from taxation in India in cases where an exemption is provided under a treaty between India and the country of which the seller is a resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains.

As a result, residents of other countries may be liable for tax in India as well as in their own jurisdictions on gains arising from a sale of our Equity Shares. However, capital gains on the sale of our Equity Shares purchased in the Issue by residents of certain countries will not be taxable in India by virtue of the provisions contained in the taxation treaties between India and such countries.

67. Fluctuations in the exchange rate between the Rupee and the U.S. dollar could have an adverse effect on the value of our Equity Shares, independent of our operating results.

Our Equity Shares are quoted in Rupees on the Stock Exchanges. Any dividends in respect of our Equity Shares will be paid in Rupees and subsequently converted into U.S. dollars for repatriation. Any adverse movement in exchange rates during the time it takes to undertake such conversion may reduce the net dividend to investors. In addition, any adverse movement in exchange rates during a delay in repatriating the proceeds from a sale of

Equity Shares outside India, for example, because of a delay in regulatory approvals that may be required for the sale of Equity Shares, may reduce the net proceeds received by shareholders. The exchange rate between the Rupee and the U.S. dollar has changed substantially in the last two decades and could fluctuate substantially in the future, which may have an adverse effect on the value of our Equity Shares and returns from our Equity Shares, independent of our operating results.

68. There is no guarantee that our Equity Shares will be listed, or continue to be listed, on the Indian stock exchanges in a timely manner, or at all, and prospective investors will not be able to immediately sell their Equity Shares on a Stock Exchange.

In accordance with Indian law and practice, final approval for listing and trading of our Equity Shares will not be applied for or granted until after our Equity Shares have been issued and allotted. Such approval will require the submission of all other relevant documents authorizing the issuance of our Equity Shares. Accordingly, there could be a failure or delay in listing our Equity Shares on the NSE and BSE, which would adversely affect your ability to sell our Equity Shares.

69. Foreign investors are subject to foreign investment restrictions under Indian law that limit our ability to attract foreign investors, which may adversely affect the trading price of our Equity Shares.

Under the foreign exchange regulations currently in force in India, transfers of shares between non-residents and residents are freely permitted (subject to certain exceptions) if they comply with the requirements specified by the RBI. If the transfer of shares is not in compliance with such requirements or falls under any of the specified exceptions, then prior approval of the RBI or the FIPB will be required. In addition, shareholders who seek to convert the Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India will require a no-objection or tax clearance certificate from the income tax authority. Additionally, the Indian government may impose foreign exchange restrictions in certain emergency situations, including situations where there are sudden fluctuations in interest rates or exchange rates, where the Indian government experiences extreme difficulty in stabilizing the balance of payments or where there are substantial disturbances in the financial and capital markets in India. These restrictions may require foreign investors to obtain the Indian government's approval before acquiring Indian securities or repatriating the interest or dividends from those securities or the proceeds from the sale of those securities. There can be no assurance that any approval required from the RBI or any other government agency can be obtained on any particular terms or at all.

70. There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell, Equity Shares at a particular point in time.

The Equity Shares will be subject to a daily circuit breaker imposed on listed companies by all stock exchanges in India, which does not allow transactions beyond a certain volatility in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on the Equity Shares' circuit breaker will be set by the stock exchanges based on historical volatility in the price and trading volume of the Equity Shares. The stock exchanges are not required to inform us of the percentage limit of the circuit breaker and they may change the limit without our knowledge. This circuit breaker would effectively limit the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, there can be no assurance regarding the ability of shareholders to sell Equity Shares or the price at which shareholders may be able to sell their Equity Shares.

71. Our ability to pay dividends in the future will depend upon our future earnings, financial condition, cash flows, working capital requirements, capital expenditures and restrictive covenants in our financing arrangements.

While we have paid dividends in the past, we cannot assure you that dividends will be paid in the future and, if so, the level of such future dividends. The declaration, payment and amount of any future dividends is subject to the discretion of our Board, and will depend on a number of factors including, our earnings, availability of profits, capital requirements and overall financial condition, as well as the provisions of relevant laws in India from time to time.

72. Any future issuance of Equity Shares by us or sales of our Equity Shares by any of our significant shareholders may adversely affect the trading price of our Equity Shares.

Any future issuance of our Equity Shares by us could dilute your shareholding. Any such future issuance of our Equity Shares or sales of our Equity Shares by any of our significant shareholders may also adversely affect the trading price of our Equity Shares, and could impact our ability to raise capital through an offering of our securities. We cannot assure you that we will not issue further Equity Shares or that the shareholders will not dispose of, pledge or otherwise encumber their Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares.

73. An investor will not be able to sell any of our Equity Shares purchased in the Issue other than on a recognized Indian stock exchange for a period of 12 months from the date of issue of such Equity Shares.

Pursuant to the SEBI Regulations, for a period of 12 months from the date of the issue of our Equity Shares in the Issue, investors purchasing our Equity Shares in the Issue may only sell their Equity Shares on the NSE or the BSE and may not enter into any off-market trading in respect of their Equity Shares. We cannot be certain that these restrictions will not have an impact on the price of our Equity Shares.

MARKET PRICE INFORMATION

The Equity Shares have been listed and are available for trading on BSE and NSE.

On December 8, 2017, the closing price of Equity Shares on BSE and NSE was 930.85 and 931.40 per Equity Share, respectively.

(i) The following tables set forth the reported high, low and average market prices and the trading volumes of the Equity Shares on BSE and NSE on the dates on which such high and low prices were recorded for Financial Years ended March 31, 2015, March 31, 2016 and March 31, 2017:

BSE

Financial Year ended	High (Rs.)	Date of High	Total Volume on date of High (Number of Equity Shares traded on the date of high)	Total Volume of Equity shares traded on the date of high (Rs. million)	Low (Rs.)	Date of low	Volume on date of Low (Number of Equity Shares traded on the date of low)	Total Volume of Equity shares traded on the on date of low (Rs. million)	Average price for the year (Rs.)*	Total Volume of Equity Shares traded in the Period	
										In number	(Rs. in million)
2015	2291.40	March 16, 2015	79,788	172.31	655.55	April 01, 2014	466,662	319.51	1,255.66	4,520,707	5,625.05
From April 01, 2015 to November 25, 2015	2,709.00	April 07, 2015	126,490	326.83	1828.95	April 28, 2015	84,772	170.30	2,309.88	2,612,728	6,017.96
From November 26, 2015 to March 31, 2016**	623.60	January 05, 2016	112,265	67.40	390.00	March 29, 2016	254,767	101.48	507.73	5,246,144	2,590.02
2017	850.00	March 31, 2017	50,929	42.79	410.55	April 01, 2016	67,710	28.14	609.14	11,629,137	7,102.97

(Source: www.bseindia.com)

NSE

Financial Year ended	High (Rs.)	Date of High	Volume on date of High (Number of Equity Shares traded on the date of high)	Total Volume of Equity shares traded on the date of high (Rs. million)	Low (Rs.)	Date of low	Volume on date of Low (Number of Equity Shares traded on the date of low)	Total Volume of Equity shares traded on the on date of low (Rs. million)	Average price for the year (Rs.)*	Total Volume of Equity Shares traded in the Period	
										In number	(Rs. in million)
2015	2,289.00	March 16, 2015	447,885	961.79	650.00	April 01, 2014	1,477,099	1,008.90	1,255.69	22,727,559	29,670.28
From April 01, 2015 to November 25, 2015	2,709.85	April 07, 2015	595,483	1,541.34	1,826.65	April 28, 2015	440,652	882.37	2,310.21	14,688,376	33,891.67
From November 26, 2015 to March 31, 2016**	623.70	January 05, 2016	866,451	514.47	390.00	March 29, 2016	1,912,874	761.64	507.70	34,217,147	16,757.82
2017	855.00	March 31, 2017	478,379	402.24	410.00	April 01, 2016	388,455	161.68	609.45	76,316,412	47,499.01

(Source: www.nseindia.com)

** Average prices are based on the daily closing prices.*

*** In Fiscal 2016, our Company undertook a sub-division of equity shares of face value of Rs. 10 each to equity shares of face value of Rs. 2 each (ex-split effective from November 26, 2015)*

(ii) The following tables set forth the reported high, low and average market prices and the trading volumes of the Equity Shares on BSE and NSE on the dates on which such high and low prices were recorded during each of the last six months:

BSE

Month Year	High (Rs.)	Date of High	Volume on date of High (Number of Equity Shares traded on the date of high)	Total Volume of Equity shares traded on the date of high (Rs. million)	Low (Rs.)	Date of low	Volume on date of Low (Number of Equity Shares traded on the date of low)	Total Volume of Equity shares traded on the on date of low (Rs. million)	Average price for the month (Rs.)	Monthly Total Volume of Equity Shares traded	
										In number	(Rs. in million)
November 2017	1,010.00	November 02, 2017	84,621	84.36	891.10	November 16, 2017	23,101	20.88	926.46	829,424	778.69
October 2017	1,049.75	October 05, 2017	326,696	327.33	780.10	October 03, 2017	24,066	19.15	971.65	1,005,899	985.31
September 2017	826.70	September 18, 2017	61,452	49.66	695.45	September 04, 2017	41,609	29.41	762.98	1,005,281	768.55
August 2017	986.55	August 07, 2017	93,860	90.50	671.25	August 10, 2017	580,031	417.42	798.58	1,863,778	1,419.49
July 2017	1,040.00	July 03, 2017	34,616	35.25	969.00	July 31, 2017	27,540	26.94	992.92	730,524	730.15
June 2017	1,080.00	June 09, 2017	120,835	128.07	928.60	June 30, 2017	63,334	63.45	981.61	2,281,628	2,188.33

(Source: www.bseindia.com)

NSE

Month Year	High (Rs.)	Date of High	Volume on date of High (Number of Equity Shares traded on the date of high)	Total Volume of Equity shares traded on the date of high (Rs. million)	Low (Rs.)	Date of low	Volume on date of Low (Number of Equity Shares traded on the date of low)	Total Volume of Equity shares traded on the on date of low (Rs. million)	Average price for the month (Rs.)	Monthly Total Volume of Equity Shares traded	
										In number	(Rs. in million)
November 2017	1010.00	November 02, 2017	1,181,232	1,175.38	891.05	November 16, 2017	5,555,033	5,264.34	927.18	5,555,033	5,264.34
October 2017	1050.00	October 05, 2017	2,814,107	2,817.23	788.25	October 03, 2017	239,610	191.00	972.31	7,476,965	7,355.37
September 2017	829.00	September 18, 2017	427,525	346.57	695.00	September 04, 2017	302,349	214.68	763.72	6,802,257	5,181.82
August 2017	985.00	August 01, 2017	124,472	120.67	671.10	August 10, 2017	5,150,800	3,708.69	798.65	16,500,985	12,387.79
July 2017	1038.35	July 03, 2017	333,205	339.86	971.00	July 31, 2017	89,979	87.83	993.39	3,851,635	3,853.21
June 2017	1,090.00	June 09, 2017	856,133	907.65	931.55	June 30, 2017	823,303	817.55	982.29	8,584,919	8,539.69

(Source: www.nseindia.com)

Notes:

1. *In case of two days with the same closing price, the date with the higher volume has been considered.*
2. *Average prices are based on the daily closing prices.*

(iii) The following table set forth the details of the number of Equity Shares traded and the volume of business transacted during the last six months and the Financial Years ended March 31, 2015, March 31, 2016 and March 31, 2017 on BSE and NSE:

Financial Year/ Period	Number of Equity Shares Traded		Volume of Business Transacted (In Rs. million)	
	BSE	NSE	BSE	NSE
2015	4,520,707	22,727,559	5,625.05	29,670.28
From April 01, 2015 to November 25, 2015	2,612,728	14,688,376	6,017.96	33,891.67
From November 26, 2015 to March 31, 2016*	5,246,144	34,217,147	2,590.02	16,757.82
2017	11,629,137	76,316,412	7,102.97	47,499.01
November 2017	829,424	5,555,033	778.69	29,670.28
October 2017	1,005,899	7,476,965	985.31	7,355.37
September 2017	1,005,281	6,802,257	768.55	5,181.82
August 2017	1,863,778	16,500,985	1,419.49	12,387.79

Financial Year/ Period	Number of Equity Shares Traded		Volume of Business Transacted (In Rs. million)	
	BSE	NSE	BSE	NSE
July 2017	730,524	3,851,635	730.15	3,853.21
June 2017	2,281,628	8,584,919	2,188.33	8,539.69

(*Source: www.bseindia.com and www.nseindia.com*)

[*] *In Fiscal 2016, our Company undertook a sub-division of equity shares of face value of Rs. 10 each to equity shares of face value of Rs. 2 each (ex-split effective from November 26, 2015)*

(iv) The following table sets forth the market price on BSE and NSE on November 3, 2017, i.e., the first working day following the approval of the Board of Directors for the Issue:

BSE						NSE					
Open	High	Low	Close	Number of Equity Shares traded	Turnover (Rs. million)	Open	High	Low	Close	Number of Equity Shares traded	Turnover (Rs. million)
997.00	1,000.05	942.90	954.50	87,584	84.11	995.00	996.95	942.00	956.75	720,915	693.50

(Source: www.bseindia.com and www.nseindia.com)

USE OF PROCEEDS

The gross proceeds from the Issue will be approximately Rs. 9,150 million.

The net proceeds from the Issue, after deducting fees, commissions and expenses of the Issue, will be approximately Rs. 8,950 million (the "**Net Proceeds**").

Subject to compliance with applicable laws and regulations, our Company intends to use the Net Proceeds of the Issue for capital expenditure, prepayment/ repayment of working capital loans and general corporate purposes.

Our Company intends to deploy Rs. 6,000.00 million from the Net Proceeds towards capital expenditure. The proposed capital expenditure includes cost for building and other civil works and plant and machinery, in respect of its manufacturing facilities in (i) Kothur, Telangana; (ii) Mekaguda, Telangana; (iii) Manali, Chennai; and (iv) Visakhapatnam, SEZ. The proposed capital expenditure also include cost for procurement of equipment for our research and development facilities in Hyderabad and Kothur, Telangana. The break-up of the total capital expenditure towards which the Net Proceeds aggregating to Rs. 6,000.00 million shall be utilised, is set forth below:

(in Rs., million)

S. No.	Particulars	Estimated cost
1.	Building and other civil works	1,000.00
2.	Plant and machinery	4,680.00
3.	Research and development equipment	320.00
	Total	**6,000.00**

Our Company proposes to deploy Net Proceeds aggregating to Rs. 6,000.00 million towards the aforesaid capital expenditure for the period from January 2018 to March 2021.

If the Net Proceeds are not completely utilised for the purposes stated hereinabove by such periods due to factors such as (i) economic and business conditions; (ii) increased competition; (iii) delay in procuring and operationalising assets; (iv) receiving the necessary approvals; and (v) other commercial considerations, the same would be utilised (in part or full) in the subsequent periods as may be decided by our Board, in accordance with applicable law. Further, the Board may at its discretion, utilise any unutilised portion of Net Proceeds allocated for capital expenditure, towards general corporate purposes.

As on November 30, 2017, our Company has availed working capital facilities (excluding foreign bill negotiation) aggregating to Rs. 1,933.82 million, from various lenders. Our Company proposes to utilise an estimated amount of Rs. 1,800.00 million from the Net Proceeds towards pre-payment or scheduled repayment of all or a portion of the working capital facilities availed by our Company, in Fiscal 2018 and Fiscal 2019. Given the nature of these borrowings and the terms of repayment / pre-payment, the aggregate outstanding borrowing amounts may vary from time to time. Further, the amounts outstanding are dependent on several factors and may vary with the business cycle of our Company with multiple drawdowns, repayment and enhancement of sanctioned limits. The pre-payment or scheduled repayment will help reduce our outstanding indebtedness, assist us in maintaining a favourable debt-equity ratio and enable utilisation of our internal accruals for further investment in business growth and expansion.

If at the time of utilisation of the Net Proceeds, the amount of outstanding working capital facilities availed by our Company varies due to repayment, refinanced or additional drawn downs, then our Company will utilise the Net Proceeds not exceeding Rs. 1,800.00 million towards pre-payment or scheduled repayment of the working capital facilities, in part or full.

Our Company proposes to deploy the balance Net Proceeds towards general corporate purposes, including but not limited to strategic initiatives, acquisitions and investments, partnerships and joint ventures, meeting fund requirements which our Company may face in the ordinary course of business, meeting expenses incurred in the ordinary course of business, meeting on going general corporate exigencies, research and development expenses, and any other purpose in accordance with applicable law, in Fiscal 2018, Fiscal 2019 and Fiscal 2020.

The fund deployment indicated hereinabove is based on management estimates, current circumstances of our business and the prevailing market conditions. As permissible under applicable laws, our management will have flexibility in deploying the Net Proceeds received by our Company from the Issue. Our Company may have to revise our funding requirements and deployment from time to time on account of various factors, such as financial

and market conditions, competition, business and strategy and interest/ exchange rate fluctuations and other external factors, which may not be within the control of our Company. This may entail rescheduling the proposed utilisation of the Net Proceeds and changing the allocation of funds from its planned allocation at the discretion of our Board. Further, if the actual utilisation of Net Proceeds towards any of the aforesaid purposes is lower than the proposed deployment, then such balance will be utilised towards general corporate purposes.

Pending utilisation for the purposes described above, our Company intends to temporarily invest funds in creditworthy instruments, including money market, mutual funds and fixed deposits. Any modification/ change in the investment policy would be at the discretion of the Board from time to time and in accordance with applicable laws.

Neither our Promoters nor our Directors are making any contribution either as part of the Issue or separately in furtherance of the objects of the Issue. Further, neither our Promoters nor our Directors shall receive any proceeds from the Issue, whether directly or indirectly.

CAPITALISATION

The following table sets forth the capitalisation of our Company as at September 30, 2017, derived from the Consolidated Reviewed Financial Statement, and as adjusted to give effect to the Issue. This table should be read in conjunction with "*Summary Financial Information*", "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Financial Information*" on pages 34, 41, 110 and 214, respectively.

(Rs. in millions, except ratios)

	As of September 30, 2017	As adjusted for the Issue*
Current borrowings:		
- Working capital loans (secured)	792	792
- Working capital loans (unsecured)	1,155	1,155
Total debts – A	**1,947**	**1,947**
Equity attributable to owners		
Equity share capital	349	349
Fresh shares pursuant to the issue	-	20
Securities premium reserve	6,178	6,178
Securities premium pursuant to the issue	-	9,130
Other equity (excluding securities premium reserve and non-controlling interest)	11,577	11,577
Total equity attributable to owners – B	**18,104**	**27,254**
Total capitalisation A+B	**20,051**	**29,201**
Debt / equity ratio (Total debt/Total equity attributable to owners (A/B))	**0.11:1**	**0.07:1**

Note: *Equity attributable to owners represents the sum of equity share capital, securities premium reserve and other equity (excluding securities premium reserve and non-controlling interest).*

**The figures for the respective financial statements line items under post-Issue column are derived after considering the proposed impact due to the Issue (assuming that the Issue is subscribed as per terms in accordance with the resolution approved by the equivalent committee of the Board of Directors at their meeting dated December 14, 2017) and not considering any other transactions or movements for such financial statements line items after September 30, 2017. Accordingly, the post-Issue column has been adjusted to reflect the number of Equity Shares proposed to be issued pursuant to the Issue and the related proceeds from the Issue. The aforesaid amounts do not include any Issue related expenses.*

CAPITAL STRUCTURE

Share capital of our Company as on date of this Placement Document is as follows:

(in Rs. except Equity Share data)

	Aggregate nominal value
Authorized Capital	
200,000,000 Equity Shares of Rs. 2 each	400,000,000
Issued, subscribed and fully paid-up share capital prior to the Issue	
174,485,300 Equity Shares of Rs. 2 each	348,970,600
Present Issue being offered to Eligible QIBs through the Preliminary Placement Document	
10,000,000 Equity Shares at a premium of Rs. 913, i.e. at a price per one Equity Share of Rs. 915	20,000,000
Paid-up share capital after the Issue	
184,485,300 Equity Shares	368,970,600
Securities premium account	
Securities premium account prior to the Issue	6,263,856,440
Securities premium account after the Issue	15,393,856,440

(a) As at September 30, 2017, our Promoter and Promoter Group, held 51.19 % of the pre-Issue share capital of our Company. We presently comply with the provisions relating to minimum public shareholding as required pursuant to the Listing Regulations.

(b) The Issue has been authorized by the Board pursuant to a resolution dated November 2, 2017 and the Shareholders pursuant to a special resolution dated November 29, 2017.

Share capital history of our Company

The history of share capital of our Company since incorporation is as follows:

Date of issue/ allotment/buy-back period/ split	Number of Equity Shares	Cumulative number of Equity Shares	Face value (Rs.)	Issue price (Rs.)	Nature of consideration	Reason for allotment/ details
September 14, 1981	20	20	100	100	Cash	First subscribers to Memorandum
July 7, 1982	3,980	4,000	100	100	Cash	Preferential allotment
July 7, 1986	2,800	6,800	100	100	Cash	Preferential allotment
May 23, 1987	2,610	9,410	100	100	Cash	Preferential allotment
August 1, 1988	760	10,170	100	100	Cash	Preferential allotment
November 15, 1988	1,830	12,000	100	100	Cash	Preferential allotment
March 19, 1991	1,775	13,775	100	100	Cash	Preferential allotment
September 15, 1993	645	14,420	100	100	Cash	Preferential allotment
May 25, 1994	144,200	144,200	10	-	-	Sub-division of equity shares of face value of Rs.100 each into Equity Shares of face value of Rs.10 each
June 2, 1994	2,307,200	2,451,400	10	-	-	Bonus issue
August 22, 1994	1,050,000	3,501,400	10	250	Cash	Preferential allotment
November 8, 1994	3,501,400	7,002,800	10	-	-	Bonus issue
November 9,	147,200	7,150,000	10	190	Cash	Preferential allotment

Date of issue/ allotment/buy-back period/ split	Number of Equity Shares	Cumulative number of Equity Shares	Face value (Rs.)	Issue price (Rs.)	Nature of consideration	Reason for allotment/ details
1994						
May 31, 1996	5,961,100	13,111,100	10	-	Consideration other than cash	Allotment pursuant to a scheme of amalgamation
January 31, 2001	4,270,500	17,381,600	10	17	Cash	Preferential allotment
October 18, 2003	6,000,000	23,381,600	10	12.50	Cash	Preferential allotment
January 25, 2005	2,020,636	25,402,236	10	121	Cash	Conversion of foreign currency convertible bonds
February 28, 2005	650,875	26,053,111	10	121	Cash	Conversion of foreign currency convertible bonds
March 30, 2005	108,272	26,161,383	10	121	Cash	Conversion of foreign currency convertible bonds
April 6, 2005	72,313	26,233,696	10	121	Cash	Conversion of foreign currency convertible bonds
April 11, 2005	484,614	26,718,310	10	121	Cash	Conversion of foreign currency convertible bonds
August 31, 2005	179,793	26,898,103	10	121	Cash	Conversion of foreign currency convertible bonds
September 29, 2005	72,561	26,970,664	10	121	Cash	Conversion of foreign currency convertible bonds
February 23, 2006	203,750	27,174,414	10	10	Cash	Allotment pursuant to ESOP scheme
July 31, 2006	2,925	27,177,339	10	10	Cash	Allotment pursuant to ESOP scheme
January 30, 2007	135,462	27,312,801	10	121	Cash	Conversion of foreign currency convertible bonds
January 30, 2007	108,625	27,421,426	10	10	Cash	Allotment pursuant to ESOP scheme
March 14, 2007	257,785	27,679,211	10	121	Cash	Conversion of foreign currency convertible bonds
April 16, 2007	283,438	27,962,649	10	121	Cash	Conversion of foreign currency convertible bonds
July 31, 2007	(492,881)	27,469,768	10	-	-	Buy back of Equity Shares*
November 16, 2007	466,584	27,936,352	10	121	Cash	Conversion of foreign currency convertible bonds
January 25, 2008	104,475	28,040,827	10	10	Cash	Allotment pursuant to ESOP scheme
June 30, 2009	107,125	28,147,952	10	10	Cash	Allotment pursuant to ESOP scheme
December 13, 2011	3,000,000	31,147,952	10	225	Cash	Allotment pursuant to qualified institutions

Date of issue/ allotment/buy-back period/ split	Number of Equity Shares	Cumulative number of Equity Shares	Face value (Rs.)	Issue price (Rs.)	Nature of consideration	Reason for allotment/ details
						placement
November 8, 2012	225,122	31,373,074	10	10	Cash	Allotment pursuant to ESOP scheme
November 29, 2013	1,700,000	33,073,074	10	638.40	Cash	Preferential allotment
December 16, 2014	161,775	33,234,849	10	1,200	Consideration other than cash	Preferential allotment
September 18, 2015	1,600,000	34,834,849	10	2,130.55	Cash	Allotment pursuant to qualified institutions placement
November 28, 2015	174,174,245	174,174,245	2	-	-	Sub-division of equity shares of face value of Rs.10 each into Equity Shares of face value of Rs. 2 each
November 11, 2016	133,555	174,307,800	2	2	Cash	Allotment pursuant to ESOP scheme
November 2, 2017	177,500	174,485,300	2	2	Cash	Allotment pursuant to ESOP scheme

[*] *Buy backs made between February 12, 2007 and July 26, 2007*

Employee Stock Option Schemes

Our Company has formulated three ESOPs namely; (i) Natco Employees Stock Option Plan 2015 ("**NATSOP 2015**") pursuant to a special resolution passed by the Shareholders on June 27, 2015; (ii) Natco Employees Stock Option Scheme 2016 ("**NATSOP 2016**") pursuant to a special resolution passed by the Shareholders on September 30, 2016; and (iii) Natco Employees Stock Option Scheme 2017 ("**NATSOP 2017**") pursuant to a special resolution passed by the Shareholders on September 28, 2017 (together, the **"Natco ESOP Schemes"**). The purpose of the Natco ESOP Schemes is to attract, retain and reward employees in the service of the Company, and to motivate such employees to contribute to the growth and profitability of the Company.

Details with respect to Natco ESOP Schemes as on date of this Placement Document are set forth below:

Sl. No.	Particulars	Number of Equity Shares/ Options		
		NATSOP 2015	NATSOP 2016	NATSOP 2017
1.	Total number of options	750,000	175,000	600,000
2.	Total number of options granted	750,000	174,330	600,000
3.	Options vested	311,055	8,700	-
4.	Options exercised	311,055	-	-
5.	Options lapsed or forfeited	-	-	-
6.	Total number of options outstanding	438,945	174,330	600,000

DIVIDEND POLICY

The declaration and payment of dividends by our Company is governed by the applicable provisions of the Companies Act, 2013, our Memorandum and Articles of Association and the dividend distribution policy formulated by our Company in terms of Regulation 43A of the Listing Regulations. Under the Companies Act, 2013, the board of directors of a company recommends the payment of dividend and the shareholders approve of the same at a general meeting. The Articles of Association grant discretion to the Board to declare and pay interim dividends as it may think fit.

The table below sets forth the details of the dividends declared by our Company on its Equity Shares during the last three Financial Years and the current Financial Year:

Financial Year ended/ ending	Dividend per Equity Share* (Rs.)	Amount of dividend declared exclusive of tax (Rs. in million)	Dividend tax (Rs. in million)	Total (Rs. in million)	Rate of dividend (in %)
March 31, 2018#	1.25	218	44	262	62.5
March 31, 2017	6.75	1,176	240	1,416	337.5
March 31, 2016	1.25	218	44	262	62.5
March 31, 2015	5.00^	166	34	200	50.0

Interim dividend declared by the Board pursuant to its resolution dated August 7, 2017
* *Includes payment of interim dividend, if any*
^ *On face value of Rs. 10 per equity share*

Prior to declaration/ recommendation of dividend, our Company is required to consider covenants/ conditions/ restrictions imposed by lenders, joint venture partners of the Company and Subsidiaries, to the extent applicable. Our Company may decide to retain earnings in entirety for a particular year towards growth and expansion. Our board while considering decision in respect of dividend pay-out or retention is required to consider the expectations of the Shareholders, including small Shareholders who generally expect regular dividend pay-out. The amounts paid as dividends in the past are not necessarily indicative of the dividend policy of our Company or dividend amounts, if any, in the future. The declaration of dividends is dependent on a number of factors, including but not limited to the earnings, capital requirements, major capital expenditures, contractual obligations, applicable legal restrictions and regulatory requirements, repayment/ pre-payment of borrowings, results of operations, overall financial position of our Company and other factors that may be considered relevant by the Board. There is no guarantee that any dividends will be declared or paid or that the amount thereof will not be decreased in the future.

Dividends are payable within 30 days from the date of its declaration. Any shareholder who ceases to be a shareholder prior to the record date or who becomes a shareholder after the record date will not be entitled to the dividend declared by our Company.

INDUSTRY OVERVIEW

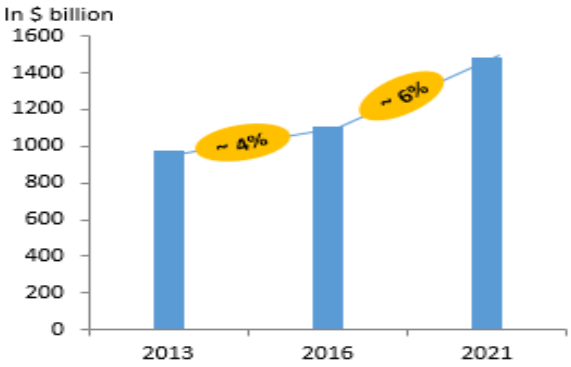
The information contained in this section is derived from the CARE research report titled "Pharmaceutical Industry" published in November 2017, and other publicly available sources. Neither we, nor any other person connected with the Offer has independently verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends.

Size and growth of the Global Pharmaceutical Market

The global pharmaceutical industry is one of the largest industries in the world consisting of branded, generic, finished dosage formulation and non-prescription or over-the-counter medication. Research and development activity in the pharmaceutical industry has helped companies penetrate markets and increase their exposure to the world. The Global Pharma industry is historically dominated by United States of America, Western Europe and Asia Pacific countries. The global pharmaceutical market size was approximately USD $1,100 billion in 2016 as compared to approximately USD $980 billion in 2013, recording a compounded annual growth rate ("**CAGR**") growth of approximately 4%.

Revenue growth in the pharma industry is primarily expected from an increase in sales of drugs for Oncology, Biotechnology and Cardiovascular Therapeutic Class and continued increase in the demand for generic drugs. CARE Research expects the industry to grow to approximately USD $1,500 billion in 2021.

The following chart sets forth the size and growth of the global pharmaceutical market during the fiscals 2013 to 2021:



Global Market Scenario and Growth in Global Pharma Market

Global spending on medicines is expected to increase at a CAGR of approximately 6% between 2016 and 2021, with the global pharmaceutical market increasing to approximately USD $1,500 billion by the fiscal 2021 from USD $1,100 billion in the fiscal 2016, as compared with a CAGR of 4% during the fiscals 2013 to 2016. Approximately 68% of the total medicine spending during 2016 was contributed by the developed market followed by pharmerging[1] with 22% and rest of the world ("**ROW**") contributing to 10% of the total expenditure.

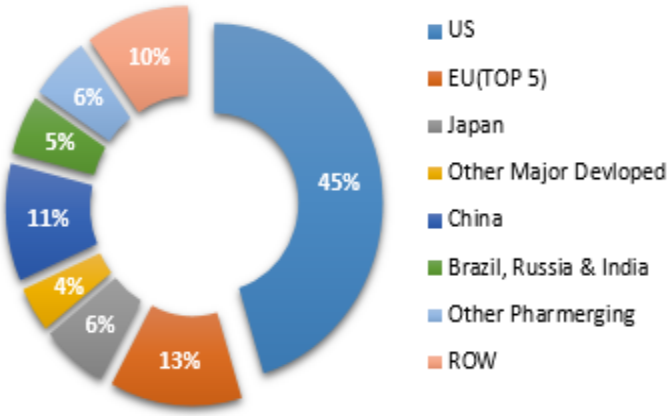
The developed markets led by the United States, the dominant five European markets (France, Germany, Italy, Spain, and United Kingdom) and Japan are the principal countries that drive the increased growth, while the emerging pharmaceutical markets will contribute to growth over the next five years. The more significant contribution to growth from developed countries through 2021 is being led by the US and Japan, with France, Germany, Spain, UK, and Italy maintaining relatively low growth levels.

Out of the total expected global spending on medicines of approximately USD $1,500 billion in 2021, US is expected to continue to be a primary drug market and the same is estimated to contribute approximately 45%. The

[1] Pharmerging markets primarily comprise of about 21 countries such as India, China, Russia, Brazil, South Africa, Indonesia, Poland and others, which have per capita GDP lower than USD $ 25, 000.

spending by US is expected to be followed by the dominant European markets (Spain, Germany, Italy, France and UK) and China being second and third largest markets, respectively. India, would continue to contribute significantly in terms of volume.

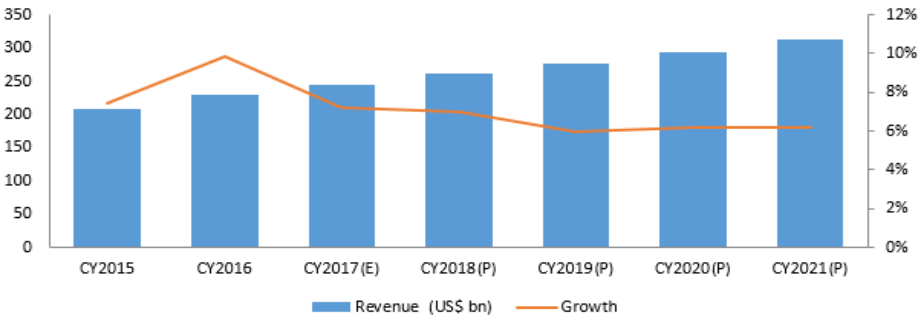
The following chart sets forth the expected global pharma market size in fiscal 2021 by geography:



Global Generics Market

Generics are off-patent drugs. They are bioequivalent to their branded counterparts in terms of dosage, form, strength, quality, effect, intended use, side effects, and route of administration. The global generics market was valued at approximately USD $230 billion in 2016, growing at CAGR of approximately 9% for past six years and is expected to grow at approximately 6.5% CAGR during the fiscals 2016 to 2020 to reach approximately USD $300 billion.

The following chart sets forth the global generic market size and its expected growth rate:



Key Growth Drivers

Following are the key growth drivers for global generics market:

Support from Government: In developing and emerging markets, the primary concern has been the inability of the general populace to afford the medication and high healthcare costs. Thus, governments in such markets are promoting to increase the use of the generic drugs at affordable price. Similar to developed markets, the cost is spiraling due to ageing population and rise in chronic diseases for which the government is trying to reduce their healthcare cost.

Patent expiration of branded drugs: Pharmaceutical companies across the globe have the opportunity to capitalize on the patent cliff[2] and gain a more significant share of the growing generics market. IMS and CARE Research

[2] 'Patent Cliff' is a term used to describe the phenomenon of drugs approaching their patent expiration date, resulting in steep decline in sales of the branded drug as generics enter the market place and undercut the price, thereby capturing the market

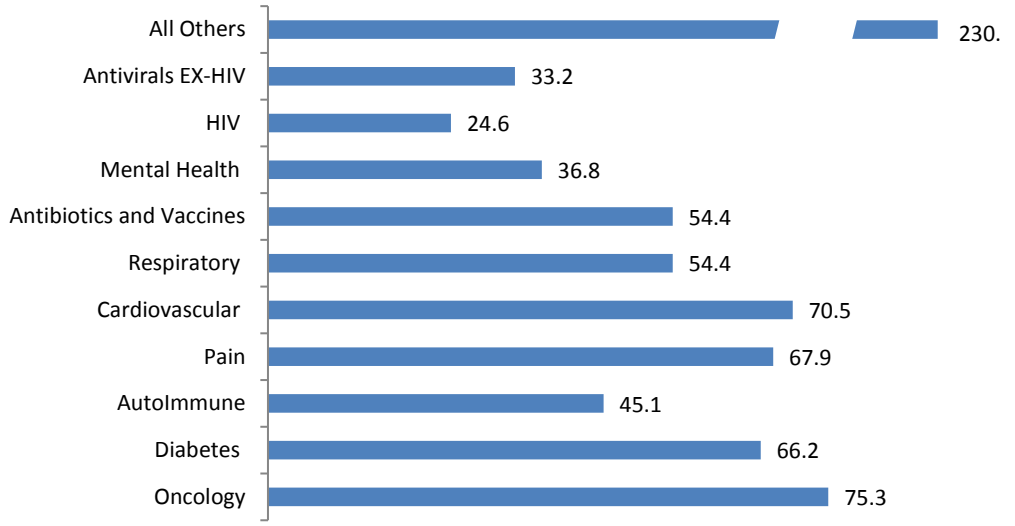
expect that during the fiscals 2017 to 2020, approximately USD $55 billion worth of patented drugs will go off patent in the US.

Implementation of GDUFA: Further, US, which is the major contributor of the generic market has increased its pace of abbreviated new drug application ("**ANDA**") approvals. The same is expected to improve with effective implementation of Generic Drug User Fee Amendments II ("**GDUFA**"). The total number of ANDA approvals during 2016 as compared to 2013 has improved by 50%.

Global Top Therapeutic Classes

QuintilesIMS reports that during 2016, the therapeutic segments, Oncology (USD $75.3 billion), Cardiovascular (USD $70.5 billion), pain (USD $67.9 billion) and Anti-diabetics (USD $66.2 billion) have remained the top contributors in generating revenue, aggregating to over quarter of global pharmaceutical sales. According to IMS Health, by 2020 cancer and diabetic diseases will account for 15% of patients spend on global pharmaceutical products. More efficacious anti-cancer drugs will play an increasing role in the portfolio of all pharmaceutical majors, whether in developed or pharmerging markets. This will not only necessitate a more substantial number of new filings across various geographies for both complex generics and biologics, especially biosimilars, but also faster regulatory decisions on such applications. Furthermore, oncology is expected to remain the most rapid and largest growing segment till 2020 backed by a forecasted increase in demand for products in line, potential new entrants and compensate for a number of major patents that have expired over the period.

The following chart sets forth the top therapeutic class by global pharmaceuticals sales for 2016 (in USD $ billion):



Patented and Generic Drugs

Patented Drugs: Major pharmaceutical innovator companies which develop a new molecule usually hold patents for their products and therefore hold exclusive rights in the respective markets where such patents have been granted to produce and market their invented products for commercial gains. Pharmaceutical patent holders are given specific time frame to earn corresponding revenue on a product to recover the time and resources spent to invent such products.

Generic Drugs: Generic pharmaceutical drugs are products that are not protected by patents or whose patents have expired. These are drugs marketed by different companies but containing the same active pharmaceutical ingredients ("**API**"). Generic drugs are relatively cheaper as compared to patented drugs as competition forces down the price.

The following table shows the comparison of prices of a branded drug and its generic version:

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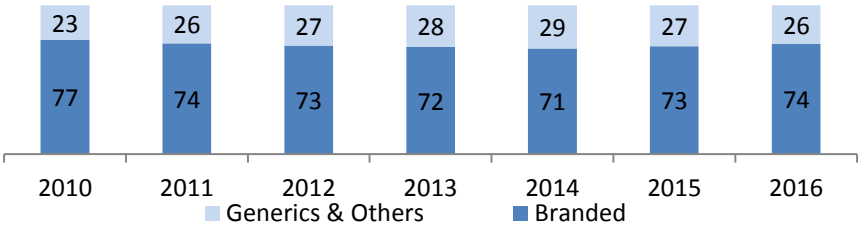
share earlier held by the innovator branded drugs. So there is a twin effect of steep fall in patented drugs prices as also flooding of market by generics.

Branded Drug	Walmart Price for 30 tablets (USUSD $)	Generic Version	Walmart Price for 30 tablets (USUSD $)	Reduction %
Avapro (75 mg)	181.50	Irbesartan	29.90	84
Caduet (10 mg)	341.52	Amlodipine	159.69	53
Combivir (150 mg)	475.25	Lamivudine	207.02	56
Geodon (60 mg)	673.84	Ziprasidone	70.56	90
Levaquin (500 mg)	948.12	Levofloxacin	30.45	97
Lipitor (20 mg)	411.79	Atorvastatin	19.00	95

The following chart sets forth the proportion of branded prescriptions as compared to generic prescription in terms of volume in the United States from 2010 to 2016:



Patent Cliff and off patent molecules

Patent Cliff is a term used to describe the phenomenon of drugs approaching their patent expiration date, resulting in steep decline in sales of the branded drug as generics enter the market place and undercut the price, thereby capturing the market share earlier held by the innovator branded drugs. So there is a twin effect of steep fall in patented drugs prices as also flooding of market by generics.

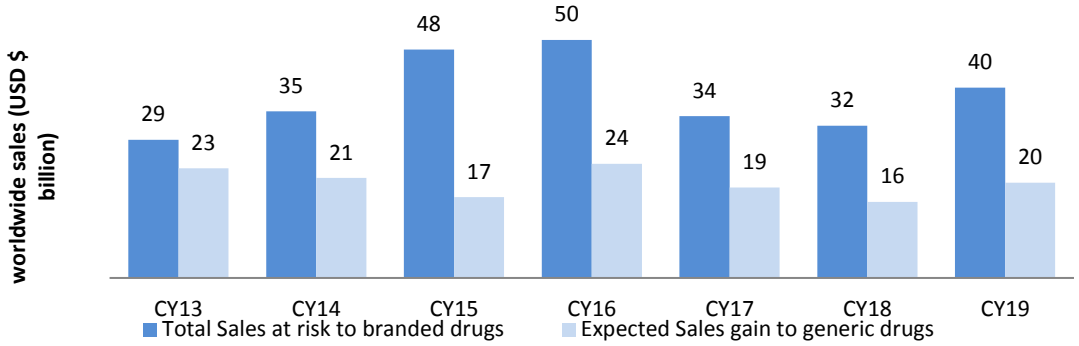
The following table lists the key molecules going off patent in the fiscal 2017 to 2022:

Year	Brand Name	Generic Name	Year	Brand Name	Generic Name
2017	Acthar Gel	Corticotropin	*2020*	AtroventHFA	ipratropium hfa
	Aggrenox	aspirin/dipyridamole		Byduredon	Exenatide
	Butrans	Buprenorphine		Chantix	Varenicline
	Byetta	Exenatide		Dexilant	Dexlansoprazole
	Cancidas	Caspofungin		Inlyta	Axitinib
	Carbaglu	carglumic acid		NamendaXR	memantine er
	Invanz	Ertapenem		Safyral	drospirenone/ethinyl estradiol/ levomefolate
	Liptruzet	atorvastatin/ezetimibe		Saphris	Asenapine
	Macugen	Pegaptanib		Silenor	Doxepin
	Naftin	Naftifine		Sprycel	Dasatinib
	Sustiva	Efavirenz			
	Tamiflu	Oseltamivir			
2018	Acanya	benzoyl peroxide/clindamycin	*2021*	Bystolic	Nebivolol
	Adcirca	Tadalafil		Crixivan	Indinavir
	Apidra	insulin glulisine		Emtriva	Emtricitabine
	Astepro	Azelastine		HysinglaER	hydrocodone er
	Atripla	efavirenz/emtricitabine/tenofovir		Perforomist	Formoterol
	Fentora	Fentanyl		Sutent	Sunitinib

Year	Brand Name	Generic Name	Year	Brand Name	Generic Name
	Finacea	azelaic acid		Veramyst	fluticasone fuoroate
	Follistim	follitropin beta		Xarelto	Rivaroxaban
	Fortesta	Testosterone		Zomig ns	Zolmitriptan
2019	Afinitor	Everolimus	*2022*	Januvia	Sitagliptin
	Avastin	Bevacizumab		Oxecta	Oxycodone
	Azasite	Azithromycin		Pristiq	Desvenlafaxine
	Eliquis	Apixaban		Selzentry	Maraviroc
	Emend INJ	Fosaprepitant		Victrelis	Boceprevir
	Exelonpatch	Rivastigmine		Vimovo	esomeprazole/naproxen
	Exjade	Deferasirox		Vimpat	Lacosamide
	Factive	Gemifloxacin			
	Firazyr	Icatibant			
	Gilenya	Fingolimod			

As per CARE Research, during the fiscal 2017 to 2019, approximately USD $55 billion worth patented drugs are expected to go off patent in the US. A large number of patent expiration in the US presents strong prospects for all the generic products manufacturers throughout the globe.

The following chart sets forth the worldwide sales risk and gain of branded drugs and generic drugs (in USD $ billion)

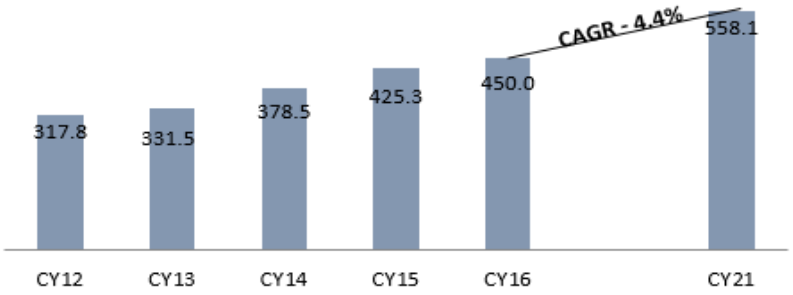


US Pharma Market Size and Growth

As per CARE Research, United States of America is the world's largest pharmaceutical market, with a market size of USD $ 450 billion in 2016 and it is estimated to grow at a CAGR of 4.4% up to 2020.

The US market provides the most striking opportunities for generic players with the new FDA Reauthorization Act 2017 which lets the introduction of a generic drug if the off patent originator product is sold at an exceptionally high price. The aforesaid aspect is expected to be the prime growth driver of the industry providing favorable growth prospects for US Pharmaceutical industry. Further, during the fiscal 2017, United States of America remained the top export destination for India, with a share of 33% amounting to USD $5.58 billion.

The following chart sets forth the total US Pharma Market Size (in USD $ billion):



Driven by factors such as large healthcare spending, high per-capita income, and strong research and development investments, the pharmaceutical market in the US has witnessed an upward surge over the past few years. Additionally, the United States represents world's biggest and most important market for pharmaceuticals and the share of Generics has increased steadily in the pharmaceutical market, in terms of both revenue and prescriptions.

As per CARE Research, the US generic drugs market accounts for a share of approximately 45% in the global Generics market. This share has been growing at a fast pace on the back of factors such as demand for cost-effective medications, rising healthcare expenditure, increasing ageing population, patent expiration of blockbuster drugs, and enhanced government support.

The Generics market in the US is expected to showcase a healthy growth potential in various therapy segments, such as oncology, central nervous system, respiratory, thyroid, ulcers as well as cholesterol disorders in the coming years.

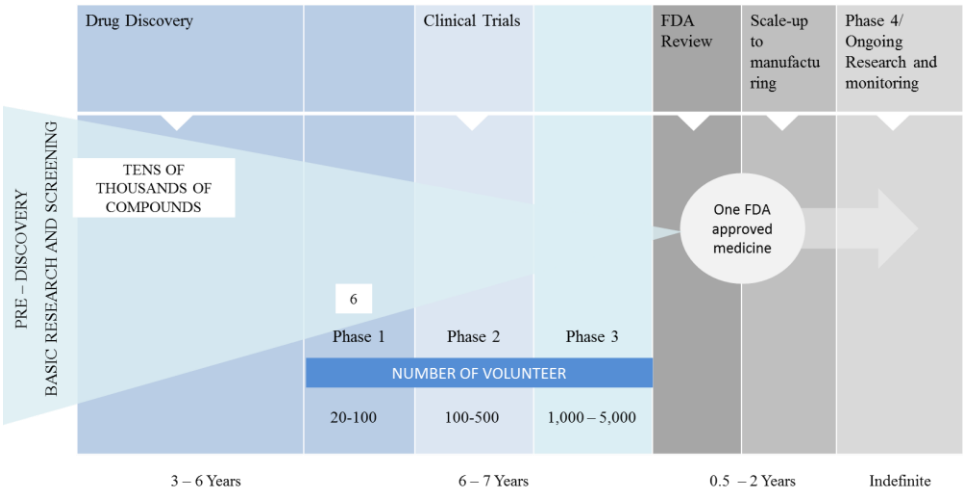
Drug Approval process in U.S.

The process for New Drug Discovery and approval is highly time consuming process and it takes anywhere between 10 to 15 years for a New Chemical Entity ("**NCE**") from initial research phase, drug discovery, clinical trials, regulatory approvals, manufacturing to commercialization. Generally, one molecule out of tens of thousands only pass through as NCE.

The overall cost of bringing a new molecule to the market, after adjusting for the cost of all product failures in the research phase, is approximately between USD $1 billion to USD $5 billion in regulated markets depending on the complexity of the drug.

Even after the drug is developed, it has to pass through series of laboratory testing for about four years before filing application for the United States Food and Drug Administration ("**USFDA**"). Post to the approval of application from USFDA, the drug has to pass three phases of clinical trials.

The Phase 1 uses about 100 healthy volunteers to establish a drug's safety and profile and this process usually lasts for about a year. Post qualifying in the Phase I, the drug becomes eligible to be subjected for clinical trial Phase 2 where in 100 to 500 patient volunteers are employed to assess the drug's effectiveness and this phase lasts for about two to three years. Phase 3 involves 1,000 to 5,000 patients in clinics and hospitals who are monitored carefully to determine effectiveness and identify adverse reactions and this phase lasts for about three years. Post qualifying Phase 3, the company has to submit its application to USFDA for approval which in turn would review through a process that can take up to two years. After final approval, the drug becomes available for physicians to prescribe.



Process of ANDA filing with USFDA

ANDA contains data submitted to FDA's Center for Drug Evaluation and Research, Office of Generic Drugs, for review and ultimate approval of a generic drug product. Once ANDA is approved, an applicant may manufacture and market the generic drug product to provide a safe, effective, low cost alternative to the public. All approved products, both innovator and generic, are listed in FDA's Approved Drug Products with Therapeutic Equivalence Evaluations (Orange Book). Generic drug applications are termed "abbreviated" because they are generally not required to include preclinical (animal) and clinical (human) data to establish safety and effectiveness. Instead, generic applicants must scientifically demonstrate that their product is bioequivalent (performs in the same manner as the innovator drug).

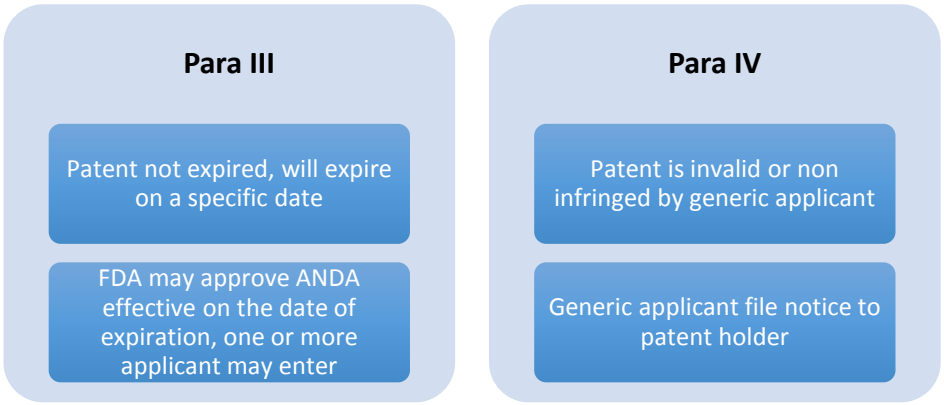
Para I: A Para I filing is made by the applicant when there is no listed patent that is the subject of the ANDA has been submitted to FDA.

Para II: A Para II filing is made when the applicant plans to sell the generic drug for which patent is already expired.

Para III: A Para III filing is made when the applicant does not have any plans to sell the generic drug until the original drug is off patent.

Para IV: A Para IV filing for the launch of generic drug is made when the applicant believes its product or the use of its product does not infringe on the innovator's patents or where the applicant believes such patents are not valid or enforceable.

The following chart sets forth the difference between Para III and Para IV:



An ANDA applicant filing a Para IV certification must notify the proprietor of the patent. The patent holder may bring a patent infringement suit within 45 days of receiving such notification. If the patent owner brings a patent

infringement charge in a timely manner against the ANDA applicant, then the USFDA suspends the approval of the ANDA until the date of the court's decision that the listed drug patent is either invalid or not infringed the date on which the listed drug patent expires, Once the branded drug company indicates its intent to begin a patent infringement suit against the generic company as a result of the paragraph IV filing, the USFDA is prohibited from approving the drug in question for thirty months or until such time that the patent is found to be invalid or not infringed. If, prior to the expiration of thirty months, the court holds that the patent is invalid or would not be infringed, then the USFDA approves the ANDA when that decision occurs. Conversely, if the court holds that the patent is valid and would be infringed by the product proposed in the ANDA prior to the expiration of thirty months, then the USFDA does not approve the ANDA until the patent expires.

If a generic company is the first to file its ANDA with a Paragraph IV certification and prevails in the subsequent lawsuit, that generic company is granted a period of market exclusivity of 180 days. The 180-day exclusivity incentive can be significant for a generic company as it would be the only generic version in the market. So, it can price its product slightly below the branded version for six months, take market share from the branded product, and maintain its price point before other generics enter the market and erode the price and segment margins. The additional profit for a generic firm can be enormous if the product it challenges is a so-called blockbuster or megabrand. For instance during October 2017, Mylan has received the Para IV ANDA approval for the first generic for Copaxone which is used for treating patients with relapsing forms of multiple sclerosis, a chronic inflammatory disease of the central nervous system. Considering that Mylan is one of the first applicant to submit a complete ANDA for the Capaxone 40mg/ml dose, it become eligible to avail 180 days of generic drug exclusivity under the Para IV certification. NATCO Pharma Ltd, which are partnered with Mylan for the drug will derive the benefit by manufacturing the drug to be sold in US market.

As an alternate path to FDA approval for new indications or improved formulations of previously-approved products, a company may file a Section 505(b)(2) New Drug Application ("**NDA**"), instead of a "stand-alone" or "full" NDA. Section 505(b)(2) permits the submission of an NDA where at least some of the information required for approval comes from studies not conducted by or for the applicant and for which the applicant has not obtained a right of reference. The FDA may also require companies to perform additional studies or measurements to support the change from the approved product. The FDA may then approve the new formulation for all or some of the label indications for which the referenced product has been approved, or the new indication sought by the Section 505(b)(2) applicant.

This approval route was designed to encourage innovation and to eliminate costly and time-consuming duplicative clinical studies. The 505(b)(2) applicant may qualify for three or five years of market exclusivity, depending on the extent of the change to the previously approved drug and the type of clinical data included in the NDA. This distinguishes a 505(b)(2) from an ANDA, where exclusivity can be held for only 180 days. A 505(b)(2) application may also be eligible for orphan drug or pediatric exclusivity.

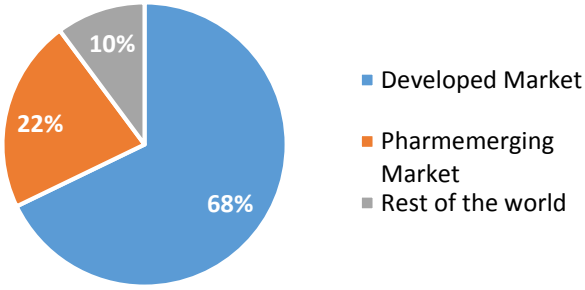
Benefits to the players; the drug is generally eligible for the exclusive right to market for 180 days. This helps the manufacturer to have a first mover advantage. It is a valuable opportunity to maximize profit margins without any competition and can garner market share.

On the other hand, to challenge a patent in court, the generic applicant that submitted para IV certification must notify the brand sponsor and any patent holder of the submission of the ANDA and patent challenge. Further, if the brand product sponsor or the patent holder files an infringement suit against the applicant within 45 days of the notification, unless the patent expires or is judged to be invalid or not infringed before that time, FDA approval to market the generic drug is postponed for 30 months, which is commonly referred to as the "*30-month stay*" gives the brand product sponsor and patent holder a prescribed amount of time to assert patent rights in the court before a generic competitor is approved and market the drug.

ROW Markets

The Global pharma industry is historically dominated by United States of America, Western Europe and Asia Pacific countries. Going forward, the U.S. is expected to maintain its leadership position in pharmaceutical market with a growth rate of 6.9% over the past five years and expected growth rate of 6% to 9% over the next five years. While China, the second largest pharmaceutical market in the world and largest pharmerging market, is expected to hold its ranking during the next five years, the pharmerging markets would make up nine out of top twenty pharma markets.

The following chart sets forth the region-wise market size for 2016 (% share):



The global pharma market size during 2016 as per QuintilesIMS is approximately USD $1,100 billion of which developed market (USD $749 billion) accounted for the largest share of approximately 68%, followed by Pharmerging market (USD $243 billion) contributing approximately 22%, followed by Rest of the world market (USD $112 billion) contributing approximately 10%.

The following table sets forth region-wise spending and growth rate:

Region	2016 (USD billion)	2011 to 2016 CAGR in constant USD (%)	2021 (USD billion)	2016 to 2021 CAGR in constant USD (%)
Global	1,104.6	6.2	1,455-1,485	4-7
Developed Market[1]	749.3	5.4	975-1,005	4-7
Pharmerging Market[2]	242.9	10.3	315-345	6-9
Rest of the world	112.4	3.5	130-160	3-6

Notes: 1) Developed Markets-US, UK, Germany, Italy, France, Spain, Japan, Canada, South Korea and Australia. 2) Pharmemerging Markets- China, Brazil, India, Russia, Turkey, Mexico and Tier-III countries (Algeria, Argentina, Bangladesh, Colombia, Chile, Egypt, Indonesia, Kazakhstan, Nigeria, Pakistan, Philippines, Poland, Saudi Arabia, South Africa and Vietnam)

European Markets

Medicine spending in Europe is expected to increase from USD $151.8 billion in 2016 to USD $170 to 200 billion in 2021 (at the pre-rebate/discount/list-price level). During the fiscals 2017 to 2021, the European region is projected to grow at a CAGR of 1% to 4%, supported by 4% to 7% growth rate of U.K., 1% to 4% growth rate of Italy and Spain, (–1)–2% of France and 2% to 5% of Germany.

Relatively weak economic growth in the region coupled with budget concerns will result in more cautious spending by governments in adopting newer medicines in the future. The governments are expected to use mechanisms to control price of the drugs or access to innovative drugs as primary tools to manage spending on medicines, limiting the spending growth of the region during the forecast period. Controlling healthcare and medicine spending is a uniform focus across European governments while policy approaches differ.

Russia

Russia's pharmaceutical market is one of the fastest growing in the world which grew from RUB 1.12 trillion in 2015 to RUB 1.21 trillion in 2016 registering year over year growth rate of approximately 8%. The market is expected to reach RUB 2.22 trillion in 2021 at a CAGR of approximately 13%. Based on the 2016 currency exchange rate of USD $0.0165 per RUB, the market is expected to reach USD $36.61 billion by 2021. The medical device market in Russia has grown from USD $5.0 billion in 2009 to USD $6.7 billion in 2016 with a CAGR of 4.27% due to the aging population and consequent increase in demand for healthcare products and services. The said market is forecasted to reach USD $8.5 billion in 2021.

Brazil

As per Global Data, the value of pharmaceutical market of Brazil has increased from USD $15.4 billion in 2009 to USD $25.3 billion in 2016 at a CAGR of 3.4%, and this value is expected to increase further from USD $26.1 billion in 2017 to USD $29.9 billion in 2021 at a CAGR of 3.4%. The medical device market was worth USD $7.1 billion in 2009 and reached USD $9.7 billion in 2016. It is forecast to grow at a CAGR of 6.4% from USD $10.9 billion in 2017 to USD $14 billion in 2021. These positive growth trends can be primarily attributed to an increasingly elderly population and increased accessibility to healthcare professionals in remote areas.

Other Pharmerging Markets

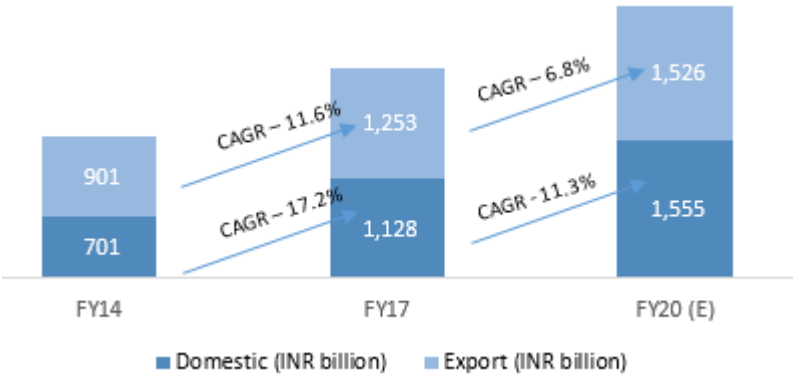
Over the past ten years and forecast of the next five years, developed markets have steadily declined in the rankings in terms of country spending whereas pharmerging markets have considerably risen.

As per IMS Health, since past six years ending 2016, the global growth in the volume of medicines used was primarily driven by pharmerging markets, where volume grew by 37.5% over five years, or 7% annually, compared with 2% in total over five years in all other markets. With approximately 4 out of 7 billion world population residing in pharmerging markets, the said markets will continue to expand with increased access to healthcare infrastructure and insurance coverage.

During the next five years, Turkey is expected to accelerate its spending growth into double digits while Mexico and Poland would increase at modest rates. Romania, Argentina, Colombia and Poland are all expected to grow by less than 5% to 2021.

Overview of Indian Pharmaceutical Industry

The Indian pharmaceutical industry ("**IPI**") holds a strong position in terms of production volumes in the global pharma market as the country contributes approximately 10% of the world production volumes and share of approximately 3% of value globally. As per CARE Research IPI has registered revenue of approximately USD $36 billion in fiscal 2017. As per estimates, the industry size is expected to grow at a CAGR of 10% from USD $36 billion in 2017 to USD $48 billion by 2020 given the huge export potential coupled with steady growth in the domestic formulation market. The Indian pharmaceutical industry is largely dominated by generics drugs as the industry earns approximately 70% of its revenues from the same. This can also be implied from the fact that India holds 13th position in terms of production value in spite of holding third position in terms of production volume globally. Lower cost of production coupled by efficient scientific and technical skills of human resources are the prime reasons for growth in exports from India.



The half yearly growth of IPI has been moderate at approximately 5% to 7% due to GST run up and implementation coupled with price component which is continued to pull market down. Exports form a major part of the industry's turnover and over 50% of the sales comes from exports.

Domestic market

Domestic consumption accounted for approximately 47% of the total sales of Indian Pharmaceutical Industry in fiscal 2017. The domestic market has grown at a CAGR of approximately 17% in the past five years ended fiscal 2017 on the back of increase in lifestyle-related diseases, rising penetration of medical insurance, healthcare

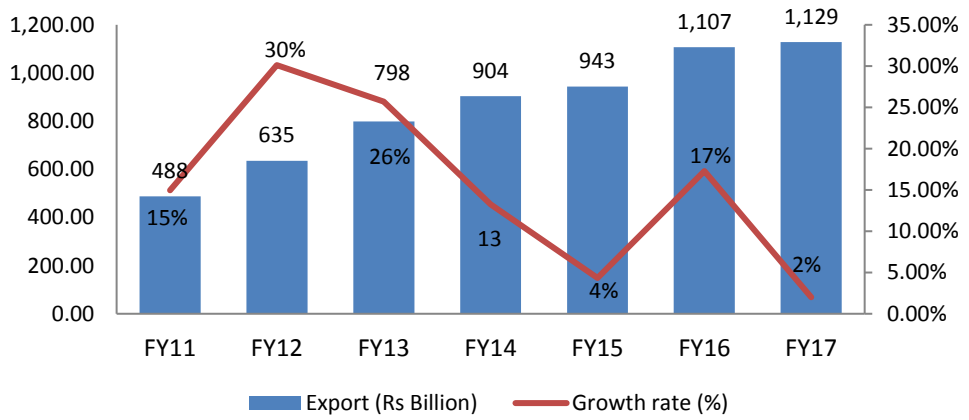
infrastructure development, increase in per capita income, etc. CARE foresees the introduction of new pricing policy would ease the access of life saving drugs to low income class, which consequently would increase the domestic pharmaceutical consumption. Although the new pricing policy would impact the margins of few players in short run, increase in volumes is expected to negate the impact gradually.

For the medium term period (i.e. fiscal 2017 to fiscal 2020), the domestic pharmaceutical consumption is estimated to grow in a range of 11% to 12% on a CAGR basis. Rising penetration of health insurance and government initiatives to increase access to healthcare facilities to low income class would be the key drivers.

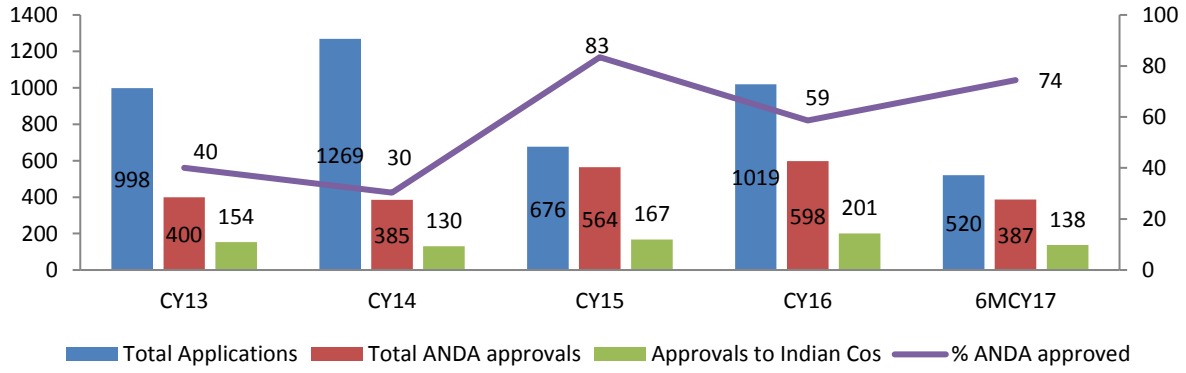
Export market and its prospects

The export market has grown at a CAGR of approximately 15% during fiscal 2011 to fiscal 2017; this was on account of the growing trend in outsourcing of pharmaceutical production by global pharmaceutical companies to low-cost destinations like India and increasing penetration of the generics in the regulated markets on the back of patents expiry in the regulated markets. India exports pharmaceutical products to about 180 nations, and the United States of America is the most significant export market for India among all countries, being the world's largest generic drug market. Exports to US are primarily driven by increased ANDAs approvals by USFDA and Indian Pharma companies' ability to produce high-quality medicines at competitive prices. Centre for Monitoring Indian Economy ("**CMIE**") reports, the Indian Pharmaceutical exports during fiscal 2017 have remained almost stable at approximately USD $16.8 billion (Rs.1,128.78 billion) due to the imposition of import alerts and warning letters on some of the major pharmaceutical units and appreciation of rupee against dollar. Of the total exports of USD $16.8 billion during fiscal 2017, majority of the exports are contributed to US which is approximately 33%, followed by Europe, UK, Africa and other countries.

The following chart sets forth the Indian Pharma exports and growth rate



The following chart sets forth the trend in ANDA approvals granted by USFDA during 2013 to half-year 2017:



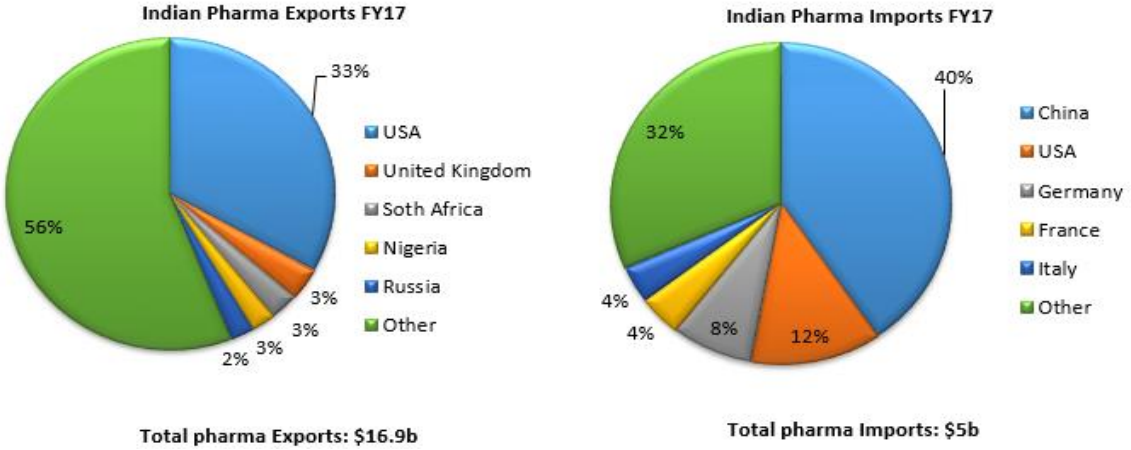
Export Share of Key Markets

The share of Indian exports towards key regulated markets (include USA, Germany, UK and Canada) has remained stable at 39% in both fiscal 2016 and fiscal 2017, and that of key emerging markets (including Brazil, Kenya, Nigeria, South Africa, Russia and Vietnam) has remained stable at approximately 13% during the same period. This, to a certain extent, indicates the strengthening aspect of drug manufacturing and compliance issues syncing with international standards.

Of the top 25 destinations of India's Pharmaceutical Exports, during fiscal 2017, United States of America remains the top export destination with a share of 33% amounting to USD $5.58 billion albeit showing a growth of 3.84% as against earlier year. Among the top 25 destination countries, exports to Egypt, Mexico, Belgium and Philippines have grown exceptionally in comparison with the average growth.

Country	Exports in 2016 (USD $ billion)	Contribution to total exports (%)	Exports in 2017 (USD $ billion)	Contribution to total exports (%)
USA	5.50	33	5.58	33
South Africa	0.61	4	0.49	3
UK	0.56	3	0.55	3
Nigeria	0.44	3	0.40	2
Russia	0.37	2	0.38	2
Germany	0.35	2	0.33	2
Kenya	0.33	2	0.33	2
Brazil	0.33	2	0.34	2
Australia	0.23	1	0.24	1
Philippines	0.19	1	0.21	1
Others*	8.00	47	7.99	48
Total	**16.91**	**100**	**16.84**	**100**

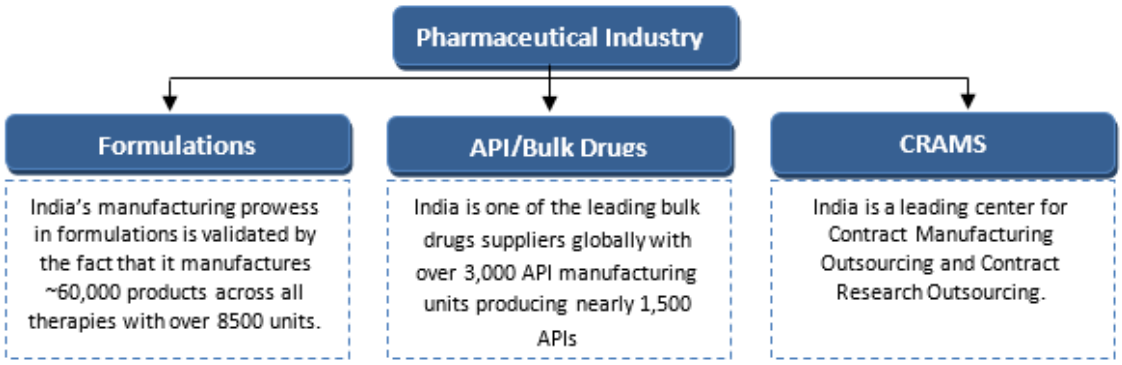
Indian exports are destined export to more than 180 countries around the globe including highly regulated markets such as USA, Europe, Japan and Australia. Following pie charts depicts the breakup of Indian pharma imports and exports from and to various countries:
The following chart sets forth the exports and imports of the Indian Pharma market in the fiscal 2017:



IPI Industry Structure

Over the years, the structure of IPI has evolved on account of changes in government regulations as well as innovation in product technology. By the product classification, IPI can be classified into formulations, API /bulk drugs and contract research and manufacturing services ("**CRAMS**"). The formulations can be further segregated on the basis of therapeutic segments like acute and chronic, while CRAMS can be categorized into contract research and contract manufacturing.

The following chart sets forth the breakdown of the Pharmaceutical Industry:

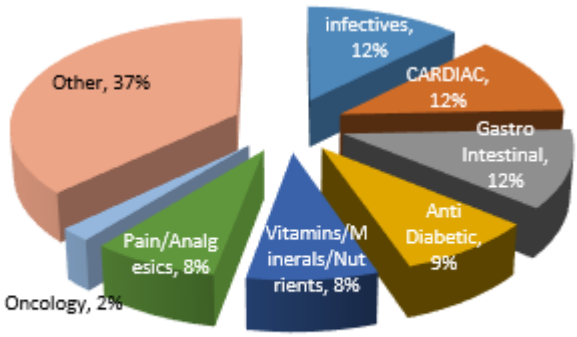


Therapeutic Area Break-up

Broadly, the therapeutic segments are classified into acute and chronic therapies. While acute therapy includes anti-infective, respiratory, pain, gynec, etc; chronic therapy includes cardio, gastro, central nervous system, anti-diabetic, etc; the contribution from chronic therapies to acute therapies in IPI is approximately 34% and 66%, respectively.

Anti-Infective drugs lead the Indian pharma market with largest share of 12.46% of the total value of the pharma industry in India during fiscal 2017, followed by cardiovascular segment (11.83%), Gastro-Intestinal (11.54%), Anti-Diabetic (8.76%), Vitamins and Minerals (8.22%), Pain/Analgesic segment (7.97%) and other segment constitutes 39.22%.

The following chart sets forth the market share of various therapeutic segments in the fiscal 2017:



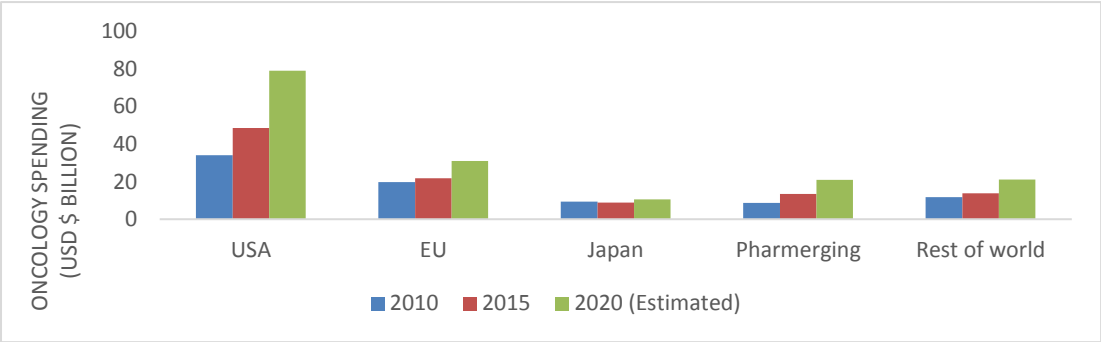
Total market size of all therapeutic segments: ~$19b

Oncology

Market dynamics of the Global Oncology segment

Oncology is a branch of medicine that deals with tumor and cancer. Today, millions of people are living with cancer or have had one. It is the second leading cause of death in the world after cardiovascular disease. Cancer treatment is a global healthcare priority with rising commercial importance. Global cancer drugs sale market, which accounted for USD $75 billion in 2016, is expected to grow to USD $112 billion by 2021 at CAGR of approximately 8% during the fiscals 2016 to 2021. Global oncology spending is also expected to grow in the range of 7.5% to 10.5% annually through 2021.

The following chart sets forth the trend of global oncology spending over the years by various regions of the world (USD $ billion):



Size and Growth of Oncology Segment in India

Current Indian oncology market is valued at approximately Rs. 38 billion in fiscal 2017. As India's cancer burden grows, the Indian cancer drug market is expected to grow significantly in the coming years. Oral cavity and lung cancers in men and cervix and breast cancers in women together account for 50% of cancer-related deaths in India. Current oncology market in India is growing at approximately 20% every year since 2015 and is expected to further grow for the next three to five years. Chemotherapy occupies the highest market share out of all the cancer treatment therapies in India.

NATCO is a one of the major pharmaceutical company in oncology therapeutic area in India. It has six flagship brands; Geftinat, Erlonat, Veenat, Sorafenat, Lenalid and Bortenat. Other brands are Alphalan, bedit, clokern, xpreza, desifer, resburant, pemnat, X – Trant, Zoldonat, natdox – LP, Anastronat, bandrone, capnat, xtane, fulvenat, PT – max, Temonat, Tigi, Trabec etc. NATCO has launched India's first generic Bone Marrow Transplant ("**BMT**") product, Thiotepa, and intend to build a full-fledged BMT portfolio in India. NATCO products reach more than 40 countries globally including India, North America, Latin America, Asia-Pacific, South East Asia and the Middle East.

Gastroenterology

Market dynamics of the Global gastroenterology segment

Gastroenterology is the branch of medicine which deals with diseases affecting the gastrointestinal tract. Gastroenterology constitutes a relatively small share in the overall therapeutic spending structure of the global pharmaceutical market. Nevertheless, it is expected to grow phenomenally over the coming years mainly due to increasing awareness about the medications available in this segment. The global gastrointestinal market is expected to grow from USD $51.8 billion in the year 2016 to approximately USD $63.8 billion by 2021, growing at a CAGR of approximately 4.3% as per BCC research.

Hepatitis C

Overview

Hepatitis C is known as a major public health problem worldwide, responsible for chronic liver disease and a variety of extra-hepatic manifestations and is considered a "silent disease". It is caused by the Hepatitis C Virus ("**HCV**") resulting in inflammation of the liver. The disease spreads through contact with infected blood and bodily fluids. The WHO estimates that every year there are three to four million new cases of Hepatitis C and approximately 175 to 180 million people are chronically infected with the HCV. Globally, HCV is implicated in 27% of cases of liver cirrhosis and 25% of cases of hepatocellular carcinoma, which accounts for nearly 500,000 deaths per year. The prevalence of HCV is enormous in lower and middle income people from South Asia, including East Asia, India, the Middle East, North Africa and Southeast Asia, which account for over 80% of the global HCV affliction. Due to its large population India accounts for a significant share of global HCV infections. However, despite a low to moderate (1.0% to 1.5%) prevalence of HCV, It is estimated that nearly 12 to 18 million people are infected with HCV within India.

During quarter 1 of the fiscal 2015, USA drug maker Gilead Sciences Inc has entered into non-exclusive licensing arrangement with eight Indian firms which includes NATCO, Biocon, Cadila Healthcare Ltd, Cipla Ltd, Hetero

Labs Ltd, Sun Pharmaceuticals Industries Ltd, Sequent Scientific Ltd and Strides Arcolab Ltd. for its drug generic Sofosbuvir and investigational single tablet regime of Ledipasvir and Sofosbuvir for treatment of hepatitis C. By the aforementioned arrangement these companies were able to manufacture and distribute the aforesaid medicines to about 91 developing countries which together account for 54 percent of the total worldwide population of individuals infected with the hepatitis C virus. Sofosbuvir has demonstrated its results in clinical trials and would be the main contributor to market value.

Natco Pharma Limited signed an agreement with the Medicines Patent Pool ("**MPP**") and Bristol Myers Squibb in January 2016. Being a non-exclusive, royalty free licensing agreement Natco Pharma will be manufacturing and selling generic version of Daclatasvir Dihydrochloride (Bristol Myers Squibb's chronic Hepatitis C medicine) which is widely used for treating chronic Hepatitis C. Through Natco Pharma Limited's strategic partners, the drug will be branded under the trade name 'NATDAC'. The agreement allows Natco Pharma Limited to expand access to these medicines in 112 developing countries. Further, Natco Pharma Limited also has the liberty to set its own price for the generic products it manufactures. Natco Pharma has leading market share in Hepatitis C segment in India.

Countries with large Hepatitis C populations

India: accounts for a significant share of global HCV infections owing to its large population. Despite a low to moderate (1.0% to 1.5%) prevalence of HCV, It is estimated that nearly 12 to 18 million people are infected with HCV within India. Apart from India the following countries have large Hepatitis C population.

Egypt: it is one of the highest prevalence of HCV in the world, estimated nationally at 14.6%. Attributed to the huge prevalence of HCV, the virus is still spreading, with some 165,000 new infections each year. As per the World Health Organization ("**WHO**"), HCV kills an estimated 40,000 Egyptians a year and at least 9% of the population between the age group of 16 to 60 is infected.

Pakistan: similar to other South East Asian countries, Pakistan exhibits a high prevalence of Hepatitis-C. Estimates indicate that approximately 10 million people are infected with HCV in Pakistan. Pakistan has a comparatively higher occurrence of HCV, when compared to India. The high prevalence has resulted in almost half the hepatitis C patient pool in Pakistan, instead of India, despite the population being only 1/6th of India's.

Vietnam: It has a very high prevalence of HCV in the high risk groups like blood donors, injection drug users ("**IDU**s") and dialysis patients. As per various estimates occurrence rates in Vietnam appear to vary between regions and risk groups, ranging from 1–3% in the general population to 45% to 85% in IDUs.

Myanmar: It has counted a very high prevalence of Hepatitis C in high risk groups like IDU's. As per the WHO, the prevalence of HCV in IDUs was as high as 80%. This makes Myanmar one of the countries having a very high prevalence of HCV in IDUs. Rampant usage of entertainment drugs through injections further contributed to the problem of HCV transmission.

Cardiology

As per QuintilesIMS, the global cardiovascular market was valued over USD $70.5 billion in 2016 and is projected to grow at a CAGR of 6.6% by 2021.
Overview of Cardiology market in India

As per CARE Research, Cardiovascular segment has the second largest share (11.83%) in fiscal 2017 after Anti-Infective drugs in the Indian pharmaceutical segment. The Indian Cardiovascular market is pegged approximately USD $1.6 billion.

As per the Global Burden of Disease study estimate of age-standardized the deaths that are arising from cardio vascular diseases ("**CVD**") is rate of 272 per 100,000 population in India which is higher than the global average of 235 per 100,000 population. Some aspects of the CVD epidemic in India are particular causes of concern, including its accelerated build-up, the early age of disease onset in the population, and the high case fatality rate. In India, the epidemiological transition from predominantly infectious disease conditions to non-communicable diseases has occurred over a rather brief period of time. Premature mortality in terms of years of life lost because of CVD in India increased from 23.2 million in 1990 to 37 million in 2010. Despite wide heterogeneity in the prevalence of cardiovascular risk factors across different regions, CVD has emerged as the leading cause of death in all parts of India, including poorer states and rural areas.

Indian players in this segment comprise primarily of Natco Pharma Limited, GlaxoSmithKline Pharmaceuticals Limited, Aurobindo Pharma Limited, Sun Pharmaceuticals Industries Limited, Dr. Reddy's Laboratories Limited.

Diabetology

The Diabetic market is a growing therapeutic segment and is the fourth largest contributor to Indian Pharma Market. With worlds major population suffering from diabetes, a permanent solution for it is yet to be found. As per QuintilesIMS, Diabetes market size is estimated to reach USD $95 to 110 billion by 2021 from USD $66 billion in 2016 growing at a CAGR of 8% to 11%. The growth will be purely driven by rising obese population increasing number of diabetic patients across developing countries, growing research on diabetes, lifestyle changes and increasing international research collaborations. However, growth of this market is restricted because of high cost of diabetes care devices, disparity in reimbursement, availability of alternative treatments, and lack of awareness. Diabetes industry leads to 11 largest pharmaceutical and diagnostic companies producing diabetes related products or those involved with diabetes research.

The highest patient count (type-2 diabetes) is in China followed by India and USA among others. The burden of diabetes is enormous in low and middle-income countries which accounts for more than 80% of the global diabetes death as per WHO and also estimates that such deaths will double by 2030. There has been tremendous expenditure being incurred on diabetics with highest level of expenditure observed in the US, followed by China and Germany during 2017.

Overview of Diabetology market in India:

In India, diabetes is one of the acute and widely prevalent of all diseases, with more than 70 million people currently being affected. Some of the factors responsible for this include western influence on dietary habits, deskbound lifestyle, urbanisation, obesity, etc. As per CARE Research, the Indian diabetes market reached a value of approximately USD $1.5 billion in 2016, growing at a CAGR of nearly 19% during the fiscals 2009 to 2016. As per the estimates of International Diabetes Federation, it is estimated that India would have approximately 123 million diabetes cases aged between 20 and 79 by 2040. With the world's largest population of diabetics, India is set to see the launch of a range of diabetes treatments from both form foreign and domestic drug makers.

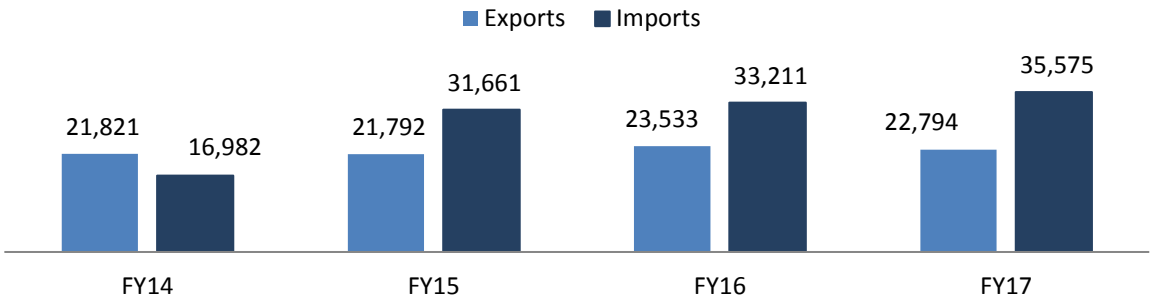
Overview of the API Market

The global API market is estimated to touch USD $214 billion by fiscal 2021 from USD $158 billion in fiscal 2016, growing at a CAGR of 6.3% from fiscal 2016 to fiscal 2021. The API market is dominated by North America, with the U.S. accounting for approximately 35% share in the market. This is attributed to the increase in the incidence of chronic diseases, growing focus of the government on the rising adoption of generic drugs, escalating demand for biologics and specialty drugs[3], and technological advances in API manufacturing. The leading players in the API market are Novartis International AG (Switzerland), Pfizer, Inc. (U.S.), Sanofi (France), Boehringer Ingelheim (Germany), GlaxoSmithKline plc (U.K.), Teva Pharmaceutical Industries Ltd. (Israel), AbbVie Inc. (U.S.), Eli Lilly and Company (U.S.), Merck and Co., Inc. (U.S.) and AbbVie Inc. (U.S.) Bristol-Myers Squibb (U.S.).

India being one among the top five emerging pharmaceutical markets globally is a front runner in a wide range of specialties involving manufacturing and development of complex drugs. Of all ANDA approvals from USFDA, India has approximately 40% approvals. The Indian API's manufacturing industry is the third largest in the world in terms of volumes, producing over 400 APIs with a market share of USD $7.9 billion in fiscal 2016 and 3950 DMFs till July 2017. Further, total API exports during fiscal 2017 accounted to USD $3,256 million.

[3] Specialty drugs are high cost, high complexity drugs which are used to treat complex chronic conditions such as Cancer, Heptitis C, HIV, and others.

The following chart sets forth the total imports and exports of API's (in Rs. crore)



BUSINESS

Overview

We are an R&D focused, vertically integrated pharmaceuticals company engaged in the development, manufacture and marketing of finished dosage formulations ("**FDF**") and active pharmaceutical ingredients ("**APIs**"), including niche and technically complex molecules. Our end-to-end capabilities comprise a strong R&D team, manufacturing facilities that produce a wide variety of dosage forms and in-house API capabilities.

Our pharmaceutical business is organized into domestic and international operations, according to the geographies in which we operate. For Fiscal 2017, our domestic and international operations accounted for 44.64% and 55.36%, respectively, of our revenue from operations. For six months ended September 30, 2017, our domestic and international operations accounted for 50.80% and 49.20%, respectively, of our revenue from operations.

We have a well established presence in the domestic formulations market, particularly in gastro hepatology and oncology therapeutic areas. In gastro hepatology therapeutic area, we have the leading market share in Hepatitis C drugs in India. *(Source: CARE Report)* We are also one of the major pharmaceutical companies in oncology therapeutic area in India. *(Source: CARE Report)* Further, we have diversified our product portfolio by launching products in Cardiology and Diabetology therapeutic areas in 2017.

We are focused on complex generics for the US market and our product portfolio is predominantly focused on high-barrier-to-entry products that are either difficult to formulate or manufacture or may face complex legal and regulatory challenges. We also have a longstanding track-record of alliances with global pharmaceutical companies for developing, manufacturing and marketing of pharmaceutical products. As of September 30, 2017, our portfolio includes 22 Paragraph IV filings.

Outside of India and the United States, we have grown our formulations business in several countries across North America, selected markets in Europe, Latin America and the Asia Pacific region. We market and distribute our products in Canada through our Subsidiary. In Europe, we primarily sell our products in United Kingdom and Germany through our business partners. Our formulations business in Latin America is primarily focused on the markets in Brazil and Venezuela. In addition, we also market our products in emerging markets in Asia-Pacific such as Singapore.

We also manufacture APIs which are primarily used for captive consumption. We also sell APIs to customers in domestic and various international markets such as Canada, Europe and certain countries in the Middle East. We have the capabilities to develop and manufacture products with multi-step synthesis which may comprise of semi synthetic fusion technologies, high-potency APIs and peptide chemistry. As of September 30, 2017, we have filed 42 active DMFs with the USFDA for our API products in therapeutic areas such as oncology, central nervous system, anti-asthmatic, anti-depressant and gastrointestinal disorders.

Our R&D efforts are primarily focused across the value chain of generics development for simple as well as differentiated dosage forms like modified release oral solids and API process development. We have a team of 245 scientists working across two R&D facilities located in India. As of September 30, 2017, we had filed 44 ANDAs, of which 27 ANDAs have received approval (including tentative approvals) We spent Rs. 703 million (6.45% of total revenue) and Rs. 1,216 million (5.85 % of total revenue)) in R&D expenditure during Fiscal 2016 and Fiscal 2017, respectively. We have also been granted approximately 216 patents worldwide, including granted patents we no longer maintain in force, as of September 30, 2017.

Our business operations are supported by modern manufacturing facilities located in India. We have seven manufacturing facilities engaged in manufacturing of formulations and APIs and four of our manufacturing facilities have received one or more approvals from regulatory authorities such as USFDA, Public Health Service of the Netherlands (EU GMP), German Health Authority, PMDA of Japan, Cofepris of Mexico and ANVISA of Brazil. As of September 30, 2017, we exported our products to approximately 40 countries.

Our total revenues for Fiscal 2016, Fiscal 2017 and the six months ended September 30, 2017, were Rs. 10,897 million. Rs. 20,789 million and Rs. 8,809 million, respectively.

Our Strengths

The following are our key strengths which we believe enable us to compete in our principal markets:

Well established presence in Domestic Formulations Market

We have a well-established presence in the domestic formulations market, particularly in gastro hepatology and oncology therapeutic areas. In gastro hepatology therapeutic area, we have the leading market share in Hepatitis C drugs in India (*Source: CARE Report*). Our Company has entered into a long-term license agreement with Gilead Sciences Ireland UC ("Gilead") to manufacture and sell Sofosbuvir, Ledipasvir and Velpatasvir (which are used for treatment of Hepatitis C) within specified jurisdictions. Under the terms of this license agreement, our Company is required to make royalty payments on the sale of products in each jurisdiction for a specified duration after which our Company acquires a perpetual royalty free license to sell products within the permissible jurisdictions. Our Company has also entered into a tripartite sublicense and technology transfer agreement with Bristol-Myers Squibb Company and the Medicines Patent Pool Foundation for the manufacture and sale of Daclatasvir in specified jurisdictions for the term of the patent. After the expiry of the patent, our Company will obtain a perpetual royalty free license to sell products within specified jurisdictions. We have launched generic sofosbuvir and its combinations for the treatment of Hepatitis C in India under the brands, Hepcinat Hepcinat LP, Velpanat and Natdac. As per data from AWACS, as of September 30, 2017, our aggregate market share for these brands in India was 52.34%, 49.65%, 21.08% and 67.14%, respectively.

We are one of the major pharmaceutical companies in domestic oncology therapeutic area. (*Source: CARE Report*) As of September 30, 2017, we had a portfolio of 30 products catering to various oncology diseases including breast, brain, bone, lung and ovarian cancer. Our oncology portfolio in India has six key brands, i.e. Veenat, Lenalid, Erlonat, Geftinat, Sorafenat and Bortenat, each of which has annual sales value of over Rs. 100 million for Fiscal 2017. We continually evaluate our product basket and focus on introducing new formulations in the oncology therapeutic area. Over the years, we have increased our product portfolio, starting from six products in 2004 to 30 active products, as of September 30, 2017. The Indian oncology market was valued at around Rs. 38,000 million in Fiscal 2017. (*Source: CARE Report*) As a result of our existing market position and product portfolio, we believe we are well positioned to capitalise on the expected growth in oncology therapeutic area.

Further, we diversified our product portfolio in India by launching products in Cardiology and Diabetology therapeutic areas in 2017. We believe that a diversified product portfolio diminishes the risk associated with the dependence on any particular therapeutic area. Our diverse range of products also allows us to achieve sales and distribution synergies and economies of scale.

Our marketing and distribution network in India consists of a specialized field force of approximately 420 marketing personnel and approximately 500 distributors, as of September 30, 2017, which enables us to increase the reach of our products in the domestic market. In addition, we also market our products directly to the hospitals, which continue to be an important channel of distribution, in India, especially for oncology products. We believe that our extensive distribution network enables us to increase our market share across key therapeutic areas and sustain our leadership position.

Focused approach to product selection targeting high-barrier-to-entry formulations in the United States

We are focused on complex generics for the US market and our product portfolio is predominantly focused on high-barrier-to-entry products that are either difficult to formulate or manufacture. As part of our de-risking strategy, we enter into product specific partnerships with global generic pharmaceutical to apply for ANDA approvals in the United States and market our products. As of September 30, 2017, our portfolio includes 27 approvals, including tentative approvals, and our key product launches within the last twelve months, include,

- Glatiramer Acetate (20mg and 40mg), a multiple sclerosis drug;
- Oseltamivir Phosphate- both oral solid dosage and suspension versions, for the treatment variants of influenza A and B;
- Liposomal Doxorubicin, for treatment of ovarian cancer; and
- Lanthanum Carbonate, for treatment of end stage renal disease.

Further, some of our products are difficult to manufacture, such as Glatiramer Acetate which involves peptide chemistry technology, liposomal doxorubicin with difficult drug delivery system, thereby leading to high entry-barriers for competitors. Our Company has entered into an exclusive license and supply agreement with Mylan Inc., for the manufacture and supply of Glatiramer Acetate to Mylan Inc. and its affiliates. Mylan Inc. is permitted to sell such product within the United States, and our Company is entitled to receive a share of profits on such sales. We have also demonstrated our ability to handle complex manufacturing processes, such as lyophilization and complete isolation technology to manufacture cytotoxic products.

Manufacturing Facilities with Focus on Quality Assurance

We operate seven facilities engaged in manufacturing of FDFs and APIs in India. Our FDFs are manufactured at five facilities, of which two are located in Dehradun, Uttarakhand, two in Telangana (Kothur and Nagarjuna Sagar) and one in Guwahati, Assam. Our API products are manufactured at two facilities, of which one is located in Mekaguda, Telangana and second at Manali, Chennai. Four of our manufacturing facilities have been approved by either one or more foreign regulatory authorities such as USFDA, Public Health Service of the Netherlands (EU GMP), German Health Authority, PMDA of Japan, Cofepris of Mexico and ANVISA of Brazil. For further details, see "*Business – Manufacturing Process and Facilities*".

We believe quality is a key differentiator in our business and have adopted uniform manufacturing standards across all our facilities and to achieve standardized product quality for all our markets. We are capable of manufacturing wide range of dosage forms including oral solids, liquids and parenterals. We also manufacture products that require a specialized environment for manufacturing.

Strong Research & Development Capabilities

We are a R&D driven company and believe that our focus on R&D has been critical to our success. Our R&D activities primarily include developing new products, improving existing products and drug delivery systems and expanding product applications. We have two R&D centres in India and employed 245 scientists, as of September 30, 2017. We have R&D capabilities across synthetic chemistry, biotech and fermentation, nano-pharmaceuticals, new drug discovery and cell biology. Our scientists also have expertise in polymer based chemistry, peptides chemistry and cyto-toxic chemistry which we believe are critical part of our R&D capabilities.

For our international business, our R&D team works with our strategic partners to file Abbreviated New Drug Applications ("ANDAs"), in the United States. As of September 30, 2017, we had filed 44 ANDAs, of which 27 ANDAs have received approval, including 3 tentative approvals. Within our ANDAs filed, we made 22 Paragraph IV filings, of which 10 have received approvals (including tentative approvals). Over the years, our R&D team has also filed several Drug Master Files for niche API products with the USFDA. We spent Rs. 703 million (6.45% of total revenue) and Rs. 1,216 million (5.85% of total revenue) in R&D expenditure during Fiscal 2016 and Fiscal 2017, respectively.

Experienced Management Team

Our Promoter Directors and our Board of Directors have played a key role in developing our business and we benefit from their significant experience in the pharmaceuticals industry. We also have a qualified senior management team that has significant experience in all aspects of our business. We believe that our domain knowledge and experience of our Promoter Directors, executive directors and our senior management team in the pharmaceutical industry provides us with a significant competitive advantage as we seek to grow in our existing markets and enter new geographies.

Our Strategies

We focus on maintaining our market leading position in India, while seeking to significantly expand our international business, both in developed and other markets. In particular, we adopt the following key business strategies:

Grow our Domestic Formulations Business

Our domestic formulations business accounted for 42.66% and 45.56% of our revenue from operations for

Fiscal 2017 and six months ended September 30, 2017 and will continue to be a significant part of our growth strategy in the future. We believe that consolidating our position in the therapeutic areas where we have a presence currently, namely, gastro hepatology, oncology, cardiology and diabetology would be key to our growth in Indian branded generics market.

We are one of the major pharmaceutical companies in the domestic oncology therapeutic area. (*Source: CARE Report*) .The Indian oncology market was valued at around Rs. 38,000 million in Fiscal 2017. As India's cancer burden grows, the Indian cancer drug market is expected to grow significantly in the coming years. The oncology market in India is growing at approximately 20.00% every year since 2015 and is expected to further grow for the next three to five years. (*Source: CARE Report*) We intend to continue to consolidate our position in oncology therapeutic area in India where we believe there is significant growth potential. We intend to increase our presence across oncology segment in India by leveraging our R&D capabilities, with a strong focus on brand building, patient support programs and customer relationship management. As part of our strategy to increase our presence in oncology segment, we have launched generic Bone Marrow Transplant (BMT) product, Thiotepa and intend to build a full-fledged BMT portfolio in India.

We also conduct several awareness programs through camps across India for raising awareness around Hepatitis C and gastroentology. Our marketing and distribution network in India comprises of a specialized field force of approximately 420 marketing personnel and approximately 500 distributors, as of September 30, 2017, which expands our reach for our products in the Indian market.

In 2017, in line with our strategy to diversify domestic formulations portfolio, we launched products in Cardiology and Diabetology therapeutic areas. Cardiology is the second largest therapy area and diabetology is the fourth largest therapy area in India (*Source: CARE Report*). We believe that our entry into these therapeutic areas with well-focused niche products will provide us with significant growth opportunities. We currently intend to differentiate ourselves by launching specialized products in these highly fragmented therapeutic areas.

Expand our Portfolio of Products in the United States

Our strategy in the United States focuses on high-barrier-to-entry products that are either difficult to formulate and/or difficult to manufacture or may face complex legal and regulatory challenges. We intend to continue to focus on the existing and new generic products and enhance our product portfolio by making additional ANDA filings. We identify new potential opportunities in the generics space and either file paragraph IV ANDAs (either challenging the patent of the patent-holder or claiming non-infringement of the patent) or file for approvals to market generics when these products go off-patent. For example, during Fiscal 2017, this strategy was successfully leveraged as we received final approval on ANDA for generic versions of Oseltamivir Phosphate oral capsules from the USFDA.

We will continue to work with our strategic partners to either file for patent challenges or file for approvals to market generics when these products go off-patent. We seek to leverage our experience and research and development capabilities to assist in regulatory filings and approvals with our strategic partners. We have expanded our portfolio of approved products from 12 in Fiscal 2015 to 27 products, as of September 30, 2017. We expect to continue to increase our R&D efforts towards complex chemistries to grow our product portfolio in the United States. We are focused on developing and filing more ANDA's are the area of niche, differentiated products which we believe provide better growth opportunities and would help us in developing our business in the United States.

Grow our Presence Outside of India and the United States

We intend to continue to grow our sales in existing geographies in Europe Canada, Brazil and grow our market share in newer markets such as Australia and Philippines by increasing our product portfolio in these markets. Our growth strategy will vary from country to country depending on applicable regulatory requirements. In Europe, we primarily sell our products in the United Kingdom and Germany through our business partners. We will continue to carefully select products of value for launch in Europe. We are in the process of marketing and distributing our products in South East Asia through our Subsidiary in Singapore and other third party distributors. We intend to market and distribute our products in Australia through our subsidiary as well as through third party business partners. In the future, we may either engage with companies with strong local presence or alternatively appoint local distributors through whom we can undertake our own sales and marketing, in Europe and rest of the world.

We intend to expand our presence in markets across Latin America and the Asia Pacific region by leveraging our existing relationships with customers and expanding our product portfolio. We also intend to market and sell certain selected products that we develop for India, the United States and other regulated markets in these emerging markets. Our strategy in emerging markets will be to create strong local presence and expertise with required infrastructure and develop capabilities to exploit growth potential offered by these markets. We are also focused on growing the reach of the Hepatitis C generic which is presently sold by us in 10 countries.

Expand our manufacturing and R&D capabilities

We presently operate seven manufacturing facilities which are located in Telangana, Tamil Nadu, Uttarakhand and Assam, engaged in manufacturing of formulations and APIs. We plan to increase our formulation manufacturing capabilities and towards this strategy, we are currently constructing another facility in Visakhapatnam, which is located in a SEZ location, and will provide us certain tax benefits. We expect that our Visakhapatnam facility will be ready to commence operations by 2018. We intend to apply for USFDA approval for the facility at Visakhapatnam, which would enable us to sell products from this facility in international markets. We believe that expanding our manufacturing capabilities will enable us to de-risk our manufacturing output as well as increase our overall production capacity. We also intend to enhance our production capacity and capabilities through additional capital expenditure in our existing manufacturing facilities at Kothur, Telangana; Mekaguda, Telangana and Manali, Chennai. For details, see "Use of Proceeds".

We continually aim to develop advanced range of our treatment options, enhance our product portfolio, expand into niche therapeutic areas, achieve technical competitiveness and bring in cost efficiency in existing products and processes, through investment in R&D. We intend to increase our R&D capabilities and expertise in niche areas with high entry barrier such as NCEs and differentiated dosage forms for generic products like modified release oral solids, as well as speciality generic products, which offer significant market opportunities.

Growth through Strategic Acquisitions

Our strategy to provide a broad range of products requires a wide array of technologies and capabilities. The rapid pace of technological development in the pharmaceuticals industry, specialized expertise required in different areas of medicine and the process of bringing a product from development to market make it difficult for us to grow our business only organically. Therefore, in addition to organic growth through our R&D efforts, we continue to explore acquisition targets to grow our business for key therapeutic areas by unlocking potential efficiency and synergy benefits. Where appropriate and advantageous for our business, we intend to selectively pursue opportunities that will:

- strengthen our market position;
- strengthen or expand our domestic product portfolio including oncology and gastro hepatology as well as newer therapeutic areas for us such as cardiology and diabetology;
- enhance our technical capabilities;
- acquire new products in existing or different therapeutic areas; and
- increase our sales, marketing and distribution network, customers and geographical reach.

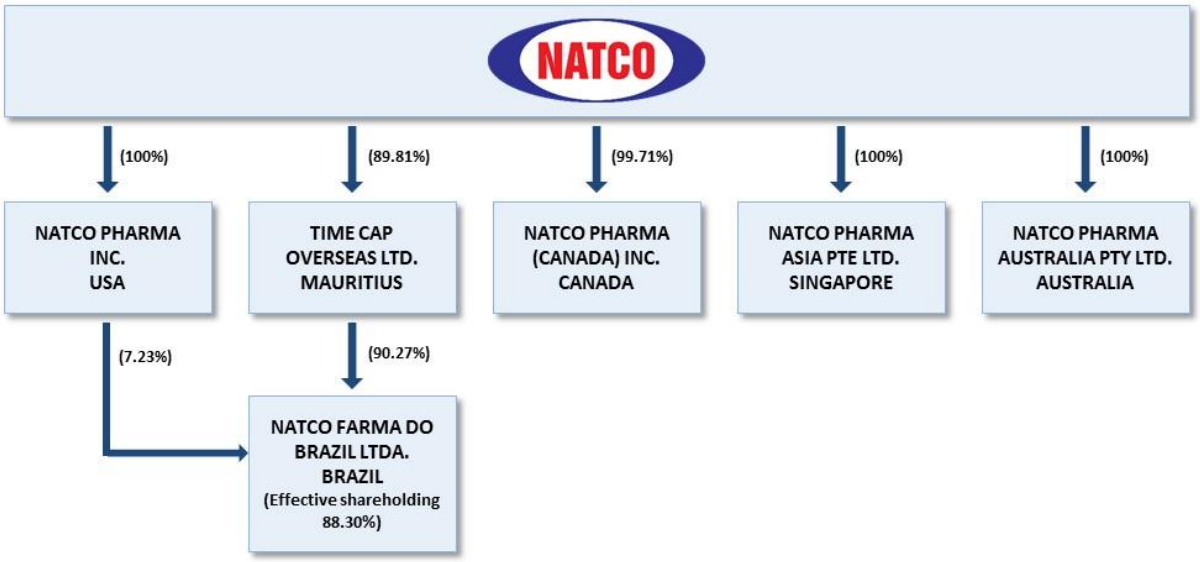
Our History

Our Company was incorporated on September 19, 1981 as private limited company under the name of Natco Fine Pharmaceuticals Private Limited. We became a deemed public company with effect from July 1, 1992 and the word 'private' was deleted from the name of our Company pursuant to Company's intimation to the RoC, AP by letter dated May 29, 1992. The name of our Company was changed to Natco Pharma Limited and a fresh certificate of incorporation consequent upon change of name was issued by the RoC, AP on February 18, 1993. Our Company was converted into a public limited company and a fresh certificate of incorporation dated December 30, 1994 was issued by the RoC, AP. On April 1, 1995, Natco Parenterals Limited, Natco Laboratories Limited and Dr. Karanth Pharma Labs Private Limited merged with our Company. We are currently listed on BSE and NSE.

Some of the key events in the evolution process of our Company are as follows:

Year	Details
1981	Incorporated Natco Fine Pharmaceuticals Private Limited
1988	Inaugurated Parenterals manufacturing facility at Nagarajuna Sagar, Telangana
1993	Inaugurated Natco Laboratories Limited (Currently chemical division), Mekaguda, Telangana
1994	Incorporated Natco Organics Limited in Chennai
1995	Natco Parenterals Limited, Natco Laboratories Limited and Dr. Karanth Pharma Labs Private Limited merged into Natco Pharma Limited
1997	Inaugurated Natco Research Centre, Hyderabad
2003	Launched Oncology division with introduction of flagship brand Veenat (generic Imatinib Mesylate) for the treatment of chronic Myelogenous Leukemia
2007	Approval of first ANDA in the United States
2008	First Paragraph IV Certification application in the United States Inaugurated facility at Dehradun, Uttarakhand
2011	Incorporated Natco Brazil
2012	Granted compulsory license from Bayer for patent-protected anti-cancer drug Nexavar (generic Sorafenib)
2015	Launch of generic Sofosbuvir in India and Nepal for Hepatitis C Merged Natco Organics Limited with our Company
2016	Exited our US-based pharmacy business Launched generic version of Oseltamivir Phosphate capsules in the United States
2017	Launched Cardiology and Diabetology divisions for domestic market Launched first generic version of Sofosbuvir/Velpatasvir in Nepal Launched Glatiramer Acetate injection (20 & 40 mg.ml) in the United States Launched complex drug delivery product, liposomal doxorubicin, in the United States

Corporate Structure



Description of our Business

In the pharmaceutical value chain our business operations are classified in two categories Formulations and API. Our formulations business is categorized into a) Domestic business; and b) Export business, primarily to the United States, the United Kingdom, Germany, Canada, Singapore and Brazil. We manufacture and use own APIs at our facilities as well as sell APIs to domestic and international markets. Our revenue from operations from each business line for Fiscal 2016, Fiscal 2017 and the six months ended September 30, 2017 is as follows:

(Rs. in million)

Business Line*	Fiscal 2016	% of revenue from operations	Fiscal 2017	% of revenue from operations	Six months ended September 30, 2017	% of revenue from operations
Formulations						
Domestic	5,424	50.22%	8,810	42.66%	3,973	45.56%
Export	3,419	31.65%	8,980	43.49%	2,934	33.65%
Total Formulations	**8,843**	**81.87%**	**17,790**	**86.15%**	**6,907**	**79.21%**
APIs						
Domestic	294	2.72%	313	1.52%	377	4.32%
Export	1,387	12.84%	2,156	10.44%	1,260	14.45%
Total APIs	**1,681**	**15.56%**	**2,469**	**11.96%**	**1,637**	**18.77%**
Others (including Service Income and contract manufacturing)						
Domestic	85	0.79%	95	0.46%	79	0.91%
Export	192	1.78%	296	1.43%	97	1.11%
Total Others (including Service Income and contract manufacturing)	277	2.57%	391	1.89%	176	2.02%
Revenue from Operations	**10,801**	**100.00%**	**20,650**	**100.00%**	**8,720**	**100.00%**

Domestic Formulations business

India is our largest market and we derived 50.22%, 42.66% and 45.56% of our revenue from operations during Fiscal 2016, Fiscal 2017 and six months ended September 30, 2017, respectively, from our domestic formulations business. In India, our products are primarily focused on the oncology and gastro hepatology therapeutic areas. We also develop, market and sell products in therapeutic areas such as orthopaedics, gastroenterology, critical care and CNS. We have recently launched products in the Cardiology and Diabetology therapeutic areas.

Oncology

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

The table below lists out our oncology products which are sold in the domestic markets:

Brand	Molecule	Therapeutic Area (Oncology)	Dosage form
	Solid Tumours		
Erlonat	Erlotinib	Lung cancer	Tablet
Geftinat	Geftinib	Lung cancer	Tablet
Pemnat	Pemetrexed	Lung cancer	Injection
Kabanat	Cabazitaxel	Prostate cancer	Injection
X-trant	Estramustine	Prostate cancer	Capsule
Zoldonat	Zoledronic Acid	Supportive cancer care	Injection

Brand	Molecule	Therapeutic Area (Oncology)	Dosage form
Anastronat	Anastrozole	Breast cancer	Tablet
Bandrone	Ibandronate	Supportive cancer care	Tablet/injection
Capnat	Capecitabine	Colorectal cancer	Tablet
Fulvenat	Fulvestrant	Breast cancer	Injection
Letronat	Letrozole	Breast cancer	Tablet
Natdox –LP	Natdox-LP	Ovarian cancer	Injection
Rapact	Everolimus	Breast cancer	Tablet
Sorafenat	Sorafenib	Renal cell cancer and hepato cell cancer	Tablet
Temonat	Temozolomide	Glioma	Capsule
Trabec	Trabectedin	Soft tissue sarcoma	Injection
Xtane	Exemestane	Breast cancer	Tablet
	Haematology		
Alphalan	Melphalan	Multiple myeloma	Tablet/injection
Veenat	Imatinib	Myeloid leukaemia	Capsule
Bendit	Bendamustine	Chronic lymphocytic leukaemia	Injection
Bortenat	Bortezomib	Myeloma	Injection
Clokeran	Chlorambucil	Chronic lymphocytic leukaemia	Tablet
Desifer	Deferasirox	Anaemia	Tablet
Lenalid	Lenalidomide	Multiple myeloma	Capsule
Natdecita	Decitabine	Myelodysplastic syndrome	Injection
Rasburnat	Rasburicase	Tumor lysis syndrome	Injection
Thioplan	Thiotepa	Bladder cancer	Injection
Xpreza	Azacitidine	Myelodysplastic syndrome	Injection
Carfilnat	Carfilzomib	Myeloma	Injection
Pomalid	Pomalidomide	Multiple myeloma	Capsule

Pharma Specialties Division

Our pharma specialties division deals with products related to Gastroenterology, Orthopaedics and Critical Care. The orthopaedics range covers all the important bisphosphonates, including the oral and injectable drugs. Our gastroenterology range continued growth of the Chronic Hepatitis C portfolio of drugs. The table below lists some of our key molecules in our pharma specialties division:

	Brand	Molecule	Therapeutic Area	Dosage Form
1.	HEPCINAT	Sofosbuvir	Hepatitis C	Tablet
2	Hepcinat LP	Ledipasvir + Sofosbuvir	Hepatitis C	Tablet
3	Natdac	Daclatasvir	Hepatitis C	Tablet
4	Velpanat	Velpatasvir + Sofosbuvir	Hepatitis C	Tablet
5	X-Vir	Entecavir	Hepatitis B	Tablet
6	Teravir	Tenofovir	Hepatitis B	Tablet
7	Tigi	Tigecycline	Antibiotics	Injection
8	Vorizol	Voriconazole	Antibiotics	Injection

Cardiology and Diabetology Division

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

Export Formulations Business

We manufacture generic formulation products for sale outside India as well. Outside India, our primary markets are (a) the United States; (b) rest of the world, including Europe, Canada and Latin America. Our focus is primarily on niche therapeutic areas and complex products in these markets. Our core strength lies in developing and manufacturing pharmaceutical products in-house, which we primarily commercialise either through our relationships with multi-national pharmaceutical companies or through our distribution network.

US Formulation Exports Business

In the United States, our formulations business is primarily focused on high-barrier-to-entry products that are either difficult to formulate and/or manufacture. We derived 10.43%, 37.27% and 25.86% of our revenue from operations during Fiscal 2016, Fiscal 2017 and six months ended September 30, 2017, respectively, from the formulations sales within the United States.

As of September 30, 2017, we had filed 44 ANDAs, of which 27 ANDAs have received approval from the USFDA (including tentative approvals) We typically make ANDA filings with the USFDA either on our own or in collaboration with global pharmaceutical companies such as Alvogen, Dr. Reddy's, Mylan, Breckenridge and Lupin. Our Paragraph IV ANDA filings include generic versions of key brands such as Glatiramer Acetate (20 mg and 40 mg), Fingolimod, Oseltamivir, Bendamustine, and Lenalidomide.

The table below lists out our key launches in the United States, as of September 30, 2017:

Brand	Molecule	Therapeutic Usage
Tamiflu	Oseltamivir Capsules	Flu
Doxil	Doxorubicin	Cancer, Ovarian
Vidaza	Azacitidine	Cancer, blood
Fosrenol	Lanthanum Carbonate	Kidney

In addition, we have recently launched the molecule Oseltamivir Suspension, Glatiramer Acetate 20mg and 40mg.

The table below lists out our key ANDA filings which are either pending approval from the USFDA or yet to be launched as of September 30, 2017

Key Brand	Molecule	Therapeutic Area	Dosage
Revlimid	Lenalidomide	Multiple Myeloma	Capsules
Jevtana	Cabazitaxel	Prostate cancer	Injection
Tracleer	Bosentan	Hypertension	Tablets
Treanda	Bendamustine	Cancer, CLL	Injection
Nexavar	Sorafenib	Cancer, Liver	Tablets
Afinitor	Everolimus, 10 mg	Cancer, Kidney	Tablets

We currently sell our products in the United States through our marketing and distribution partners. Our partners typically enter into supply, marketing and or distribution arrangements with wholesalers and distributors for sale of our formulations in the United States. We are responsible for the shipping and delivery of the products.

Further, certain of our distributor contracts contain obligations for us to meet minimum supply obligations, subject to exceptions for inability to supply due to reasons beyond our control. As per the terms of such minimum supply obligations, we may be required to pay penalties, which are typically calculated based of the amount of the shortfall in the supply, calculated for each product being supplied. For Fiscal 2016, Fiscal 2017 and six months ended September 30, 2017, our top five customer groups for formulations sales within the United States accounted for 9.26%, 36.08% and 23.12% of our revenue from operations.

Formulations business in rest of the world

Outside of India and United States, we sell our products in rest of the world. We derived 21.23%, 6.21% and 7.79% of our revenue from operations during Fiscal 2016, Fiscal 2017 and six months ended September 30, 2017, respectively, from such countries.

Europe

In Europe, we primarily sell our products in United Kingdom and Germany through our business partners. We have obtained four approvals for our products from authorities in Germany and United Kingdom, either in our name or through our business partners. We derived 0.39%, 0.78% and 0.87% of our revenue from operations during Fiscal 2016, Fiscal 2017 and six months ended September 30, 2017, respectively, from formulations sales within Europe.

Canada

We market and distribute our products in Canada through our Subsidiary, Natco Canada. Our facility at Kothur, Telangana has been approved by Health Canada. We have obtained approval for eleven products in Canada from Health Canada and are in the process of distribution and marketing these products.

Singapore

We are in the process of marketing and distributing our products in Singapore through our Subsidiary, Natco Singapore. We have obtained seven approvals for our products from Health Sciences Authority in Singapore.

Brazil

We distribute our products in Brazil through our Subsidiary, Natco Brazil. Our facility at Kothur, Telangana has bene approved by ANVISA, Brazil. We are in the process of registering some of our existing products, particularly in the oncology therapeutic area to grow our Brazilian operations.

API Business

Our API business is strategically important since it allows us to backward integrate our operations. We manufacture API products which are primarily used for captive consumption and are also sold to customers for various international markets such as Canada, Europe and certain countries in the Middle-East. In the API area, we have capabilities to develop and manufacture products with multi-step synthesis, semi synthetic fusion technologies, high-potency APIs and peptides. As of September 30, 2017, we have filed 42 active DMFs with the USFDA for our API products in therapeutic areas such as oncology, central nervous system, anti-asthmatic, anti-depressant and gastrointestinal disorders. For Fiscal 2016, Fiscal 2017 and six months ended September 30, 2017, our API business from sale of products accounted for Rs. 1,681 million, Rs. 2,469 million and Rs. 1,637 million Our API business contributed 15.56%, 11.96% and 18.77% of our total revenue from operations for Fiscal 2016, Fiscal 2017 and six months ended September 30, 2017, respectively.

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

R&D

We have a strong focus on R&D initiatives which have enabled us to develop a strong portfolio of niche and complex Formulations and API products. Our Company is focused at creating research led products that address unmet patient needs. We have a dedicated R&D facility housed at the Natco Research Centre at Hyderabad, Telangana and a R&D unit in our Kothur facility. Our R&D team which comprises of 314 personnel including scientists, chemists, research assistants, trainees and others. Our R&D centres are accredited by DSIR. Our R&D team has capabilities across synthetic chemistry, biotech and fermentation, nano pharmaceuticals, cell biology. We also have scientists with expertise in polymer based chemistry and peptides chemistry.

Our R&D team is currently developing two NCE drugs which are under clinical trials stage namely, (i) NRC-AN- 019 which was designated as an ‘orphan drug’ by the USFDA and is used for the treatment of brain

tumour, pancreatic cancer and CML; and (ii) NRC-2694 which is used to treat breast cancer. Our Company continues to work on development of other NCE drugs.

As of September 30, 2017, we have filed 189 patents internationally out of which 133 patents have been granted internationally. As of September 30, 2017, we have also filed 185 patent applications in India, which includes both product and process patents for various generic Formulations and APIs. We have been granted 83 patents in India.

Manufacturing Process and Facilities

We have the capability to manufacture APIs and finished-formulation dosages. We have fully integrated manufacturing support systems at each of our facilities, including quality assurance, quality control, regulatory affairs and inventory control. These support systems enable us to deliver reliable products to our customers on a timely basis, while maintaining high quality standards and monitoring regulatory compliance. Each of our manufacturing sites has an on-site quality unit with clearly defined functions supported by a corporate quality group. All of our plants have waste management and environment protection systems and comply with the laws on environmental pollution. Each of our manufacturing facilities is compliant with cGMP. In addition, our quality assurance and control team conducts periodic audits at the facilities where we outsource our product manufacturing.

We have two API manufacturing facilities and five formulation production facilities in India. The table below set forth certain details in relation to our manufacturing facilities:

Location	Division	Capability	Major Approvals
Kothur, Telangana	Formulations	Tablets, capsules, pellets and injectables	USFDA, GMP (DCA), German Health Authority, ANVISA, Brazil
Nagarjunasagar, Telangana	Formulations	Ampoules, vials, lyophilized vials, parenterals, sterile dry powders	GMP (DCA)
Pharma City, Dehradun	Formulations	Tablets, capsules, injectables	GMP (DCLA)
UPSIDC Industrial Area, Dehradun	Formulations	Tablets, capsules	GMP (DCLA), Public Health Service of the Netherlands (EU GMP)
Mekaguda, Telangana	Chemical	API	USFDA, GMP (DCA), German Health Authority, PMDA Japan, Cofepris Mexico
Manali, Chennai	Chemical	API	GMP (Director of Drugs Control), USFDA
Guwahati, Assam	Formulations	Tablet, capsules	GMP

We plan to increase our formulation manufacturing capacity and capabilities and are in the process of constructing another Formulations facility in Visakhapatnam, which is located in a SEZ location. We expect that our Visakhapatnam facility will be ready to commence operations by 2018. We intend to use a part of our Net Proceeds from the Offering for upgrading our manufacturing facilities. For details, see "Use of Proceeds".

We are capable of manufacturing a wide range of dosage forms including tablets, capsules, injectables, ampoules, vials, lyophilized vials, parenterals and sterile dry powders. We have demonstrated our ability to handle complex manufacturing processes, such as lyophilisation and complete isolation technology to manufacture cytotoxic products. We also handle products that require a specialized environment with, among other things, controlled release pharmaceutical products.

Contract Manufacturing

We undertake contract manufacturing business which involves manufacturing and supply of pharmaceutical products to other pharmaceutical companies. We derived 0.62%, 0.34% and 0.41% of our revenue from

operations during Fiscal 2016, Fiscal 2017 and six months ended September 30, 2017, respectively, from our contract manufacturing business.

Production Capacity and Capacity Utilisation

The following table sets forth the aggregate production capacity of our manufacturing facilities and the actual production volumes for the periods indicated:

Finished Dosage Formulation (FDF) Division	Unit of Measurement	**Fiscal 2015**	**Fiscal 2016**	**Fiscal 2017**
Installed capacity	Numbers in million	1,798	1,838	1,898
Production	Numbers in million	580	582	724
% utilisation based on production		32.25%	31.63%	38.12%

API division	Unit of Measurement	**Fiscal 2015**	**Fiscal 2016**	**Fiscal 2017**
Installed capacity	Kgs	42,143	42,143	42,143
Production	Kgs	21,813	24,031	30,318
% utilisation based on production		51.76%	57.02%	71.94%

Raw Materials

The raw materials essential to our manufacturing business are purchased primarily from suppliers in India and China. We generally do not have long term contracts with any of our suppliers and we source raw materials from multiple suppliers on purchase order basis. However, in certain cases, we enter into long term supply contracts with certain suppliers for certain raw materials. Further, a majority of our raw material requirements are met by APIs manufactured in-house.

Our Company has entered into an API supply agreement with Laurus Labs Limited ("**Laurus**"), pursuant to which we purchase key Hepatitis C APIs comprising Sofosbuvir, Ledipasvir, Daclatasvir and Velpatasvir from Laurus. This agreement is for a period of ten years from the first commercial supply of products and all brands under the agreement will be jointly owned by our Company and Laurus. Our Company places purchase orders with Laurus from time to time, wherein Laurus supplies the APIs to us and we then make formulations from the APIs in our facilities and market finished dosage forms on our own and through others in the markets / territories voluntarily licensed by Gilead / Medicines Patent Pool and BMS. Our Company also has a 50:50 profit and loss sharing arrangement, after adjusting all the expenses including sales and marketing expenses, with Laurus pursuant to which Laurus is required to pay us a share of profits on any Hepatitis C APIs sold to third parties and we are required to pay Laurus a share of profits when we sell formulations to third parties. Each party is however, free to sell intermediates without any profit sharing obligations towards the other party under this agreement.

Quality Control

We believe that maintaining high standard of quality of our products is critical to our brand and continued success. Across our various manufacturing facilities, we have put in place quality systems that cover all areas of our business processes from manufacturing, supply chain to product delivery for ensuring consistent quality, efficacy and safety of our products. Through our regular internal audits and audits conducted by external consultants appointed by us, we ensure that our manufacturing facilities are in compliance with local and international regulatory requirements.

We implement and maintain best industry practices including for, adequate premises and space, suitable equipment and services, appropriate materials, approved procedures and instructions, and equipped laboratories. Our employees are required to undergo thorough training programs designed to update them on latest quality norms and standards periodically.

Our facilities are regularly inspected for compliance with current Good Manufacturing Practices ("cGMP"),

and such compliance is assessed by the WHO and the USFDA. Our audit procedures are also regularly updated to comply with any changes in international regulatory requirements, such as those of the USFDA. Some of our manufacturing facilities have received accreditations from, amongst others, the USFDA and German Health Authority.

Our quality function monitors all stages of product development. Various in-process quality checks are performed to monitor product quality during manufacturing process. Final finished products are tested as per the predetermined quality specifications before release in the market. All products are subjected to extensive stability testing program to understand the real product behaviour during its shelf life.

Our quality control department also ensures that materials received from our approved lists of vendors also comply with our internal standards and specifications, which are designed to satisfy the requirements set forth by the various regulatory agencies that monitor our products and services. All of our manufacturing facilities also have waste management and environment protection systems designed to comply with laws on environmental pollution.

Sales and Distribution

We market and distribute our products in approximately 40 countries, either directly through our Subsidiaries or indirectly, through supply, distribution and other arrangements with various global companies and local distributors. Our export markets include geographies such as the United States, Canada, Brazil, Europe, Myanmar and Nepal. We predominantly sell products in the international geographies through distributors. In some markets, we work on semi exclusive basis wherein we offer exclusivity for some products within that market/country. We identify and assess the suitability of potential marketing partners on the basis of their strengths in that market.

In India, we have our own sales team, responsible for marketing and distribution of products. Our sales and marketing team comprises of approximately 420 marketing personnel and approximately 500 distributors, as of September 30, 2017. Our nationwide sales force is comprised of representatives that typically have significant pharmaceutical sales experience in their respective geographic regions.

Competition

The pharmaceutical industry is highly competitive. Our competition varies by market, therapeutic areas and type of product. Our principal competitors within India include Indian generics players as well as multinational pharmaceutical companies.

The global pharmaceutical market can broadly be divided into emerging and developed markets. The emerging markets have lower barriers to entry in terms of regulatory requirements, including with respect to the qualification process and intellectual property rights. The developed markets such as the United States and Europe, by contrast have higher barriers to entry as a result of more stringent regulatory practices. As a result, products may be sold in developed markets at a premium due to the costs associated with quality and regulatory compliance. The developed markets also exhibit greater stability for both volume and prices as compared to emerging markets.

We compete with large multinational pharmaceutical companies and smaller regionally based competitors. Some of our competitors are larger than us and have greater financial, manufacturing, R&D and other resources. Consequently, our competitors may possess wider product ranges, larger sales teams, greater intellectual property resources and broader appeal across various divisions.

Patent and Trademarks

As of September 30, 2017, we have filed 189 patents internationally out of which 133 patents have been granted internationally. As of September 30, 2017, we have also filed 185 patent applications in India, which includes both product and process patents for various generic Formulations and APIs. We have been granted 83 patents in India.

We have applied for 22 trademarks application for its products with various Registrar of Trademarks. In addition, our Company has 108 registered trademarks in relation to its products. Our Company has filed application for registration of trademark of its name 'Natco' and logo under class 5 of the Trademarks Act, 1999, with the Registrar of Trademarks. Our Company has registered its logo 

under class 5 and

30 of the Trademarks Act, 1999 with the Registrar of Trademarks.

Regulatory and Environmental Matters

Our products sold in developed markets are subject to regulation by their respective government entities, including the USFDA and the European Medicines Agency. To varying degrees, each of these agencies requires us to adhere to laws and regulations governing the development, testing, manufacturing, labelling, marketing and distribution of our products, in their respective regions.

We develop and implement work safety measures and standards to ensure a safe working environment at our manufacturing facilities and seek to ensure that the work we undertake does not pose any danger to our employees or the general public. We comply with applicable health and safety regulations. We implement efforts to educate our employees in occupational, health and safety procedures.

We are also subject to significant national and state environmental laws and regulations regarding the discharge, emission, storage, handling and disposal of a variety of substances that may be used in or produced from our operations at our facilities. Failure to comply with the applicable laws and regulations may subject us to penalties and may also result in the closure of our facilities.

Insurance

We have industrial all risk policy for our manufacturing facilities and R&D Centre at Hyderabad insuring all of our assets such as buildings, plant and machinery, furniture, fixtures and fittings, stocks and stocks from risks such as fire, earthquake and machinery breakdown. We maintain clinical trials insurance, keyman insurance, director and officer's liability insurance and product liability insurance for the products that we manufacture and sell. We also maintain medical insurance policies for our employees. We believe that our insurance coverage is consistent with industry standards for companies in India.

Our policies are subject to customary exclusions and customary deductibles. For additional details relating to our product liability insurance, see "*Risk Factors – Our insurance coverage may not be sufficient or adequate to protect us against all material hazards, which may adversely affect our business, results of operations, financial condition and cash flows".*

Employees

As of September 30, 2017, we employed a total of 4,805 employees. The breakdown of our employees is set out below:

Function	Number of employees
Production and stores	1,681
Engineering and environment health safety	687
Quality control, quality assurance and regulatory affairs	943
Administration, human resource, information technology and corporate social responsibility	606
R&D, clinical trial, intellectual property rights, NDDS and project management	356
Sales and marketing and international business development	441
Finance and accounts and legal	43
Supply chain	25
Management	23
Total	**4,805**

We believe we maintain good relationships with our employees. As of September 30, 2017, we have three trade unions comprising of workers at Kothur facility, Nagarjuna Sagar facility and Mekaguda facility.

Properties

Our Company's registered office is located at Natco House, Road no. 2, Banjara Hills, Hyderabad 500 034, Telangana and is owned by us. Our manufacturing facilities are situated on land which is either owned by

us or have been taken on leasehold basis by us. We own the property on which the manufacturing facilities at Kothur, Nagarjuna Sagar and Mekaguda, Telangana and Guwahati, Assam are located. Our manufacturing facilities in Dehradun are located on leasehold lands. Our R&D centre at Hyderabad is located on the land owned by us. Our upcoming manufacturing facility at Visakhapatnam is located in the SEZ area and has been taken on leasehold basis by us. The land on which our Chennai facility is located is owned us through allotment by the Government of Tamil Nadu.

Legal proceedings

We are involved in various lawsuits, claims, investigations and proceedings, which arise in the ordinary course of our business. We believe that, apart from the litigations mentioned in "*Legal Proceedings*", none of the proceedings in which we are involved are likely to materially and adversely affect our business, financial position or results of operations.

Corporate Social Responsibility

We conduct and undertake our social responsibility activities through Natco Trust which was founded in 1995. The Trust largely operates in Andhra Pradesh and Telangana. Natco Trust is involved in education, healthcare and livelihood sectors. Educational projects of Natco Trust includes establishment of Natco High school, Natco School of Learning and Natco Government High School, after school tuitions at government primary and high schools, junior schools and sports for development initiatives. Healthcare projects of Natco Trust includes providing infrastructural support to various Government hospitals, nutrition centres, clean drinking water and sanitation, mobile health clinics and adolescent girl's health activities. Natco Trust is also involved in livelihood related activities like vocational training and career counselling.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

IND AS FINANCIAL INFORMATION

You should read the following discussion of our financial condition and results of operations together with our consolidated financial statements as of and for the Fiscals 2017 and 2016 and six months ended September 30, 2016 and 2017, including the schedules and notes thereto and the review report thereon, included elsewhere in this Placement Document, which are prepared in accordance with Ind AS ("Ind AS Financial Statements"). Ind AS differs in certain material respects from Indian GAAP, US GAAP and International Financial Reporting Standards.

This discussion contains certain forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section "Risk Factors" and "Forward Looking Statements" included in this Placement Document.

Our Fiscal ends on March 31 of each year. Accordingly, all references to a particular Fiscal are to the 12 month period ended March 31 of that year.

Overview

We are an R&D focused, vertically integrated pharmaceuticals company engaged in the development, manufacture and marketing of finished dosage formulations ("**FDF**") and active pharmaceutical ingredients ("**APIs**"), including niche and technically complex molecules. Our end-to-end capabilities comprise a strong R&D team, manufacturing facilities that produce a wide variety of dosage forms and in-house API capabilities.

Our pharmaceutical business is organized into domestic and international operations, according to the geographies in which we operate. For Fiscal 2017, our domestic and international operations accounted for 44.64% and 55.36%, respectively, of our revenue from operations. For six months ended September 30, 2017, our domestic and international operations accounted for 50.80% and 49.20%, respectively, of our revenue from operations.

We have a well established presence in the domestic formulations market, particularly in gastro hepatology and oncology therapeutic areas. In gastro hepatology therapeutic area, we have the leading market share in Hepatitis C drugs in India. *(Source: CARE Report)* We are also one of the major pharmaceutical companies in oncology therapeutic area in India. *(Source: CARE Report)* Further, we have diversified our product portfolio by launching products in Cardiology and Diabetology therapeutic areas in 2017.

We are focused on complex generics for the US market and our product portfolio is predominantly focused on high-barrier-to-entry products that are either difficult to formulate or manufacture or may face complex legal and regulatory challenges. We also have a longstanding track-record of alliances with global pharmaceutical companies for developing, manufacturing and marketing of pharmaceutical products. As of September 30, 2017, our portfolio includes 22 Paragraph IV filings.

Outside of India and the United States, we have grown our formulations business in several countries across North America, selected markets in Europe, Latin America and the Asia Pacific region. We market and distribute our products in Canada through our Subsidiary. In Europe, we primarily sell our products in United Kingdom and Germany through our business partners. Our formulations business in Latin America is primarily focused on the markets in Brazil and Venezuela. In addition, we also market our products in emerging markets in Asia-Pacific such as Singapore.

We also manufacture APIs which are primarily used for captive consumption. We also sell APIs to customers in domestic and various international markets such as Canada, Europe and certain countries in the Middle East. We have the capabilities to develop and manufacture products with multi-step synthesis which may comprise of semi synthetic fusion technologies, high-potency APIs and peptide chemistry. As of September 30, 2017, we have filed 42 active DMFs with the USFDA for our API products in therapeutic areas such as oncology, central nervous system, anti-asthmatic, anti-depressant and gastrointestinal disorders.

Our R&D efforts are primarily focused across the value chain of generics development for simple as well as differentiated dosage forms like modified release oral solids and API process development. We have a team of 245 scientists working across two R&D facilities located in India. As of September 30, 2017, we had filed 44 ANDAs, of which 27 ANDAs have received approval (including tentative approvals) We spent Rs. 703 million (6.45% of total revenue) and Rs. 1,216 million (5.85 % of total revenue)) in R&D expenditure during Fiscal 2016 and Fiscal 2017, respectively. We have also been granted approximately 216 patents worldwide, including granted patents we no longer maintain in force, as of September 30, 2017.

Our business operations are supported by modern manufacturing facilities located in India. We have seven manufacturing facilities engaged in manufacturing of formulations and APIs and four of our manufacturing facilities have received one or more approvals from regulatory authorities such as USFDA, Public Health Service of the Netherlands (EU GMP), German Health Authority, PMDA of Japan, Cofepris of Mexico and ANVISA of Brazil. As of September 30, 2017, we exported our products to approximately 40 countries.

Our total revenues for Fiscal 2016, Fiscal 2017 and the six months ended September 30, 2017, were Rs. 10,897 million. Rs. 20,789 million and Rs. 8,809 million, respectively.

Significant Factors Affecting Our Results of Operations

Pricing of our products

We sell our products in India, the United States, Europe and emerging markets including countries in Latin America and the Asia Pacific region.

The prices of our products are determined largely by market forces and vary from country to country. However, in certain jurisdictions, regulatory authorities may impose pricing controls on pharmaceutical products that could apply to our products as well. For example, in India, under the Drugs Prices Control Order ("DPCO"), the Indian Government has the authority to designate a pharmaceutical product as a "specific product" and to fix the maximum selling price. The pricing of a number of our products is subject to price controls. Due to rising healthcare costs, there have been, and may continue to be, proposals by legislators and regulators to keep these costs down in the jurisdictions in which we operate. If our ability to freely set prices for our products is restricted by government regulation, healthcare legislation and/or pressure from third parties, it could have an adverse effect on our business and results of operations.

In addition, if insurance companies do not provide coverage or provide limited coverage for use of our products by patients in certain of our markets, it may reduce our sales. Given the influence of market forces on pharmaceutical product pricing, if third-party purchaser influence results in lower pharmaceutical prices, although demand for our generic active pharmaceuticals may increase, our overall revenues may decrease and our profits could be adversely affected.

Production costs and quality of our manufacturing facilities

Our ability to increase our cost competitiveness is dependent on the efficient management of our production costs. The availability of key raw materials at competitive prices is critical and price fluctuations may affect our margins and, as a result, our results of operations. Additionally, any significant changes in excise duties levied on raw materials and finished products and changes in salary costs of our employee could have an effect on our financial condition and results of operations.

In addition, in order to maximize our profits, we must maintain an appropriate standard of quality in our manufacturing facilities' equipment and processes. Compliance with requirements of the US FDA and other regulatory authorities in various other countries requires considerable investment and management attention. If we are unable to achieve and preserve the necessary level of quality in our manufacturing processes and facilities in the future or are required to withdraw a product for any reason, our financial condition and results of operations may be affected.

Expiring patents and patent challenges

Our results of operations are directly related to the expiry of patents for pharmaceutical products. As existing patents held by other pharmaceutical companies for branded (innovator drugs) versions expire, we can commence the marketing and sale of generic low-cost versions of such products. Certain regulatory authorities such as the

US FDA grant periods of exclusivity to generic drug companies that are the "first to file" applications for the marketing and sale of their pharmaceutical formulations. Our ability to develop marketable pharmaceutical formulation substitutes for products going "off-patent" in a cost-effective, efficient and timely manner, and to protect such substitutes from legal challenges, will affect our results of operations. Further, we also challenge patents, if we believe they are either invalid or we have developed a non-infringing patent, however, products launched pursuant to such patents are susceptible to litigation, which may significantly impact our financial condition and results of operations.

Research and development

Our business depends to a significant degree on our ability to successfully conduct research and development with respect to our products. This process is both time consuming and costly, and involves a high degree of business risk. To develop our product pipeline, we commit substantial time, funds and other resources. In addition, our research staff is critical to the success of our research and development efforts. Our investment in research and development for future products could result in higher costs without a proportionate increase in revenues.

In addition, we must adapt to rapid changes in our industry due to technological advances and scientific discoveries. If our pharmaceutical products become uncompetitive, and we are unable to effectively introduce new products, our business and results of operations could be adversely affected. Although we strive to keep our technology, facilities and machinery current with the latest international standards, the technologies, facilities and machinery we currently employ may become obsolete. The cost of implementing new technologies, upgrading our manufacturing facilities and retaining our research staff could be significant and could affect our profitability.

Government and other regulatory approvals

Our products are marketed in approximately 40 countries. As a result, our products are subject to regulation by both Indian and numerous other foreign regulatory agencies, or international institutions. Each of these agencies requires us to comply with laws and regulations governing the development, testing, manufacturing, labeling, marketing and distribution of our products and we are required to maintain various approvals, licenses, registration and permissions for our business activities. If we experience delays in obtaining such approvals or are unable to obtain such approvals, the growth of our product offerings and approved manufacturing capacities may be delayed or prevented, which would affect our results of operations. In the US, Europe and many of the international markets in which we sell our products, the approval process for a new product is complex, time consuming and expensive.

Our business, prospects, results of operations and financial condition could be adversely affected if we fail to obtain, or comply with applicable conditions that may be attached to, our approvals, licenses, registrations and permissions. We continue to file for approvals for our new products with the US FDA and various other government and regulatory agencies. Any delay in the grant of approvals for new products, or any withdrawal of approval for existing products would adversely affect our results of operations.

Industry competition and consolidation

Our products face intense competition from products commercialized or under development by competitors in the pharmaceutical industry. Our business, prospects, results of operations and financial condition could be affected by changes in our competitors' market in therapeutic areas in which we are focused. Our competitors may have greater financial, manufacturing, research and development, marketing and other resources, more experience in obtaining regulatory approvals, greater geographic reach, broader product ranges and stronger sales forces.

Additionally, price competition generally arises as a result of consolidation among wholesalers and retailers and the formation of large buying groups, including the recent trend of large wholesalers and retail customers forming partnerships. Further, the market has seen a trend of consolidation, and the strength of the combined companies, including our competitors, could affect our competitive position in all of our business areas.

Currency exchange fluctuations

Our products are priced in Rupees for our Indian sales and in US Dollars for a majority of our international sales, as well as in British Pounds for sales in the United Kingdom, in Euros for sales in the European Union, and in the local currency of certain other jurisdictions where we sell our products. A substantial portion of our costs, including labor, packaging materials and transportation costs, raw materials and capital expenditures are incurred

in Rupees since all of our manufacturing and research facilities are located in India. Further, we continue to incur non-Rupee indebtedness in the form of external commercial borrowings and other foreign currency denominated borrowings, which creates foreign currency exposure in respect of our cash flows. As a consequence and because our results are prepared in Indian Rupees, we are exposed to currency rate fluctuations between the Rupee and these foreign currencies. A devaluation of any of the currencies in which we derive sales revenues against the Rupee may result in a reduction of our margins and, as a result, our results of operations.

Tax incentives

We currently avail income tax benefits under section 35(2AB) of Income Tax Act 1961, as amended (the "Indian Income Tax Act") for weighted deduction of in-house research and development expenditure based on approval from the Department of Scientific and Industrial Research ("DSIR"). The weighted deduction for Fiscals 2016 and 2017 is 200.00% and 200.00% and 150.00% for thereafter for each Fiscal until 2021. Further, our Company has area based income tax exemptions under Section 80IC of the Indian Income Tax Act for our manufacturing facility in Dehradun until Fiscal 2020 and Section 80IE of the Indian Income Tax Act for our manufacturing facility in Guhawati until Fiscal 2025. Further, our Company is also eligible for partial GST benefit at both our Dehradun and Guwahati facilities for the same periods. Our Company is also eligible for exemptions under Section 10AA of the Indian Income Tax Act and GST benefits for our proposed SEZ Unit at Vishakapatnam. These tax benefits and incentives contribute to our results of operations and cash flows and a change in tax benefits and incentives available to us may affect our profitability.

Significant Accounting Policies

Key accounting policies that are relevant and specific to our business and operations are described below:

Basis of Consolidation

The consolidated financial statements have been prepared using the accounting policies and measurement basis summarized below.

Current versus non-current classification

The Group presents assets and liabilities in the balance sheet based on current/ noncurrent classification. An asset is classified as current when it is:

- Expected to be realized or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is classified as current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Foreign currency

- Functional and presentation currency. The consolidated financial statements are presented in Indian Rupee which is also the functional and presentation currency of the Group.

- Transactions and balances. Foreign currency transactions are recorded in the functional currency, by applying to the exchange rate between the functional currency and the foreign currency at the date of the transaction.

Foreign currency monetary items are converted to functional currency using the closing rate. Non-monetary items denominated in a foreign currency which are carried at historical cost are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or any other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the statement of profit and loss in the year in which they arise.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

Excise duty is a liability of the Group as a manufacturer, which forms part of the cost of production, irrespective of whether the goods are sold or not. Therefore, the recovery of excise duty flows to the Group on its own account and hence revenue includes excise duty.

Sales tax/ Value Added Tax is not received by the Group on its own account. Rather, it is tax collected on value added to the Goods by the Group on behalf of the government. Accordingly, it is excluded from revenue.

The specific recognition criteria described below must also be met before revenue is recognized.

Sale of goods. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Service Revenue. Service income is recognized as per the terms of contracts with the customers when the related services are performed or the agreed milestones are achieved and are net of service tax, wherever applicable.

Interest Income. Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable. For all debt instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR) method.

Dividend income. Dividend income is recognized at the time when right to receive the payment is established, which is generally when the shareholders approve the dividend.

Profit sharing arrangements. Revenue from profit sharing arrangements on sale of products is recognized based on terms and conditions of arrangements with respective customers.

Licensing and long term supply arrangements. Revenue from licensing and long term supply arrangements is recognized in the period in which the Group completes all its performance obligations.

Property, plant and equipment (PPE)

Recognition and initial measurement. Property, plant and equipment are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalisation criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group. All other repair and maintenance costs are recognized in statement of profit or loss as incurred.

Subsequent measurement (depreciation and useful lives). Depreciation on property, plant and equipment is

provided on the straight-line method, computed on the basis of useful lives as estimated by management which coincides with rates prescribed in Schedule II to the Companies Act, 2013.

Cost of the leasehold land is amortized on a straight-line basis over the term of the lease.

The residual values, useful lives and method of depreciation of are reviewed at each fiscal end and adjusted prospectively, if appropriate.

De-recognition. An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

Transition to Ind AS. On transition to Ind AS, the Group has elected to continue with the carrying value of all its property, plant and equipment recognized as at 1 April 2015 measured as per the provisions of Previous GAAP and use that carrying value as the deemed cost of property, plant and equipment.

Operating leases

Where the lessor effectively retains all risk and benefits of ownership of the leased items, such leases are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of profit and loss on a straight line basis.

Impairment of non-financial assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired, based on internal or external factors. If any such indication exists, the Group estimates the recoverable amount of the asset or the cash generating unit. If such recoverable amount of the asset or cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. Impairment losses previously recognized are accordingly reversed in the statement of profit and loss.

Post-employment, long term and short term employee benefits

Defined contribution plan
The Group's contribution to provident fund and employee state insurance schemes is charged to the statement of profit and loss. The Group's contributions towards Provident Fund are deposited with the Regional Provident Fund Commissioner under a defined contribution plan.

Defined benefit plan
The Group has gratuity as defined benefit plan where the amount that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The liability recognized in the balance sheet for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date. Management estimates the DBO annually with the assistance of independent actuaries. Actuarial gains and losses resulting from remeasurement 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 lump sum after deduction of necessary taxes up to a maximum limit of Rs.1. Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Company makes contributions to the Gratuity Fund.

Other long-term employee benefits
The Group also provides benefit of compensated absences to its employees which are in the nature of long -term benefit plan. Liability in respect of compensated absences becoming due and expected to be availed more than one year after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method as on the reporting date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded in the statement of profit

and loss in the year in which such gains or losses arise.

Short-term employee benefits
Short-term employee benefits comprise of employee costs such as salaries, bonus etc. is recognized on the basis of the amount paid or payable for the period during which services are rendered by the employee.

Share based payments

The employee benefits expense is measured using the fair value of the employee stock options and is recognized over vesting period with a corresponding increase in equity. The vesting period is the period over which all the specified vesting conditions are to be satisfied.

Transition to Ind AS
On transition to Ind AS, the Group has elected to not consider the charge related to employee stock options for which the vesting period is already over.

Provisions, contingent liabilities and contingent assets

Provisions are recognized only when there is a present obligation, as a result of past events, and when a reliable estimate of the amount of obligation can be made at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. Provisions are discounted to their present values, where the time value of money is material.

Contingent liability is disclosed for:
Possible obligations which will be confirmed only by future events not wholly within the control of the Group; or

Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or are liable estimate of the amount of the obligation cannot be made.

Contingent assets are neither recognized nor disclosed. However, when realisation of income is virtually certain, related asset is recognized.

Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding ring the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

Estimates and Assumptions

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group.

Recognition of deferred tax assets - The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Recognition of deferred tax liability on undistributed profits - The extent to which the Group can control the timing of reversal of deferred tax liability on undistributed profits of its subsidiaries requires judgement.

Evaluation of indicators for impairment of assets - The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

Recoverability of advances/receivables - At each balance sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding receivables and advances.

Useful lives of depreciable/amortizable assets - Management reviews its estimate of the useful lives of depreciable/amortizable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain software, customer relationships, IT equipment and other plant and equipment.

Defined benefit obligation ("DBO") - Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, medical cost trends, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

Fair value measurements - Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Provisions - At each balance sheet date basis the management judgment, changes in facts and legal aspects, the Group assesses the requirement of provisions against the outstanding warranties and guarantees. However, the actual future outcome may be different from this judgement.

Components of Revenue and Expenses

Components of our revenue and expenses are set forth below:

Total Revenue

Our total revenue consists of revenue from operations and other income.

Revenue from operations which includes:

Revenue from sale of products which comprises of sales of finished goods in India and international markets. Sales of finished goods are sales of pharmaceutical products which are finished dosage formulations and active pharmaceutical ingredients that we manufacture at our manufacturing facilities and trading sales;

Revenue from sale of services which comprises of revenue from milestone payments on development, license and supply agreements, dossier sales and revenue received from analytical services rendered;

Refund of service income received in earlier years which comprises of cancellation of development and supply agreements; and

Other operating revenue which comprises of export incentives, job work charges and scrap sales.

Other Income: Our other income comprises of interest income from fixed deposits, net gains on foreign exchange transactions, other non-operating income, insurance claim on loss of profits and dividend from subsidiary.

Expenses

Our expenses consist of cost of materials consumed, purchases of stock-in-trade, changes in inventories of finished goods, stock-in-trade and work-in-progress, employee benefits expenses, finance costs, depreciation and amortization expenses and other expenses.

Cost of materials consumed: Cost of materials consumed includes costs of raw materials and packing materials purchased during the period.

Purchases of stock-in-trade: Purchases of stock-in-trade primarily includes costs of goods such as formulations

purchased from third party pharmaceutical companies.

Changes in inventories of finished goods, stock-in -trade and work-in-progress: Changes in inventories of finished goods, stock-in -trade and work-in-progress comprises of inventories of finished goods , stock-in -trade and work-in-progress.

Employee benefits expenses: Employee benefits expenses include salaries, wages and bonus, contribution towards provident and other funds, retirement benefits as well as staff welfare expenses.

Finance Costs: Our finance costs primarily comprise of interest on borrowing, other borrowing costs and interest-others.

Depreciation and amortization expenses: Tangible assets are depreciated and intangible assets are amortized over periods corresponding to their useful lives. See "– *Significant Accounting Policies – Depreciation and Amortization*".

Other expenses: Other expenses include sales promotion expenses including sales commission and research and development expenses, royalty expenses, consumption of stores and spares, power and fuel, rental charges, repairs and maintenance of buildings, plant and equipment.

Geographical Segment Information

There is only one reporting segment namely, pharmaceutical products.

Our operations are broadly divided into two geographical segments:
- India; and
- Outside India.

The following table sets out revenues, carrying amount of segment assets and additions to fixed assets for the periods indicated:

(Rs. in million)

	Six months ended		Fiscal	
	September 30, 2017	September 30, 2016	2017	2016
Revenue:				
India	4,507	4,812	9,351	5,894
Outside India	4,302	3,354	11,438	5,003
Total	**8,809**	**8,166**	**20,789**	**10,897**
Non-Current Assets				
India	13,709	10,768	12,131	9,695
Outside India	37	41	40	45
Total	**13,746**	**10,809**	**12,171**	**9,740**

Our Results of Operations

The following table sets forth the breakdown of our results of operations for the periods indicated:

	Six months ended				Fiscal			
	September 30, 2017		September 30, 2016		2017		2016	
	(Rs. in million)	(% of Total Revenue)	(Rs. in million)	(% of Total Revenue)	(Rs. in million)	(% of Total Revenue)	(Rs. in million)	(% of Total Revenue)
REVENUE								
Revenue from operations	8,720	98.99%	8,082	98.97%	20,650	99.33%	10,801	99.12%
Other income	89	1.01%	84	1.03%	139	0.67%	96	0.88%
Total Revenue	**8,809**	**100%**	**8,166**	**100%**	**20,789**	**100%**	**10,897**	**100%**
EXPENSES								

	Six months ended				Fiscal			
	September 30, 2017		September 30, 2016		2017		2016	
	(Rs. in million)	(% of Total Revenue)	(Rs. in million)	(% of Total Revenue)	(Rs. in million)	(% of Total Revenue)	(Rs. in million)	(% of Total Revenue)
Cost of raw materials consumed	2,097	23.81%	2,721	33.32%	5,208	25.05%	3,037	27.87%
Excise duty**	172	1.95%	227	2.78%	448	2.15%	378	3.47%
Purchases of stock–in–trade	335	3.80%	643	7.87%	971	4.67%	152	1.39%
Changes in inventories of finished goods and work-in-progress and stock in trade	(209)	(2.37)%	(599)	(7.34)%	(188)	(0.90)%	(483)	(4.43)%
Employee benefits expense	1,367	15.52%	1,102	13.49%	2,432	11.70%	1,798	16.50%
Finance costs	81	0.92%	74	0.91%	185	0.89%	229	2.10%
Depreciation and amortization expense	310	3.52%	272	3.33%	544	2.62%	508	4.66%
Other expenses	2,372	26.93%	2,168	26.55%	4,945	23.79%	3,263	29.94%
Total expenses	**6,525**	**74.07%**	**6,608**	**80.92%**	**14,545**	**69.96%**	**8,882**	**81.51%**
Profit before tax	**2,284**	**25.93%**	**1,558**	**19.08%**	**6,244**	**30.04%**	**2,015**	**18.49%**
Tax expense								
Current tax	501	5.69%	363	4.45%	1,354	6.51%	441	4.05%
Deferred tax	2	0.02%	39	0.48%	1	0.00%	38	0.35%
Tax for earlier years	-	-	19	0.23%	40	0.19%	-	-
Profit after tax	**1,781**	**20.22%**	**1,137**	**13.92%**	**4,849**	**23.32%**	**1,536**	**14.30%**
Profit from Discounting Operations- net of tax	-	-	-	-	-	-	22	0.20%
Other comprehensive income for the year-net of tax	34	0.39%	(12)	0.15%	(34)	(0.16)%	(49)	(0.45)%
Total comprehensive income	**1,815**	**20.60%**	**1,125**	**13.78%**	**4,815**	**23.16%**	**1,509**	**13.85%**
Non-Controlling Interest	(7)	(0.08)%	(5)	(0.06)%	(11)	(0.05)%	(13)	(0.12)%
Total comprehensive income attributable to the owners of the Company	**1,822**	**20.68%**	**1,130**	**13.84%**	**4,826**	**23.21%**	**1,522**	**13.97%**

Six months ended September 30, 2017 compared to six months ended September 30, 2016

Revenue

Total revenue: Our total revenue was higher by Rs. 643 million, or 7.9%, and was Rs. 8,809 million for the six months ended September 30, 2017 compared to Rs. 8,166 million for the six months ended September 30, 2016,

primarily due to an increase in our revenue from operations.

Revenue from Operations: Our revenue from operations was higher by Rs. 638 million, or 7.9%, and was Rs. 8,720 million for the six months ended September 30, 2017 compared to Rs. 8,082 million for the six months ended September 30, 2016. Revenue from operations was higher primarily due to: (a) higher sale of products (including excise duty) by Rs. 606 million, or 7.6%, and was Rs. 8,544 million for the for the six months ended September 30, 2017 compared to Rs. 7,938 million for the six months ended September 30, 2016 primarily due to higher revenues from the sale of generic Oseltamivir and Doxorubicin in the US market in the six months ended September 30, 2017; and (b) higher other operating revenue due to an increase in export incentives by Rs. 32 million, or 34.8%, which were Rs. 124 million for the for the six months ended September 30, 2017 compared to Rs. 92 million for the six months ended September 30, 2016; which was partially reduced by (c) lower sale of services by 14.3%, which was Rs. 6 million for the six months ended September 30, 2017 compared to Rs. 7 million for the six months ended September 30, 2016 primarily due to lower sale of dossiers in the six months ended September 30, 2017.

Revenue attributable to sales in India was lower by Rs. 305 million, or 6.34%, and was Rs. 4,507 million for the six months ended September 30, 2017 compared to Rs. 4,812 million for the six months ended September 30, 2016. Revenue attributable to sales from outside of India was higher by Rs. 948 million, or 28.26%, and was Rs. 4,302 million for the six months ended September 30, 2017 compared to Rs. 3,354 million for the six months ended September 30, 2016, primarily due to additional revenues from sales of generic Oseltamivir Phosphate in the US market in the six months ended September 30, 2017.

Other Income: Other income was higher by Rs. 5 million, or 6%, and was Rs. 89 million for the six months ended September 30, 2017 compared to Rs. 84 million for the six months ended September 30, 2016 primarily due to higher fixed deposits placed with financial institutions which resulted in higher interest income received during the six months ended September 30, 2017.

Expenses

Total expenses: Our total expenses were lower by Rs. 83 million, or 1.3%, and were Rs. 6,525 million for the six months ended September 30, 2017 compared to Rs. 6,608 million for the six months ended September 30, 2016.

Cost of Goods Sold: Cost of goods sold was Rs. 2,223 million, or 25.2% of total revenue for the six months ended September 30, 2017, and Rs. 2,765 million, or 33.9% of total revenue for the six months ended September 30, 2016. Cost of goods sold expressed as a percentage of total revenue was lower for the six months ended September 30, 2017 primarily due higher revenue attributable to profit share received from certain drug launches during the period.

Cost of raw materials consumed: Our expenses in relation to cost of raw materials consumed were lower by Rs. 624 million, or 22.9%, and were Rs. 2,097 million for the six months ended September 30, 2017 compared to Rs. 2,721 million for the six months ended September 30, 2016, primarily due to lower raw material and packing material at the beginning of the period and lower purchases during the period the six months ended September 30, 2017;

Purchase of stock-in-trade: Our purchases of stock-in-trade were lower by Rs. 308 million, or 47.9%, and were Rs. 335 million for the six months ended September 30, 2017 compared to Rs. 643 million for the six months ended September 30, 2017 primarily due to lower payments made in relation to purchase of raw material and APIs during the period for the six months ended September 30, 2017; and

Changes in inventories of finished goods and work-in-progress and stock-in-trade: The net changes in our inventories of finished goods, work-in-progress and stock-in-trade were increases of Rs. 209 million for the six months ended September 30, 2017 compared to increases of Rs. 599 million for the six months ended September 30, 2016.

Employee benefits expense: Employee benefits expense was higher by Rs. 265 million, or 24.1%, and was Rs. 1,367 million for the six months ended September 30, 2017 compared to Rs. 1,102 million for the six months ended September 30, 2016. The higher employee benefits expense was primarily due to increase in the number of our employees and corresponding higher salaries, wages and bonuses of Rs. 1,146 million for the six months ended September 30, 2017 compared to Rs. 899 million for the six months ended September 30, 2016 which was partially offset by lower employee stock compensation expenses of Rs. 18 million for the six months ended

September 30, 2017 compared to Rs. 76 million for the six months ended September 30, 2016. We had 4,805 employees as of September 30, 2017 and 3,754 employees as of September 30, 2016.

Finance costs: Our finance costs were higher by Rs. 7 million, or 9.5%, and were Rs. 81 million for the six months ended September 30, 2017 compared to Rs. 74 million for the six months ended September 30, 2016 primarily attributable to higher borrowings during for the six months ended September 30, 2017.

Depreciation and Amortization expense: Depreciation and amortization expenses were higher by Rs. 38 million, or 14%, and were Rs. 310 million for the six months ended September 30, 2017 compared to Rs. 272 million for the six months ended September 30, 2016 in line with increase in our asset base due to expansion at our manufacturing facilities at Kothur, Mekaguda and Guwahati as well as Natco Research Centre.

Other expenses: Our other expenses were higher by Rs. 204 million, or 9.4%, and were Rs. 2,372 million for the six months ended September 30, 2017 compared to Rs. 2,168 million for the six months ended September 30, 2016 principally due to:

- higher factory maintenance expenses of Rs. 134 million for the six months ended September 30, 2017 compared to Rs. 90 million for the six months ended September 30, 2016;

- higher power and fuel expenses of Rs. 286 million for the six months ended September 30, 2017 compared to Rs. 247 million for the six months ended September 30, 2016;

- higher research and development expenses of Rs. 200 million for the six months ended September 30, 2017 compared to Rs. 161 million for the six months ended September 30, 2016; and

- higher donations of Rs. 93 million for the six months ended September 30, 2017 compared to Rs. 42 million for the six months ended September 30, 2016 as a result of CSR activities;

which was partially offset by;

- lower sales promotion expenses including sales commission of Rs. 597 million for the six months ended September 30, 2017 compared to Rs. 642 million for the six months ended September 30, 2016 primarily due to lower royalty payments made in line with decrease in sale of Hepatitis C drugs.

Profit before tax: Our profit before tax was higher by Rs. 726 million, or 46.6%, and was Rs. 2,284 million for the six months ended September 30, 2017 compared to Rs. 1,558 million for the six months ended September 30, 2017 primarily for the reasons mentioned above. Profit before tax represented 25.9% and 19.1% of our total revenue for the six months ended September 30, 2016 and 2017, respectively.

Tax expense (current tax and deferred tax): Our tax expense for the six months ended September 30, 2017 was comprised of current tax of Rs. 501 million and deferred tax of Rs. 2 million compared to tax expense for the six months ended September 30, 2016 which comprised of current tax of Rs. 363 million and deferred tax of Rs. 39 million and tax relating to earlier years of Rs. 19 million.

Profit after tax: Our profit after tax was higher by Rs. 644 million, or 56.6%, and was Rs. 1,781 million for the six months ended September 30, 2017 compared to Rs. 1,137 million for the six months ended September 30, 2016 primarily for the reasons mentioned above. Profit after tax represented 20.2% and 13.9% of our total revenue for the six months ended September 30, 2016 and 2017, respectively.

Total comprehensive income for the year: Our total comprehensive income for the year was higher by Rs. 690 million, or 61.3%, and was Rs. 1,815 million for the six months ended September 30, 2017 compared to Rs. 1,125 million for the six months ended September 30, 2016.

Fiscal 2017 compared to Fiscal 2016

Revenue

Total revenue: Our total revenue increased by Rs. 9,892 million, or 90.8%, from Rs. 10,897 million in the Fiscal 2016 to Rs. 20,789 million in the Fiscal 2017. This was primarily due to a 93.8% increase in revenue from operations (net) from Rs. 10,423 million in the Fiscal 2016 to Rs. 20,202 million in the Fiscal 2017.

Revenue from Operations: Our revenue from operations (net) increased by Rs. 9,779 million, or 93.8%, from Rs. 10,423 million in the Fiscal 2016 to Rs. 20,202 million in the Fiscal 2017. Revenue from operations consisted of (a) sale of products (including excise duty), which increased by Rs. 9,893 million, or 94%, to Rs. 20,417 million for the Fiscal 2017 from Rs. 10,524 million for the Fiscal 2016, primarily due to growth of domestic formulations segments of hepatitis C and oncology drugs, as well as the launch of generic Oseltamivir in the US market in December 2016; (b) sale of services which increased by 64.3% to Rs. 69 million for the Fiscal 2017 from Rs. 42 million for the Fiscal 2016 primarily due to continued growth in sale of dossiers; and (c) other operating revenue which increased by 37.0% to Rs. 322 million for the Fiscal 2017 from Rs. 235 million for the Fiscal 2016 primarily due to an increase in export incentives and job work charges from contract manufacturing.

Revenue attributable to sales from India increased by Rs. 3,457 million, or 58.7%, from Rs. 5,894 million for the Fiscal 2016 to Rs. 9,351 million for the Fiscal 2017, primarily due to growth of domestic formulations segments of hepatitis C and oncology. Revenue attributable to sales from outside of India increased by Rs. 6,435 million, from Rs. 5,003 million for the Fiscal 2016 to Rs. 11,438 million for the Fiscal 2017, primarily due to the launch of generic Oseltamivir Phosphate in the US market.

Other Income: Other income increased by Rs. 43 million, or 44.8%, from Rs. 96 million for the Fiscal 2016 to Rs. 139 million for the Fiscal 2017. This increase was primarily due to higher fixed deposits placed with financial institutions which resulted in higher interest income received during the period.

Total Expenses

Total expenses: Our total expenses increased by Rs. 5,663 million, or 63.8%, from Rs. 8,882 million in the Fiscal 2016 to Rs. 14,545 million in the Fiscal 2017.

Cost of Goods Sold: Cost of goods sold was Rs. 5,991 million, or 28.8% of total revenue for Fiscal 2017, and Rs. 2,706 million, or 24.8% of total revenue for Fiscal 2016. Cost of goods sold expressed as a percentage of total revenue increased during Fiscal 2017 primarily due to lower prices for some of the formulations sold during the period.

Cost of raw materials consumed: Our expenses in relation to cost of raw materials consumed increased by Rs. 2,171 million, or 71.5%, from Rs. 3,037 million in the Fiscal 2016 to Rs. 5,208 million in the Fiscal 2017. This increase was primarily on account of purchases made during the year in line with the growth of our business;

Purchase of stock-in-trade: Our expenses in relation to purchase of stock-in trade increased significantly by Rs. 819 million, from Rs. 152 million in the Fiscal 2016 to Rs. 971 million in the Fiscal 2017. This increase was primarily due to an increase in trading of APIs; and

Changes in inventories of finished goods and work-in-progress and stock-in-trade: The net changes in our inventories of finished goods, work-in-progress and stock-in-trade were increases of Rs. 188 million for Fiscal 2017 compared to increases of Rs. 483 million for Fiscal 2016. The increase in Fiscal 2016 was primarily due to built up inventory of new products Hepcinat and Hepcinat LP and the increase in Fiscal 2017 was primarily due to increased purchases of stock-in-trade partially offset by increased sales.

Employee benefits expense: Employee benefits expense increased by Rs. 634 million, or 35.3%, from Rs. 1,798 million in Fiscal 2016 to Rs. 2,432 million in the Fiscal 2017. The overall increase in employee benefits expense was primarily due to an increase in employee headcount from 3,679 employees as of March 31, 2016 to 4,411 employees as of March 31, 2017, and a corresponding increase in salaries, wages and bonuses, contribution to provident fund and other funds, employee stock compensation expenses, staff welfare expenses and gratuity expense.

Finance costs: Our finance costs decreased by Rs. 44 million, or 19.2%, from Rs. 229 million in the Fiscal 2016 to Rs. 185 million in the Fiscal 2017. This decrease was mainly attributable to a decrease in weighted borrowing cost during Fiscal 2017.

Depreciation and Amortization expense: Depreciation and amortization expenses increased by 7.1% from Rs. 508 million for Fiscal 2016 to Rs. 544 million for Fiscal 2017. This increase was primarily due to an increase in our asset base as a result of expansion at our manufacturing facilities at Kothur and Mekaguda, installation of a solar unit at Mekaguda and a wind power plant at our Chennai manufacturing facility.

Other expenses: Our other expenses increased by Rs. 1,752 million, or 48.1%, from Rs. 3,641 million in Fiscal 2016 to Rs. 5,393 million in Fiscal 2017. The overall increase was principally due to:

- an increase in sales promotion expenses including sales commission from Rs. 822 million in the Fiscal 2016 to Rs. 1,346 million in the Fiscal 2017, primarily due to an increase in profit share payments made in relation to Hepatitis C and other promotional expenses incurred in relation to promotion of hepatitis C and oncology drugs in the domestic market;

- an increase in research and development expenses from Rs. 151 million the Fiscal 2016 to Rs. 460 million in the Fiscal 2017, due to increase in clinical trial expense and bio equivalence studies;

- an increase in bad debts (net of related liabilities) written off from Rs. 96 million in the Fiscal 2016 to Rs. 239 million in Fiscal 2017, due to increase in bad debts from Venezuela due to its worsening economic condition; and

- an increase in royalty expenses from Rs. 169 million in Fiscal 2016 to Rs. 285 million in Fiscal 2017, due to increase in sales volume of Hepcinat, Hepcinat LP and Sorafenat.

Profit before tax: Our profit before tax increased by Rs. 4,229 million, from Rs. 2,015 million in Fiscal 2016 to Rs. 6,244 million in Fiscal 2017 primarily for the reasons mentioned above. Profit before tax represented 18.5% and 30% of our total revenue for the Fiscals 2016 and 2017, respectively.

Tax expense (current tax and deferred tax): Our tax expense for Fiscal 2016 was Rs. 479 million and Rs. 1,395 million for Fiscal 2017. The increase in tax expenses was in line with the increase in profit before tax during Fiscal 2017.

Profit after tax: Our profit after tax increased by Rs. 3,336 million, from Rs. 1,558 million in Fiscal 2016 to Rs. 4,849 million in Fiscal 2017 primarily for the reasons mentioned above. Profit after tax represented 14.30% and 23.32% of our total revenue for the Fiscals 2016 and 2017, respectively.

Total comprehensive income for the year: Our total comprehensive income for the year increased by, from Rs. 1,509 million in the Fiscal 2016 to Rs. 4,815 million in the Fiscal 2017.

Cash Flows

The following table sets forth certain information relating to our cash flows on a consolidated basis for the periods indicated:

(Rs. in million)

	Six Months Ended	Fiscal	
	September 30, 2017	2017	2016
Net cash generated from/(used in) operating activities	2,551	3,458	1,122
Net cash generated from/(used in) investing activities	(2,079)	(2,994)	(1,755)
Net cash generated from/(used in) financing activities	(370)	(1,709)	1,540
Net increase/ (decrease) in cash and cash equivalents	**147**	**(1,239)**	**899**

Operating Activities

Net cash flows from operating activities for the six months ended September 30, 2017 consisted of profit before tax of Rs. 2,284 million as adjusted primarily for depreciation and amortization expenses of Rs. 310 million and finance cost of Rs. 81 million; and as a result our operating profits before working capital changes was Rs. 2,664 million for the six months ended September 30, 2017. Operating profits before working capital changes was adjusted for changes in working capital and, as a result, cash generated from operations before adjusting for income taxes was Rs. 3,129 million. Changes in working capital were primarily decrease in trade receivables of Rs. 1,363 million due to receipt of collection from customers, decrease in trade payables of Rs. 407 million as a result of payment made to vendors and decrease in inventories of Rs. 372 million. Cash generated from operations was further adjusted for income taxes paid of Rs. 577 million, and as a result, net cash generated from operating activities was Rs. 2,551 million for the six months ended September 30, 2017.

Net cash flows from operating activities for the Fiscal 2017 consisted of net profit before tax of Rs. 6,244 million

as adjusted primarily for depreciation and amortization expenses of Rs. 544 million, bad debts written off of Rs. 239 million and finance cost of Rs. 163 million; and as a result our operating profits before working capital changes was Rs. 7,244 million for the Fiscal 2017. Operating profits before working capital changes was adjusted for changes in working capital and, as a result, cash generated from operations before adjusting for income taxes was Rs. 4,716 million for the Fiscal 2017. Changes in working capital were primarily on account of increase in trade receivables of Rs. 2,374 million in line with increase in sales, increase in other assets of Rs. 528 million and decrease in other financial assets of Rs. 286 million. Cash generated from operations was adjusted for income taxes paid of Rs. 1,258 million; and as a result, net cash generated from operating activities was Rs. 3,458 million for the Fiscal 2017.

Net cash flows from operating activities for the Fiscal 2016 consisted of net profit before tax of Rs. 2,015 million as adjusted primarily for depreciation and amortization expenses of Rs. 510 million and finance cost of Rs. 229 million; and as a result our operating profits before working capital changes was Rs. 2,991 million for the Fiscal 2016. Operating profits before working capital was adjusted for changes in working capital and, as a result, cash generated from operations before adjusting for income taxes was Rs. 1,584 million for the Fiscal 2016. Changes in working capital were primarily on account of an increase in trade payables of Rs. 1,502 million in line with increase in purchase of raw materials, increase in inventories of Rs. 1,386 million and increase in trade receivables of Rs. 788 million and increase in other financial assets of Rs. 734 million. Cash generated from operations was further adjusted for income taxes paid of Rs. 462 million; and as a result, net cash generated in operating activities was Rs. 1,122 million for the Fiscal 2016.

Investing Activities

Net cash flows from investing activities for six months ended September 30, 2017 primarily consisted of outflows in the form of purchase of property, plant and equipment of Rs. 1,996 million for our manufacturing facilities at Kothur, Mekaguda and Guwahati as well as Natco Research Centre and payments for purchase of investments of Rs. 181 million. The net cash used in investing activities amounted to Rs. 2,079 million for the six months ended September 30, 2017.

Net cash flows from investing activities for the Fiscal 2017 primarily consisted of outflows in the form of purchase of property, plant and equipment of Rs. 2,792 million towards expansion at our manufacturing facilities at Kothur, Mekaguda and payment for land at our proposed manufacturing facility at Vishakapatnam SEZ, deposits with financial institutions of Rs. 293 million and payments for purchase of investments of Rs. 286 million. Inflows from investing activities primarily included proceeds from sale of investments of Rs. 214 million in relation to sale of debentures and withdrawal of fixed-deposits of Rs. 199 million. The net cash used in investing activities amounted to Rs. 2,994 million for the Fiscal 2017.

Net cash flows from investing activities for the Fiscal 2016 primarily consisted of outflows in the form of purchase of property, plant and equipment of Rs. 1,574 million towards expansion undertaken at our manufacturing facilities at Mekaguda, Kothur and Guwahati, increase in other bank balances of Rs. 209 million and payments for purchase of investments of Rs. 208 million. Inflows from investing activities primarily included purchase of intangible assets of Rs. 180 million in relation purchase of software and proceeds from sale of investments of Rs. 26 million. The net cash used in investing activities amounted to Rs. 1,755 million for the Fiscal 2016.

Financing Activities

Net cash flows from financing activities for the six months ended September 30, 2017 primarily consisted of outflows in the form of dividends paid to our Company's shareholders and tax thereon of Rs. 263 million and interest paid of Rs. 81 million. The net cash used in financing activities amounted to Rs. 370 million for the six months ended September 30, 2017.

Net cash flows from financing activities for the Fiscal 2017 consisted of outflows in the form of dividends paid to our Company's shareholders and tax thereon of Rs. 1,409 million, interest paid of Rs. 161 million and repayment of non-current borrowings amounting to Rs. 142 million. Inflows from financing activities primarily included movement in minority interest of Rs. 3 million. The net cash from financing activities amounted to Rs. 1,709 million for the Fiscal 2017.

Net cash flows from financing activities for the Fiscal 2016 consisted of outflows in the form of repayment of non-current borrowings amounting to Rs. 1,291 million, interest paid of Rs. 264 million and dividends paid to our Company's shareholders and tax thereon of Rs. 261 million. Inflows from financing activities primarily included

proceeds from issue of shares of Rs. 3,344 million from issuance of shares pursuant to a qualified private placement and movement in minority interest of Rs. 12 million. The net cash generated from financing activities amounted to Rs. 1,540 million for the Fiscal 2016.

Borrowings

The details of our borrowings as of September 30, 2017 are set forth below:

(Rs. in millions)

Particulars	As of September 30, 2017
Current	
Secured loans:	
Working Capital Loans	
From banks	792
Other Parties	-
Total Secured loans	**792**
Unsecured loans	
Working Capital Loans	1,155
Total Unsecured loans	**1,155**
Total Borrowings	**1,947**

Our interest coverage ratio for the half year ended September 30, 2017 and the years ended March 31, 2017, 2016 and 2015, was 29.20, 34.75, 10.11 and 5.23, respectively. (Interest coverage ratio = earnings before interest and tax/finance cost)

Capital and Other Commitments

As of September 30, 2017, our estimated amount of contracts remaining to be executed on capital account and not provided for was Rs. 743 million.

The following table sets forth a summary of the maturity profile of our contractual obligations as of September 30, 2017:

(Rs. in millions)

Other contractual obligations	Payments due by period	
	Total	Less than 1 year
Estimated amounts of contracts remaining to be executed on capital account and not provided for procurement of capital assets	743	743
Total	**743**	**743**

Capital Expenditure

For Fiscal 2016, we made additions to property, plant and equipment of Rs. 936 million, primarily in land, buildings, plant and equipment for our manufacturing facilities at Mekaguda, Kothur and R&D facility, Natco Research Centre.

For Fiscal 2017, we made additions to property, plant and equipment of Rs. 1,795 million, primarily in land, plant and equipment and buildings for our manufacturing facilities at Mekaguda, Kothur, Vishakhapatnam and R&D facility, Natco Research Centre.

For the six months ended September 30, 2017, we made additions to property, plant and equipment of Rs. 1,019 million, primarily in plant and equipment and buildings for our manufacturing facilities at Mekaguda, Kothur and Guwahati.

We intend to use a part of our Net Proceeds from the Offering for incurring capital expenditure. For details, see "Use of Proceeds". Our actual capital expenditures may differ from this amount due to various factors, including our business plan, our financial performance, market conditions, our outlook for future business conditions, the source and methodology of our financing activities and changing governmental regulations. To the extent that we do not generate sufficient cash from our operations to meet our working capital needs and execute our capital

expenditure plans, we may need to revise our capital expenditure plans or seek additional debt or equity financing.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, derivative instruments, swap transactions or relationships with affiliates or other unconsolidated entities or financial partnerships that would have been established for the purpose of facilitating off-balance sheet arrangements.

Quantitative and Qualitative Analysis of Market Risks

We are exposed to various types of market risks during the normal course of business. Market risk is the risk of loss related to adverse changes in market prices, including interest rate risk and commodity risk. We are exposed to commodity risk, credit risk, interest rate risk and inflation risk in the normal course of our business.

Commodity risk

We are exposed to the price risk associated with purchasing our raw materials, which form a significant component of our expenses. We do not have long-term pricing guarantees with our raw materials suppliers, who are located across several countries. Therefore, fluctuations in the price and availability of raw materials may affect our business, cash flows and results of operations. While, due to the fact that our expenditures and net revenues from operations are denominated in foreign currencies, we have a natural hedge against exchange rate risks, the balance of our expenses and revenues is still affected by fluctuations in exchange rates. For further information, see "*Risk Factors – Exchange rate fluctuations may adversely affect our results of operations as our export sales and sales outside India and a portion of our expenditures are denominated in foreign currencies*"

Credit Risk

Credit risk is the risk that a counter-party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Our operations involve extending credit for periods of time, ranging typically from 7 to 180 days, to our distributors in India and overseas, and consequently, we face the risk of the uncertainty regarding the receipt of these outstanding amounts. Accordingly, we may have high levels of outstanding receivables. As on September 30, 2017 our trade receivables were Rs.3,389 million. If our distributors delay or default in making payments in the future, our profits margins and cash flows may be adversely affected.

In order to manage our credit risk, we evaluate the credit profile of our distributors on different criteria, including credit review of the business of the counter-party, market standing and duration and history of the business of the counter-party in number of years; market credibility based on information available. We obtain export credit guarantee coverage for our exports to the extent permitted by the Export Credit Guarantee Corporation of India. For domestic distributors of branded formulation business we closely monitor both the inventory held by them and the realisations, in order to ensure smooth cash flows.

Interest Rate Risk

We are exposed to market risk with respect to changes in interest rates related to our borrowings. Interest rate risk exists with respect to our indebtedness that bears interest at floating rates tied to certain benchmark rates as well as borrowings where the interest rate is reset based on changes in interest rates set by RBI. Interest rates are highly sensitive to many factors beyond our control, including the monetary policies of the RBI, domestic and international economic and political conditions, inflation and other factors. Upward fluctuations in interest rates increase the cost of servicing existing and new debts, which adversely affects our results of operations. For further information, see "*Risk Factors – Political instability or changes in the Government in India or in the Government of the states where we operate could cause us significant adverse effects*" on page 63.

Inflation risk

India has experienced high inflation in the recent past, which has contributed to an increase in interest rates. High fluctuation in inflation rates may make it more difficult for us to accurately estimate or control our costs. Any increase in our employee benefit payments or other expenses as a result of increase in inflation in India, which we are unable to pass on to our customers, whether entirely or in part, may adversely affect our business and financial condition.

Foreign Exchange Risk

Changes in currency exchange rates influence our results of operations. Our consolidated financial statements are presented in Indian Rupees, which is the functional currency of our Company. The transactions in foreign currencies are translated into functional currency by our entities at their respective functional currency rates of exchange prevailing on the dates of transactions. We are affected by fluctuations in exchange rates for certain currencies, particularly the US Dollar, due to their impact on foreign currency translation in Indian Rupee terms. We are also exposed to foreign exchange risk as a result of exposure arising from transactions relating to purchases, revenues and expenses to be settled in other currencies and net investments in our foreign subsidiary that are in foreign currencies. See "– *Significant Factors Affecting Our Results of Operations – Currency exchange fluctuations*", "– *Significant Accounting Policies – Ind AS – Foreign Currency Transactions*" and "*Risk Factors – Exchange rate fluctuations may adversely affect our results of operations as our export sales and sales outside India and a portion of our expenditures are denominated in foreign currencies*" on pages 112, 113 and 51, respectively.

Seasonality of Business

Our business is not seasonal in nature.

Dependence on a Few Customers

We are dependent on a limited number of customers for a significant portion of our revenues. For the financial years 2016 and 2017 and the six months ended September 30, 2017, our top five customer groups contributed 34.14%, 47.10% and 35.98% of our Company's total revenues, respectively. Further, we currently do not have long term contractual arrangements with most of our significant customers and conduct business with them on the basis of purchase orders that are placed from time to time. See "*Risk Factors – Risks Relating to our Business – We derive a significant portion of our revenue from a few customers and the loss of one or more such customers, the deterioration of their financial condition or prospects, or a reduction in their demand for our products could adversely affect our business, results of operations, financial condition and cash flows.*" on page 42.

Recent Changes in Accounting Policies

The financial statements of our Company have been prepared in accordance with the Indian Accounting Standards as notified under section 133 of the Companies Act 2013 read with the Companies (Indian Accounting Standards) Rules 2015 (Ind AS) issued by Ministry of Corporate Affairs. For all periods up to and including the year ended 31 March 2016, our Company has prepared its financial statements in accordance with accounting standards notified under the section 133 of the Companies Act, 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP). The financial statements for the year ended March 31, 2017 are the first which the Company has prepared in accordance with Ind AS. For the purpose of comparatives, the financial statements for the year ended 31 March 2016 were also prepared under Ind AS.

Significant Developments Occurring after September 30, 2017

Our Company has subscribed to 7.5% of the paid up equity share capital of OMRV Hospitals Private Limited ("OMRV") for a consideration of Rs. 75 million. OMRV operates under the brand name 'PACE Hospital' and operates a super-specialty hospital in Hyderabad focused on tertiary care services in the field of medical and surgical gastroenterology, hepatology, nephrology, urology, gastrointestinal oncology and andrology.

On November 23, 2017, our Company acquired the remaining 18.09% outstanding equity interest of Natco Australia, pursuant to which it became our wholly owned subsidiary.

Except as set out above, to our knowledge, no circumstances have arisen since the date of the last financial statements as disclosed in this Placement Document, which materially or adversely affect or are likely to affect, our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next 12 months.

Statement of Reconciliation between Ind AS and Indian GAAP

The following tables set forth:

1. Statement of reconciliation of consolidated equity under Ind AS and Indian GAAP as of March 31, 2016;
2. Statement of reconciliation of consolidated net profit after tax under Ind AS and net profit after tax under Indian GAAP for the year ended March 31, 2016;
3. Statement of reconciliation of standalone equity under Ind AS and Indian GAAP as of March 31, 2016; and
4. Statement of reconciliation of standalone net profit after tax under Ind AS and net profit after tax under Indian GAAP for the year ended March 31, 2016.

Statement of reconciliation of consolidated equity under Ind AS and Indian GAAP as of March 31, 2016

	Notes	As per IGAAP*	Adjustments	As per Ind AS
ASSETS				
Non-current assets				
(a) Property, plant and equipment		7,046	-	7,046
(b) Capital work-in-progress		2,118	-	2,118
(c) Other intangible assets		90	(35)	55
(d) Financial assets				
Investments	i.	1	-	1
Loans		-	-	-
Other financial assets		106	-	106
(e) Other non-current assets		521	-	521
		9,882	(35)	9,847
Current assets				
(a) Inventories		3,573	-	3,573
(b) Financial Assets				
Investments	i.	210	11	221
Trade receivables		2,616	-	2,616
Cash and cash equivalents		242	-	242
Other bank balances		210	-	210
Loans		28	-	28
Other financial assets		770	-	770
(c) Income tax assets (net)		34	-	34
(d) Other current assets		676	-	676
		8,359	11	8,370
Total assets		18,241	(24)	18,217
EQUITY AND LIABILITIES				
Equity				
(a) Equity share capital		348	-	348
(b) Other equity	i.	12,635	(26)	12,609
Equity attributable to owners		12,983	(26)	12,957
Non-controlling interest		49	-	49
Total of Equity		13,032	(26)	13,006
Liabilities				
Non-current liabilities				
(a) Financial liabilities				
Borrowings		-	-	-
Other financial liabilities		8	-	8
(b) Employee benefit obligations		125	-	125
(c) Deferred tax liabilities (net)		145	2	147
(d) Other non-current liabilities		-	-	-
		278	2	280
Current liabilities				
(a) Financial liabilities				
Borrowings		984	-	984
Trade payables		2,756	-	2,756
Other financial liabilities		815	-	815
(b) Other current liabilities		327	-	327
(c) Employee benefit obligations		15	-	15
(d) Current tax liabilities (net)		34	-	34
		4,931	-	4,931
Total equity and liabilities		**18,241**	**(24)**	**18,217**

***The IGAAP figures have been reclassified to confirm to Ind AS presentation requirements for the purposes of this note.**

Total effect on retained earnings and equity is further analyzed as follows:

	Notes to first time adoption	March 31, 2016
Total equity (shareholder's funds) as per previous GAAP		**13,032**
Adjustments:		
Fair valuation of investment classified as FVTOCI	i.	11
Fair valuation of investment classified as FVTPL	i.	-
Derecognition of intangible assets		(35)
Tax on the above adjustments		(2)
Total adjustments		**(26)**
Total equity as per Ind AS		**13,006**

Statement of reconciliation of consolidated net profit after tax under Ind AS and net profit after tax under Indian GAAP for the year ended March 31, 2016

	Notes	As per IGAAP*	Adjustments	As per Ind AS
Revenue				
Revenue from operations	iv.	10,423	378	10,801
Other income	i.	107	(11)	96
Total revenues		**10,530**	**367**	**10,897**
Expenses				
Cost of materials consumed		3,037	-	3,037
Purchases of stock-in-trade		152	-	152
Changes in inventories of finished goods, Stock-in -Trade and work-in-progress		(483)	-	(483)
Employee benefits expense	v.	1,829	(31)	1,798
Finance costs		229	-	229
Depreciation and amortization expense		508	-	508
Other expenses		3,263	378	3,641
Total expenses		**8,535**	**347**	**8,882**
Profit before tax		**1,995**	**20**	**2,015**
Tax expense				
Current tax		441	-	441
Deferred tax		38	-	38
Profit from continuing operation		**1,517**	**20**	**1,536**
Profit from discontinued operations		71	-	71
Tax expense on discontinued operations		49	-	49
Profit from discontinued operations, net of tax		**22**	**-**	**22**
Profit after tax		**1,538**	**20**	**1,558**
Non-controlling interest (NCI)		(13)	-	(13)
Profit after tax and NCI		**1,551**	**20**	**1,571**
Other comprehensive income				
Items that will not be reclassified to profit or loss				

	Notes	As per IGAAP*	Adjustments	As per Ind AS
Re-measurement gains (losses) on defined benefit plans	v.	-	(31)	(31)
Net (loss)/gain on FVTOCI equity securities	i.	-	6	6
Exchange differences on translation of foreign operations		-	(18)	(18)
Income tax relating to items that will not be reclassified to profit or loss				
Re-measurement gains (losses) on defined benefit plans		-	(7)	(7)
Net (loss)/gain on FVTOCI equity securities		-	1	1
Total comprehensive income for the year		**1,551**	**(29)**	**1,522**

*The IGAAP figures have been reclassified to confirm to Ind AS presentation requirements for the purposes of this note.

Notes to the reconciliations

i. **Investments**

Under the previous GAAP, investments in equity instruments and mutual funds were classified as long-term investments or current investments based on the intended holding and realisability. Long-term investments were carried at cost less provision for other than temporary decline in the value of such investments. Current Investments were carried at lower of cost or fair value. Under Ind AS, these investments are required to be measured at fair value. The resulting fair value changes of these investments (other than equity instruments designated as at FVOCI) have been recognised in retained earnings as at the date of transition and subsequently in the profit or loss for the year ended March 31, 2016. This increased the retained earnings by Rs.11 as at March 31, 2016 (April 1, 2015: Rs.11).

Fair value changes with respect to investments in equity instruments designated as at FVOCI have been recognized in FVOCI - Equity investments reserve as at the date of transition and subsequently in the other comprehensive income for the year ended March 31, 2016. This increased other reserves by Rs.17 as at March 31, 2016 (1 April 2015: Rs.6).

Consequent to the above, the total equity as at March 31, 2016 increased by Rs.28 (1 April 2015: Rs.17) and profit and other comprehensive income for the year ended March 31, 2016 increased/(decreased) by (Rs.11) and Rs.5 respectively.

ii. **Retained earnings**

Retained earnings as at April 1, 2015 has been adjusted consequent to the above Ind AS transition adjustments.

iii. **Other comprehensive income**

Under Ind AS, all items of income and expense recognised in a period should be included in profit or loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in profit or loss but are shown in the statement of profit and loss as 'other comprehensive income' includes re-measurements of defined benefit plans, foreign exchange differences arising on translation of foreign operations, effective portion of gains and losses on cash flow hedging instruments and fair value gains or (losses) on FVOCI equity instruments. The concept of other comprehensive income did not exist under previous GAAP.

iv. **Revenue from operations**

Under Indian GAAP, sale of goods was presented as net of excise duty. However, under Ind AS, sale of goods includes excise duty. Excise duty on sale of goods is separately presented in the face of statement of profit and loss. Thus sale of goods under Ind AS has increased by Rs.378 with a corresponding increase in expense.

v. **Remeasurement of post-employment benefit obligations**

Under Ind AS, remeasurements i.e. actuarial gains and losses and the retunr on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability are recognised in other comprehensive income instead of profit or loss. Under the previous GAAP, these remeasurements were forming part of the profit or loss for the year. As a result of this change, the profit for the year ended March 31, 2016 decreased by Rs.31. There is no impact on the total equity as at March 31, 2016.

Statement of reconciliation of standalone equity under Ind AS and Indian GAAP as of March 31, 2016

		As at 31 March 2016		
	Notes	**As per IGAAP***	**Adjustments**	**As per Ind AS**
ASSETS				
Non-current assets				
(a) Property, plant and equipment		7,003	-	7,003
(b) Capital work-in-progress		2,119	-	2,119
(c) Other intangible assets		53	-	53
(d) Financial assets				
Investments	i.	717	-	717
Loans		-	-	-
Other financial assets		105	-	105
(e) Other non-current assets		521	-	521
		10,518	**-**	**10,518**
Current assets				
(a) Inventories		3,519	-	3,519
(b) Financial Assets				
Investments	i.	210	11	221
Trade receivables		2,558	-	2,558
Cash and cash equivalents		192	-	192
Other bank balances		210	-	210
Loans		28	-	28
Other financial assets		480	-	480
(c) Income tax assets (net)		34	-	34
(d) Other current assets		667	-	667
		7,898	**11**	**7,909**
Total assets		**18,416**	**11**	**18,427**
EQUITY AND LIABILITIES				
Equity				
(a) Equity share capital		348	-	348
(b) Other equity	i.	13,007	8	13,015
Total of equity		**13,355**	**8**	**13,363**
Liabilities				
Non-current liabilities				
(a) Financial liabilities				
Borrowings		-	-	-
Other financial liabilities		8	-	8
(b) Employee benefit obligations		125	-	125
(c) Deferred tax liabilities (net)	iv.	143	3	146
(d) Other non-current liabilities		-	-	-
		276	**3**	**279**
Current liabilities				
(a) Financial liabilities				
Borrowings		960	-	960
Trade payables		2,701	-	2,701
Other financial liabilities		782	-	782
(b) Other current liabilities		327	-	327
(c) Employee benefit obligations		15	-	15
		4,785	**-**	**4,785**
Total equity and liabilities		**18,416**	**11**	**18,427**

*The IGAAP figures have been reclassified to confirm to Ind AS presentation requirements for the purposes of this note.

Total effect on retained earnings and equity is further analysed as follows:

	Notes to first time adoption	**31 March 2016**
Total equity (shareholder's funds) as per previous GAAP		13,355
Adjustments:		
Fair valuation of investment classified as FVTOCI	i.	11
Fair valuation of investment classified as FVTPL	i.	-

	Notes to first time adoption	31 March 2016
Tax on the above adjustments		(3)
Total adjustments		**8**
Total equity as per Ind AS		**13,363**

Statement of reconciliation of standalone net profit after tax under Ind AS and net profit after tax under Indian GAAP for the year ended March 31, 2016

		For the year ended 31 March 2016		
	Notes	**As per IGAAP***	**Adjustments**	**As per Ind AS**
Revenue				
Revenue from operations	ii.	10,214	378	10,592
Other income	i.	140	(11)	129
Total revenues		**10,354**	**367**	**10,721**
Expenses				
Cost of materials consumed		3,037	-	3,037
Purchases of stock-in-trade		4	-	4
Changes in inventories of finished goods, Stock-in -Trade and work-in-progress		(478)	-	(478)
Employee benefits expense	iii.	1,750	(31)	1,719
Finance costs		219	-	219
Depreciation and amortization expense		502	-	502
Other expenses		3,125	378	3,503
Total expenses		**8,159**	**347**	**8,506**
Profit before tax		**2,195**	**20**	**2,215**
Tax expense				
Current tax		448	-	448
Deferred tax		2	-	2
Profit for the year		**1,745**	**20**	**1,765**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Re-measurement gains (losses) on defined benefit plans	iii.	-	(31)	(31)
Net (loss)/gain on FVTOCI equity securities	i.	-	6	6
Income tax relating to items that will not be reclassified to profit or loss				
Re-measurement gains (losses) on defined benefit plans	iv.	-	(7)	(7)
Net (loss)/gain on FVTOCI equity securities	iv.	-	1	1
Total comprehensive income for the year		**1,745**	**(11)**	**1,734**

*The IGAAP figures have been reclassified to confirm to Ind AS presentation requirements for the purposes of this note.

Notes to the reconciliations

i. Investments

Under the previous GAAP, investments in equity instruments and mutual funds were classified as long-term investments or current investments based on the intended holding and realisability. Long-term investments were carried at cost less provision for other than temporary decline in the value of such investments. Current Investments were carried at lower of cost or fair value. Under Ind AS, these investments are required to be measured at fair value. The resulting fair value changes of these investments (other than equity instruments designated as at FVOCI) have been recognised in retained earnings as at the date of transition and subsequently in the profit or loss for the year ended 31 March 2016. This increased the retained earnings by Rs.11 as at 31 March 2016 (1 April 2015: Rs.11).

Fair value changes with respect to investments in equity instruments designated as at FVOCI have been recognized in FVOCI - Equity investments reserve as at the date of transition and subsequently in the other comprehensive income for the year ended 31 March 2016. This increased other reserves by Rs.17 as at 31 March 2016 (1 April 2015: Rs.6).

Consequent to the above, the total equity as at 31 March 2016 increased by Rs.28 (1 April 2015: Rs.17) and profit and other comprehensive income for the year ended 31 March 2016 increased/(decreased) by (Rs.11) and Rs.5 respectively.

ii. Revenue from operations

		For the year ended 31 March 2016		
	Notes	As per IGAAP*	Adjustments	As per Ind AS
	Under Indian GAAP, sale of goods was presented as net of excise duty. However, under Ind AS, sale of goods includes excise duty. Excise duty on sale of goods is separately presented in the face of statement of profit and loss. Thus sale of goods under Ind AS has increased by Rs.378 with a corresponding increase in expense.			
iii.	**Remeasurement of post-employment benefit obligations**			
	Under Ind AS, remeasurements i.e. actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability are recognised in other comprehensive income instead of profit or loss. Under the previous GAAP, these remeasurements were forming part of the profit or loss for the year. As a result of this change, the profit for the year ended 31 March 2016 decreased by Rs.31. There is no impact on the total equity as at 31 March 2016.			
iv.	**Deferred tax**			
	Deferred tax have been recognised on the adjustments made on transition to Ind AS			
v.	**Retained earnings**			
	Retained earnings as at April 1, 2015 has been adjusted consequent to the above Ind AS transition adjustments.			
vi.	**Other comprehensive income**			
	Under Ind AS, all items of income and expense recognised in a period should be included in profit or loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in profit or loss but are shown in the statement of profit and loss as 'other comprehensive income' includes re-measurements of defined benefit plans, foreign exchange differences arising on translation of foreign operations and fair value gains or (losses) on FVOCI equity instruments. The concept of other comprehensive income did not exist under previous GAAP.			

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INDIAN GAAP FINANCIAL INFORMATION

*You should read the following discussion of our financial condition and results of operations together with our consolidated financial statements as of and for Fiscals 2015 and 2016, including the schedules and notes thereto and the audit report thereon, included elsewhere in this Placement Document, which are prepared in accordance with Indian GAAP ("**Indian GAAP Financial Statements**"). Indian GAAP differs in certain material respects with Ind AS, US GAAP and International Financial Reporting Standards.*

This discussion contains certain forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section "Risk Factors" and "Forward Looking Statements" included in this Placement Document.

Our Fiscal ends on March 31 of each year. Accordingly, all references to a particular Fiscal are to the 12 month period ended March 31 of that year.

Significant Accounting Policies – Indian GAAP

While all aspects of our Indian GAAP Financial Statements should be read and understood in assessing our current and expected financial condition and results, we believe that the following significant accounting policies warrant particular attention:

Basis of consolidation

The consolidated financial statements of our Company together with our subsidiaries (collectively referred as the '**the consolidating entities**') are prepared on accrual basis of accounting and in accordance with the accounting standards notified pursuant to the Companies (Accounting Standards) Rules, 2006 (as amended) ("**the Rules**") specified under Section 133 of the Companies Act, 2013 ("**the Act**") read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and other recognized accounting practices and policies generally accepted in India including the requirements of the Act ("**Indian GAAP**"). The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Investments in subsidiaries, except where the investments are acquired exclusively with a view to its subsequent

disposal in the near future, are accounted in accordance with accounting principles as defined in the Accounting Standard ('**AS**') 21 'Consolidated Financial Statements', as prescribed under the Rules.

Use of estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the consolidated financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful trade and other receivables, provision for slow and non- moving inventories, future obligations under employee retirement benefit plans, income taxes, useful lives of fixed assets and carrying value of intangible assets.

Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprise of purchase price, freight, non-refundable duties, taxes and any other cost attributable to bringing the asset to its working condition for its intended use. Assets retired from active use and held for disposal are stated at their estimated net realizable values or net book values, whichever is lower.

Exchange rate variations relating to long-term foreign currency monetary items, which are utilized for acquisition of depreciable capital assets are added to or deducted from the cost of the asset and is depreciated over the remaining useful life of the asset.
Depreciation

Depreciation is provided using Straight Line Method based on the rates prescribed under Schedule II to the Act, except in respect of fixed assets of overseas subsidiaries, which are depreciated over the estimated useful lives, using the Straight Line Method.

Depreciation on sold/discarded fixed assets is provided for up to the date of sale/discarded as the case may be.

Borrowing costs

Borrowing costs that are attributable to the acquisition and construction of a qualifying asset are capitalized as a part of the cost of the asset. Other borrowing costs are recognized as an expense in the year in which they are incurred.

Intangible assets

- Acquired intangible assets: Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets in the nature of software are amortized over a period of six years.

- Goodwill: Goodwill represents the excess of purchase consideration over the net book value of net assets acquired. Goodwill is evaluated periodically for impairment and impairment losses are recognized where applicable.

Impairment of assets

The carrying amounts of assets, both tangible and intangible, are reviewed at each balance sheet date if there is any indication of impairment based on internal and/or external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use.

Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

Research and development

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized as expense in the Consolidated Statement of Profit and Loss when incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if:

- the product or the process is technically and commercially feasible;
- future economic benefits are probable and ascertainable;
- our Company intends to and has sufficient resources, technical and financial, to complete development of the product and has the ability to use or sell the asset; and
- development costs can be measured reliably.

Inventories

Raw material, stock-in-trade, packaging material, stores and spare parts are carried at cost. Cost includes purchase price excluding taxes those are subsequently recoverable by the enterprise from the concerned authorities, freight inwards and other expenditure incurred in bringing such inventories to their present location and condition.

Cost of inventories is determined using the weighted average cost method, except in the case of inventories held by Natco Pharma Inc., the cost is determined using first-in-first out method.

The carrying cost of raw materials, stock-in-trade, packaging materials and stores and spare parts are appropriately written down when there is a decline in replacement cost of such materials and finished products in which they will be incorporated are expected to be sold below cost.

Finished goods and work in progress are valued at the lower of cost and net realizable value. Cost of work in progress and manufactured finished goods is determined on weighted average basis and comprises cost of direct material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition. Excise duty liability is included in the valuation of closing inventory of finished goods.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to our company and the revenue reliably measured and the collectability is reasonably assured.

- Sale of goods: Revenue from sale of goods is recognized on dispatch or on the date of the bill of lading or airway bill in respect of export sales; and in case of sale of pharmacy products revenue is recognized on sale of products which coincides with transfer of significant risks and rewards to customers and is inclusive of excise duty and net of trade discounts, sales returns and sales tax, where applicable.
- Sale of services: Revenue from sale of services is recognized as per the terms of contracts with customers when the related services are performed or the agreed milestones are achieved and when our company completes all its performance obligations.
- Interest income: Income from interest on deposits is recognized on the time proportionate methods taking into account the amount outstanding and the interest rate applicable.
- Dividend income: Dividend income is recognized when the right to receive the payment is established.

- Export entitlements: Export entitlements are recognized when the right to receive such entitlement as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding compliance with the terms and conditions of such scheme.

- Profit share arrangements: Revenue under profit share arrangements is recognized based on the explicit terms and conditions of arrangements with respective customers.

- Licensing and dossiers arrangements: Revenue from licensing and dossiers arrangements is recognized in accordance with terms of the relevant agreement as accepted and agreed with the customers.

Taxes

Tax expense comprises of current and deferred tax. The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the entities in our company.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods. Deferred tax is measured based on the tax rates and the tax laws enacted or subsequently enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

In situations where our company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is a virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

Unrecognized deferred tax assets of earlier years are re-assessed and recognized to the extent that it has become reasonably certain or virtually certain, as the case may be that future taxable income will be available against which such deferred tax assets can be realized. The carrying amount of deferred tax assets are reviewed at each balance sheet date.

Our company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case maybe, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where our company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

Minimum Alternative Tax ("**MAT**") credit is recognized as an asset only when and to the extent there is convincing evidence that our company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the ICAI, the said asset is created by way of a credit to the Consolidated Statement of Profit and Loss and shown as MAT credit entitlement.

Earnings per equity share

Basic earnings per equity share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

- ***Foreign currency transactions***

  Initial recognition: Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction.

Conversion: Foreign currency monetary items are reported at year end rates. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.
Exchange differences: Exchange differences arising on the settlement of foreign currency monetary items or on reporting monetary items of the Group at rates different from those at which they were initially recorded during the year, or reported in previous consolidated financial statements, are recognized as income or as expense in the year in which they arise.

Employee benefits

- Defined contribution plan

  In respect of the Company and Indian subsidiary, retirement benefits in the form of contribution to provident fund scheme and employee state insurance scheme are charged to Consolidated Statement of Profit and Loss of the year when the contribution to the respective fund is due. There are no other obligations other than the contribution payable to the respective fund.

  In respect of overseas subsidiaries, retirement benefits eligible employees are charged to Consolidated Statement of Profit and Loss of the year when the contribution to respective fund is due.

- Defined benefit plan

  Gratuity is a post-employment defined benefit plan. An independent actuary, using the projected unit credit method calculates the defined benefit obligation annually. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Consolidated Statement of Profit and Loss in the period in which such gains or losses arises.

- Compensated absences

  As per our company policy, eligible leaves can be accumulated by the employees and carried forward to future periods either to be utilized during the service, or encashed. Encashment can be made during service or on resignation, or retirement of the employee. The value of benefits is determined based on an independent actuarial valuation using the projected unit credit method as at the year end. Actuarial gains and losses are recognized immediately in the Consolidated Statement of Profit and Loss.

Employee stock compensation cost

Measurement and disclosure of the employee share- based payment plans is done in accordance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and the Guidance note on "Accounting for Employee Share-based Payments", issued by the ICAI. Our company measures compensation cost relating to employee stock options using the fair value method. Compensation expense, if any, is amortized over the vesting period of the option on a straight line basis.

Government grants

Government grants relating to specific fixed assets are adjusted against the cost of underlying fixed assets and revenue grants are credited to Consolidated Statement of Profit and Loss on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate.

Leases

Where the lessor effectively retains all risk and benefits of ownership of the leased items, such leases are classified as operating lease. Operating lease payments are recognized as an expense in the Consolidated Statement of Profit and Loss on a straight line basis.

Provisions and contingent liabilities

A provision is recognized when our company has a present obligation as a result of past event i.e., it is probable

that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. A disclosure of the contingent liability is made when there is a possible or a present obligation that may, but probably will not, require an outflow of resources.

Cash flow statement

Consolidated Cash flows are reported using the indirect method, whereby net profit 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.

Cash and cash equivalents

Cash and cash equivalents in the consolidated balance sheet comprise cash at bank and in hand and short-term investments with original maturity of less than three months.

Segment reporting

Our company's management has identified the business segments viz. active pharmaceuticals ingredient, finished dosage formulations, job works, pharmacy and others. Segments have been identified and reported taking into account the differing risks and returns and the internal business reporting systems. Intersegment sales are generally accounted at fair values and the same have been eliminated in consolidation. The accounting policies of the segments are substantially the same as those described in the 'Summary of significant accounting policies' as above.

Segment Information

The primary and secondary reportable segments are business segments and geographical segments respectively.

Business Segment Information

Our principal business segments are active pharmaceutical ingredients ("APIs"), finished dosage formulations, job work charges and retail pharmacy. Segment's revenue, expense, assets and liabilities include amount of such items that can be allocated to the segment on a reasonable basis. Revenues, expenses, assets and liabilities which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis are included under the head 'Others'.

(In Rs. million)

	Total segment revenue (For the year ended March 31, 2016)	**Total segment assets (As at March 31, 2016)**	**Total segment liabilities Other (As at March 31, 2016)**
APIs	2,697	6,237	(765)
Finished dosage formulations	8,592	8,222	(2,739)
Job works	67	27	-
Retail Pharmacy	990	338	(78)
Others	52	-	-
Unallocated corporate assets or liabilities	-	3,414	(1,673)
Eliminations	(982)	-	-
Total	**11,416**	**18,238**	**(5,255)**

Geographical Segment Information

Our secondary segments are the geographic distribution of activities, across India, United States of America, Europe and the rest of the world. Revenue and receivables are specified by location of customers and other information is specified by location of assets. The table below, presents revenue, capital expenditure and asset information regarding our secondary segment:

*(Rs. **in millions**)*

	For the year ended and as at March 31, 2016	For the year ended and as at March 31, 2015
Segment Revenue		
India	6,521	3,897
United States	3,325	2,775
Europe	1,269	1,394
Rest of the world	409	336
Total	**11,524**	**8,402**
Segment assets		
India	16,211	11,670
United States	1,515	1,126
Europe	388	882
Rest of the world	124	162
Total	**18,238**	**13,840**
Capital expenditure		
India	1,027	888
United States	-	30
Europe	-	-
Rest of the world	19	3
Total	**1,046**	**921**

Components of Revenue and Expenses

Components of our revenue and expenses are set forth below:

Revenue

Our revenue from operations (net) comprises of revenue from operations (gross) less excise duty paid. Revenue from operations (gross) comprises of:

Sale of products: Sale of products comprises of sales of finished goods in India and international markets. Sales of finished goods are sales of pharmaceutical products which are finished dosage formulations and active pharmaceutical ingredients that we manufacture at our manufacturing facilities and trading sales.

Sale of services: Sale of services comprises of revenue from mile stone payments on development, license and supply agreements, dossier Sales and revenue received from analytical services rendered.

Other Operating Revenue: Other operating revenue comprises primarily of job work charges, export incentives, trading sales, scrap sales and income from profit sharing arrangements.

Other Income: Our other income primarily comprises of interest income from fixed deposits, net gain on foreign currency transaction and translation, provision no longer required- written back, loss of profits due to insurance claims and net gain on sale of current investments.

Expenses

Our expenses primarily consists of cost of materials consumed (including packing material consumed), purchases of stock-in-trade, changes in inventories of finished goods, work-in-progress and traded goods, employee benefits expenses, finance costs, depreciation and amortization charge and other expenses.

Cost of materials consumed (including packing material consumed): Cost of raw materials consumed include raw materials used for manufacturing our products as well as packing material.

Purchases of stock-in-trade: Purchases of stock-in-trade primarily includes APIs and finished products procured from other manufacturers/traders and sold as such.

Changes in inventories of finished goods, work-in-progress and traded goods: changes in inventories of finished goods, work-in-progress and traded goods comprises of net increases or decreases in inventory levels of: finished goods, work-in-progress and stock in trade.

Employee benefits expenses: employee benefits expenses comprise salaries and wages, contributions to provident fund and other funds, gratuity expenses and staff welfare expenses.

Finance Costs: Our finance costs primarily comprise of interest paid on term loans and working capital loans from banks and financial institutions and other costs incurred in connection with our borrowings.

Depreciation and amortization expenses: Depreciation and amortization expenses include depreciation on tangible assets and amortization of intangible assets.

Other expenses: Other expenses include sales promotion expenses including sales commission, power and fuel, adjustment to the carrying amount of assets on account of sale, bad debts written-off, consumption of stores and spare parts and net foreign exchange loss.

Results of Operations

The following table sets forth the breakdown of our results of operations for the periods indicated:

(In Rs. million)

	Fiscal			
	2016		2015	
	(Rs. in million)	(% of Total Revenue)	(Rs. in million)	(% of Total Revenue)
Revenue				
Revenue from operations (gross)	11,794	102.34	8,382	99.76
Less: Excise duty	378	3.28	129	1.54
Revenue from operations (net)	11,416	99.06	8,253	98.23
Other income	108	0.94	149	1.77
Total Revenue	**11,524**	**100.00**	**8,402**	**100.00**
Expenses				
Cost of materials consumed (including packing material consumed)	3,037	26.35	1,673	19.91
Purchases of stock–in–trade	905	7.85	843	10.03
Changes in inventories of finished goods, work-in-progress	(530)	4.59	(92)	1.09
Employee benefits expense	1,867	16.20	1,369	16.29
Finance costs	229	1.99	317	3.77
Depreciation and amortization expense	509	4.42	473	5.63
Other expenses	3,441	29.85	2,326	27.68
Total Expenses	**9,458**	**82.07**	**6,909**	**82.23**
Profit before exceptional items and tax	**2,066**	**17.93**	**1,493**	**17.77**
Exceptional item	-	-	151	1.80
Profit before tax	**2,066**	**17.93**	**1,342**	**15.97**
Profit from continuing operations before tax	1,996	17.32	1,265	15.06
Current tax	448	3.89	325	3.87
Deferred tax expense /(benefit)	31	0.27	(310)	3.69
Profit for the year from continuing operations after tax	1,517	13.16	1,250	14.88
Profit for the year from	71	0.62	77	0.92

discontinuing operations before tax				
Tax Expense	**49**	**0.43**	**24**	**0.29**
Profit for the year from discontinuing operations after tax	**22**	**0.19**	**53**	**0.63**
Profit after tax and before minority interest	**1,539**	**13.35**	**1,303**	**15.51**
Minority interest	(13)	0.11	(43)	0.51
Profit for the year	**1,552**	**13.47**	**1,346**	**16.02**

Our Results of Operations

Fiscal 2016 compared to Fiscal 2015

Revenue

Total revenue: Our total revenue increased by 37.16%, from Rs. 8,402 million in Fiscal 2015 to Rs. 11,524 million in Fiscal 2016. This was primarily due to a 38.33% increase in revenue from operations (net) from Rs. 8,253 million in Fiscal 2015 to Rs. 11,416 million in Fiscal 2016.

Revenue from Operations (net): For Fiscal 2015 our revenue from operations (net) was Rs. 8,253 million comprising of revenue of operations (gross) of Rs. 8,382 million less excise duty of Rs. 129 million. For Fiscal 2016 our revenue from operations (net) was Rs. 11,416 million comprising of revenue of operations (gross) of Rs. 11,794 million less excise duty of Rs. 378 million. Our revenue of operations (gross) increased by 40.71% from Fiscal 2015 to Fiscal 2016, primarily due to an increase in sale of products by 44.29% from Rs. 7,776 million for Fiscal 2015 to Rs. 11,220 million for Fiscal 2016, an increase in export incentives by 202.00% from Rs. 50 million for Fiscal 2015 to Rs. 151 million for Fiscal 2016, an increase in income from profit sharing arrangements by 40.69% from Rs. 204 million in Fiscal 2015 to Rs. 287 million for Fiscal 2016, which was partially offset by a decrease in income of sale from dossiers by 62.83% from Rs. 113 million in Fiscal 2015 to Rs. 42 million for Fiscal 2016 and a decrease in job work charges by 21.18% from Rs. 85 million in Fiscal 2015 to Rs. 67 million for Fiscal 2016.

Other Income: Other income decreased by 27.52% from Rs. 149 million for Fiscal 2015 to Rs. 108 million for Fiscal 2016, primarily due to a decrease in gain from foreign currency transaction of Rs. 59 million, a decrease in provision written back of Rs. 39 million, which was offset by an increase interest on fixed deposits of Rs. 47 million and insurance claim receipt of Rs. 25 million.

Expenses

Total expenses: Our total expenses increased by 36.91%, from Rs. 6,909 million in Fiscal 2015 to Rs. 9,458 million in Fiscal 2016. This was primarily due to an increase in cost of materials consumed, employee benefits expenses and other expenses.

Cost of Goods Sold

Cost of goods (cost of materials consumed including packing material plus purchase of stock-in-trade plus adjustment to changes in inventories of finished goods, work-in-progress and traded goods) sold was Rs. 3,412 million, or 29.60% of total revenue for Fiscal 2016, and Rs. 2,424 million, or 28.85% of total revenue for Fiscal 2015. Cost of goods sold expressed as a percentage of total revenue increased during Fiscal 2016 primarily due to increase in cost of materials consumed including packing material consumed and purchase of stock-in trade in Fiscal 2016 compared to Fiscal 2015, which were partially offset by a higher adjustment for increase in inventories of finished goods, work-in-progress and traded goods in Fiscal 2016 compared to Fiscal 2015.

- *Cost of materials consumed (including packing material consumed)*: Our expenses in relation to cost of materials consumed (including packing material consumed) increased by 81.53%, from Rs. 1,673 million in Fiscal 2015 to Rs. 3,037 million in Fiscal 2016. This increase was primarily on account of a growth in our business and new product launches.

- *Purchase of stock-in-trade*: Our expenses in relation to purchase of stock-in trade increased by 7.35%, from

843 million in Fiscal 2015 to Rs. 905 million in Fiscal 2016 primarily due to increase in trading business.

- *Changes in inventories of finished goods, work-in-progress and traded goods:* Our adjustment for increase in inventories of finished goods, work-in-progress and stock-in-trade was higher by Rs. 438 million compared to a similar adjustment for Fiscal 2015 which was primarily due to an increase in our operations in relation to our new products in Fiscal 2016 and built up inventory of new products Hepcinat and Hepcinat LP.

Employee benefits expense: Employee benefits expense increased by 36.38% from Rs. 1,369 million in Fiscal 2015 to Rs. 1,867 million in Fiscal 2016. The overall increase in employee benefits expense was primarily due to an increase in salaries and wages from Rs. 1,200 million in Fiscal 2015 to Rs. 1,517 million in Fiscal 2016, an increase in staff welfare and expenses from Rs. 81 million in Fiscal 2015 to Rs. 106 million in Fiscal 2016, an increase in contribution to provident and other firms from Rs. 82 million in Fiscal 2015 to Rs. 103 million in Fiscal 2016, an increase in employee stock compensation expenses from nil in Fiscal 2015 to Rs. 97 million in Fiscal 2016 and an increase in gratuity expense from Rs. 5 million in Fiscal 2015 to Rs. 44 million in Fiscal 2016. These increases were primarily due to an increase in the number of our employees from 3,118 as of March 31, 2015 to 3,679 as of March 31, 2016.

Finance costs: Our finance costs decreased by 27.76%, from Rs. 317 million in Fiscal 2015 to Rs. 229 million in Fiscal 2016. This decrease was mainly attributable to repayment of our long-term debt and working capital loan.

Depreciation and Amortization expense: Depreciation and amortization expenses increased by 7.82% from Rs. 473 million for Fiscal 2015 to Rs. 509 million for Fiscal 2016. This was primarily on account of a net increase in our gross asset block due to expansion of our R&D facilities at Natco Research Centre and expansion of Kothur and Mekaguda manufacturing facilities.

Other expenses: Our other expenses increased by 47.94%, from Rs. 2,326 million in Fiscal 2015 to Rs. 3,441 million in Fiscal 2016, primarily due to:

- an increase in sales promotion expenses including sales commission by 274.28% from Rs. 276 million in Fiscal 2015 to Rs. 1,033 million in Fiscal 2016 due to royalty, profit sharing and promotional expenses incurred for new product launches.

- an increase in power and fuel by 1.85% from Rs. 432 million in Fiscal 2015 to Rs. 440 million in Fiscal 2016 due to increased utilisation of production capacity at our manufacturing facilities; and

- an increase in adjustments to the carrying amount of assets on account of sale in Fiscal 2016 due to discontinued operation of our US retail pharmacy business. There was no such adjustments in Fiscal 2015.

which was partially offset by:

- a decrease in rates and taxes by 43.56% from Rs. 163 million in Fiscal 2015 to Rs. 92 million in Fiscal 2016 due to rates and taxes of subsidiaries including regulatory fees; and

- a decrease in expenses towards repairs and maintenance of buildings by 27.08% from Rs. 48 million in Fiscal 2015 to Rs. 35 million in Fiscal 2016 primarily due to repair and maintenance expenses incurred at our Chennai manufacturing facility and by our subsidiary Time Cap Overseas Limited.

Profit before tax: Our profit before tax increased by 53.95%, from Rs. 1,342 million in Fiscal 2015 to Rs. 2,066 million in Fiscal 2016 primarily for the reasons detailed above.

Tax Expense: Our tax expense for the year increased by 1253.85%, from Rs. 39 million in Fiscal 2015 to Rs. 528 million in Fiscal 2016.

Profit for the year: Our profit for the year increased by 15.30% from Rs. 1,346 million in Fiscal 2015 to Rs. 1,552 million in Fiscal 2016.

Cash Flows

The following table sets forth certain information relating to our cash flows on a consolidated basis for the periods indicated:

(Rs. in millions)

	Fiscal	
	2016	**2015**
Net cash generated from operating activities	1,024	927
Net cash used in investing activities	(1,755)	(1,148)
Net cash generated from financing activities	856	291
Effect of currency translation adjustment	(8)	(48)
Net increase in cash and cash equivalents	117	22

Operating Activities

Net cash flows from operating activities for Fiscal 2016 consisted of profit before tax of Rs. 2,066 million as adjusted upwards primarily for depreciation and amortization expenses of Rs. 509 million, interest expenses of Rs. 212 million, employee stock compensation expense of Rs. 97 million, bad debts written off of Rs. 96 million, which were adjusted downwards for interest income of Rs. 53 million and income from insurance claims of Rs. 25 million. As a result our operating profits before working capital changes was Rs. 2,986 million for Fiscal 2016, which was further adjusted for changes in working capital which were primarily on account of increase in trade payables of Rs. 1,502 million, increase in inventories of Rs. 1,386 million, increase in trade receivables of Rs. 788 million, increase in other current assets of Rs. 454 million and increase in short-term loans and investments of Rs. 462 million. Cash generated from operations was Rs. 1,486 million for Fiscal 2016 which was adjusted for income taxes paid of Rs. 462 million, as a result, net cash generated from operating activities was Rs. 1,024 million for Fiscal 2016.

Net cash flows from operating activities for Fiscal 2015 consisted of net profit before tax of Rs. 1,342 million as adjusted upwards primarily for depreciation and amortization expenses of Rs. 473 million and interest expenses of Rs. 303 million, which were adjusted downwards for provision no longer required, written back of Rs. 39 million and net gain on sale of current investments of Rs. 24 million. As a result our operating profit before working capital changes was Rs. 2,024 million for Fiscal 2015, which was further adjusted for changes in working capital which were primarily on account of an increase in trade receivables of Rs. 719 million, increase in inventories of Rs. 396 million, increase in trade payables of Rs. 194 million and increase in other current liabilities of Rs. 101 million. Cash generated from operations was Rs. 1,164 million for Fiscal 2015 which was adjusted for income taxes paid of Rs. 237 million, as a result, net cash generated from operating activities was Rs. 927 million for Fiscal 2015.

Investing Activities

The net cash used in investing activities amounted to Rs. 1,755 million for Fiscal 2016. Net cash flows from investing activities for Fiscal 2016 primarily consisted of outflows in the form of purchase of tangible assets of Rs. 1,574 million, increase in other bank balances to Rs. 209 million and acquisition of current investments of Rs. 208 million. Inflows from investing activities primarily included proceeds from sale of intangible assets of Rs. 180 million.

The net cash used in investing activities amounted to Rs. 1,148 million for Fiscal 2015. Net cash flows from investing activities for Fiscal 2015 consisted of outflows in the form of purchase of tangible assets of Rs. 1,167 million and intangible assets of Rs. 25 million. Inflows from investing activities primarily included sale of current investments of Rs. 26 million and proceeds from sale of tangible assets of Rs. 17 million.

Financing Activities

The net cash generated from financing activities amounted to Rs. 856 million for Fiscal 2016. Net cash flows from financing activities for Fiscal 2016 consisted of outflows in the form of repayment from long-term borrowings of Rs. 1,291 million and repayment from short-term borrowings of Rs. 702 million. Inflows from financing activities primarily included proceeds from issuance of equity shares of Rs. 3,344 million.

The net cash generated from financing activities amounted to Rs. 291 million for Fiscal 2015. Net cash flows from financing activities for Fiscal 2015 consisted of outflows in the form of interest paid of Rs. 299 million and dividends paid (including tax on distributed profits) of Rs. 199 million. Inflows from financing activities primarily included proceeds from short-term borrowings of Rs. 699 million and movement in minority interest of Rs. 75 million.

Borrowings

Our total borrowings (the aggregate of long-term borrowings, current maturities of long-term borrowings included in current liabilities, interest accrued and not due on borrowings included in current liabilities and short-term borrowings) was Rs. 3,132 million and Rs. 1,126 million as at March 31, 2015 and March 31, 2016, respectively. The details of our borrowings for Fiscals 2016 and 2015 are set forth below:

(Rs. in millions)

Particulars	As at March 31, 2016	As at March 31, 2015
Long term borrowings	-	970
Short term borrowings	984	1,685
Current Maturities for Long term borrowings	142	463
Interest accrued but not due	-	14
Total	**1,126**	**3,132**

Summary of reservations or qualifications or adverse remarks of auditors in the last five financial years immediately preceding the year of circulation of this Placement Document and of their impact on the financial statements and financial position of our Company and the corrective steps taken and proposed to be taken by our Company for each of the said reservations or qualifications or adverse remark

Fiscal 2017

<table>
<tr><th>Reproduction of auditors remark from the audit report</th><th>Management's response</th></tr>
<tr><td>(i) The title deeds of all the immovable properties (which are included under the head 'Property, plant and equipment') are held in the name of the Company except for the following property which is under dispute:

<table><tr><th>Nature of property</th><th>Number of instances</th><th>Gross block as at 31 March 2017 (Rs. in million)</th><th>Net block as at 31 March 2017(Rs. in million)</th></tr><tr><td>Freehold land</td><td>One</td><td>4</td><td>4</td></tr></table></td><td>The management based on available information and advice of legal counsel, is confident of favourable outcome in this case.</td></tr>
<tr><td>(ii) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.</td><td>The Company noted the same and took steps to avoid such delays.</td></tr>
</table>

Fiscal 2016

Reproduction of auditors remark from the audit report	Management's response
Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect	The Company noted the same and took steps to avoid such delays.

Reproduction of auditors remark from the audit report	Management's response
thereof were outstanding at the year-end for a period of more than six months from the date they became payable.	

Fiscal 2015

Reproduction of auditors remark from the audit report	Management's response
(i) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets, except for instances where the records for plant and machinery, furniture and other assets are maintained for a group of similar assets and not for each individual asset.	Necessary corrective steps were taken.
(ii) The Company has granted interest free unsecured loans to a company covered in the register maintained under Section 189 of the Act; and with respect to the same: • as the terms and conditions of the said loan are not stipulated, we are unable to comment as to whether the receipt of the principal amount is regular; and • in the absence of stipulated terms and conditions, we are unable to comment as to whether there is any overdue amount in excess of Rs.one lakh and whether reasonable steps have been taken by the Company for recovery of the principal amount and interest.	The management believes that the terms and conditions of such loan was not prima facie prejudicial to the interest of the Company.
(iii) Undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.	The Company noted the same and took steps to avoid such delays.
(iv) A subsidiary company incorporated in India has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a) and 3(iii)(b) of the Order are not applicable to such subsidiary company. The Holding Company has granted interest free unsecured loans to a company covered in the register maintained under Section 189 of the Act and with respect to the same: (a) As the terms and conditions of the said loan are not stipulated, we are unable to comment as to whether the receipt of the principal amount is regular; and (b) In the absence of stipulated terms and conditions, we are unable to comment as to whether there is any overdue amount in excess of Rs. one lakh and whether reasonable steps have been taken by the Holding Company for recovery of the principal amount and interest.	The management believes that the terms and conditions of such loan was not prima facie prejudicial to the interest of the Company.

Reproduction of auditors remark from the audit report	Management's response
(v) A subsidiary company incorporated in India, is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, with the appropriate authorities. In relation to Holding Company, undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in a few cases. Further, in relation to Holding Company and a subsidiary company incorporated in India, no undisputed amounts payable in respect thereof were outstanding at the yearend for a period of more than six months from the date they became payable.	The Company noted the same and took steps to avoid such delays.

Fiscal 2014

Reproduction of auditors remark from the audit report	Management's response
(i) The Company has not recognized Minimum Alternative Tax (MAT) credit entitlement as required by the Guidance Note on" Accounting for Credit available in Respect of Minimum Alternative Tax under the Income-tax Act, 1961", issued by the Institute of Chartered Accountants of India. Had the Company accounted for such MAT credit , the profit after tax for the year ended 31 March 2014 and loans and advances and reserves and surplus as at that date would have been higher by Rs. 881,697,337 (31 March 2013 : Rs. 623,262,102). This matter has caused us to qualify our audit report for the year ended 31 March 2013.	The Company has not recognised MAT credit available to it as it opines that it would not be in a position to utilise such credit in view of the continued tax holiday being available for the profits arising out of manufacture and sales made from two of its manufacturing facilities. In the eventuality of the Company being made to pay tax on a regular basis, it would make suitable adjustments by taking credit for the MAT entitlement available at such point of time.
(ii) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets, except in certain instances where the records for plant and machinery, furniture and other assets are maintained for a group of similar assets and not for each individual asset.	Necessary corrective steps were taken.
(iii) The Company has granted unsecured interest free loan to a subsidiary covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year is Rs.430,992,362 and the year-end balance is Rs.430,992,362. The Company has granted an interest free loan to a subsidiary covered under Section 301 of the Act. According to explanation provided by the management, the terms and conditions of such loan is not, *prima facie*, prejudicial to the interest of the Company due to concessional trade arrangement with such party. In view of such trade arrangement, we are unable to comment as to whether the rate of interest or other terms and conditions are prejudicial to the interest of the Company.	The management believes that the terms and conditions of such loan was not prima facie prejudicial to the interest of the Company.

Reproduction of auditors remark from the audit report	Management's response
(iv) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered. Owing to the unique and specialized nature of the items involved and in the absence of any comparable prices, we are unable to comment as to whether the transactions made in pursuance of such contracts or arrangements have been made at the prevailing market prices at the relevant time	Transactions were conducted at arm's length.
(v) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.	The Company noted the same and took steps to avoid such delays.

Fiscal 2013

Reproduction of auditors remark from the audit report	Management's response
(i) Pending outcome of the on-going tax assessments, the Company has not recognized Minimum Alternative Tax (MAT) credit entitlement as required by the Guidance Note on Accounting for Credit Available in Respect of Minimum Alternative Tax under the Income-tax Act, 1961, issued by the Institute of Chartered Accountants of India. Had the Company accounted for such MAT credit , the profit after tax and the balance in loans and advances for the year ended 31 March 2013 would have been higher by Rs.623,262,102 (31 March 2012: Rs. 404,902,653). This matter has caused us to qualify our audit report for the year ended 31 March 2012.	The Company has not recognised MAT credit available to it as it opines that it would not be in a position to utilise such credit in view of the continued tax holiday being available for the profits arising out of manufacture and sales made from two of its manufacturing facilities.In the eventuality of the Company being made to pay tax on a regular basis,it would make suitable adjustments by taking credit for the MAT entitlement available at such point of time.
(ii) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets, except in certain instances where the records for plant and machinery, furniture and other assets are maintained for a group of similar assets and not for each individual asset.	Further improvements were done.
(iii) The Company has granted unsecured interest free loan to a subsidiary covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year is Rs.165,301,121 and the year-end balance is Rs.165,301,121. The Company has granted an interest free loan to a subsidiary covered under Section 301 of the Act. According to explanation provided by the management, the terms and conditions of such loan is not, *prima facie*, prejudicial to the interest of the Company due to concessional trade arrangement with such party. *In view of such trade arrangement, we are*	The management believes that the terms and conditions of such loan was not prima facie prejudicial to the interest of the Company.

Reproduction of auditors remark from the audit report	Management's response
unable to comment as to whether the rate of interest or other terms and conditions are prejudicial to the interest of the Company.	
(iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of inventory and for the sale of goods and services. In our opinion, the internal control system for purchases of fixed assets needs to be strengthened to be commensurate with the size of the Company and the nature of its business. In our opinion, there is a continuing failure to correct a major weakness in the internal controls for purchase of fixed assets.	Further corrective steps were taken.
(v) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered. Owing to the unique and specialized nature of the items involved and in the absence of any comparable prices, we are unable to comment as to whether the transactions made in pursuance of such contracts or arrangements have been made at the prevailing market prices at the relevant time.	Transactions were conducted at arm's length.
(vi) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.	The Company noted the same and took steps to avoid such delays.
(vii) The consolidated financial statements as at and for the year ended 31 March 2013 include management prepared unaudited financial statements of its subsidiary Timecap Overseas Limited, Mauritius and K&C Pharmacy for the previous year ended 31 March 2012. In the absence of audited financial statements of the said subsidiary, we are unable to express an opinion to the extent of total assets, total revenues and net cash out flow pertaining to the said subsidiary amounting to Rs. 12,598,216 (31 March 2012: Rs. 47,355,832); Rs. Nil (31 March 2012: Rs. Nil) and Rs. 172,555 (31 March 2012: Rs. 5,383,349) respectively, included in the Consolidated Balance Sheet as at 31 March 2013, Consolidated Statement of Profit and Loss and Consolidated Cash Flow for the year ended 31 March 2013 respectively. This matter had caused us to qualify our audit report for the year ended 31 March 2012.	Based on the extant rules and regulation of the Mauritius, where Timecap Overseas Limited is situated, it does not require an audit, hence the company did not get its financials audited in Fiscal 2013. Our Company sold the partnership firm K&C Pharmacy in 2012 and hence management accounts were prepared for Fiscal 2013 for a very limited period.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

The general supervision, direction and management of our Company, its operations and business are vested in the Board, which exercises its power subject to the Memorandum of Association and Articles of Association of our Company and the requirements of the applicable laws. The Articles of Association set out that the number of Directors in our Company shall be not less than three and not more than 15.

The composition of the Board is in conformity with Section 149 of the Companies Act, 2013 and the Listing Regulations. As on date, our Company has 10 Directors. Out of the 10 Directors, four are Executive Directors and six are Non-Executive Directors, which includes five Independent Directors (including one woman Director).

The following table sets forth details regarding the Board at the date of this Placement Document:

Name, occupation, term and nationality	Age	Position	Director Identification Number	Address
V. C. Nannapaneni Occupation: Business Term: Two years with effect from April 1, 2017 Nationality: Indian	72	Chairman and Managing Director – Executive Director (whole-time director)	00183315	8-2-293/82/A/530, Road No. 26, Jubilee Hills, Hyderabad 500 033
Rajeev Nannapaneni Occupation: Business Term: Two years with effect from April 1, 2017 Nationality: USA citizen	40	Vice-chairman and Chief Executive Officer - Executive Director (whole-time director)	00183872	Plot No. 529, Road No. 26, Jubilee Hills, Shaikpet, Hyderabad 500 033
P. S. R. K. Prasad Occupation: Service Term: One year with effect from April 1, 2017 Nationality: Indian	59	Executive Director (whole-time director)	07011140	8-1-405/A/12, O U Colony, Dream Valley, Shaik pet, Golconda, Hyderabad 500 008
Dr. D. Lingarao Occupation: Service Term: One year with effect from April 1, 2017 Nationality: Indian	65	Executive Director (whole-time director)	07088404	Flat No. 207, Mount Meru Apartments, Road No. 5, Banjara Hills, Hyderabad 500 034
Vivek Chhachhi Occupation: Service	46	Non-Executive and Non-Independent Director	00496620	House No-EG 3/19, Garden Estate, Near Guru Dronacharya Metro Station, Gurgaon 122 002

Name, occupation, term and nationality	Age	Position	Director Identification Number	Address
Term: Liable to retire by rotation Nationality: Indian				
T. V. Rao Occupation: Retired Term: Five years from September 27, 2014 until the 36th annual general meeting of the Company Nationality: Indian	65	Independent Director	05273533	Silver Lake Terrace Apartments Flat #803, 167 Richmond Road, Trinity Church Richmond Road, Bangalore North, Museum Road, Bangalore 560 025
G. S. Murthy Occupation: Retired Term: Five years from September 27, 2014 until the 36th annual general meeting of the Company Nationality: Indian	80	Independent Director	00122454	6-3-596/77/12, Flat no. 304, Sarada Apartments - 2, Naveen Nagar, Banjara Hills, Road No. 1 Hyderabad 500 034
D. G. Prasad Occupation: Professional Term: Five years from September 27, 2014 until the 36th annual general meeting of the Company Nationality: Indian	69	Independent Director	00160408	8-3-222/C/1/19, A-8, Madhura Nagar, Near Vellanki Foods, Sanjeeva Reddy Nagar, Hyderabad 500 038
Dr. Leela Digumarti Occupation: Service Term: Five years from September 27, 2014 until the 36th annual general meeting of the Company Nationality: Indian	57	Independent Director	06980440	Plot no. 7 55 43 6 Padmalaya, Doctors Colony, Seetammadhara, Visakhapatnam 530 013
Dr. M. U. R. Naidu Occupation: Service	68	Independent Director	05111014	13-1-241, Mothi Nagar, Bala Nagar, Rangareddy, 500 018

Name, occupation, term and nationality	Age	Position	Director Identification Number	Address
Term: Five years from September 26, 2015 until the 37th annual general meeting of the Company Nationality: Indian				

Brief Biographies of the Directors

V. C. Nannapaneni

V. C. Nannapaneni is the Chairman and Managing Director of our Company. He is one of the first Directors of our Company. He has a Bachelor's and a Master's degree in Pharmacy from Andhra University and a Master's degree in Pharmaceutical Administration from Long Island University. He has more than 35 years of experience in the pharmaceutical industry.

Rajeev Nannapaneni

Rajeev Nannapaneni is an Executive Director of our Company. He is also the Vice Chairman and Chief Executive Officer of our Company. He has been on the Board since 2005. He has a Bachelor's degree in Quantitative Economics and a Bachelor's degree in History from Tufts University. He has more than 12 years of experience in the pharmaceutical industry.

P. S. R. K. Prasad

P. S. R. K. Prasad is an Executive Director of our Company. He is also the Executive Vice President (Corporate Engineering Services) of our Company. He was inducted on the Board in 2014. He has a Bachelor's degree in Mechanical Engineering from Andhra University. He has significant years of experience in various sectors such as textile, chemicals and pharmaceuticals. Prior to joining our Company, he has worked with Stiles India Limited, Saudi Ceramic Co., Riyadh, Coromandel Fertilizers Limited, Mehta Inorganic & Marine Chemical Industries, and Ahmedabad Textiles Industry's Research Association, Ahmedabad.

Dr. D. Lingarao

Dr. D. Lingarao is an Executive Director of our Company. He is the President (Technical Affairs) of our Company. He was inducted on the Board in 2015. He has a Bachelor's degree in Science from Osmania University. He also has a Master's degree in Applied Chemistry (Organic Chemistry) from Jawaharlal Nehru Technical University, Hyderabad and a Ph.D in Chemistry from Jawaharlal Nehru Technical University, Hyderabad. He also has a Diploma in Statistical Quality Control from the Indian Statistical Institute, Kolkata. He has substantial experience in research and development, quality control, and quality assurance. Prior to joining our Company, he has worked at Indian Drugs and Pharmaceuticals Limited and Novochem Laboratories Private Limited.

Vivek Chhachhi

Vivek Chhachhi is a Non-Executive and Non-Independent Director of our Company. He is presently a designated partner with CX Advisors LLP. He has significant experience in equity investment and asset management. He has previously worked at Citi Venture Capital International.

T. V. Rao

T. V. Rao is an Independent Director of our Company. He has a Bachelor's degree in Commerce from Sri Venkateswara University and is a certified Associate of the Indian Institute of Bankers. He has previously worked with Export and Import Bank of India and Small Industries Development Bank of India.

G. S. Murthy

G. S. Murthy is an Independent Director of our Company. He has a Bachelor's degree in Law from Andhra University and also a Master's' degree in Law from Osmania University. He is a certified associate with the Indian Institute of Bankers and a fellow member with the Institute of Company Secretaries of India. He has previously worked with the Industrial Development Bank of India, Essar Investments Limited and the Andhra Pradesh Implementation Secretariat, Government of Andhra Pradesh.

D. G. Prasad

D. G. Prasad is an Independent Director of our Company. He has a Bachelor's degree in Commerce from Andhra University. He is a fellow member of the Institute of Chartered Accountants of India. He has previously worked with Canara Bank and Export-Import Bank of India. He is currently a corporate advisor and a practising chartered accountant.

Dr. Leela Digumarti

Dr. Leela Digumarti is an Independent Director of our Company. She has a Bachelors' degree in Medicine and Surgery from Andhra University, a Diploma in Obstetrics and Gynaecology from Andhra University, a Diploma in Obstetrics and Gynaecology from the National Board of Examinations, New Delhi, and a Doctorate in Medicine (Obstetrics and Gynaecology) from Andhra University. She is an assistant professor of Obstetrics and Gynaecological Oncology at the Homi Bhaba Cancer Hospital & Research Centre. She is a member and a fellow of the Royal College of Obstetrics and Gynaecology. She has previously worked at St. Theresa's Hospital, Hyderabad and Rainbow Hospital, Hyderabad.

Dr. M. U. R. Naidu

Dr. M. U. R. Naidu is an Independent Director of our Company. He has a Bachelors' degree in Medicine and Surgery and also a Doctorate in Pharmacology from University of Jabalpur. He has previously worked at the Nizam's Institute of Medical Sciences, Hyderabad.

Compensation of Directors

The Nomination and Remuneration Committee determines and recommends to the Board the compensation to Directors. The Board of Directors or the Shareholders, as the case may be, approve the compensation to Directors.

The table below sets forth the details of the remuneration (including sitting fees, salaries, commission and perquisites, as applicable) paid/ provided for to the existing Directors for the last three Financial Years and from April 1, 2017 till September 30, 2017:

(*in Rs. million*)

Name	From April 1, 2017 to September 30, 2017	Fiscal 2017	Fiscal 2016	Fiscal 2015
V. C. Nannapaneni	26.12	66.00	33.80	28.20
Rajeev Nannapaneni	7.16	15.00	16.42	13.63
P. S. R. K. Prasad	6.25	11.18	11.45	3.70
Dr. D. Lingarao	6.25	11.18	11.45	1.48
Vivek Chhachhi	-	-	-	-
T. V. Rao	0.07	0.13	0.125	0.10
G. S. Murthy	0.10	0.17	0.15	0.11
D. G. Prasad	0.07	0.13	0.13	0.10
Dr. Leela Digumarti	0.03	0.08	0.06	0.02
Dr. M. U. R. Naidu	0.04	0.06	0.065	0.02

Terms and Conditions of employment of Executive Directors

V. C. Nannapaneni

Pursuant to the resolution of the Shareholders' dated September 28, 2017, the remuneration payable to V. C. Nannapaneni from April 1, 2017 to March 31, 2019 is as mentioned below:

Sr. No.	Category	Remuneration
1.	Salary	Rs. 17.5 million per annum
2.	Perquisites	Provident fund, reimbursement of medical expenses for major ailments not exceeding 50% of the salary, superannuation fund, gratuity, leave encashment and a special incentive not exceeding 15% of his gross remuneration per annum. He is additionally entitled to a managerial commission at a rate not exceeding 1% of the net profit of the Company

Rajeev Nannapaneni

Pursuant to the resolution of the Shareholders dated September 28, 2017, the remuneration payable to Rajeev Nannapaneni from April 1, 2017 to March 31, 2019 is as mentioned below:

Sr. No.	Category	Remuneration
1.	Salary	Rs. 16.00 million per annum
2.	Perquisites	Provident fund, reimbursement of medical expenses for major aliments not exceeding 50% of the salary, superannuation fund, gratuity, leave encashment and a special incentive not exceeding 15% of his gross remuneration per annum

P. S. R. K. Prasad

Pursuant to the resolution of the Shareholders dated September 28, 2017, the remuneration payable to P. S. R. K. Prasad from April 1, 2017 to March 31, 2018 is as mentioned below:

Sr. No.	Category	Remuneration
1.	Salary	Rs. 14.00 million per annum
2.	Perquisites	Provident fund, reimbursement of medical expenses for major aliments not exceeding 50% of the salary, superannuation fund, gratuity, leave encashment and special incentive not exceeding 15% of his gross remuneration per annum

Dr. D. Lingarao

Pursuant to the resolution of the Shareholders dated September 28, 2017, the remuneration payable to Dr. D. Lingarao from April 1, 2017 to March 31, 2018 is as mentioned below:

Sr. No.	Category	Remuneration
1.	Salary	Rs. 14.00 million per annum
2.	Perquisites	Provident fund, reimbursement of medical expenses for major aliments not exceeding 50% of the salary, superannuation fund, gratuity, leave encashment and special incentive not exceeding 15% of gross remuneration per annum

Relationship with other Directors

V. C. Nannapaneni is the father of Rajeev Nannapaneni. None of the other Directors on the Board are related to each other.

Borrowing powers of the Board

Our Company has, pursuant to a special resolution dated September 26, 2015, passed under section 180(1)(c) of Companies Act, 2013, authorised the Board of Directors to borrow such sums of money from banks/financial institutions/any other lending institutions/persons which may exceed the aggregate paid-up capital and free reserves of the Company, provided that the total amount together with the money already borrowed by the Board shall not exceed Rs. 10,000 million.

Interest of Directors

All of the Directors, other than the Executive Directors, may be deemed to be interested to the extent of fees payable to them for attending Board or Board committee meetings and commission as well as to the extent of reimbursement of expenses payable to them. The Executive Directors may be deemed to be interested to the extent of remuneration paid to them for services rendered as the officer of our Company.

Our Directors may also be regarded as interested in the Equity Shares held by them, if any, or that may be subscribed by or allotted to their relatives or the companies, firms or trusts, in which they are interested as directors, members, partners, trustees or promoters. Our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Except as disclosed in this Placement Document, and as disclosed in related party transactions in transactions see "*Financial Information*" on page 214, and except to the extent of shareholding in our Company, our Directors do not have any financial or other material interest in the Issue and there is no effect of such interest in so far as it is different from the interests of other persons.

For details relating to contracts, agreements or arrangements entered into by our Company during the last three Fiscals, in which the Directors are interested directly or indirectly and for payments made to them in respect of such contracts, agreements or arrangements and for other interest of Directors in respect to other related party transactions, see "*Financial Information*" on page 214.

As on date of this Placement Document, there were no outstanding transactions other than in the ordinary course of business undertaken by our Company in which the Directors were interested parties.

Except as otherwise stated in this Placement Document, our Company has not entered into any contract, agreement or arrangement during the preceding two years from the date of this Placement Document in which any of the Directors are interested, directly or indirectly, and no payments have been made to them in respect of any such contracts, agreements, arrangements which are proposed to be made with them. Further, as on date of this Placement Document, no Director has taken any loans from our Company.

Shareholding of Directors

As at September 30, 2017, our Directors held the following number of the Equity Shares:

Names of Directors	Number of Equity Shares held
V. C. Nannapaneni*	40,751,315
Rajeev Nannapaneni	1,526,175
Dr. D. Lingarao	56,655
P. S. R. K. Prasad	46,950
Dr. M. U. R. Naidu	15,000

* *Including V. C. Nannapaneni HUF (held in the name of Karta – V. C. Nannapaneni)*

Bonus or profit sharing plan of the Directors

The Company does not have any bonus or profit sharing plan with the Directors.

Prohibition by SEBI or other governmental authorities

None of the Directors or the companies with which they are or were associated as promoters, directors or persons

in control have been debarred from accessing the capital markets under any order or direction passed by SEBI or any other governmental authority.

Corporate Governance

Our Company has in place processes and systems whereby it complies with the requirements of corporate governance in terms of the Listing Regulations. The corporate governance framework is based on an effective independent Board, separation of the supervisory role of the Board from the executive management team and constitution of the committees of the Board, as required under applicable law.

Our Company believes that its Board is constituted in compliance with the Companies Act, 2013 and the Listing Regulations. The Board functions either as a full Board or through various committees constituted to oversee specific operational areas.

Committees of the Board of Directors

1. Audit Committee

Audit Committee was last reconstituted on August 7, 2017. The terms of reference of this committee were last amended on November 13, 2015. The Audit Committee comprises of six members: G. S. Murthy, Vivek Chhachhi, V. C. Nannapaneni, T. V. Rao, D. G. Prasad and Dr. M.U.R. Naidu. G. S. Murthy is the Chairman of the Audit Committee.

2. Stakeholders Relationship Committee ("SRC")

SRC was last reconstituted and the terms of reference of this committee were last amended on November 13, 2015. SRC comprises of four members: G. S. Murthy, V. C. Nannapaneni, Rajeev Nannapaneni and Dr. M.U.R. Naidu. G. S. Murthy is the Chairman of SRC.

3. Nomination and Remuneration Committee ("NRC")

NRC was last reconstituted on August 7, 2017. The terms of reference of this committee were last amended on November 13, 2015. NRC comprises of four members: G. S. Murthy, Vivek Chhachhi, V. C. Nannapaneni and Dr. M.U.R. Naidu. G. S. Murthy is the Chairman of the NRC.

Key managerial personnel

Our operations are overseen by a professional management team. The following are the key managerial personnel of the Company, in addition to our Company's Managing Director, Chief Executive Officer and Executive Directors:

S.V.V.N. Apparao, Chief Financial Officer

S.V.V.N. Apparao is the Chief Financial Officer of our Company. He joined our Company in 1994. He is a graduate in commerce from Andhra University. He has around 25 years of experience in auditing, accounts and finance.

M. Adinarayana, Company Secretary

M. Adinarayana is the Company Secretary and Vice President (Legal and Corporate Affairs) of our Company. He is also the Compliance Officer of our Company. He joined our Company in 1993. He has a Bachelors' degree in Commerce and a Bachelors' degree in Law from Andhra University, a post-graduate Diploma in Financial Management from Osmania University and a post-graduate Diploma in Personnel Management, Industrial Relations and Labour Welfare from Andhra Pradesh Productivity Council, Hyderabad. He is a fellow member with the Institute of Company Secretaries of India. He has more than 25 years of experience as a company secretary. Prior to joining our Company, he has worked with Sarag Systems Private Limited.

Bonus or profit sharing plan of the key managerial personnel

The Company does not have any bonus or profit sharing plan with the key managerial personnel.

Interest of Key Managerial Personnel

None of our Key Managerial Personnel has been paid any consideration of any nature from our Company, other than their remuneration. Except to the interest of their shareholding in the Company, our Key Managerial Personnel do not have any financial or other material interest in the Issue and there is no effect of such interest in so far as it is different from the interest of other persons

Payment or Benefit to Officers of our Company

Except statutory benefits upon termination of their employment in our Company or superannuation, no officer of our Company is entitled to any other benefit upon termination of his/her employment in our Company

Shareholding of our Company's Key Managerial Personnel

As at September 30, 2017, the Key Managerial Personnel, apart from our Company's Managing Director, Chief Executive Officer and Executive Directors, held the following Equity Shares in the Company as mentioned below:

Sl. No.	Name of the Key Managerial Personnel	No. of Shares held by them
1.	M. Adinarayana	32,000
2.	S.V.V.N. Apparao	1,750

For details pertaining to shareholding by our Company's Managing Director, Chief Executive Officer and Executive Directors, see " – *Shareholding of Directors*" on page 154.

In addition to our Executive Directors and Key Managerial Personnel, following persons form part of our senior management:

1. Rajesh Chebiyam: Vice President - Acquisitions, Institutional Investor Management and Corporate Communications
2. Dr. Apte S S Vice President: Formulation R&D
3. Dr. Durga Prasad K: Vice President - R&D
4. Dr. Gopalakrishnan Vaidyanathan: Vice President - Analytical R&D
5. Lakshminarayana A: Vice President - HR and Organisational Development
6. Narayan Rao C V: Executive Vice President - Supply Chain / Information Technology/ Organisational Development
7. Dr. Pavan Bhat: Executive Vice President - Technical Operations
8. Dr. Pulla Reddy M: Executive Vice President - R&D
9. Dr. Ramesh Dandala: Executive Vice President – Technology Transfer, Intellectual Property Rights and Regulatory Affairs (API)
10. Dr. Rami Reddy B: Director - Formulations
11. Dr. Satyanarayana K: Vice President - R&D
12. Dr. Shankar Reddy B: Vice President - R&D
13. Srivatsava K: Vice President - Marketing and Sales, Domestic
14. Subba Rao M: Vice President - Global Generics
15. Sunil Kotaru: Vice President – Supply Chain Management
16. Suresh Prabhakar Kamath: Vice President – Operations (Visakhapatnam Unit)
17. Venkat Rao Tummala: Vice President – Manufacturing
18. Srinivas Ch: Vice President – Demand and Supply Planning

Other Confirmations

Except to the extent of shareholding of the Promoters in the Company, none of the Promoters of our Company has any financial or other material interest in the Issue and there is no effect of such interest in so far as it is different from the interests of other persons

Related Party Transactions

For details in relation to the related party transactions entered by our Company during the last three Financial Years and six month period ended September 30, 2017, see "*Financial Information*" on page 214.

PRINCIPAL SHAREHOLDERS AND OTHER INFORMATION

The following table presents information regarding the ownership of Equity Shares by the Shareholders as of September 30, 2017:

Statement showing shareholding pattern of the Promoter and Promoter Group

Category of shareholder	Nos. of shareholders	No. of fully paid up equity shares held	Total nos. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957)As a % of (A+B+C2)	Number of Locked in shares		Number of equity shares held in dematerialized form
					No.(a)	As a % of total Shares held(b)	
A1) Indian				0.00		0.00	
Individuals/Hindu undivided Family	15	49,069,560	49,069,560	28.15	621,165	1.27	49,069,560
Venkaiah Chowdary Nannapaneni HUF	1	5,440,045	5,440,045	3.12		0.00	5,440,045
Kantamani Ratna Kumar	1	76,000	76,000	0.04		0.00	76,000
Durga Devi Nannapaneni	1	1,128,760	1,128,760	0.65		0.00	1,128,760
V C Nannapaneni	1	35,311,270	35,311,270	20.26	617,625	1.75	35,311,270
Rajeev Nannapaneni	1	1,497,975	1,497,975	0.86	3,125	0.21	1,497,975
Ramakrishna Rao Nannapaneni	1	746,410	746,410	0.43		0.00	746,410
Neelima Sita Nannapaneni	1	182,960	182,960	0.10		0.00	182,960
Devendranth Alapati	1	15,000	15,000	0.01		0.00	15,000
Bapanna Alapati	1	18,300	18,300	0.01		0.00	18,300
Bapineedu Tummala	1	415	415	0.00	415	100.00	415
Tummala Jansi	1	247,100	247,100	0.14		0.00	247,100
T Ananda Babu	1	473,205	473,205	0.27		0.00	473,205
Vidyadhari Tummala	1	442,200	442,200	0.25		0.00	442,200
T Anila	1	629,920	629,920	0.36		0.00	629,920
Venkata Satya Swathi Kantamani	1	2,860,000	2,860,000	1.64		0.00	2,860,000
Any Other (specify)	6	37,717,220	37,717,220	21.64	187,500	0.50	37,717,220
Natsoft Information Systems Pvt Ltd	1	15,767,500	15,767,500	9.05		0.00	15,767,500
Time Cap Pharma Labs Limited	1	17,157,220	17,157,220	9.84	93,750	0.55	17,157,220
Natco Aqua Limited	1	16,000	16,000	0.01		0.00	16,000
NDL Infratech Private Limited	1	93,750	93,750	0.05	93,750	100.00	93,750
Vistra ITCL India Limited	1	4,082,750	4,082,750	2.34		0.00	4,082,750
IL & FS Trust Company Limited	1	600,000	600,000	0.34		0.00	600,000
Sub Total A1	21	86,786,780	86,786,780	49.79	808,665	0.93	86,786,780
A2) Foreign				0.00		0.00	
Individuals (NonResident Individuals/ Foreign Individuals)	2	2,438,540	2,438,540	1.40		0.00	2,438,540
Durgadevi Nannapaneni	1	2,410,340	2,410,340	1.38		0.00	2,410,340
Rajeev N	1	28,200	28,200	0.02		0.00	28,200
Sub Total A2	2	2,438,540	2,438,540	1.40		0.00	2,438,540
A=A1+A2	23	89,225,320	89,225,320	51.19	808,665	0.91	89,225,320

Statement showing shareholding pattern of the Public shareholder

Category & Name of the Shareholders	No. of shareholder	No. of fully paid up equity shares held	Total no. shares held	Shareholding % calculated as per SCRR, 1957 As a % of (A+B+C2)	No of Voting Rights	Total as a % of Total Voting right	Number of Locked in shares		Number of equity shares held in dematerialized form(Not Applicable)
							No.(a)	As a % of total Shares held(b)	
B1) Institutions	0	0		0.00		0.00		0.00	
Mutual Funds/	44	8,608,471	8,608,471	4.94	8,608,471	4.94		0.00	8,604,971
Alternate Investment Funds	2	273,101	273,101	0.16	273,101	0.16		0.00	273,101
Foreign Portfolio Investors	141	37,508,937	37,508,937	21.52	37,508,937	21.52		0.00	37,508,937
Nomura India Investment Fund	1	3,916,479	3,916,479	2.25	3,916,479	2.25		0.00	3,916,479
CX Securities Limited Mother Fund	1	4,494,975	4,494,975	2.58	4,494,975	2.58		0.00	4,494,975
Nomura Singapore Limited	1	1,787,500	1,787,500	1.03	1,787,500	1.03		0.00	1,787,500
EM Resurgent Fund	1	2,000,000	2,000,000	1.15	2,000,000	1.15		0.00	2,000,000
Steadview Capital Mauritius Limited	1	1,969,581	1,969,581	1.13	1,969,581	1.13		0.00	1,969,581
Financial Institutions/ Banks	7	573,469	573,469	0.33	573,469	0.33		0.00	572,469
Any Other (specify)	1	125	125	0.00	125	0.00		0.00	125
Foreign Nationals	1	125	125	0.00	125	0.00		0.00	125
Sub Total B1	195	46,964,103	46,964,103	26.94	46,964,103	26.94		0.00	46,959,603
B2) Central Government/ State Government(s) / President of India	0	0		0.00		0.00		0.00	
B3) Non-Institutions	0	0		0.00		0.00		0.00	
Individual share capital upto Rs. 2 Lacs	50,667	21,177,928	21,177,928	12.15	21,177,928	12.15	210	0.00	19,516,498
Individual share capital in excess of Rs. 2 Lacs	22	11,245,891	11,245,891	6.45	11,245,891	6.45		0.00	11,245,891
Dilip.S.Shanghvi	1	5,750,000	5,750,000	3.30	5,750,000	3.30		0.00	5,750,000
Any Other (specify)	1967	5,694,558	5,694,558	3.27	5,694,558	3.27		0.00	5,550,058
Bodies Corporate	641	4,354,125	4,354,125	2.50	4,354,125	2.50		0.00	4,328,325
Clearing Members	335	246,883	246,883	0.14	246,883	0.14		0.00	246,883
Trusts	1	90,837	90,837	0.05	90,837	0.05		0.00	90,837
NRI	990	1,002,713	1,002,713	0.58	1,002,713	0.58		0.00	884,013

Category & Name of the Shareholders	No. of shareh older	No. of fully paid up equity shares held	Total no. shares held	Shareholding % calculated as per SCRR, 1957 As a % of (A+B+C2)	No of Voting Rights	Total as a % of Total Voting right	Number of Locked in shares		Number of equity shares held in dematerialized form(Not Applicable)
							No.(a)	As a % of total Shares held(b)	
Sub Total B3	52656	38,118,377	38,118,377	21.87	38,118,377	21.87	210	0.00	36,312,447
B=B1+B2+B3	52851	85,082,480	85,082,480	48.81	85,082,480	48.81	210	0.00	83,272,050

Details of Shares which remain unclaimed for Public

Serial No.	Number of shareholders	Outstanding shares held in demat or unclaimed suspense account	voting rights which are frozen	Disclosure of notes on shares which remain unclaimed for public shareholders
1	3,395	420,500	-	-

Statement showing shareholding pattern of the Non Promoter- Non Public shareholder

Category & Name of the Shareholders(I)	No. of shareholde r(III)	No. of fully paid up equity shares held(IV)	Total No. shares held(VII = IV+V+VI)	Shareholding % calculated as per SCRR, 1957 As a % of (A+B+C2)(VIII)	Number of Locked in shares(XII)		Number of equity shares held in dematerialized form(XIV)(Not Applicable)
					No	As a % of total Shares held	
C1) Custodian/DR Holder	0	0		0.00		0.00	
C2) Employee Benefit Trust	0	0		0.00		0.00	

Details of disclosure made by the Trading Members holding 1% or more of the Total No. of shares of the company.

Sl. No.	Name of the Trading Member	Name of the Beneficial Owner	No. of shares held	% of total no. of shares	Date of reporting by the Trading Member
-	NIL	NIL	NIL	NIL	NIL

Whilst there are no subsisting arrangements for disposal of any Equity Shares held by our Promoter and Promoter Group, post the listing of the Equity Shares pursuant to the Issue, our Promoter and Promoter Group shareholding may fall below 50.00% of the issued and outstanding Equity Shares of our Company.

ISSUE PROCEDURE

The following is a summary intended to present a general outline of the procedure relating to the application, payment, Allocation and Allotment of the Equity Shares to be issued pursuant to the Issue. The procedure followed in the Issue may differ from the one mentioned below, and investors are presumed to have apprised themselves of any such changes from our Company or the BRLMs and the GCBRLMs. Investors are advised to inform themselves of any restrictions or limitations that may be applicable to them. Investors that apply in the Issue will be required to confirm and will be deemed to have represented to our Company, the BRLMs and the GCBRLMs and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. Our Company and the BRLMs and the GCBRLMs and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire the Equity Shares. See "Selling Restriction" and "Transfer Restrictions" on pages 174 and 180, respectively.

Qualified Institutions Placement

The Issue is being made to Eligible QIBs in reliance upon Chapter VIII of the SEBI ICDR Regulations, Section 42 and Section 62 of the Companies Act, 2013 read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, through the mechanism of a QIP wherein a listed company in India may issue and allot equity shares to QIBs on a private placement basis provided *inter alia* that:

- a special resolution approving the QIP is passed by shareholders of the issuer. Such special resolution must specify (a) that the allotment of equity shares is proposed to be made pursuant to a QIP; and (b) the relevant date;

- equity shares of the same class of such issuer, which are proposed to be allotted through the QIP, have been listed on a recognised stock exchange in India having nation-wide trading terminals for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the above-mentioned special resolution;

- the aggregate of the proposed issue and all previous QIPs made by the issuer in the same financial years does not exceed five times the net worth (as defined in the SEBI ICDR Regulations) of the issuer as per the audited balance sheet of the previous financial year;

- the issuer shall be in compliance with the minimum public shareholding requirements set out in the SCRR;

- the issuer shall have completed allotments with respect to any offer or invitation made earlier by the issuer or shall have withdrawn or abandoned any invitation or offer previously made by the issuer;

- the offer must be made through a private placement offer letter and an application form serially numbered and addressed specifically to the QIB to whom the offer is made and is sent within 30 days of recording the names of such QIBs;

- the explanatory statement to the notice to the shareholders for convening the general meeting must disclose the basis or justification for the price (including premium, if any) at which the offer or invitation is being made;

- the payment to be made for subscription to the equity shares shall be made from the bank account of the person subscribing to such securities and in case of securities to be held by joint holders, the payment for subscription to the securities shall be paid from the bank account of the person whose name appears first in the application;

- prior to circulating the private placement offer letter, the issuer must prepare and record a list of QIBs to whom the offer will be made. The offer must be made only to such persons whose names are recorded by the issuer prior to the invitation to subscribe;

- the issuer shall offer to each allottee such number of equity shares in the issue which would aggregate to at least Rs. 20,000 calculated at the face value of the equity shares; and

- at least 10% of the equity shares issued to QIBs must be allotted to Mutual Funds, provided that, if this portion or any part thereof to be allotted to Mutual Funds remains unsubscribed, it may be allotted to other QIBs.

Bidders are not allowed to withdraw their Bids after the Bid/Issue Closing Date.

Additionally, there is a minimum pricing requirement for pricing the equity shares offered in a QIP under the SEBI ICDR Regulations. The floor price of the equity shares shall not be less than the average of the weekly high and low of the closing prices of the equity shares quoted on the stock exchange during the two weeks preceding the relevant date. Provided however that an issuer may offer a discount of not more than 5% on the price calculated for the QIP as above, subject to the approval of the shareholders by a special resolution pursuant to Regulation 82(a) of the SEBI ICDR Regulations.

The "relevant date" referred to above, means the date of the meeting in which the board of directors or the committee of directors duly authorized by the board of directors decides to open the proposed issue and the "stock exchange" means any of the recognised stock exchanges in India on which the equity shares of the issuer of the same class are listed and on which the highest trading volume in such equity shares has been recorded during the two weeks immediately preceding the relevant date.

Equity shares must be allotted within 12 months from the date of the shareholders resolution approving the QIP and also within 60 days from the date of receipt of application money from the successful applicants. The equity shares issued pursuant to the QIP must be issued on the basis of a placement document that shall contain all material information including the information specified in Schedule XVIII of the SEBI ICDR Regulations and Form PAS- 4.

The preliminary placement document and the placement document are private documents provided to only select QIBs, through serially numbered copies and are required to be placed on the website of the concerned stock exchanges and of the issuer with a disclaimer to the effect that they are in connection with an issue to QIBs and no offer is being made to the public or to any other category of investors.

Securities allotted to an QIB pursuant to a QIP shall not be sold for a period of one year from the date of allotment except on a recognised stock exchange in India.

The minimum number of allottees for each QIP shall not be less than:

- Two, where the issue size is less than or equal to Rs. 2,500 million; and
- Five, where the issue size is greater than Rs. 2,500 million.

No single allottee shall be allotted more than 50% of the issue size. QIBs that belong to the same group or that are under common control shall be deemed to be a single allottee for this purpose.

The issuer shall also make the requisite filings with the RoC, Stock Exchanges, and SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

Our Company has filed a copy of the Preliminary Placement Document and a copy of this Placement Document with the Stock Exchanges.

Our Company has received the in-principle approval of the Stock Exchanges on December 11, 2017 in terms of Regulation 28(1) of the Listing Regulations for the Issue. The Board of Directors has authorized the Issue pursuant to a resolution passed at its meeting held on November 2, 2017. The shareholders of our Company have authorized the Issue pursuant to a special resolution passed at an extra-ordinary general meeting held on November 29, 2017.

The Equity Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) pursuant to the private placement exemption set out in Section 4(a)(2) of the Securities Act, and (b) outside the United States, in offshore transactions, in reliance on Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur. For further information, see "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 174 and 180, respectively.

Issue Procedure

1. Our Company and the BRLMs and the GCBRLMs shall circulate serially numbered copies of the Preliminary Placement Document and the serially numbered Application Form, either in electronic form or physical form, to Eligible QIBs and the Application Form shall be specifically addressed to such Eligible QIBs. Pursuant to section 42(7) of the Companies Act, 2013, our Company shall maintain complete record of the Eligible QIBs to whom the Preliminary Placement Document and the serially numbered Application Form have been dispatched. Our Company will make the requisite filings with the RoC and with SEBI within the stipulated time period as required under the Companies Act, 2013 and the rules made thereunder.

2. The list of Eligible QIBs to whom the Application Form is delivered shall be determined by the BRLMs and the GCBRLMs in consultation with the Company at their sole discretion. **Unless a serially numbered Preliminary Placement Document along with the Application Form is addressed to a particular QIB, no invitation to subscribe shall be deemed to have been made to such QIB.** Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such other person and any application that does not comply with this requirement shall be treated as invalid.

3. Eligible QIBs may submit the Application Form, including any revisions thereof, during the Bidding Period to the BRLMs and the GCBRLMs.

4. Bidders shall submit Bids for, and our Company shall offer to each successful Allottee at least such number of Equity Shares in the Issue which would aggregate to Rs. 20,000 calculated at the face value of the Equity Shares.

5. Eligible QIBs will be required to indicate the following in the Application Form:

   (a) name of the Eligible QIB to whom Equity Shares are to be Allotted;

   (b) number of Equity Shares Bid for;

   (c) price at which they offer to apply for the Equity Shares provided that Eligible QIBs may also indicate that they are agreeable to submit a bid at "Cut-off Price" which shall be any price as may be determined by our Company in consultation with the BRLMs and the GCBRLMs at or above the Floor Price, net of such discount as approved in accordance with SEBI ICDR Regulations and decided by the Board as approved in accordance with SEBI ICDR Regulations and decided by the Board. Our Company may offer a discount up to 5% to the Floor Price in accordance with the proviso of Regulation 85(1) of the SEBI ICDR Regulations;

   (d) a representation that it is either (i) outside the United States, (ii) an institutional investor meeting the requirements of a "qualified institutional buyer" as defined in Rule 144A of the Securities Act and it has agreed to all the representations set forth in the Application Form; and

   (e) the details of the depository account(s) to which the Equity Shares should be credited.

6. Once a duly filled in Application Form is submitted by the QIB, such Application Form constitutes an irrevocable offer and the same cannot be withdrawn after the Bid/Issue Closing Date. The Bid/Issue Closing Date shall be notified to the Stock Exchanges and the Eligible QIBs shall be deemed to have been given notice of such date after the receipt of the Application Form.

7. The Bids made by asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made. Application by various schemes or funds of a Mutual Fund will be treated as one application from the Mutual Fund. Under the current regulations, the following restrictions are applicable for investments by Mutual Funds: No mutual fund scheme shall invest more than 10% of its net asset value in Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights. Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws.

8. Based on the Application Forms received, our Company shall, after closure of the Issue, in consultation with

the BRLMs and the GCBRLMs, determine the final terms including the Issue Price and the number of Equity Shares to be issued pursuant to the Issue. We shall notify the Stock Exchanges of the Issue Price. Our Company shall also intimate the Stock Exchanges about the meeting to decide the Issue Price, two working days in advance (excluding the date of the intimation and the date of the meeting). On determining the Issue Price and the Eligible QIBs to whom Allocation shall be made, the BRLMs and the GCBRLMs, shall on behalf of our Company, send the CANs along with a serially numbered Placement Document to the Eligible QIBs who have been Allocated Equity Shares either in electronic form or by physical delivery. The dispatch of the CANs shall be deemed a valid, binding and irrevocable contract for the Eligible QIBs to pay the entire Issue Price for all the Equity Shares Allocated to such Eligible QIB. The CAN shall contain details such as the number of Equity Shares Allocated to the Eligible QIB, payment instructions including the details of the amounts payable by the Eligible QIB for Allotment of the Equity Shares in its name and the Pay-In Date as applicable to the respective Eligible QIBs.

Following the receipt of the CAN, each Eligible QIB would have to make the payment of the entire application monies for the Equity Shares indicated in the CAN at the Issue Price through electronic transfer to the Escrow Account by the Pay-in Date as specified in the CAN sent to the respective QIB. **Please note that the allocation shall be at the absolute discretion of our Company and will be based on the recommendation of the BRLMs and the GCBRLMs.**

9. No payment shall be made by Eligible QIBs in cash. Please note that any payment of application monies for the Equity Shares shall be made from the bank accounts of the relevant Eligible QIBs applying for the Equity Shares. Monies payable on Equity Shares to be held by joint holders shall be paid from the bank account of the person whose name appears first in the application. Pending Allotment, all monies received for subscription of the Equity Shares shall be kept by our Company in a separate bank account with a scheduled bank and shall be utilised only for the purposes permitted under the Companies Act, 2013.

10. Upon receipt of the application monies from the Eligible QIBs, our Company shall Allot Equity Shares as per the details in the CAN to the Eligible QIBs. Our Company will intimate the details of the Allotment to the Stock Exchanges.

11. After passing the resolution for Allotment, our Company will intimate to the Stock Exchanges the details of the Allotment and apply for approvals for listing of the Equity Shares on the Stock Exchanges prior to crediting the Equity Shares into the beneficiary account maintained with the Depository Participant by the Eligible QIBs.

12. After receipt of the listing approvals from the Stock Exchanges, our Company shall credit the Equity Shares into the Depository Participant accounts of the respective Eligible QIB in accordance with the details submitted by the Eligible QIBs in the Application Forms.

13. Our Company shall then apply to Stock Exchanges for the final trading permission.

14. The Equity Shares that have been credited to the beneficiary account with the Depository Participant of the Eligible QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final listing and trading approval from Stock Exchanges.

15. Upon receipt of the final listing and trading approval from the Stock Exchanges, our Company shall inform the Eligible QIBs who have received Allotment of the receipt of such approval.

16. Our Company and the BRLMs and the GCBRLMs shall not be responsible for any delay or non-receipt of the communication of the final listing and trading permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Final listing and trading approval granted by the Stock Exchanges is also placed on their respective websites. Eligible QIBs are advised to apprise themselves of the status of the receipt of the permissions from Stock Exchanges or our Company.

Qualified Institutional Buyers

Only QIBs as defined in Regulation 2(1)(zd) of the SEBI ICDR Regulations and not otherwise excluded pursuant to Regulation 86(1)(b) of Chapter VIII of the SEBI ICDR Regulations are eligible to invest in the Issue, provided that with respect to non-resident QIB's participation in this Issue, only Eligible FPIs participating only under Schedule 2 of the FEMA 2017 will be considered as Eligible QIBs and no other non-resident QIBs including FVCIs, multilateral and bilateral development financial institutions are permitted to participate in the Issue. Under Regulation 86(1)(b) of the SEBI ICDR Regulations, no Allotment shall be made, either directly or indirectly, to any Eligible QIB who is a Promoter or any person related to the Promoters. Currently QIBs include:

- Alternate investment funds registered with SEBI;
- Eligible FPIs;
- Foreign venture capital investors registered with SEBI;
- Insurance companies registered with Insurance Regulatory and Development Authority;
- Insurance funds set up and managed by the army, navy, or air force of the Union of India;
- Insurance funds set up and managed by the Department of Posts, India;
- Multilateral and bilateral development financial institutions;
- Mutual funds registered with SEBI;
- Pension Funds with minimum corpus of Rs. 250 million;
- Provident Funds with minimum corpus of Rs. 250 million;
- Public financial institutions as defined in section 2(72) of the Companies Act, 2013;
- Scheduled commercial banks;
- State industrial development corporations;
- National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India;
- Venture capital funds registered with SEBI; and
- Systemically Important Non- Banking Financial Company having a net-worth of more than five hundred crore rupees as per the last audited financial statements.

Other than Eligible FPIs participating in the Issue under Schedule 2 of the FEMA 2017, no other non-resident QIBs including FVCIs, multilateral and bilateral development financial institutions are permitted to participate in the Issue.

All non-resident Eligible QIBs shall ensure that the investment amount is paid as per RBI's Notification No. FEMA 20(R)/ 2017-RB dated November 7, 2017, as amended from time to time.

In terms of the SEBI FPI Regulations, the issue of Equity Shares to a single FPI or an investor group (which means the same set of ultimate beneficial owner(s) investing through multiple entities) is not permitted to be 10.00% or above of our post-Issue Equity Share capital. Further, in terms of the FEMA, the total holding by each FPI shall be below 10% of the total paid-up Equity Share capital of our Company and the total holdings of all FPIs put together shall not exceed 24% of our paid-up Equity Share capital. The aggregate limit of 24% may be increased up to the sectoral cap by way of a resolution passed by the Board of Directors followed by a special resolution passed by the shareholders of our Company. The Shareholders of our Company have passed a special resolution dated June 27, 2015 increasing the investment limits by FPIs up to 49%. Under FEMA, we are entitled to 74% FDI inflow through automatic route.

Eligible FPIs are permitted to participate in the Issue subject to compliance with conditions and restrictions which may be specified by the Government from time to time.

In terms of FEMA 20, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs shall be included.

Under Regulation 86(1)(b) of the SEBI ICDR Regulations, no allotment shall be made pursuant to the Issue, either directly or indirectly, to any Eligible QIB being our Promoter or any person related to our Promoters. Eligible QIBs which have all or any of the following rights shall be deemed to be persons related to our Promoters:

(i) Rights under a shareholders' agreement or voting agreement entered into with our Promoter or persons related to our Promoter;

(ii) Veto rights; or

(iii) A right to appoint any nominee director on the Board.

Provided however that an Eligible QIB which does not hold any Equity Shares in our Company and who has acquired the aforesaid rights in the capacity of a lender shall not be deemed to be a person related to the Promoter.

Neither our Company nor the BRLMs and the GCBRLMs nor any of their respective directors, officers, counsels, advisors, representatives, agents or affiliates are liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of the Preliminary Placement Document and this Placement Document. Eligible QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. Eligible QIBs are advised to ensure that any single Application Form from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in the Preliminary Placement Document and this Placement Document. Further, Eligible QIBs are required to satisfy themselves that any requisite compliance pursuant to this Allotment such as public disclosures under applicable laws is complied with. Eligible QIBs are advised to consult their advisers in this regard. Furthermore, Eligible QIBs are required to satisfy themselves that their Application Form would not eventually result in triggering a tender offer under the Takeover Regulations.

Note: Affiliates or associates of the BRLMs and the GCBRLMs who are Eligible QIBs may participate in the Issue subject to compliance with applicable laws.

Allotments made to FVCIs, VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to each of them respectively, including in relation to lock-in requirements.

A minimum of 10% of the Equity Shares offered in the Issue shall be Allotted to Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion as specified above, such minimum portion or part thereof may be Allotted to other Eligible QIBs.

Bid Process

Application Form

Eligible QIBs are permitted to only use the serially numbered Application Forms (which is addressed to the Eligible QIB) supplied by our Company and the BRLMs and the GCBRLMs in either electronic form or by physical delivery for the purpose of making a Bid (including any revision of a Bid) in terms of the Preliminary Placement Document.

By making a Bid (including revisions thereof) for Equity Shares pursuant to the terms of the Preliminary Placement Document, each Eligible QIB will be deemed to have made the following representations and warranties, and the representations, warranties, acknowledgements and agreements made under "*Representations by Investors*". The representations listed in this section shall be included in the Application Form:

1. The Eligible QIB confirms that it is an Eligible QIB in terms of Regulation 2(1)(zd) of the SEBI ICDR Regulations and has a valid and existing registration under the applicable laws of India and is eligible to participate in the Issue and is not excluded under Regulation 86 of the SEBI ICDR Regulations;

2. The Eligible QIB confirms that it is not a Promoter of our Company and is not a person related to the Promoter of our Company, either directly or indirectly and its Application Form does not directly or indirectly represent the Promoter or Promoter Group or a person related to the Promoter of our Company;

3. The Eligible QIB confirms that it has no rights under a shareholders' agreement or voting agreement with the Promoter or persons related to the Promoters, no veto rights or right to appoint any nominee director on the Board of our Company other than such rights acquired in the capacity of a lender (not holding any Equity Shares) which shall not be deemed to be a person related to the Promoters;

4. The Eligible QIB acknowledges that it has no right to withdraw its Bid after the Bid/Issue Closing Date;

5. The Eligible QIB confirms that if Equity Shares are Allotted pursuant to the Issue, it shall not, for a period of one year from Allotment, sell such Equity Shares otherwise than on the floor of the Stock Exchanges;

6. The Eligible QIB confirms that the Eligible QIB is eligible to Bid and hold Equity Shares so Allotted and together with any Equity Shares held by the Eligible QIB prior to the Issue. The Eligible QIB further confirms that its holding of the Equity Shares does not, and shall not, exceed the level permissible as per any applicable regulations applicable to the QIB;

7. The Eligible QIB confirms that the Bids will not eventually result in triggering an open offer under the

Takeover Regulations;

8. The Eligible QIB confirms that, to the best of its knowledge and belief, together with other Eligible QIBs in the Issue that belongs to the same group or are under common control, the Allotment to the Eligible QIB shall not exceed 50% of the Issue Size. For the purposes of this statement:

   (a) The expression "belongs to the same group" shall derive meaning from the concept of "companies under the same group" as provided in sub-section (11) of Section 372 of the Companies Act, 1956; and

   (b) "Control" shall have the same meaning as is assigned to it by Clause 1(e) of Regulation 2 of the Takeover Regulations.

9. The Eligible QIBs shall not undertake any trade in the Equity Shares credited to its Depository Participant account until such time that the final listing and trading approval for the Equity Shares is issued by the Stock Exchanges.

10. The Eligible QIB acknowledges, represents and agrees that in the event its total interest in the paid-up share capital of our Company or voting rights in our Company, whether direct or indirect, beneficial or otherwise (any such interest, your "**Holding**"), when aggregated together with any existing Holding and/or Holding of any of the persons acting in concert, results in Holding of 5.00% or more of the total paid-up share capital of, or voting rights in, our Company a disclosure of the aggregate shareholding and voting rights will have to be made under the Takeover Regulations. In case such Eligible QIB is an existing shareholder who, together with persons acting in concert, holds 5.00% or more of the underlying paid up share capital of, or voting rights in our Company a disclosure will have to be made under the Takeover Regulations in the event of a change of 2% or more in the existing Holding of the Eligible QIB and persons acting in concert.

11. The Eligible QIB confirms that:

   a. If it is within the United States, it is a qualified institutional buyer (as defined in Rule 144A under the Securities Act and referred to in the Preliminary Placement Document as "**U.S. QIB**") who is, or are acquiring the Equity Shares for its own account or for the account of an institutional investor who also meets the requirement of a U.S. QIB, for investment purposes only and not with a view to, or for resale in connection with, the distribution (within the meaning of any United States securities laws) thereof, in whole or in part and are not our affiliate or a person acting on behalf of such an affiliate;

   b. If it is outside the United States, it is subscribing to the Equity Shares in an offshore transaction in reliance on Regulation S under the Securities Act, and is not our affiliate or a person acting on behalf of such an affiliate.

12. It has read and understood, and by making a Bid for the Equity Shares through the Application Forms and pursuant to the terms of the Preliminary Placement Document, will be deemed to have made the representations, warranties and agreements made under the sections "*Notice to Investors*", "*Representations by Investors*", "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 2, 5, 174 and 180, respectively.

ELIGIBLE QIBs MUST PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. ELIGIBLE QIBs MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD.

IF SO REQUIRED BY THE BRLMS AND THE GCBRLMS, THE ELIGIBLE QIB SUBMITTING A BID, ALONG WITH THE APPLICATION FORM, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO BRLMS AND THE GCBRLMS TO EVIDENCE THEIR STATUS AS A "QIB" AS DEFINED HEREINABOVE. IF SO REQUIRED BY THE BRLMS AND THEGCBRLMS, THE ESCROW AGENT OR ANY STATUTORY OR REGULATORY AUTHORITY IN THIS REGARD, INCLUDING AFTER BID/ISSUE CLOSING DATE, THE ELIGIBLE QIB SUBMITTING A BID AND/OR BEING ALLOTTED EQUITY SHARES IN THE ISSUE, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO FULFILL THE KNOW YOUR CUSTOMER (KYC) NORMS.

Demographic details such as an address and a bank account will be obtained from the Depositories as per the Depository Participant account details given above.

The submission of an Application Form by the Eligible QIB shall be deemed a valid, binding and irrevocable offer for the Eligible QIB to pay the entire Issue Price for its share of Allotment (as indicated by the CAN) and becomes a binding contract on the QIB, upon issuance of the CAN by the Issuer in favour of the QIB.

Submission of Application Form

All Application Forms shall be required to be duly completed with information including the name of the QIB, the price and the number of Equity Shares applied. The Application Form shall be submitted to the BRLMs and the GCBRLMs either through electronic form or through physical delivery at the following addresses:

Name of the BRLM/ GCBRLM	Address	Contact Person	Email	Phone
IDFC Bank Limited	Naman Chambers C – 32, G Block Bandra Kurla Complex Bandra (East) Mumbai 400 051	Akshay Bhandari	natco.qip@idfcbank.com	Tel: (91 22) 6622 2600 Fax: (91 22) 6622 2501
Jefferies India Private Limited	42/43, 2 North Avenue Maker Maxity Bandra-Kurla Complex Bandra (East) Mumbai 400 051	Aman Puri	NATCO.QIP@jefferies.com	Tel: (91 22) 4356 6000 Fax: (91 22) 6765 5595
Credit Suisse Securities (India) Private Limited	Ceejay House, 9th floor Dr. Annie Besant Road Worli Mumbai 400 018	Shashank Sinha	list.projectfalcon.2@credit-suisse.com	Tel: (91 22) 6777 3885 Fax: (91 22) 6777 3820
Edelweiss Financial Services Limited	Edelweiss House, 14th floor, off C.S.T Road Kalina Mumbai 400 098	Nishita John	natco.qip@edelweissfin.com	Tel: (91 22) 4009 4400 Fax: (91 22) 4086 3610
Inga Capital Limited	Naman Midtown, 21st Floor, 'A' Wing, Senapati Bapat Marg, Elphinstone (West), Mumbai 400 013	Kavita Shah	natco.qip@ingacapital.com	Tel: (91 22) 4031 3468 Fax: (91 22) 4031 3379
JM Financial Institutional Securities Limited	7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025	Hiren Raipancholia	natco.qip@jmfl.com	Tel: (91 22) 6630 3030 Fax: (91 22) 6630 3330

The BRLMs and the GCBRLMs shall not be required to provide any written acknowledgement of the same.

Permanent Account Number or PAN

Each Eligible QIB should mention its Permanent Account Number ("**PAN**") allotted under the IT Act. **The copy of the PAN card is required to be submitted with the Application Form.** Bids without this information will be considered incomplete and is liable to be rejected. It is to be specifically noted that applicant should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

Pricing and Allocation

Build-up of the book

The Eligible QIBs shall submit their Bids (including the revision thereof) through the Application Form within the Bidding Period to the BRLMs and the GCBRLMs and cannot be withdrawn after the Bid/ Issue Closing Date. The book shall be maintained by the BRLMs and the GCBRLMs.

Price discovery and Allocation

Our Company, in consultation with the BRLMs and the GCBRLMs, shall determine the Issue Price for the Equity Shares, which shall be at or above the Floor Price. Our Company may offer a discount of not more than 5% on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations.

After finalisation of the Issue Price, our Company has updated the Preliminary Placement Document with the Issue details and filed the same with Stock Exchanges as this Placement Document.

Method of Allocation

Our Company shall determine the Allocation in consultation with the BRLMs and the GCBRLMs on a discretionary basis and in compliance with Chapter VIII of the SEBI ICDR Regulations.

Bids received from the Eligible QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such Eligible QIBs will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10% of the Issue Size shall be undertaken subject to valid Application Form being received at or above the Issue Price.

THE DECISION OF OUR COMPANY, IN CONSULTATION WITH THE BRLMS AND THE GCBRLMS, IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL ELIGIBLE QIBs. ELIGIBLE QIBs MAY NOTE THAT ALLOCATION OF EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF OUR COMPANY, IN CONSULTATION WITH THE BRLMS AND THE GCBRLMS, AND ELIGIBLE QIBs MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AT OR ABOVE THE ISSUE PRICE. NEITHER OUR COMPANY NOR THE BRLMS AND THE GCBRLMS ARE OBLIGED TO ASSIGN ANY REASONS FOR SUCH NON-ALLOCATION.

All Application Forms duly completed along with payment and a copy of the PAN card or PAN allotment letter shall be submitted to the BRLMs and the GCBRLMS as per the details provided in the respective CAN.

CAN

Based on the Application Forms received, our Company, in consultation with the BRLMs and the GCBRLMs, will, in its sole and absolute discretion, decide the list of Eligible QIBs to whom the serially numbered CAN shall be sent, pursuant to which the details of the Equity Shares Allocated to them and the details of the amounts payable for Allotment of the same in their respective names shall be notified to such Eligible QIBs. Additionally, the CAN would include details of Escrow Account into which such payments would need to be made, Pay-In Date as well as the probable designated date ("**Designated Date**"), being the date of credit of the Equity Shares to the Eligible QIB's account, as applicable to the respective Eligible QIBs.

The Eligible QIBs who have been Allotted Equity Shares pursuant to the Issue, would also be sent a serially numbered Placement Document either in electronic form or by physical delivery along with the serially numbered CAN.

The dispatch of the serially numbered Placement Document and the CAN to the Eligible QIB shall be deemed a valid, binding and irrevocable contract for the Eligible QIB to furnish all details that may be required by the BRLMs and the GCBRLMs and our Company and to pay the entire Issue Price for all the Equity Shares Allocated to such QIB.

Eligible QIBs ARE ADVISED TO INSTRUCT THEIR DEPOSITORY PARTICIPANT TO ACCEPT THE EQUITY SHARES THAT MAY BE ALLOCATED / ALLOTTED TO THEM PURSUANT TO THE ISSUE.

Bank Account for the Payment of Bid Money

Our Company has opened an escrow account titled "Natco Pharma – QIP 2017 Escrow Account" (the "**Escrow Account**") with the Escrow Bank in terms of the arrangements amongst our Company, the BRLMs and the GCBRLMs and IDFC Bank Limited (acting as the Escrow Bank). The Eligible QIBs will be required to deposit the entire amount payable for the Equity Shares Allocated to it by the Pay-In Date as mentioned in their respective CAN.

Payments are to be made only through electronic fund transfer.

If the payment is not made favouring the Escrow Account within the time stipulated in the CAN, the Application Form and the CAN of the Eligible QIB are liable to be cancelled.

In case of cancellations or default by the Eligible QIBs, our Company and the BRLMs and the GCBRLMs have the right to re-allocate the Equity Shares at the Issue Price among existing or new Eligible QIBs at their sole and absolute discretion, subject to the compliance with the requirements of the Companies Act, 2013 and the SEBI ICDR Regulations.

Our Company undertakes to utilise the amount in the Escrow Account only for the purposes of: (i) adjustments against Allotment of Equity Shares in the Issue; or (ii) repayment of application money if our Company is not able to Allot Equity Shares in the Issue.

Designated Date and Allotment of Equity Shares

1. The Equity Shares will not be Allotted unless the Eligible QIBs pay the Issue Price to the Escrow Account as stated above.
2. Subject to the satisfaction of the terms and conditions of the Placement Agreement, our Company will ensure that the Allotment of the Equity Shares is completed by the Designated Date provided in the CAN for the Eligible QIBs who have paid the aggregate subscription amounts as stipulated in the CAN.
3. In accordance with the SEBI ICDR Regulations, Equity Shares will be issued and Allotment shall be made only in the dematerialised form to the Allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act, 2013 and the Depositories Act.
4. Our Company reserves the right to cancel the Issue at any time up to Allotment without assigning any reasons whatsoever.
5. Post receipt of the listing approval of the Stock Exchanges, the Issuer shall credit the Equity Shares into the Depository Participant account of the Eligible QIBs.
6. Following the Allotment and credit of Equity Shares pursuant to the Issue into the Eligible QIBs Depository Participant account, our Company will apply for final listing and trading approval for trading on the Stock Exchanges.
7. In the event our Company is unable to Issue and Allot the Equity Shares or on cancellation of the Issue, within 60 days from the date of receipt of application money, in accordance with section 42 of the Companies Act, 2013 our Company shall repay the application money within 15 days from expiry of 60 days, failing which our Company shall repay that money with interest at the rate of 12% per annum from expiry of the 60th day. The application money to be refunded by us shall be refunded to the same bank account from which application money was remitted by the Eligible QIBs.
8. The Escrow Bank shall release the monies lying to the credit of the Escrow Bank Account to our Company after the receipt of the final listing and trading approval from the Stock Exchanges.
9. In case of Eligible QIBs who have been Allotted more than 5% of the Equity Shares in the Issue, our Company shall disclose the name and the number of the Equity Shares Allotted to such Eligible QIB to Stock Exchanges and Stock Exchanges shall make the same available on their website.

Other Instructions

Our Right to Reject Bids

Our Company, in consultation with the BRLMs and the GCBRLMs, may reject Bids, in part or in full, without assigning any reasons whatsoever. The decision of our Company and the BRLMs and the GCBRLMs in relation to the rejection of Bids shall be final and binding.

Equity Shares in dematerialised form with NSDL or CDSL

1. The Allotment of the Equity Shares in the Issue shall be only in dematerialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).
2. An Eligible QIB applying for Equity Shares must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the Bid.
3. Allotment to a successful Eligible QIB will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the QIB.

4. Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges have electronic connectivity with NSDL and CDSL.
5. The trading of the Equity Shares would be in dematerialised form only for all Eligible QIBs in the demat segment of Stock Exchanges.
6. Our Company will not be responsible or liable for the delay in the credit of the Equity Shares due to errors in the Application Forms or on part of the Eligible QIBs.

PLACEMENT

Placement Agreement

The BRLMs and the GCBRLMs have entered into a placement agreement dated December 11, 2017 with our Company (the "**Placement Agreement**"), pursuant to which the BRLMs and the GCBRLMs have severally and not jointly agreed to manage the Issue and act as placement agents in connection with the proposed Issue and procure subscriptions for the Equity Shares on a reasonable efforts basis pursuant to Chapter VIII of SEBI ICDR Regulations and the Companies Act, 2013 read with rules thereunder.

The Placement Agreement contains customary representations, warranties and indemnities from our Company and the BRLMs and the GCBRLMs, and it is subject to termination in accordance with the terms contained therein.

Applications shall be made to list the Equity Shares issued pursuant to the Issue and admit them to trading on the Stock Exchanges. No assurance can be given as to the liquidity or sustainability of the trading market for such Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

This Placement Documents has not been, and will not be, registered as a prospectus with the RoC and, no Equity Shares issued pursuant to the Issue will be offered in India or overseas to the public or any members of the public in India or any other class of investors, other than Eligible QIBs.

In connection with the Issue, the BRLMs and the GCBRLMs (or their respective affiliates) may, for their own account, subscribe to the Equity Shares or enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares to be issued pursuant to the Issue at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the BRLMs and the GCBRLMs may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions. Affiliates of the BRLMs and the GCBRLMs may subscribe to Equity Shares and be Allotted Equity Shares for proprietary purposes and not with a view to distribute or in connection with the issuance of P-Notes. See "*Offshore Derivative Instruments (P-Notes)*" on page 10.

From time to time, the BRLMs and the GCBRLMs and their affiliates may engage in transactions with and perform services for our Company, group companies or affiliates in the ordinary course of business and have engaged, or may in the future engage, in commercial banking and investment banking transactions with our Company and its group companies or affiliates, for which they have received compensation and may in the future receive compensation.

IDFC Securities Limited, an associate of IDFC Bank Limited, Inga Capital Limited and Jefferies India Private Limited acted as the book running lead managers to the qualified institutions placement of equity shares of our Company in September 2015.

Lock-up

Our Company undertakes that it will not for a period of 120 days from the date of Allotment under the Placement, without the prior written consent of the Lead Managers, directly or indirectly, (a) purchase, lend, sell, offer, issue, contract to issue, issue or offer any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, any Equity Shares or any securities convertible into or exercisable for Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares which may be deemed to be beneficially owned), or file any registration statement under the U.S. Securities Act, with respect to any of the foregoing; or (b) enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences associated with the ownership of any of the Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares (regardless of whether any of the transactions described in clause (a) or (b) is to be settled by the delivery of Equity Shares or such other securities, in cash or otherwise), or (c) deposit Equity Shares with any other depositary in connection with a depositary receipt facility, (d) enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of an issue, offer, sale or deposit of the Equity Shares in any depository receipt facility, or (e) publicly announce any intention to enter into any transaction falling within (a) to (d) above or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of an issue or offer or deposit of Equity Shares in any depositary receipt facility or publicly announce any intention to enter into any transaction falling within (a) to (d) above. Provided that, the foregoing restriction shall not apply to (i) an issuance of Equity Shares

or options pursuant to any employee stock option scheme formulated by the Company; and (ii) an issuance of Equity Shares by the Company pursuant to any acquisition, merger or amalgamation undertaken by the Company with prior written consent of the BRLMs and the GCBRLMs if such acquisition, merger or amalgamation is to be undertaken within 90 days from the date of Allotment under the Placement (such consent shall not be unreasonably withheld); and in case of an issuance of Equity Shares by the Company pursuant to any acquisition, merger or amalgamation undertaken by the Company after 90 days and before 120 days from the date of Allotment under the Issue, such acquisition, merger or amalgamation shall be undertaken by the Company with prior intimation to the BRLMs and the GCBRLMs. The Company confirms that as on the date of the Placement Agreement, it has not entered into discussions, agreements, schemes of mergers or amalgamations or any other similar arrangements.

Each of our Promoters and entities forming part of Promoter Group severally agree that it will not without the prior written consent of the BRLMs and the GCBRLMS, for a period of 120 days from the date of Allotment of the Equity Shares (the "**Lock-up Period**"), directly or indirectly: (a) sell, lend, contract to sell, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Equity Shares held by it as on date ("**Lock-up Shares**" which definition shall include all Equity Shares including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares which may be deemed to be beneficially owned by the respective Promoter and Promoter Group individual or entity), or any securities convertible into or exercisable or exchangeable for Lock-up Shares or file any registration statement under the Securities Act, or publicly announce an intention with respect to any of the foregoing; (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of Lock-up Shares or any securities convertible into or exercisable or exchangeable for Lock-up Shares; (c) sell, lend, contract to sell, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares or interest in an entity which holds any Lock-up Shares or (d) publicly announce any intention to enter into any transaction whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of Lock-up Shares, or such other securities, in cash or otherwise or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of an issue or offer or deposit of Equity Shares in any depositary receipt facility or publicly announce any intention to enter into any transaction falling within (a) to (c) above. Each of our Promoters and entities forming part of Promoter Group severally hereby agree that any Equity Shares acquired by any of the Promoters during the Lock-up Period, either from the open market or inter-se transfer, shall constitute Lock-up Shares, and shall be subject to the restrictions contained herein. Further, each of our Promoters and entities forming part of Promoter Group severally undertake that the lock-up restriction shall be applicable to all the Lock-up Shares.

SELLING RESTRICTIONS

The distribution of the Preliminary Placement Document and this Placement Document or any offering material and the offering, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of the Preliminary Placement Document and Placement Document or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions.

General

No action has been taken or will be taken by the Company or the BRLMs and the GCBRLMs that would permit a public offering of the Equity Shares to occur in any jurisdiction, or the possession, circulation or distribution of the Preliminary Placement Document and this Placement Document or any other material relating to the Company or the Equity Shares in any jurisdiction where action for such purpose is required (including filing of prospectus in India with SEBI or any other authority in connection with the Issue). Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and none of the Preliminary Placement Document and this Placement Document, any offering materials and any advertisements in connection with the offering of the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. The Issue will be made in compliance with the applicable SEBI Regulations. Each subscriber of the Equity Shares in this Issue will be deemed to have made acknowledgments and agreements as described under "Notice to Investors", "Representations by Investors" and "Transfer Restrictions".

Australia. This Placement Document:

- does not constitute a product disclosure document or a prospectus under Chapter 6D.2 of the Corporations Act 2001 (Cth) (the "**Corporations Act**");

- has not been, and will not be, lodged with the Australian Securities and Investments Commission ("ASIC"), as a disclosure document for the purposes of the Corporations Act and does not purport to include the information required of a disclosure document under Chapter 6D.2 of the Corporations Act;

- does not constitute or involve a recommendation to acquire, an offer or invitation for issue or sale, an offer or invitation to arrange the issue or sale, or an issue or sale, of interests to a "retail client" (as defined in section 761G of the Corporations Act and applicable regulations) in Australia; and

- may only be provided in Australia to select investors who are able to demonstrate that they fall within one or more of the categories of investors, or Exempt Investors, available under section 708 of the Corporations Act.

The Equity Shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for or buy the Equity Shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any Equity Shares may be distributed in Australia, except where disclosure to investors is not required under Chapter 6D of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Equity Shares, you represent and warrant to us that you are an Exempt Investor.

As any offer of Equity Shares under the Preliminary Placement Document will be made without disclosure in Australia under Chapter 6D.2 of the Corporations Act, the offer of those securities for resale in Australia within 12 months may, under section 707 of the Corporations Act, require disclosure to investors under Chapter 6D.2 if none of the exemptions in section 708 applies to that resale. By applying for the Equity Shares you undertake to us that you will not, for a period of 12 months from the date of issue of the Equity Shares, offer, transfer, assign or otherwise alienate those securities to investors in Australia except in circumstances where disclosure to investors is not required under Chapter 6D.2 of the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

Bahrain. All applications for investment should be received, and any allotments should be made, in each case from outside Bahrain. This Placement Document has been prepared for private information purposes of intended investors only who will be high net worth individuals and institutions. Our Company and the Selling Shareholders have not made and will not make any invitation to the public in the Kingdom of Bahrain and this Placement Document will not be issued, passed to, or made available to the public generally. The Bahrain Monetary Agency

("**BMA**") has not reviewed, nor has it approved, this Placement Document or the marketing of Equity Shares in the Kingdom of Bahrain. Accordingly, Equity Shares may not be offered or sold in Bahrain or to residents thereof except as permitted by Bahrain law.

Cayman Islands. No offer or invitation to subscribe for Equity Shares may be made to the public in the Cayman Islands.

Dubai International Financial Centre ("DIFC"). The Preliminary Placement Document relate to an Exempt Offer in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority ("**DFSA**"). The Preliminary Placement Document and this Placement Document are intended for distribution only to persons of a type specified in the Markets Rules 2012 of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus supplement nor taken steps to verify the information set forth herein and has no responsibility for this Placement Document. The securities to which this Placement Document relate may be illiquid and/or subject to restrictions on their resale. Prospective subscribers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this Placement Document you should consult an authorized financial advisor.

In relation to its use in the DIFC, this Placement Document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the securities may not be offered or sold directly or indirectly to the public in the DIFC.

European Economic Area. In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, no offer of Equity Shares may be made to the public in that Relevant Member State other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Underwriters; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Equity Shares shall require the Company or any Underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires any Equity Shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with each of the Underwriters and the Company that it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

In the case of any Equity Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the Equity Shares acquired by it in the Offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Equity Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

For the purposes of this provision, the expression an "offer of Equity Shares to the public" in relation to any Equity Shares in any Relevant Member State means the communication in any form and by means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Hong Kong. The Equity Shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances

which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Equity Shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan. The Equity Shares have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act. Accordingly, none of the Equity Shares nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any "resident" of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan in effect at the relevant time.

Republic of Korea. The Equity Shares have not been and will not be registered under the Financial Investments Services and Capital Markets Act of Korea and the decrees and regulations thereunder (the "**FSCMA**"), and the Equity Shares have been and will be offered in Korea as a private placement under the FSCMA. None of the Equity Shares may be offered, sold or delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the FSCMA and the Foreign Exchange Transaction Law of Korea and the decrees and regulations thereunder (the "**FETL**"). Furthermore, the subscriber of the Equity Shares shall comply with all applicable regulatory requirements (including but not limited to requirements under the FETL) in connection with the subscription of the Equity Shares. By the subscription of the Equity Shares, the relevant holder thereof will be deemed to represent and warrant that if it is in Korea or is a resident of Korea, it subscribed to the Equity Shares pursuant to the applicable laws and regulations of Korea.

Kuwait. The Equity Shares have not been authorised or licensed for offering, marketing or sale in the State of Kuwait. The distribution of the Preliminary Placement Document and this Placement Document and the offering and sale of the Equity Shares in the State of Kuwait is restricted by law unless a license is obtained from the Kuwaiti Ministry of Commerce and Industry in accordance with Law 31 of 1990.

Malaysia. No prospectus or other offering material or document in connection with the offer and sale of the Equity Shares has been or will be registered with the Securities Commission of Malaysia ("**Commission**") for the Commission's approval pursuant to the Capital Markets and Services Act 2007. Accordingly, the Preliminary Placement Document, this Placement Document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Equity Shares may not be circulated or distributed, nor may the Equity Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Malaysia other than (i) a closed end fund approved by the Commission; (ii) a holder of a Capital Markets Services Licence; (iii) a person who acquires the Equity Shares, as principal, if the offer is on terms that the Equity Shares may only be acquired at a consideration of not less than RM250,000 (or its equivalent in foreign currencies) for each transaction; (iv) an individual whose total net personal assets or total net joint assets with his or her spouse exceeds RM3 million (or its equivalent in foreign currencies), excluding the value of the primary residence of the individual; (v) an individual who has a gross annual income exceeding RM300,000 (or its equivalent in foreign currencies) per annum in the preceding twelve months; (vi) an individual who, jointly with his or her spouse, has a gross annual income of RM400,000 (or its equivalent in foreign currencies), per annum in the preceding twelve months; (vii) a corporation with total net assets exceeding RM10 million (or its equivalent in a foreign currencies) based on the last audited accounts; (viii) a partnership with total net assets exceeding RM10 million (or its equivalent in foreign currencies); (ix) a bank licensee or insurance licensee as defined in the Labuan Financial Services and Securities Act 2010; (x) an Islamic bank licensee or takaful licensee as defined in the Labuan Financial Services and Securities Act 2010; and (xi) any other person as may be specified by the Commission; provided that, in the each of the preceding categories (i) to (xi), the distribution of the Equity Shares is made by a holder of a Capital Markets Services Licence who carries on the business of dealing in securities. The distribution in Malaysia of this Placement Document is subject to Malaysian laws. This Placement Document do not constitute and may not be used for the purpose of public offering or an issue, offer for subscription or purchase, invitation to subscribe for or purchase any securities requiring the

registration of a prospectus with the Commission under the Capital Markets and Services Act 2007.

Mauritius. The Equity Shares may not be offered or sold, directly or indirectly, to the public in Mauritius. Neither the Preliminary Placement Document nor this Placement Document nor any offering material or information contained herein relating to the offer of Equity Shares may be released or issued to the public in Mauritius or used in connection with any such offer. The Preliminary Placement Document and this Placement Document do not constitute an offer to sell Equity Shares to the public in Mauritius and is not a prospectus as defined under the Companies Act 2001.

New Zealand. This Placement Document is not a prospectus. It has not been prepared or registered in accordance with the Securities Act 1978 of New Zealand (the "**New Zealand Securities Act**"). The Preliminary Placement Document and this Placement Document will be distributed in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money, within the meaning of section 3(2)(a)(ii) of the New Zealand Securities Act ("**Habitual Investors**"). By accepting this Placement Document, each investor represents and warrants that if they receive the Preliminary Placement Document and this Placement Document in New Zealand they are a Habitual Investor and they will not disclose the Preliminary Placement Document and this Placement Document to any person who is not also a Habitual Investor.

Oman. This Placement Document and the Equity Shares to which it relates may not be advertised, marketed, distributed or otherwise made available to any person in Oman without the prior consent of the Capital Market Authority ("**CMA**") and then only in accordance with any terms and conditions of such consent. In connection with the offering of Equity Shares, no prospectus has been filed with the CMA. The offering and sale of Equity Shares described in this Placement Document will not take place inside Oman. This Placement Document is strictly private and confidential and is being issued to a limited number of sophisticated investors, and may neither be reproduced, used for any other purpose, nor provided to any other person than the intended recipient hereof.

Qatar (excluding Qatar Financial Centre). The Equity Shares have not been offered, sold or delivered, and will not be offered, sold or delivered at any time, directly or indirectly, in the State of Qatar in a manner that would constitute a public offering. This Placement Document has not been reviewed or registered with Qatari Government Authorities, whether under Law No. 25 (2002) concerning investment funds, Central Bank resolution No. 15 (1997), as amended, or any associated regulations. Therefore, this Placement Document is strictly private and confidential, and is being issued to a limited number of sophisticated investors, and may not be reproduced or used for any other purposes, nor provided to any person other than the recipient thereof.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this Placement Document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of the Preliminary Placement Document and this Placement Document. Prospective subscribers of the Equity Shares offered hereby should conduct their own due diligence on the accuracy of the information relating to the Equity Shares. If you do not understand the contents of this Placement Document, you should consult an authorized financial adviser.

Qatar Financial Centre. The Preliminary Placement Document does not, and is not intended to, constitute an invitation or offer of securities from or within the Qatar Financial Center ("**QFC**"), and accordingly should not be construed as such. This Placement Document has not been reviewed or approved by or registered with the Qatar Financial Centre Authority, the Qatar Financial Centre Regulatory Authority or any other competent legal body in the QFC. This Placement Document is strictly private and confidential, and may not be reproduced or used for any other purpose, nor provided to any person other than the recipient thereof. Our Company has not been approved or licensed by or registered with any licensing authorities within the QFC.

Saudi Arabia. This Placement Document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations as issued by the board of the Saudi Arabian Capital Market Authority ("**CMA**") pursuant to resolution number 2-11-2004 dated 4 October 2004 as amended by resolution number 1-28-2008, as amended (the "**CMA Regulations**"). The CMA does not make any representation as to the accuracy or completeness of this Placement Document and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Placement Document. Prospective subscribers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this Placement Document, you should consult an authorized financial adviser.

South Africa. Due to restrictions under the securities laws of South Africa, the Equity Shares are not offered, and the offer shall not be transferred, sold, renounced or delivered, in South Africa or to a person with an address in South Africa, unless one or other of the following exemptions applies:

(i) the offer, transfer, sale, renunciation or delivery is to:

(a) persons whose ordinary business is to deal in securities, as principal or agent;
(b) the South African Public Investment Corporation;
(c) persons or entities regulated by the Reserve Bank of South Africa;
(d) authorised financial service providers under South African law;
(e) financial institutions recognised as such under South African law;
(f) a wholly-owned subsidiary of any person or entity contemplated in (c), (d) or (e), acting as agent in the capacity of an authorised portfolio manager for a pension fund or collective investment scheme (in each case duly registered as such under South African law); or
(g) any combination of the person in (a) to (f); or

(ii) the total contemplated acquisition cost of the securities, for any single addressee acting as principal is equal to or greater than ZAR1,000,000.

No "offer to the public" (as such term is defined in the South African Companies Act, No. 71 of 2008 (as amended or re-enacted) (the "**South African Companies Act**")) in South Africa is being made in connection with the issue of the Equity Shares. Accordingly, this Placement Document does not, nor is it intended to, constitute a "registered prospectus" (as that term is defined in the South African Companies Act) prepared and registered under the South African Companies Act and has not been approved by, and/or filed with, the South African Companies and Intellectual Property Commission or any other regulatory authority in South Africa. Any issue or offering of the Equity Shares in South Africa constitutes an offer of the Equity Shares in South Africa for subscription or sale in South Africa only to persons who fall within the exemption from "offers to the public" set out in section 96(1)(a) of the South African Companies Act. Accordingly, the Preliminary Placement Document must not be acted on or relied on by persons in South Africa who do not fall within section 96(1)(a) of the South African Companies Act (such persons being referred to as "**SA Relevant Persons**"). Any investment or investment activity to which the Preliminary Placement Document relates is available in South Africa only to SA Relevant Persons and will be engaged in South Africa only with SA relevant persons.

***Singapore*.** This Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Equity Shares may not be circulated or distributed, nor may the Equity Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Equity Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
(ii) where no consideration is or will be given for the transfer;
(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or
(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

***Switzerland*.** The Equity Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("**SIX**") or on any other stock exchange or regulated trading facility in Switzerland. This Placement Document do not constitute a prospectus within the meaning of, and has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Equity Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Placement Document nor any other offering or marketing material relating to the offering, the Company, the Equity Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Equity Shares will not be supervised by, the Swiss Financial Market Supervisory Authority and the offer of Equity Shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Equity Shares.

United Arab Emirates. The Equity Shares have not been, and are not being, publicly offered, sold, promoted or advertised in the United Arab Emirates (including the Dubai International Financial Centre) other than in compliance with the laws of the United Arab Emirates (and the Dubai International Financial Centre) governing the issue, offering and sale of securities. Further, this Placement Document do not constitute a public offer of securities in the United Arab Emirates (including the Dubai International Financial Centre) and is not intended to be a public offer. This Placement Document has not been approved by or filed with the Central Bank of the United Arab Emirates, the Securities and Commodities Authority or the Dubai Financial Services Authority.

United Kingdom. In the United Kingdom, this Placement Document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**") and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons") or otherwise in circumstances which have not resulted and will not result in an offer to the public of the Equity Shares in the United Kingdom within the meaning of the Financial Services and Markets Act 2000. Any person in the United Kingdom that is not a relevant person should not act or rely on the information included in this Placement Document or use it as basis for taking any action. In the United Kingdom, any investment or investment activity that this Placement Document relates to may be made or taken exclusively by relevant persons.

United States. The Equity Shares offered in the Offer have not been and will not be registered under the Securities Act or any state securities laws in the United States, and unless so registered may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, such Equity Shares are being offered and sold (i) outside of the United States in offshore transactions in reliance on Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur; and (ii) to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act), pursuant to the private placement exemption set out in Section 4(a)(2) of the Securities Act.

Until 40 days after the commencement of the Issue, an offer or sale of the Equity Shares within the United States by a dealer (whether or not participating in the Issue) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the Securities Act.

TRANSFER RESTRICTIONS

Due to the following restrictions, investors are advised to consult legal counsel prior to purchasing Equity Shares or making any resale, pledge or transfer of the Equity Shares.

Subscribers are not permitted to sell the Equity Shares Allotted pursuant to the Issue, for a period of one year from the date of Allotment, except on the BSE or the NSE. Allotments made to FIIs and FPIs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements. Additional transfer restrictions applicable to the Equity Shares are listed below.

United States Transfer Restrictions

The Equity Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

Each subscriber of the Equity Shares outside the United States pursuant to Regulation S will be deemed to have represented and agreed that it has received a copy of the Preliminary Placement Document and such other information as it deems necessary to make an informed investment decision and that:

1. the subscriber acknowledges that the Equity Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state of the United States, and are subject to restrictions on transfer;

2. the subscriber and the person, if any, for whose account or benefit the subscriber is acquiring the Equity Shares, was located outside the United States at the time the buy order for the Equity Shares was originated and continues to be located outside the United States and has not subscribed to the Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Equity Shares or any economic interest therein to any person in the United States;

3. the subscriber is not an affiliate (as defined in Rule 405 of the Securities Act) of our Company or a person acting on behalf of such affiliate; and it is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Equity Shares from our Company or an affiliate (as defined in Rule 405 of the Securities Act) thereof in the initial distribution of the Equity Shares;

4. the subscriber is aware of the restrictions on the offer and sale of the Equity Shares pursuant to Regulation S described in this Placement Document;

5. the Equity Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S under the Securities Act; and

6. the subscriber acknowledges that our Company, the BRLMs and the GCBRLMs and their respective affiliates (as defined in Rule 405 of the Securities Act), and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its subscription of the Equity Shares are no longer accurate, it will promptly notify our Company, and if it is acquiring any of the Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

Each subscriber of the Equity Shares within the United States subscribing pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act will be deemed to have represented and agreed that it has received a copy of the Preliminary Placement Document and such other information as it deems necessary to make an informed investment decision and that:

1. the subscriber is authorized to consummate the purchase of the Equity Shares in compliance with all applicable laws and regulations;

2. the subscriber acknowledges that the Equity Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer;

3. the subscriber is a U.S. QIB and is aware that the sale to it is being made in a transaction not subject to the registration requirements of the Securities Act and is acquiring such Equity Shares for its own account or for the account of a qualified institutional buyer;

4. the subscriber is aware that the Equity Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the Securities Act;

5. if in the future, the subscriber decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only to a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, in accordance with Regulation S under the Securities Act or in accordance with Rule 144 under the Securities Act (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;

6. the Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any Equity Shares;

7. the subscriber will not deposit or cause to be deposited such Equity Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;

8. our Company shall not recognise any offer, sale, pledge or other transfer of the Equity Shares made other than in compliance with the above-stated restrictions;

9. the subscriber acknowledges that our Company, the BRLMs and the GCBRLMs and their respective affiliates (as defined in Rule 405 of the Securities Act), and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its subscription of the Equity Shares are no longer accurate, it will promptly notify our Company, and if it is acquiring any of the Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account; and

10. The Equity Shares may not be acquired by or transferred to (i) any person that is, or that is acting on behalf of or investing assets of, (A) an "employee benefit plan" (as defined in section 3(3) of ERISA) that is subject to the fiduciary responsibility provisions of Title I of ERISA, (B) a "plan" (as defined in Section 4975(e)(1) of the Internal Revenue Code) that is subject to Section 4975 of the Internal Revenue Code or (C) an entity whose underlying assets are deemed to include assets of an employee benefit plan or a plan described in (A) or (B) by reason of such employee benefit plan's or plan's investment in the entity (collectively, a "**Benefit Plan Investor**") or (ii) any person that is, or that is acting on behalf of or investing the assets of a governmental, church or non-U.S. plan that is subject to Similar Law, unless in each case such person's acquisition, holding and disposition of the Equity Shares will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Internal Revenue Code or a non-exempt violation of any Similar Law, in the case of a plan subject to Similar Law.

11. Each subscriber or transferee of Equity Shares or any interest therein that is using assets of a benefit plan investor subject to ERISA or to Section 4975 of the Code (a "benefit plan"), including any fiduciary purchasing Equity Shares on behalf of a benefit plan ("**Plan Fiduciary**"), will be deemed to have represented by its acquisition of the Equity Shares that:

(a) none of the Company, the BRLMs and the GCBRLMs, agents, dealers and similar parties, or any of their respective affiliated entities (the "**Transaction Parties**"), has provided or will provide advice with respect to the acquisition of Equity Shares by the benefit plan, other than to the Plan Fiduciary which is independent of the Transaction Parties, and the Plan Fiduciary either: (a) is a bank as defined in Section 202 of the Investment Advisers Act of 1940 (the "**Advisers Act**"), or similar institution that is regulated and supervised

and subject to periodic examination by a State or Federal agency; (b) is an insurance carrier which is qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of assets of a benefit plan; (c) is an investment adviser registered under the Advisers Act, or, if not registered an as investment adviser under the Advisers Act by reason of paragraph (1) of Section 203A of the Advisers Act, is registered as an investment adviser under the laws of the state in which it maintains its principal office and place of business; (d) is a broker-dealer registered under the Securities Exchange Act of 1934, as amended; or (e) has, and at all times that the benefit plan is invested in Equity Shares will have, total assets of at least U.S. $50,000,000 under its management or control (provided that this clause (e) shall not be satisfied if the Plan Fiduciary is either (i) the owner or a relative of the owner of an investing individual retirement account or (ii) a participant or beneficiary of the benefit plan investing in Equity Shares in such capacity);

(b) the Plan Fiduciary is capable of evaluating investment risks independently, both in general and with respect to particular transactions and investment strategies, including the acquisition by the benefit plan of Equity Shares;

(c) the Plan Fiduciary is a "fiduciary" with respect to the benefit plan within the meaning of Section 3(21) of ERISA, Section 4975 of the Code, or both, and is responsible for exercising independent judgment in evaluating the benefit plan's acquisition of Equity Shares;

(d) none of the Transaction Parties has exercised any authority to cause the benefit plan to invest in Equity Shares or to negotiate the terms of the benefit plan's investment in Equity Shares; and

(e) the Plan Fiduciary has been informed by the Transaction Parties: (a) that none of the Transaction Parties is undertaking to provide impartial investment advice or to give advice in a fiduciary capacity, and that no such entity has given investment advice or otherwise made a recommendation, in connection with the benefit plan's acquisition of Equity Shares; and (b) of the existence and nature of the Transaction Parties financial interests in the benefit plan's acquisition of Equity Shares.

The above representations are intended to comply with the DOL's Reg. Sections 29 C.F.R. 2510.3-21(a) and (c)(1) as promulgated on April 8, 2016 (81 Fed. Reg. 20,997). If these regulations are revoked, repealed or no longer effective, these representations shall be deemed to be no longer in effect.

None of the Transaction Parties is undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the acquisition of any Equity Shares by any benefit plan.

THE SECURITIES MARKET OF INDIA

The information in this section has been extracted from documents available on the website of SEBI and the Stock Exchanges and has not been prepared or independently verified by our Company or the BRLMs and the GCBRLMs or any of their respective affiliates or advisors.

The Indian Securities Market

India has a long history of organised securities trading. In 1875, the first stock exchange was established in Mumbai. BSE and NSE are the significant stock exchanges in terms of the number of listed companies, market capitalisation and trading activity.

Indian Stock Exchanges

Indian stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the Securities Contracts (Regulation) Act, 1956 (the "**SCRA**") and the Securities Contracts (Regulation) Rules, 1957 (the "**SCRR**"). On June 20, 2012, SEBI, in exercise of its powers under the SCRA and the Securities and Exchange Board of India Act, 1992, as amended from time to time (the "**SEBI Act**"), notified the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 (the "**SCR (SECC) Rules**"), which regulate *inter alia* the recognition, ownership and internal governance of stock exchanges and clearing corporations in India together with providing for minimum capitalisation requirements for stock exchanges. The SCRA, the SCRR and the SCR (SECC) Rules along with various rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner, in which contracts are entered into, settled and enforced between members of the stock exchanges.

The SEBI Act empowers SEBI to regulate the Indian securities markets, including stock exchanges and intermediaries in the capital markets, promote and monitor self-regulatory organisations and prohibit fraudulent and unfair trade practices. Regulations and guidelines concerning minimum disclosure requirements by public companies, investor protection, insider trading, substantial acquisitions of shares and takeover of companies, buy-backs of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, FPIs, credit rating agencies and other capital market participants have been notified by the relevant regulatory authority.

Listing of Securities

The listing of securities on a recognised Indian stock exchange is regulated by the applicable Indian laws including the Companies Act, the SCRA, the SCRR, the SEBI Act and various guidelines and regulations issued by SEBI and the Listing Regulations. The SCRA empowers the governing body of each recognised stock exchange to suspend trading of or withdraw admission to dealings in a listed security for breach of or non-compliance with any conditions or breach of a company's obligations under the Listing Regulations or for any reason, subject to the issuer receiving prior written notice of the intent of the exchange and upon granting of a hearing in the matter. SEBI also has the power to amend the Listing Regulations and bye-laws of the stock exchanges in India, to overrule a stock exchange's governing body and withdraw recognition of a recognised stock exchange.

Minimum Level of Public Shareholding

All listed companies are required to ensure a minimum public shareholding at 25%. Further, where the public shareholding in a listed company falls below 25% at any time, such company is required to bring the public shareholding to 25% within a maximum period of 12 months from the date of such fall. Consequently, a listed company may be delisted from the stock exchanges for not complying with the above-mentioned requirement. Our Company is in compliance with this minimum public shareholding requirement.

Pursuant to an amendment of the SCRR in June 2010, all listed companies (except public sector undertakings) were required to maintain a minimum public shareholding of 25%. However, pursuant to a subsequent amendment to the SCRR, a public company, including public sector undertakings, seeking to get a particular class or kind of securities listed shall offer and allot to the public (i) at least 25% of such class or kind of securities issued by the company, if the post issue capital is less than or equal to Rs. 16,000,000,000, (ii) at least such percentage of such class or kind of securities issued by the company equivalent to Rs. 4,000,000,000, if the post issue capital of the company is more than Rs. 16,000,000,000 but less than or equal to Rs. 40,000,000,000 or (iii) at least 10% of

such class or kind of securities issued by the company, if the post issue capital of the company is above Rs. 40,000,000,000. In case of (ii) and (iii) above, the public shareholding is required to be increased to 25% within a period of three years from the date of listing of the securities. In this regard, SEBI has provided several mechanisms to comply with this requirement. Where the public shareholding in a listed company falls below 25% at any time, such company shall bring the public shareholding to 25% within a maximum period of 12 months from the date of such the public shareholding having fallen below the 25% threshold.

Delisting

SEBI has notified the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 in relation to the voluntary and compulsory delisting of equity shares from the stock exchanges which were significantly modified in 2015. In addition, certain amendments to the SCRR have also been notified in relation to delisting.

Index-Based Market-Wide Circuit Breaker System

In order to restrict abnormal price volatility in any particular stock, SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10%, 15% and 20%. The Stock Exchanges on a daily basis translate the circuit breaker limits based on previous day's closing level of the index. These circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of BSE or the S&P CNX NIFTY of NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise price bands of up to 20% movements either up or down. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

BSE

Established in 1875, BSE is the oldest stock exchange in India. In 1956, it became the first stock exchange in India to obtain permanent recognition from the Government under the SCRA.

NSE

NSE was established by financial institutions and banks to provide nationwide online, satellite-linked, screen-based trading facilities with market-makers and electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. NSE was recognised as a stock exchange under the SCRA in April 1993 and commenced operations in the wholesale debt market segment in June 1994. The capital market (equities) segment commenced operations in November 1994 and operations in the derivatives segment commenced in June 2000.

Internet-based Securities Trading and Services

Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. Stockbrokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated under applicable law. NSE became the first exchange to grant approval to its members for providing internet based trading services. Internet trading is possible on both the "equities" as well as the "derivatives" segments of NSE. NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the "equities" and the "derivatives" segments of NSE.

Trading Hours

Trading on both NSE and BSE occurs from Monday to Friday, between 9:15 a.m. and 3:30 p.m. IST (excluding the 15 minutes pre-open session from 9:00 a.m. to 9:15 a.m.). BSE and NSE are closed on public holidays. The recognised stock exchanges have been permitted to set their own trading hours (in the cash and derivatives

segments) subject to the condition that (i) the trading hours are between 9.00 a.m. and 5.00 p.m.; and (ii) the stock exchange has in place a risk management system and infrastructure commensurate to the trading hours.

Trading Procedure

In order to facilitate smooth transactions, BSE replaced its open outcry system with BSE On-line Trading (or "**BOLT**") facility in 1995. This totally automated screen based trading in securities was put into practice nationwide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work.

NSE has introduced a fully automated trading system called National Exchange for Automated Trading (or "**NEAT**"), which operates on strict time/price priority besides enabling efficient trade. NEAT has provided depth in the market by enabling large number of members all over India to trade simultaneously, narrowing the spreads.

Takeover Regulations

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the Takeover Regulations, which provides specific regulations in relation to substantial acquisition of shares and takeover. Once the equity shares of a company are listed on a stock exchange in India, the provisions of the Takeover Regulations will apply to any acquisition of the company's shares/voting rights/control. The Takeover Regulations prescribe certain thresholds or trigger points in the shareholding a person or entity has in the listed Indian company, which give rise to certain obligations on part of the acquirer. Acquisitions up to a certain threshold prescribed under the Takeover Regulations mandate specific disclosure requirements, while acquisitions crossing particular thresholds may result in the acquirer having to make an open offer of the shares of the target company. The Takeover Regulations also provides for the possibility of indirect acquisitions, imposing specific obligations on the acquirer in case of such indirect acquisition.

Insider Trading Regulations

The Insider Trading Regulations have been notified by SEBI to prohibit and penalise insider trading in India. An insider is, among other things, prohibited from dealing either on his own behalf or on behalf of any other person, in the securities of a listed company or a company proposed to be listed when in possession of unpublished price sensitive information.

The Insider Trading Regulations also provide disclosure obligations for shareholders holding more than a predefined percentage, and directors and officers, with respect to their shareholding in the company, and the changes therein. The definition of "insider" includes any person who has received or has had access to unpublished price sensitive information in relation to securities of a company or any person who has a connection with the company that is expected to put him in possession of unpublished price sensitive information.

Depositories

The Depositories Act provides a legal framework for the establishment of depositories to record ownership details and effect transfers in book-entry form. Further, SEBI framed regulations in relation to, among other things, the formation and registration of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivatives contracts were included within the term "securities", as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivatives exchange or derivatives segment of a stock exchange functions as a self-regulatory organisation under the supervision of the SEBI

DESCRIPTION OF EQUITY SHARES

The following is information relating to the Equity Shares including a brief summary of the Memorandum of Association and Articles of Association, and the provisions of the Companies Act, 2013. Prospective investors are urged to read the Memorandum of Association and Articles of Association carefully, and consult with their advisers, as the Memorandum of Association and Articles of Association and applicable Indian law, and not this summary, govern the rights attached to the Equity Shares.

Share Capital

As on the date of this Placement Document, our Company's authorized Share Capital is Rs. 400,000,000 divided into 200,000,000 Equity Shares of Rs.2 each and the issued subscribed and paid up share capital is Rs. 348,970,600 divided into 174,485,300 Equity Shares of Rs. 2 each. For further details on our Company's share capital, see "*Capital Structure*" on page 74.

Dividends

Under Indian law, a company pays final dividend upon a recommendation by its board of directors and approval by a majority of the shareholders at the AGM of shareholders held each financial year. Under the Companies Act, 2013 unless the board of directors of a company recommends the payment of final dividend, the shareholders at a general meeting have no power to declare any dividend. Subject to certain conditions specified under Section 123 of the Companies Act, 2013 and the rules made thereunder no dividend can be declared or paid by a company for any financial year except (a) out of the profits of the company for that year, calculated in accordance with the provisions of the Companies Act, 2013; or (b) out of the profits of the company for any previous financial year(s) arrived at in accordance with the Companies Act, 2013 and remaining undistributed; or (c) out of both; or (d) out of money provided by the Central Government or a state Government for payment of dividend by the Company in pursuance of a guarantee given by that Government.

The profits of our Company, subject to provisions of the Articles of Association, shall be divisible among the members in proportion of the amount of capital paid up on the shares held by them respectively.

Our Board may retain any dividends on which our Company may have a lien and may apply the same towards the satisfaction of the debts or liabilities in respect of which the lien exists. Our Board may deduct from any dividend payable to any member all sums of money, if any, payable by him to the Company on account of calls or otherwise in relation to the Equity Shares of the Company. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the Equity Shares during any portion or portions of the period in respect of which the dividend is paid but if any Equity Share is issued on terms providing that it shall rank for dividends as from a particular date, such Equity Share shall rank for dividend accordingly. Our Board may deduct from any dividend payable to any member all sums of money, if any, payable by him to the Company on account of calls or otherwise in relation to the Equity Shares of the Company. No member shall be entitled to receive payment of interest and dividend in respect of his Equity Shares while any money may be due or owing from him to our Company and our Board may deduct from the interest or dividend to any member all such sums of money so due from him to our Company. A transfer of Equity Shares shall not pass the right to any dividend declared therein before the registration of the transfer unless the registered holder of the Equity Shares authorises the Company to pay the dividend to the transferee.

Any one of two or more joint holders of a share may give effective receipts for any dividends, bonuses or other monies payable in respect of such share.

The Memorandum and Articles of Association provide that our Company in its general meeting may declare dividends to be paid to the members according to their respective rights and interest in the profits. The dividend shall not exceed the amount recommended by our Board. Further, our Board may from time to time pay the member's interim dividend as may appear to them to be justified. No dividend shall bear interest against the Company.

Capitalisation of Reserves and Issue of Bonus Shares

In addition to permitting dividends to be paid out of current or retained earnings as described above, the Companies Act, 2013 permits the board of directors, if so approved by the shareholders in a general meeting, to capitalise the company's profits or reserves for the purpose of issuing fully paid-up bonus shares, which are similar

to stock dividend. The Companies Act, 2013 permits the issue of fully paid up bonus shares from its free reserves, securities premium account or capital redemption reserve account, provided that bonus shares shall not be issued by capitalizing reserves created by revaluation of assets. These bonus Equity Shares must be distributed to shareholders in proportion to the number of Equity Shares owned by them as recommended by the board of directors.

Any issue of bonus shares by a listed company would be subject to the SEBI ICDR Regulations. The relevant SEBI ICDR Regulations prescribe that no company shall make a bonus issue of equity shares if it has outstanding fully or partly convertible debt instruments at the time of making the bonus issue, unless it has made reservation of the equity shares in the same class in favour of the holders of the outstanding convertible debt instruments in proportion to the convertible part thereof and the equity shares reserved for the holders of fully or partly convertible debt instruments shall be issued at the time of conversion of such convertible debt instruments on the same terms or same proportion on which the bonds were issued. Further, for issuance of such bonus shares, a company should not have defaulted in the payment of interest or principal in respect of fixed deposits and interest on existing debentures or principal on redemption of such debentures. The declaration of bonus shares in lieu of a dividend cannot be made. The bonus issuance shall be made out of free reserves built out of genuine profits or share premium collected in cash only. The reserves created by revaluation of fixed assets cannot be capitalized. Further, a company should have sufficient reason to believe that it has not defaulted in respect of the payment of statutory dues of the employees, such as contributions to provident funds, gratuities and/or bonuses.

Our Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks fit as a reserve or reserves. Such reserves shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied, including provision for meeting contingencies or for equalizing dividends. Such reserves may also, at the discretion of the Board, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Board may, from time to time, think fit.

Our Company may by a resolution passed in a general meeting of the shareholders, upon a recommendation by the Board, resolve to capitalise whole or any part of the amount for the time being standing to the credit of any of our Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution and distribute amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions and that all or any part of such capitalized fund shall be applied on behalf of such shareholders in paying up any amounts for the time being unpaid on any Equity Shares held by such Shareholders and/or in paying up in full, unissued shares of our Company to be allotted and distributed, credited as fully paid up in the proportion aforesaid, provided that a share premium account and a capital redemption reserve fund may, for the purposes of the Article, be applied in the paying of any unissued shares to be issued to members of our Company as fully paid bonus shares.

Alteration of Share Capital

Subject to the provisions of the Companies Act, 2013, our Company may increase its share capital by issuing new shares on such terms and with such rights as it, by action of its shareholders in a general meeting may determine. According to Section 62(1)(a) of the Companies Act, 2013 such new shares shall be offered to existing shareholders in proportion to the paid up share capital on those shares at that date. The offer shall be made by notice specifying the number of shares offered and the date (being not less than 15 days and not exceeding 30 days from the date of the offer) within which the offer, if not accepted, will be deemed to have been declined. After such date or on receipt of earlier intimation from the persons to whom such notice is given that they decline to accept the shares offered, the Board may dispose of the shares offered in respect of which no acceptance has been received in a manner which shall not be disadvantageous to the shareholders of our Company. The offer is deemed to include a right exercisable by the person concerned to renounce the shares offered to him in favour of any other person. Private placement and public issues shall be undertaken pursuant to Chapter III the Companies Act, 2013.

Under the provisions of Section 62(1)(c) of the Companies Act, 2013 and the Companies (Share Capital and Debentures) Rules, 2014, new shares may be offered to any persons whether or not those persons include existing shareholders or employees to whom shares are allotted under a scheme of employees stock options, either for cash or for consideration other than cash, if a special resolution to that effect is passed by our Company's shareholders in a general meeting. Our Company may, by a resolution passed in a general meeting, from time to time, increase the share capital by the creation of new Equity Shares of such amount as may be deemed expedient and specified in the resolution. Such increase in the share capital shall be subject to compliance with the provision of the

Companies Act, 2013 and of any other laws that may be in force. New Equity Shares shall be issued upon such terms and conditions and with such rights and privileges attached thereto as are consistent with provisions of the Companies Act, 2013 and which the general meeting, resolving upon the creation thereof shall direct and if no direction be given, as our Board shall determine, and in particular such Equity Shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of our Company, subject to the conditions prescribed under the Companies Act, 2013.

Our Company may by ordinary resolution taken in a general meeting of shareholders:

(i) increase its authorised share capital by such amount as it thinks expedient;

(ii) consolidate and divide its share capital into shares of larger amount than its existing Equity Shares;

(iii) convert all or any of its fully paid-up Equity Shares into stock, and reconvert that stock into fully paid-up shares of any denomination;

(iv) sub-divide its existing Equity Shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, nevertheless, subject to the provisions of Section 61 of the Companies Act, 2013;

(v) Cancel Equity Shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the Equity Shares so cancelled; or

(vi) Classify Equity Shares which may determine that as between the holders of the Equity Shares resulting from such classification, one or more of such Equity Shares shall have some preference or special advantage over others as regards dividend, capital, voting rights, or otherwise, subject to the provisions of sections 43, 47 and 48 of the Companies Act, 2013.

Further, our Company may, from time to time, by special resolution taken in a general meeting of shareholders, reduce its share capital, any capital redemption reserve account or any share premium account in any manner, subject to any incident authorized and consent required by law.

General Meetings of Shareholders

Every year our Company is required to hold an annual general meeting in addition to any other meetings. Further, our Board may, whenever it thinks fit, call an extraordinary general meeting and shall, on the requisition of a number of shareholders who constitute not less than one-tenth of the paid-up capital of our Company, proceed to call an extraordinary general meeting. Not less than 21 days' clear notice in writing of the general meeting is to be given, but shorter notice may be given if consent in writing is accorded by all the shareholders entitled to vote and in case of any other meetings, with the consent of shareholders holding not less than 95 per cent of such part of the paid-up Share capital of our Company which gives a right to vote at the meeting. An explanatory statement shall be annexed to every notice of a general meeting and notice of every meeting of the Company shall be given to every member of the Company, to the auditors of the Company, to any legal representative of any deceased member or assignee of any insolvent member, and every director of the Company in accordance with Section 101 of the Companies Act, 2013. The accidental omission to give any such notice to or its non-receipt by any member or other person to whom it should be given shall not invalidate the proceedings of the meeting. The quorum requirements for a general meeting are as prescribed under Section 103 of the Companies Act, 2013, and no business is to be transacted at the general meeting unless the requisite quorum is present at the commencement of the same. If the quorum is not present within half an hour of the time appointed for a meeting, the meeting, if convened upon such requisition as aforesaid, shall be dissolved; but in any other case it shall stand adjourned to the same day in the next week at the same time and place, or such other day and at such time and place as the Board may by notice appoint. The Articles of Association further provide that no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

A resolution put to vote at a meeting of the shareholders shall be decided by a show of hands unless the voting is carried out electronically or a poll has been demanded under Section 109 of the Companies Act, 2013.

Voting Rights

Subject to the provisions of the Companies Act, 2013 and the Memorandum and Articles of Association, votes may be given either personally or by proxy, or in the case of a body corporate, by a duly authorized representative under Section 113 of the Companies Act, 2013.

Every member present in person shall have one vote on a show of hands, and on poll, the member present in person or by proxy shall have one vote for each Equity Share of our Company held by him, subject to any rights or restrictions for the time being attached to any class or classes of Equity Shares. Further, in terms of Companies (Management and Administration) Rules, 2014, a member shall have the right to exercise its vote at any general meeting by electronic means.

No member shall be entitled to exercise any voting rights either personally or by proxy at any meeting of the Company in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or regard to which the Company has exercised any right of lien.

The instrument appointing a proxy is required to be lodged at the registered office at least 48 hours before the time of the meeting. No proxy shall be entitled to vote on a show of hands unless such proxy is present on behalf of a company or corporation. A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument or transfer of the Equity Share in respect of which the vote is given provided no intimation in writing of the death or insanity, revocation or transfer shall have been received at the office of our Company before the general meeting. Provided that the chairman of any general meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of an instrument of proxy and that the same has not been revoked. A person can act as proxy on behalf of the members not exceeding 50 and holding in aggregate not more than 10% of the total share capital of the Company carrying voting rights.

Ordinary resolutions may be passed by simple majority of those present and voting. Special resolutions require that the votes cast in favour of the resolution must be at least three times the votes cast against the resolution. The Companies Act, 2013 provides that to amend the Articles of Association a special resolution is required to be passed in a general meeting.

Directors

The Articles of Association provide that the number of Directors shall be not less than three and not more than fifteen. The Directors shall be appointed by our Company in the general meeting subject to the provisions of the Companies Act, 2013 and the Articles of Association. The Directors to retire by rotation at every annual general meeting shall be those who have been longest in office since their last appointment but as between persons who became Directors on the same day those to retire shall in default of being subject to any agreement among themselves, be determined by lot.

The Directors have the power to appoint any other persons as an additional Director on our Board but any Director so appointed shall hold office only up to the date of the next following annual general meeting of our Company and the total number of Directors shall not at any time exceed the maximum strength prescribed under the Articles of Association. Our Board shall also have the power to appoint any person to act as an alternate Director for a Director during the latter's absence for a period of not less than three months from India.

In terms of the Companies Act, 2013, our Board is required to meet at least four times in a year not exceeding more than 120 days between two meetings, for the dispatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit. The quorum for a meeting of our Board is one-third of the total number of Directors (any fraction contained in that one-third being rounded off as one) or two Directors, whichever is higher.

Transfer of Equity Shares

An application for registration of a transfer of the Equity Shares in our Company may be made either by the transferor or the transferee. Where the application is made by the transferor and relates to partially paid Equity Shares, the transfer shall not be registered unless our Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice. No fee may

be charged for registration of transfer of Equity Shares. Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by SEBI.

Our Company is required to comply with the rules, regulations and requirements of the BSE Limited or the rules made under the Companies Act, 2013 or the rules made under the Securities Contracts (Regulation) Act, 1956, as amended ("**SCRA**"), or any other law or rules applicable, relating to the transfer or transmission of Equity Shares.

Buy-back

Our Company may buy back its own Equity Shares or other specified securities subject to the provisions of the Companies Act, 2013 and any related SEBI guidelines issued in connection therewith.

Liquidation Rights

In the event that our Company is wound up, the holders of Equity Shares shall be entitled to have the assets available for distribution amongst the members so that the losses shall be borne by the holders of the Equity Shares as nearly as may be in proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up on the Equity Shares held by them. If the assets available for distribution are more than sufficient to repay the whole of the paid-up capital at the commencement of the winding up, the surplus shall be distributed amongst the holders of Equity Shares in proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up.

INDEPENDENT AUDITORS

Our Company's Audited Consolidated Financial Statements and the Consolidated Reviewed Financial Statement have been included in this Placement Document. The consolidated financial statements of our Company as of and for the years ended March 31, 2015 and March 31, 2016 included herein have been prepared in accordance Indian GAAP. The consolidated financial statements of our Company as of and for the year ended March 31, 2017 (including for the comparative period of March 31, 2016) as well as the Consolidated Reviewed Financial Statement (including for the comparative period of September 30, 2016), included herein has been prepared in accordance with Ind AS.

Walker Chandiok & Co LLP, Chartered Accountants, firm registration no. 001076N/N500013, our statutory auditors, have audited our Audited Consolidated Financial Statements and have reviewed the Consolidated Reviewed Financial Statement, which have been included in this Placement Document.

TAXATION

There may be certain material Indian tax consequences of ownership of Equity Shares which are based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect at the date of this Placement Document. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the Equity Shares. For information on Indian taxation, please refer to "*Statement of Tax Benefits*" on page 198 of the attached Placement Document.

Certain U.S. Federal Income Tax Considerations

The following is a discussion of certain material U.S. federal income tax consequences of purchasing, owning and disposing of Equity Shares acquired pursuant to this Issue. This summary does not address any aspect of U.S. federal non-income tax laws, such as U.S. federal estate and gift tax laws, or state, local or non-U.S. tax laws, and does not purport to be a comprehensive description of all of the U.S. tax considerations that may be relevant to a particular person's decision to acquire Equity Shares.

YOU SHOULD CONSULT YOUR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN YOUR PARTICULAR SITUATION.

The discussion applies to you only if you do not currently own Equity Shares, acquire the Equity Shares in this Issue and you hold the Equity Shares as capital assets for U.S. federal income tax purposes (generally, for investment). This section does not apply to you if you are a member of a special class of holders subject to special tax rules, including:

- a broker;
- a dealer in securities, commodities or non-U.S. currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;
- a bank or other financial institution;
- a tax-exempt organisation;
- an insurance company;
- a regulated investment company;
- an investor who is a U.S. expatriate, former U.S. citizen or former long term resident of the United States;
- a controlled foreign corporation;
- a passive foreign investment company;
- a mutual fund;
- an individual retirement or other tax-deferred account;
- a holder liable for alternative minimum tax;
- a holder that actually or constructively owns 10% or more, by voting power, of our Company's voting stock;
- a partnership or other pass-through entity for U.S. federal income tax purposes;
- a holder that holds Equity Shares as part of a straddle, hedging, constructive sale, conversion or other integrated transaction for U.S. federal income tax purposes; or
- a U.S. holder (as defined below) whose functional currency is not the U.S. Dollar.

This section is based on the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), existing and proposed income tax regulations issued under the Code, legislative history, and judicial and administrative interpretations thereof, all as of the date hereof. All of the foregoing are subject to change at any time, and any change could be

retroactive and could affect the accuracy of this discussion. In addition, the application and interpretation of certain aspects of the passive foreign investment company ("**PFIC**") rules, referred to below, require the issuance of regulations which in many instances have not been promulgated and which may have retroactive effect. There can be no assurance that any of these regulations will be enacted or promulgated, and if so, the form they will take or the effect that they may have on this discussion. This discussion is not binding on the U.S. Internal Revenue Service ("**IRS**") or the courts. No ruling has been or will be sought from the IRS with respect to the positions and issues discussed herein, and there can be no assurance that the IRS or a court will not take a different position concerning the U.S. federal income tax consequences of an investment in the Equity Shares or that any such position would not be sustained.

You are a "**U.S. holder**" if you are a beneficial owner of Equity Shares that acquired the shares pursuant to this Issue and you are:

- a citizen or resident of the United States;
- a U.S. domestic corporation, or other entity treated as a domestic corporation for U.S. federal income tax purposes;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust if (1) a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorised to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

In addition, this discussion is limited to U.S. holders who are not resident in India for purposes of the Income Tax Treaty between the United States and India.

If a partnership (including for this purpose any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of the Equity Shares, the U.S. tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. A holder of the Equity Shares that is a partnership and partners in such a partnership should consult their own tax advisors concerning the U.S. federal income tax consequences of purchasing, owning and disposing of Equity Shares.

A "**non-U.S. holder**" is a beneficial owner of Equity Shares that acquired the shares pursuant to this Issue and that is neither a U.S. holder nor a partnership for U.S. federal income tax purposes.

Taxation of Dividends

U.S. Holders. Subject to the PFIC rules described below under "PFIC Considerations", if you are a U.S. holder you must include in your gross income the gross amount of any distributions of cash or property (other than certain pro rata distributions of Equity Shares) with respect to Equity Shares, to the extent the distribution is paid by our Company out of its current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. A U.S. holder will include the dividend as ordinary income at the time of actual or constructive receipt. Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the Equity Shares and thereafter as capital gain from the sale or exchange of such Equity Shares. Notwithstanding the foregoing, our Company does not intend to maintain calculations of its earnings and profits as determined for U.S. federal income tax purposes. Consequently, distributions generally will be reported as dividend income for U.S. information reporting purposes.

You should not include the amount of any Indian tax paid by our Company with respect to the dividend payment, as that tax is, under Indian law, a liability of our Company and not the shareholders, unless you are a U.S. corporation that owns 10% or more of the voting stock of our Company and also claims a foreign tax credit against your U.S. tax liability for your share of income taxes paid by our Company. The dividend will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

Subject to the PFIC rules described below, dividends paid by a non-U.S. corporation generally will be taxed at the preferential tax rates applicable to long-term capital gain of non-corporate taxpayers if (a) such non-U.S.

corporation is eligible for the benefits of certain U.S. treaties or the dividend is paid by such non-U.S. corporation with respect to stock that is readily tradable on an established securities market in the United States, (b) the U.S. holder receiving such dividend is an individual, estate, or trust, and (c) such dividend is paid on shares that have been held by such U.S. holder for at least 61 days during the 121-day period beginning 60 days before the "ex-dividend date." If the requirements of the immediately preceding sentence are not satisfied, a dividend paid by a non-U.S. corporation to a U.S. holder, including a U.S. holder that is an individual, estate, or trust, generally will be taxed at ordinary income tax rates (and not at the preferential tax rates applicable to long-term capital gains). The dividend rules are complex, and each U.S. holder should consult its own tax advisor regarding the dividend rules.

Dividends received generally will be income from non-U.S. sources, which may be relevant in calculating your U.S. foreign tax credit limitation. Such non-U.S. source income generally will be "passive category income", or in certain cases "general category income", which is treated separately from other types of income for purposes of computing the foreign tax credit allowable to you. The rules with respect to foreign tax credits are complex and involve the application of rules that depend on a U.S. holder's particular circumstances. You should consult your own tax advisor to determine the foreign tax credit implications of owning the Equity Shares.

The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. Dollar value of the Indian Rupee payments made, determined at the spot Indian Rupee/U.S. Dollar exchange rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. Dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. Dollars will be treated as ordinary income or loss. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Non-U.S. Holders. Dividends paid to non-U.S. holders generally will not be subject to U.S. income tax unless the dividends are "effectively connected" with your conduct of a trade or business within the United States, and the dividends are attributable to a permanent establishment (or in the case of an individual, a fixed place of business) that you maintain in the United States if that is required by an applicable income tax treaty as a condition for subjecting you to U.S. taxation on a net income basis. In such cases you generally will be taxed in the same manner as a U.S. holder (other than with respect to the Medicare Tax described below). If you are a corporate non-U.S. holder, "effectively connected" dividends may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

Taxation of Sale, Exchange or Other Taxable Disposition of Equity Shares

U.S. Holders. Subject to the PFIC rules discussed below, if you are a U.S. holder and you sell, exchange or otherwise dispose of your Equity Shares in a taxable disposition, you generally will recognise capital gain or loss for U.S. federal income tax purposes equal to the difference between the U.S. Dollar value of the amount realized and your tax basis, determined in U.S. Dollars, in your Equity Shares. Gain or loss recognised on such a sale, exchange or other disposition of Equity Shares generally will be long-term capital gain if the U.S. holder has held the Equity Shares for more than one year. Long-term capital gains of U.S. holders who are individuals (as well as certain trusts and estates) are generally taxed at preferential rates (currently at a maximum rate of 20%). The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes, unless it is attributable to an office or other fixed place of business outside the United States and certain other conditions are met. Your ability to deduct capital losses is subject to limitations.

Non-U.S. Holders. If you are a non-U.S. holder, you will not be subject to U.S. federal income tax on gain recognised on the sale, exchange or other taxable disposition of your Equity Shares unless:

- the gain is "effectively connected" with your conduct of a trade or business in the United States, and the gain is attributable to a permanent establishment (or in the case of an individual, a fixed place of business) that you maintain in the United States if that is required by an applicable income tax treaty as a condition for subjecting you to U.S. taxation on a net income basis; or

- you are an individual, you are present in the United States for 183 or more days in the taxable year of such sale, exchange or other disposition and certain other conditions are met.

In the first case, the non-U.S. holder will be taxed in the same manner as a U.S. holder (other than with respect to the Medicare Tax described below). In the second case, the non-U.S. holder will be subject to U.S. federal income tax at a rate of 30% on the amount by which such non-U.S. holder's U.S.-source capital gains exceed such non-U.S.-source capital losses.

If you are a corporate non-U.S. holder, "effectively connected" gains that you recognise may also, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

Medicare Tax

Certain U.S. holders who are individuals, estates or trusts are required to pay a 3.8% Medicare surtax on all or part of that holder's "net investment income", which includes, among other items, dividends on, and capital gains from the sale or other taxable disposition of, the Equity Shares, subject to certain limitations and exceptions. Prospective investors should consult their own tax advisors regarding the effect, if any, of this surtax on their ownership and disposition of the Equity Shares.

PFIC Considerations

The Code provides special rules regarding certain distributions received by U.S. persons with respect to, and sales, exchanges and other dispositions, including pledges, of, shares of stock in a PFIC. A non-U.S. corporation will be treated as a PFIC for any taxable year in which either: (i) at least 75 percent of its gross income is "passive income" or (ii) at least 50 percent of its gross assets during the taxable year (based on the average of the fair market values of the assets determined at the end of each quarterly period) are "passive assets," which generally means that they produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, rents, royalties, gains from commodities and securities transactions, and gains from assets that produce passive income. In determining whether a non-U.S. corporation is a PFIC, a pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) is taken into account.

Based on the projected composition of our income and assets, our Company does not believe that it should be treated as, and does not expect to become, a PFIC for U.S. federal income tax purposes during its current taxable year and future taxable years. However, no assurance can be given that our Company will not be considered a PFIC in the current or future years. Our Company's possible status as a PFIC must be determined for each year and cannot be determined until the end of each taxable year. Because this determination is made annually at the end of each taxable year and is dependent upon a number of factors, some of which are beyond our Company's control, including the amount and nature of our Company's income, as well as on the market valuation of our Company's assets, and because certain aspects of the PFIC rules are not entirely certain, there can be no assurance that our Company is not a PFIC and will not become a PFIC or that the IRS will agree with our conclusion regarding our PFIC status. If our Company was currently or were to become a PFIC, U.S. holders of Equity Shares would be subject to special rules and a variety of potentially adverse tax consequences under the Code.

A U.S. holder that holds stock in a non-U.S. corporation during any taxable year in which the corporation qualifies as a PFIC is subject to special tax rules with respect to (a) any gain realized on the sale, exchange or other disposition of the stock and (b) any "excess distribution" by the corporation to the holder, unless the holder elects to treat the PFIC as a "qualified electing fund" ("**QEF**") or makes a "mark-to-market" election, each as discussed below. An "excess distribution" is that portion of a distribution with respect to PFIC stock that exceeds 125% of the average of such distributions over the preceding three-year period or, if shorter, the U.S. holder's holding period for its shares. Excess distributions and gains on the sale, exchange or other disposition of stock of a corporation which was a PFIC at any time during the U.S. holder's holding period are allocated ratably to each day of the U.S. holder's holding period. Amounts allocated to the taxable year in which the disposition occurs and amounts allocated to any period in the shareholder's holding period before the first day of the first taxable year that the corporation was a PFIC will be taxed as ordinary income (rather than capital gain) earned in the taxable year of the disposition. Amounts allocated to each of the other taxable years in the U.S. holder's holding period are not included in gross income for the year of the disposition, but are subject to a special tax (equal to the highest ordinary income tax rates in effect for those years, and increased by an interest charge at the rate applicable to income tax deficiencies) that is added to the tax otherwise due for the taxable year in which the disposition occurs. The tax liability for amounts allocated to years before the year of disposition or "excess distribution" cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the Equity Shares cannot be treated as capital, even if a U.S. holder held such Equity Shares as capital assets. The preferential

U.S. federal income tax rates for dividends and long-term capital gain of individual U.S. holders (as well as certain trusts and estates) would not apply, and special rates would apply for calculating the amount of the foreign tax credit with respect to excess distributions.

If a corporation is a PFIC for any taxable year during which a U.S. holder holds shares in the corporation, then the corporation generally will continue to be treated as a PFIC with respect to the holder's shares, even if the corporation no longer satisfies either the passive income or passive asset tests described above, unless the U.S. holder terminates this deemed PFIC status by electing to recognise gain, which will be taxed under the excess distribution rules as if such shares had been sold on the last day of the last taxable year for which the corporation was a PFIC.

The excess distribution rules may be avoided if a U.S. holder makes a QEF election effective beginning with the first taxable year in the holder's holding period in which the corporation is a PFIC. A U.S. holder that makes a QEF election is required to include in income its pro rata share of the PFIC's ordinary earnings and net capital gain as ordinary income and long-term capital gain, respectively, subject to a separate election to defer payment of taxes, which deferral is subject to an interest charge. A U.S. holder whose QEF election is effective after the first taxable year during the holder's holding period in which the corporation is a PFIC will continue to be subject to the excess distribution rules for years beginning with such first taxable year for which the QEF election is effective.

In general, a U.S. holder makes a QEF election by attaching a completed IRS Form 8621 to a timely filed (taking into account any extensions) U.S. federal income tax return for the year beginning with which the QEF election is to be effective. In certain circumstances, a U.S. holder may be able to make a retroactive QEF election. A QEF election can be revoked only with the consent of the IRS. In order for a U.S. holder to make a valid QEF election, the corporation must annually provide or make available to the holder certain information. Our Company does not intend to provide to U.S. holders the information required to make a valid QEF election and our Company currently makes no undertaking to provide such information. Accordingly, it is currently anticipated that a U.S. holder will not be able to avoid the special tax rules described above by making the QEF election.

As an alternative to making a QEF election, a U.S. holder may make a "mark-to-market" election with respect to its PFIC shares if the shares meet certain minimum trading requirements. If a U.S. holder makes a valid mark-to-market election for the first tax year in which such holder holds (or is deemed to hold) stock in a corporation and for which such corporation is determined to be a PFIC, such holder generally will not be subject to the PFIC rules described above in respect of its stock. Instead, a U.S. holder that makes a mark-to-market election will be required to include in income each year an amount equal to the excess, if any, of the fair market value of the shares that the holder owns as of the close of the taxable year over the holder's adjusted tax basis in the shares. The U.S. holder will be entitled to a deduction for the excess, if any, of the holder's adjusted tax basis in the shares over the fair market value of the shares as of the close of the taxable year; provided, however, that the deduction will be limited to the extent of any net mark-to-market gains with respect to the shares included by the U.S. holder under the election for prior taxable years. The U.S. holder's basis in the shares will be adjusted to reflect the amounts included or deducted pursuant to the election. Amounts included in income pursuant to a mark-to-market election, as well as gain on the sale, exchange or other taxable disposition of the shares, will be treated as ordinary income. The deductible portion of any mark-to-market loss, as well as loss on a sale, exchange or other disposition of shares to the extent that the amount of such loss does not exceed net mark-to-market gains previously included in income, will be treated as ordinary loss.

The mark-to-market election applies to the taxable year for which the election is made and all subsequent taxable years, unless the shares cease to meet applicable trading requirements (described below) or the IRS consents to its revocation. The excess distribution rules generally do not apply to a U.S. holder for tax years for which a mark-to-market election is in effect. However, if a U.S. holder makes a mark-to-market election for PFIC stock after the beginning of the holder's holding period for the stock, a coordination rule applies to ensure that the holder does not avoid the tax and interest charge with respect to amounts attributable to periods before the election.

A mark-to-market election is available only if the shares are considered "marketable" for these purposes. Shares will be marketable if they are regularly traded on a national securities exchange that is registered with the Securities and Exchange Commission or on a non-U.S. exchange or market that the IRS determines has rules sufficient to ensure that the market price represents a legitimate and sound fair market value. For these purposes, shares will be considered regularly traded during any calendar year during which they are traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. Any trades that have as their principal purpose

meeting this requirement will be disregarded. Each U.S. holder should ask its own tax advisor whether a mark-to-market election is available or desirable.

A U.S. holder of PFIC stock must generally file an IRS Form 8621 annually. A U.S. holder must also provide such other information as may be required by the U.S. Treasury Department if the U.S. holder (i) receives certain direct or indirect distributions from a PFIC, (ii) recognises gain on a direct or indirect disposition of PFIC stock, or (iii) makes certain elections (including a QEF election or a mark-to-market election) reportable on IRS Form 8621.

U.S. holders are urged to consult their tax advisors as to our Company's status as a PFIC, and, if our Company is treated as a PFIC, as to the effect on them of, and the reporting requirements with respect to, the PFIC rules and the desirability of making, and the availability of, either a QEF election or a mark-to-market election with respect to our ordinary shares. Our Company provides no advice on taxation matters.

Information with Respect to Foreign Financial Assets

In addition, a U.S. holder that is an individual (and, to the extent provided in future regulations, an entity), may be subject to certain reporting obligations with respect to Equity Shares if the aggregate value of these and certain other "specified foreign financial assets" exceeds $50,000. If required, this disclosure is made by filing Form 8938 with the U.S. Internal Revenue Service. Significant penalties can apply if U.S. holders are required to make this disclosure and fail to do so. In addition, a U.S. holder should consider the possible obligation for online filing of a FinCEN Report 114—Foreign Bank and Financial Accounts Report as a result of holding Equity Shares. U.S. holders are thus encouraged to consult their U.S. tax advisors with respect to these and other reporting requirements that may apply to their acquisition of Equity Shares.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to distributions made on our Equity Shares within the U.S. to a non-corporate U.S. holder and to the proceeds from the sale, exchange, redemption or other disposition of Equity Shares by a non-corporate U.S. holder to or through a U.S. office of a broker. Payments made (and sales or other dispositions effected at an office) outside the U.S. will be subject to information reporting in limited circumstances.

In addition, backup withholding of U.S. federal income tax may apply to such amounts if the U.S. holder fails to provide an accurate taxpayer identification number (or otherwise establishes, in the manner provided by law, an exemption from backup withholding) or to report dividends required to be shown on the U.S. holder's U.S. federal income tax returns.

Backup withholding is not an additional income tax, and the amount of any backup withholding from a payment to a U.S. holder will be allowed as credit against the U.S. holder's U.S. federal income tax liability provided that the appropriate returns are filed.

A non-U.S. holder generally may eliminate the requirement for information reporting and backup withholding by providing certification of its non-U.S. status to the payor, under penalties of perjury, on IRS Form W-8BEN or W-8BEN-E, as applicable. You should consult your own tax advisor as to the qualifications for exemption from backup withholding and the procedures for obtaining the exemption.

The foregoing does not purport to be a complete analysis of the potential tax considerations relating to the Placement, and is not tax advice. Prospective investors should consult their own tax advisors as to the particular tax considerations applicable to them relating to the purchase, ownership and disposition of the Equity Shares, including the applicability of the U.S. federal, state and local tax laws or non-tax laws, non-U.S. tax laws, and any changes in applicable tax laws and any pending or proposed legislation or regulations.

STATEMENT OF TAX BENEFITS

11 December 2017

To,
The Board of Directors
NATCO Pharma Limited
NATCO House, Road No. 2
Banjara Hills
Hyderabad - 500034

Proposed qualified institutions placement of equity shares having face value of Rs.2 each ("the Equity Shares") of NATCO Pharma Limited (the "Company" or "Issuer"), in India in accordance with Chapter VIII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended ("SEBI ICDR Regulations") and Section 42 of the Companies Act, 2013 read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 as amended and outside India pursuant to an exemption from registration under the US Securities Act, 1933, as amended (the "Offer" or "Offering").

1. This report is issued in accordance with the terms of our engagement letter dated 6 November 2017.

2. The accompanying 'Statement of Possible Tax Benefits available to NATCO Pharma Limited and its Shareholders', attached herewith as an Annexure (hereinafter referred to as "the Statement") under the Income-tax Act, 1961 (read with Income Tax Rules, circulars, notifications) as amended by the Finance Act, 2017 (hereinafter referred to as the "Income Tax Regulations") has been prepared by the management of the Company in connection with the proposed Offering, which we have initialled for identification purposes.

Management's Responsibility

3. The preparation of this Statement as of the date of our report which is to be included in the preliminary placement document and the placement document to be filed by the Company in connection with the Offer ("Placement Documents") is the responsibility of the management of the Company and has been approved by the equivalent committee of the Board of Directors of the Company at its meeting held on 11 December 2017 for the purpose set out in paragraph 9 below. The management's responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the Statement, and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances. The Management is also responsible for identifying and ensuring that the Company complies with the laws and regulations applicable to its activities.

Auditor's Responsibility

4. Pursuant to the SEBI ICDR Regulations and the Companies Act 2013 ('Act'), it is our responsibility to report whether the Statement prepared by the Company, presents, in all material respects, the possible tax benefits available as of 11 December 2017 to the Company and the shareholders of the Company, under the Income Tax Regulations as at the date of our report.

5. Our work has been carried out in accordance with the Standards on Auditing, and the 'Guidance Note on Audit Reports or Certificates for Special Purposes' (Revised 2016) issued by the Institute of Chartered Accountants of India ("the ICAI") and other applicable authoritative pronouncements issued by the ICAI. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI. Our work has not been carried out in accordance with the auditing standards generally accepted in the United States of America ("US"), standards of the US Public Company Accounting Oversight Board and accordingly should not be relied upon by any one as if it had been carried out in accordance with those standards or any other standards besides the standards referred to in this report.

6. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audit and Review of Historical Financial Information, and Other Assurance and Related Services Engagement.

7. Our work was performed solely to assist you in meeting your responsibilities in relation to your compliance with the Act and the SEBI ICDR Regulations in connection with the Offering.

Inherent Limitations

8. We draw attention to the fact that the Statement includes certain inherent limitations that can influence the reliability of the information.

   Several of the benefits mentioned in the Statement are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which may or may not be fulfilled. The benefits discussed in the Statement are not exhaustive.

   The Statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Issue.

   Further, we give no assurance that the tax authorities/courts will concur with our views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes**.**

Opinion

9. In our opinion, the Statement prepared by the Company presents, in all material respects, the possible tax benefits available as of 11 December 2017, to the Company and the shareholders of the Company, under the Income Tax Regulations as at the date of our report.

   Considering the matters referred to in paragraph 8 above, we are unable to express any opinion or provide any assurance as to whether:

   (i) The Company or its shareholders will continue to obtain the benefits as per the Statement in future; or

   (ii) The conditions prescribed for availing the benefits as per the Statement have been/ would be met with.

Restriction on Use

10. This report is addressed to and is provided to enable the Board of Directors of the Company to include this report in the Placement Documents, prepared in connection with the Offering to be filed by the Company with the Securities and Exchange Board of India and the concerned stock exchanges and is not to be used, circulated, quoted or otherwise referred to for any other purpose without our prior written consent.

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

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

Date: 11 December 2017
Place: Hyderabad

ANNEXURE

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO NATCO PHARMA LIMITED AND ITS SHAREHOLDERS

UNDER THE INCOME TAX ACT, 1961 ("the IT Act")

NATCO Pharma Limited ("NATCO" or the "Company") is an Indian Company, subject to tax in India. The Company is taxed on its profits. Profits are computed after allowing all reasonable business expenditure, laid out wholly and exclusively for the purposes of the business, including depreciation.

Considering the activities and the business of the Company, the following benefits may be available to them.;

I. SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY

1. Deduction under Section 35 of IT Act

In accordance with and subject to the provisions of Section 35(2AB) of the IT Act the Company is eligible for a deduction of a sum equal to one-half times of expenditure (not being in the nature of cost of any land or building) on scientific research on in-house research and development facility as approved by the prescribed authority (Department of Scientific & Industrial Research) and related to the business carried on by the Company. With effect from assessment year beginning on or after the 1st day of April 2021, the deduction under section 35(2AB) of the IT Act shall be limited to the amount of expenditure actually incurred.

2. Deduction under Section 80-IC of IT Act

As per Section 80-IC of the IT Act, an Assessee who begins manufacture or production of any 'article or thing' during the period 7 January 2003 and 1 April 2012 in the states of Himachal Pradesh and Uttaranchal, 100% of profits and gains of the industrial undertaking for the first 5 years commencing with the initial assessment year, 30% for the next 5 years from the business/ services shall be deductible. The said deduction is available on fulfillment of certain prescribed conditions under the said section.

NATCO has set up an undertaking in Uttaranchal in March 2010 and is eligible to claim the deduction.

However, as per Section 115JB of the IT Act, the Company shall be required to pay Minimum Alternate Tax ("MAT") at the rate of 18.5% (plus applicable surcharge, education cess and secondary & higher education cess) on book profits, irrespective of these tax benefits.

3. Deduction under Section 80-IE of IT Act

As per Section 80-IE of the Act, an assessee who begins manufacture or production of any 'article or thing' (other than exceptions mentioned in clause (iv) of Sub section (7)) or undertakes substantial expansion during the period 1 April 2007 and 1 April 2017, the 100% of profits from the business/ services shall be deductible for 10 years beginning with the assessment year ("AY") relevant to the previous year in which the undertaking begins to manufacture/produce or complete substantial expansion. The said deduction is available on fulfillment of certain prescribed conditions. The aforesaid business should take place in any North-Eastern states. (i.e. Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura).

NATCO has set up an undertaking in Assam in January 2015 and is eligible to claim the deduction.

However, as per Section 115JB of the IT Act, the Company shall be required to pay MAT at the rate of 18.5% (plus applicable surcharge, education cess and secondary & higher education cess) on book profits, irrespective of these tax benefits.

4. Additional depreciation under section 32 of IT Act

In accordance with section 32(1)(iia) of the IT Act, companies engaged in the business of manufacture or production of any article or thing are allowed additional depreciation at the rate of 20 percent on any new plant and machinery installed after 31 March 2005.

5. Deduction under section 32AC of IT Act

As per Section 32AC(1A) of the IT Act, the Company is entitled to a deduction of 15% of actual cost of 'new assets' acquired and installed in a financial year ("FY") subject to fulfillment of prescribed conditions. The aggregate amount of actual cost of new assets should exceed Rs. 25 crores. No deduction under Section 32AC(1A) of the IT Act would be available from FY 2017-18 onwards.

Further in case the new asset acquired and installed is transferred by the Company within 5 years from the date of its installation, the amount of deduction allowed under Section 32AC(1A) of the IT Act, except in connection with amalgamation/demerger, would be deemed to be income under the head 'profits and gains from business and profession' of the year in which such new asset is sold or otherwise transferred. This taxability is in addition to the taxability of gains arising on transfer of new asset.

The term 'new asset' means any new plant and machinery but does not include:

- Ships and Aircraft;
- Any machinery or plant which, before its installation by the company, was used either within or outside India by any other person;
- Any machinery or plant installed in any office premises or any residential accommodation, including accommodation in the nature of a guest-house;
- Any office appliances including computers or computer software
- Any vehicle; or
- Any machinery or plant, the whole of the actual cost of which is allowed as a deduction (whether as depreciation or otherwise) in computing the income under the head 'Profits and gains from business and profession' of any one FY.

6. Deduction under section 80JJAA of IT Act

An assessee to whom section 44AB applies may claim a deduction equal to 30% of the additional employee cost incurred in the course of its business for 3AYs including the AY in which additional employees are taken on board, subject to the conditions.

Deduction under the said section shall be available to NATCO in the year of providing employment to the prescribed number of additional employees subject to fulfillment of the conditions specified therein.

7. Deduction under section 10AA of the IT Act

As per Section 10AA of the IT Act, a unit in a Special Economic Zone (SEZ) can claim deduction from its total income, subject to fulfillment of certain conditions for a period of 15 years beginning with the year in which the unit begins to manufacture the eligible products. The quantum of the deduction that can be claimed is as under:

(a) 100% of the profit and gains derived from the export for the first 5 consecutive AYs; and

(b) 50% of the profit and gains derived from the export for the next 5 consecutive AYs; and thereafter
(c) To the extent amount credited to the Special Economic Zone Re-investment Reserve Account subject to maximum of 50% of profit and gains derived from the export, of such articles or things or from services.

Profits and gains derived from export would be computed as under:

$$\text{Profits of the business of the undertaking} \times \frac{\text{Export Turnover of the Undertaking}}{\text{Total turnover of the business carried on by the "undertaking"}}$$

However, as per Section 115JB of the IT Act, the Company shall be required to pay MAT at the rate of 18.5% (plus applicable surcharge, education cess and secondary & higher education cess) on book profits, irrespective of these tax benefits.

II. SPECIAL TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS

There are no special tax benefits available to the shareholders.

III. GENERAL TAX BENEFITS AVAILABLE TO THE COMPANY

(a) Dividend Income

1. As per Section 10(34) of the IT Act, income by way of dividends referred to in Section 115–O (i.e. dividends declared, distributed or paid on or after 1 April, 2003) received from domestic company is exempt from income-tax. Such dividend is also to be excluded while computing MAT liability.

   However, in view of the provisions of Section 14A of the IT Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

   However, as per the provisions of Section 94(7) of the IT Act, losses arising from transfer/sale of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt. 'Record date' means such date as may be fixed by the company for the purposes of entitlement of the holder of securities to receive dividend.

2. As per Section 10(35) of the IT Act, the income received in respect of units of a Mutual Fund specified in section 10(23D) of the IT Act would be exempt in the hands of the Company. Such income is also to be excluded while computing MAT liability.

   However, in view of the provisions of Section 14A of the IT Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

3. As per section 115BBD of the IT Act, dividend income received by an Indian Company from a specified foreign Company i.e. in which the Indian Company holds twenty-six per cent or more in nominal value of the equity share capital, will be taxable @ 15% on gross basis (plus applicable surcharge and education cess).

(b) Income from business

4. Subject to compliance of certain conditions laid down in Section 32 of the IT Act, the Company will be entitled to a deduction for depreciation in respect of tangible assets and intangible assets being in the nature of know-how, patents, copyrights, trademarks, licenses, franchises or any other business

or commercial rights of similar nature acquired on or after 1st day of April, 1998 at the rates prescribed under the Income Tax Rules, 1962. Unabsorbed depreciation, if any, shall be carried forward for set off in the subsequent years indefinitely.

5. The Company will be entitled to amortize expenses being the expenditure incurred on qualified institutional placement of shares, under section 35D of the IT Act, subject to the limits specified in Section 35D(3) and fulfillment of conditions prescribed under section 35D of the IT Act.

   Under Section 35D of the IT Act, a company is eligible for deduction in respect of specified preliminary expenditure incurred by it in connection with extension of its undertaking or in connection with setting up new unit for an amount equal to 1/5th of such expenditure over 5 successive AYs subject to conditions and limits specified in that section.

   Specified expenditure includes expenditure in connection with the issue, for public subscription, of shares in or debentures of the company, being underwriting commission, brokerage and charges for drafting, typing, printing and advertisement of the prospectus.

6. The Company will be entitled to claim contribution made to approved institutions engaged in carrying eligible project or scheme under section 35AC as deduction from the business income.

(c) Minimum Alternate Tax ("MAT")

7. Under section 115JB of the IT Act, in case the income tax payable under the normal provisions of the IT Act is less than 18.5% of the book profits of the Company, then such book profit would be deemed to be the total income of the Company for that year and MAT payable on such total income would be at the rate of 18.5% plus applicable surcharge and education cess. "Book profits" means net profit as per the Statement of Profit and Loss account, subject to adjustments as specified in the section.

8. Under section 115JAA(1A) of the IT Act, where any tax is paid under the MAT provisions for any assessment year commencing on the 1st day of April 2006, credit in respect of tax so paid shall be allowed to the Company in accordance with the provisions of the IT Act. Tax credit eligible to be carried forward will be the difference between the MAT paid and the tax computed as per the normal provisions of the IT Act for that assessment year. Such MAT credit is allowed to be carried forward for set off purposes for up to fifteen years succeeding the year in which the MAT credit becomes allowable.

(d) Dividend Distribution Tax ("DDT")

9. Under section 115-O of the IT Act, for the purpose of payment of dividend distribution tax (DDT) at 15% (plus applicable surcharge and education cess) on the dividends, the dividends so declared, distributed or paid by the domestic Company shall be reduced by the dividends received from its subsidiary provided where:

   (a) such subsidiary is a domestic company it has paid DDT on the dividends declared / distributed / paid by it;

   (b) where such subsidiary is a foreign company, the domestic company has paid taxes under section 115BBD of the IT Act at 15% (plus applicable surcharge and education cess) on dividends received/ earned.

   For the said purpose, a Company shall be a subsidiary of another company, if such other Company, holds more than half in nominal value of the equity share capital of the former mentioned Company.

   As per proviso to this section, the same amount of dividend would not be taken into account for reduction more than once.

(e) Capital Gains

10. Under Section 10(38) of the IT Act, long term capital gains arising to the Company on transfer of long term capital asset being an equity share in a Company or a unit of an equity oriented fund will be exempt in the hands of the Company, provided such transaction is chargeable to securities transaction tax.

    For this purpose, "Equity Oriented Fund" means a fund –

    (a) where the investible funds are invested by way of equity shares in domestic companies to the extent of more than sixtyfive percent of the total proceeds of such funds; and

    (b) which has been set up under a scheme of a Mutual Fund specified under Section 10(23D) of the IT Act.

    Provided that the percentage of equity share holding of the fund shall be computed with reference to the annual average of the monthly averages of the opening and closing figures.

11. As per section 111A of the IT Act, short term capital gains arising to the Company on transfer of short term capital asset being an equity share in a company or a unit of an equity oriented fund will be taxed at the rate of 15 percent (plus applicable surcharge and cess), provided such transaction is chargeable to securities transaction tax.

(f) Other deductions

12. A deduction amounting to 100% or 50%, as the case may be, of the sums paid as donations to various entities is allowable as per section 80G of the IT Act.

IV. GENERAL TAX BENEFITS AVAILABLE TO RESIDENT SHAREHOLDERS

1. The tax benefits / implications referred to in paragraphs 1, 2, 10, 11 and 12 under the heading "General tax benefits available to the Company" will equally apply to the resident shareholders. The reference to MAT liability as indicated in the said paragraphs will apply only to shareholders qualifying as Company as defined in the IT Act.

   It is, however, to be noted that in case of resident shareholders (other than domestic companies and specified tax exempts institutions/ trusts), dividend income received from a domestic company, which is in excess of Rs 1 million is liable to tax at the rate of 10 percent (plus applicable surcharge and cess), on a gross basis.

2. As per the provisions of Section 54EC of the IT Act and subject to the conditions specified therein, long-term capital gains (which are not exempt under Section 10(38) of the IT Act) arising to a taxpayer on transfer of shares of the Company will be exempt from capital gains tax if such gain is invested within 6 months from the date of transfer in specified long-term assets, being bonds issued by NHAI, REC or such other bonds as notified. The investment in such bonds cannot exceed Rs 5 million and the investment made has a lock-in of 3 years. In case the specified asset is transferred or converted into money within 3 years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year of such transfer or conversion.

3. As per the provisions of Section 54F of the IT Act and subject to the conditions specified therein, long-term capital gains (which are not exempt under Section 10(38) of the IT Act) arising to an individual or a Hindu Undivided Family ("HUF") on transfer of shares of the Company will be exempt from capital gains tax if the sale proceeds from transfer of such shares are used for purchase of one residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of one residential house property within a period of 3 years

after the date of such transfer, subject to fulfillment of conditions as prescribed under proviso to section 54F of the IT Act.

V. GENERAL TAX BENEFITS AVAILABLE TO NON-RESIDENTS SHAREHOLDERS (OTHER THAN NON-RESIDENT INDIANS, MUTUAL FUNDS, FIIs AND FOREIGN VENTURE CAPITAL INVESTORS)

1. The tax benefits / implications referred to in paragraphs 1, 2, 11 and 12 under the heading "General tax benefits to the Company" will equally apply to the non-resident shareholders.

2. In terms of the first proviso to Section 48 of the IT Act, in case of a non-resident, while computing the capital gains (in cases not covered under section 10(38) and not subject to section 111A of the IT Act) arising from transfer of shares in or debentures of the Company acquired in convertible foreign exchange (as per exchange control regulations), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into same foreign currency which was utilized in the purchase of shares.

3. As per the provisions of Section 54EC of the IT Act and subject to the conditions specified therein, long-term capital gains (which are not exempt under Section 10(38) of the IT Act) arising to a taxpayer on transfer of shares of the Company will be exempt from capital gains tax if such gain is invested within 6 months from the date of transfer in specified long-term assets, being bonds issued by NHAI, REC or such other bonds as notified. The investment in such bonds cannot exceed Rs 5 million and the investment made has a lock-in of 3 years. In case the specified asset is transferred or converted into money within 3 years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year of such transfer or conversion.

4. Under the provisions of Section 54F of the IT Act and subject to the conditions specified therein, long-term capital gains (which are not exempt under Section 10(38) of the IT Act) arising to an individual or a Hindu Undivided Family ('HUF') on transfer of shares of the Company will be exempt from capital gains tax if the sale proceeds from such shares are used for purchase of one residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of one residential house property within a period of 3 years after the date of such transfer, subject to fulfillment of conditions as prescribed under proviso to section 54F of the IT Act.

5. Under Section 90(2) of the IT Act, provisions of the double taxation avoidance agreement (DTAA) between India and the country of residence of the Non-Resident would prevail over the provisions of the IT Act to the extent the DTAA is more beneficial to the non-resident.

   Any person wanting to claim benefits under any such DTAA will not be able to claim any benefits unless a tax resident certificate, containing such particulars as prescribed by the Central Board of Direct Taxes., is obtained by the non-resident from the Government of the country in which such person is a resident

VI. GENERAL TAX BENEFITS AVAILABLE TO NON-RESIDENT INDIAN SHAREHOLDERS

In addition to the benefits/implications mentioned under V – "General tax benefits to non-residents shareholders", the following benefits are applicable to non-resident Indian shareholders:

1. A non-resident Indian, i.e. an individual being a citizen of India or a person of Indian origin has an option to be governed by the special provisions contained in Chapter XIIA of the IT Act, i.e. "Special provisions relating to certain incomes of non-residents". If the non-resident Indian opts to be governed by the

provisions of this Chapter, he shall not be entitled to any deduction under Chapter VI-A of the IT Act or any allowance for expenditure incurred.

2. Under section 115E of the IT Act, where shares in a Company are subscribed for in convertible foreign exchange by a non-resident Indian, capital gains arising to such non-resident Indian on transfer of shares held for a period exceeding 12 months shall (in case not covered under section 10(38) of the IT Act) be taxed at a flat rate of 10% (plus applicable educational cess) without indexation benefit, but with protection against foreign exchange fluctuation under the first proviso to section 48 of the IT Act.

3. Under section 115F of the IT Act, long term capital gains (not covered under section 10(38) of the IT Act) arising to a non-resident Indian from the transfer of shares of the Company subscribed to in convertible foreign exchange shall be exempt from income tax if the entire net consideration is reinvested in certain specified assets within six months from the date of transfer. If only a part of the net consideration is so invested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the new assets are transferred or converted into money within three years from the date of their acquisition.

4. Under section 115I of the IT Act, a non-resident Indian may elect not to be governed by the provisions of Chapter XII-A of the IT Act for any assessment year by furnishing his return of income under section 139 of the IT Act declaring therein that the provisions of this Chapter shall not apply to him for that assessment year. In such a case, the tax on Investment income and long term capital gains shall be computed in accordance with the normal provisions of the IT Act.

VII. GENERAL TAX BENEFITS AVAILABLE TO MUTUAL FUNDS

1. As per section 10(23D) of the IT Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions or authorized by the Reserve Bank of India will be exempt from income tax, subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf.

   However, the Mutual Funds would be required to pay tax on distributed income to unit holders as per the provisions of Section 115R of the IT Act.

VIII. GENERAL TAX BENEFITS AVAILABLE TO FOREIGN INSTITUTIONAL INVESTORS ('FIIs')

1. The tax benefits / implications referred to in paragraphs 1, 11 and 12 under the heading "General tax benefits to the Company" will equally apply to the FII.

2. Further, as per provisions of Section 115AD of the IT Act, income (other than income by way of dividends referred to in Section 115-O of the IT Act or capital gains referred to in section 10(38) and 111A of the IT Act) of FIIs arising from securities (other than the units purchased in foreign currency referred to Section 115AB of the IT Act) would be taxed at concessional rates, as follows:

Nature of income	**Rate of tax (%)**
Long term capital gains	10
Short term capital gains (other than those referred to section 111A of the IT Act)	30
Short term capital gains referred to in section 111A	15

The above tax rates would be increased by the applicable surcharge and education cess. The benefits of indexation and foreign currency fluctuation protection as provided under Section 48 of the IT Act are not available.

3. As per section 196D(2) of the IT Act, no deduction of tax at source will be made in respect of income by way of capital gain arising from the transfer of securities referred to in section 115AD.

4. As per Section 90(2) of the IT Act, provisions of the DTAA between India and the country of residence of the FII would prevail over the provisions of the IT Act to the extent the DTAA provisions are more beneficial to the FII.

   Any person wanting to claim benefits under any such DTAA will not be able to claim any benefits unless a Tax Resident Certificate, containing such particulars as prescribed by the Central Board of Direct Taxes., is obtained by the non-resident from the Government of the country in which such person is a resident.

IX. GENERAL TAX BENEFITS AVAILABLE TO VENTURE CAPITAL COMPANIES/ FUNDS

1. Under section 10(23FB) of the IT Act, any income of Venture Capital Funds, registered with the Securities and Exchange Board of India, from investment in a venture capital undertaking would be exempt from income tax, subject to fulfillment of prescribed conditions.

2. As per section 115U of the IT Act, any income accruing or arising to or received by a person from his investment in venture capital funds would be taxable in his hands in the same manner as if it were the income accruing/ arising/ received by such person had directly made the investments.

X. GENERAL TAX BENEFITS AVAILABLE TO INVESTMENT FUNDS

1. Under section 10(23FBA) of the IT Act, any income except for income under the head "Profits and Gains of Business/ Profession" of Venture Capital Funds, registered as category-I or category-II Alternative Investment Fund under the Securities and Exchange Board of India (Alternate Investment Fund) regulations, 2012 would be exempt from income tax, subject to conditions specified therein

2. As per section 115UB of the IT Act, any income accruing or arising to or received by a person from his investment in investment funds would be taxable in his hands in the same manner as if it were the income accruing/ arising/ received by such person had directly made the investments.

XI. GENERAL ANTI-AVOIDANCE RULES

1. The Government of India has made amendments in the existing income tax laws to incorporate provisions relating to General Anti-Avoidance Rules (GAAR). GAAR is effective from FY 2017-2018 (AY 2018-19).

Notes:

(a) The above statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares.

(b) The statement is prepared on the basis of information available with the Management of the Company and there is no assurance that:

- *the Company or its shareholders will continue to obtain these benefits in future;*
- *the conditions prescribed for availing the benefits have been/ would be met with; and*
- *the Revenue authorities/courts will concur with the view expressed herein.*

The above views are based on the existing provisions of law and its interpretation, which are subject to change from time to time.

(c) Legislation, its judicial interpretations and the policies of the regulatory authorities are subject to change from time to time, and these may have a bearing on the above. Accordingly, any change or amendment in the law or relevant regulations would necessitate a review of the above. Unless specifically requested, we have

no responsibility to carry out any review of our comments for changes in laws or regulations occurring after the date of issue of this note.

(d) This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

(e) In respect of non-residents, the tax rates and the consequent taxation mentioned above shall further be subject to any benefits available under the Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile.

(f) The statement of possible tax benefits enumerated above is as per the IT Act as amended by the Finance Act, 2017.

LEGAL PROCEEDINGS

Our Company and Subsidiaries are, from time to time, involved in various legal proceedings in the ordinary course of business, which involve matters pertaining to, amongst others, criminal proceedings and civil proceedings including tax related disputes, intellectual property rights disputes and land related disputes. Our Company believes that the number of proceedings and disputes in which the Company and the Subsidiaries are involved is not unusual for a company of its size in the context of doing business in India and in international markets. In terms of the Natco's Policy for Determination of Materiality of an Event or Information, as adopted by the Board on November 13, 2015 and effective from December 1, 2015, our Company or our Subsidiaries are not involved in any material outstanding civil proceedings (including tax proceedings). Any outstanding civil proceeding (i) involving a monetary amount in excess of Rs. 50 million; or (ii) outcome of which could have material adverse effect on the position, business, operations, prospects or reputation of our Company, irrespective of the amount involved in such civil proceedings, has been considered material for the purposes of disclosure in this Placement Document, and accordingly has been disclosed herein.

All terms defined in a particular litigation are for that particular litigation only.

Litigation against our Company

Criminal proceeding

1. The State of Jharkhand ("**Complainant**") has filed a criminal complaint ("**Complaint**") before the Additional Chief Judicial Magistrate, Ranchi (the "**Court**") alleging that certain drug manufactured by our Company did not meet the statutory standards of quality. Pursuant to its order dated January 28, 2014, the Court took cognizance of the Complaint and issued arrest warrants against our Company. Subsequently, our Company filed a criminal writ petition before the High Court of Jharkhand (the "**High Court**") seeking, inter alia, quashing of the criminal proceeding initiated pursuant to the Complaint and the arrest warrant issued against our Company Secretary. Pursuant to an order dated October 26, 2016, the High Court has stayed the criminal proceedings before the Court. The matter is pending.

Civil proceedings

2. F. Hoffman-La Roche Limited and another ("**Roche and Another**") have filed a suit before the Delhi High Court against our Company for alleged infringement of patent for Erlotinib Hydrochloride ("**Erlotinib**") held by Roche, by manufacture and sale of Erlonat (a generic version of Erlotinib) by our Company (the "**First Suit**"). Roche and Another have sought for, inter alia, a permanent injunction against our Company from directly or indirectly manufacturing, selling, offering or exporting Erlonat, along with damages of Rs. 5 million and costs. Our Company has filed a counter claim against Roche and Another seeking revocation of the patent held by Roche and dismissal of the First Suit. The matter is pending.

   Roche and Another have also filed a suit before the Delhi High Court against Dr. Reddy's Laboratories Limited and our Company with similar allegation of infringement of patent for Erlotinib. Roche and Another have claimed that our Company is infringing upon its patent for Erlotinib by manufacturing and selling Tyrokinin (which is a generic version of Erlotinib) to Dr. Reddy's Laboratories Limited ("**Second Suit**"). Roche and Another have sought for, inter alia, a permanent injunction against our Company from directly or indirectly manufacturing, selling, offering or exporting the product Tyrokinin, along with damages of Rs. 5 million and costs. Our Company has filed a counter claim before the Delhi High Court against Roche and Another seeking revocation of the patent held by Roche and dismissal of the Second Suit. The matter is pending.

   The Delhi High Court by its order dated August 16, 2011 has consolidated the First Suit and the Second Suit.

3. Bristol-Myers Squibb Company ("**BMS**") and another (together with BMS, "**BMS and Another**") have filed a suit before the Delhi High Court against our Company and M. Adinarayan, the Company Secretary of our Company, alleging infringement of patent for the product Dasatinib held by BMS, by the manufacture and sale of the drug Dasanat by our Company (the "**Suit**"). BMS and Another have sought for, inter alia, a permanent injunction against our Company from directly or indirectly manufacturing, selling, offering or exporting any product that infringes upon the patent for Dasatinib, along with damages and costs. Pursuant to its orders dated June 13, 2012 and June 22, 2012, the Delhi High Court

directed our Company to abstain from launching Dasanat (the "**DHC Orders**"). BMS has filed a contempt petition before the Delhi High Court against our Company alleging non-compliance with the DHC Orders. BMS has also filed an application before the Delhi High Court for an ad interim temporary injunction during the pendency of the Suit restraining our Company and directors, employees and others from directly or indirectly manufacturing, selling, offering, marketing, and exporting any product that infringes on the patent for the product Dasatinib. The matter is pending.

BMS and Another have also filed a suit before the Delhi High Court against Shilpa Medicare Limited ("**SML**") and another and our Company with similar allegation of infringement of the patent for the product Dasatinib. BMS has claimed that our Company is in violation of the DHC Orders by continuing to manufacture, sell and offer for sale the product Dasanat. BMS has claimed that our Company has approached SML to procure the Dasatinib in bulk for manufacture of Dasanat and that would lead to infringement of the patent held by BMS. BMS has sought for, inter alia, a permanent injunction restraining SML, our Company and another from making, selling, distribution, advertising, exporting or dealing with patent for Dasatinib, along with costs. SML had filed a special leave application before the Supreme Court against the DHC Orders claiming lack of jurisdiction, which the Supreme Court has admitted, and by its order dated March 18, 2016, the Supreme Court has stayed the proceedings before the Delhi High Court till the disposal of the matter before Supreme Court. The matter is pending.

4. Bayer Corporation and Bayer Pharmaceuticals Private Limited ("**BPPL**" and together with Bayer Corporation, the "Plaintiffs") have filed a suit before the Delhi High Court against our Company in relation to alleged probable infringement of its patent for a pharmaceutical product "Carboxyaryl Substituted Diphenyl Ureas" (the "**Patented Product**") by our Company through manufacture/import and sale of products comprising the Patented Product or any generic drug or product covered by the Patented Product. BPPL imports Sorafenib, which is covered under the Patented Product and marketed in India under the trade name Nexavar. Plaintiffs have sought for, inter alia, permanent injunction against our Company to restrain from infringing the patent of the Patented Product, along with costs. Our Company has filed a counter claim before the Delhi High Court challenging the validity of grant of patent of the Patented Product. Subsequently, our Company was granted compulsory license under the Patents Act, 1970 for manufacture of generic version of Nexavar. Our Company has filed an application before the Delhi High Court for dismissal of the suit. The matter is pending.

5. Bayer Corporation has filed a writ petition before the Delhi High Court against the Union of India, the Commissioner of Customs, our Company and others seeking, inter alia, a direction to direct the custom authorities to confiscate the consignments containing the drug Sorafenat manufactured by our Company meant for exports (the "**Writ Petition**"). Our Company manufactures Sorafenat under the compulsory license granted to us under the Patents Act, 1970 and it is contended by Bayer Corporation that in terms of the compulsory license granted to our Company, export of Sorafenat is prohibited. The Delhi High Court by its order dated March 8, 2017 dismissed the Writ Petition and allowed our Company to export Sorafenib for the purposes of Section 107A of the Patents Act, 1970, against which Bayer Corporation has filed a letters patent appeal before the Delhi High Court. The matter is pending.

   Further, Bayer Corporation filed an application before Controller of Patents, Mumbai seeking cancellation of the compulsory licence granted to our Company alleging habitual and continual breach of the terms of the compulsory licence by our Company by exporting the drug Sorafenat outside India and by not supplying the drug Sorafenat to the mandated number of needy and deserving patients. The matter is currently pending.

6. Selaqui International School (the "**Plaintiff**") has filed an application before the National Green Tribunal, New Delhi ("**NGT**") against our Company and others (the "**Respondent**s") alleging that excessive toxic effluents, chemical wastes and solid wastes emitted by the factories of the Respondents situated at Pharma City, Dehradun have polluted the waters of two nearby rivers, thereby posing danger to the health of Selaqui's staff and students (the "**Application**"). The Plaintiff has further alleged that the release of certain chemicals in the air by the factories of the Respondents caused breathing difficulties and noise pollution, thereby violating environmental laws. Pursuant to the Application, the Plaintiff has sought for, inter alia, (i) direction to prevent the Respondents from carrying on the manufacturing activities, allegedly being undertaken in contravention of environmental laws, and penalise the Respondents thereof and (ii) take remedial measures to restore the alleged affected areas to their original state. The NGT, by its order dated July 25, 2017, has directed the Uttarakhand Pollution Control Board and the Central Pollution Control Board to conduct a joint inspection of the factories of the Respondents, pursuant to

which a joint inspection report has been filed with the NGT. The matter is pending.

Litigation by our Company

Criminal proceeding

1. Our Company has filed a complaint before the Metropolitan Magistrate, Andheri, Mumbai against M/s Shubham Pharmaceutical (the "**Accused**") for dishonour of a cheque amounting to Rs. 4.70 million issued to our Company (the "**Complaint**"). Pursuant to the Complaint, our Company has claimed an amount of Rs. 5.80 million (including compensation) from the Accused. Subsequently, the Accused has filed a criminal writ petition before the Bombay High Court seeking a direction to quash the criminal proceedings initiated by our Company against it. The matter is pending.

Litigation or legal action pending or taken by any ministry or government department or statutory authority against our Promoters during the last three years

Nil

Details of acts of material frauds committed against our Company in the last three years, if any, and if so, the action taken by our Company

Nil

Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of:

As of date of this Placement Document, there are no outstanding default in payment of statutory dues, repayment of debentures and interest thereon, repayment of deposits and interest thereon and repayment of loan from any bank or financial institution and interest thereon.

Details of dues of income tax, sales tax, wealth tax, service tax, customs duty, excise duty, value added tax and cess which have not been deposited as on March 31, 2017 on account of disputes are given below:

Statute Name	Nature of Dues	Amount (Rs. in million)	Amount paid under protest (Rs.in million)	Period to which the amount relates	Forum where the dispute is pending
The Central Sales Tax Act, 1956	Central sales tax	9.00	3.00	Financial Year 1997-98	High Court of Andhra Pradesh
The Customs Act, 1962	Customs duty	2.00	-	July 2006 to June 2010	CESTAT
The Finance Act, 1994	Service tax	2.00	1.00	Financial Year 2011-12	CESTAT

Other Confirmations

There are no inquiries, inspections or investigations initiated or conducted under the Companies Act or any previous company law in the last three years immediately preceding the year of circulation of the Preliminary Placement Document and until the date of this Placement Document.

GENERAL INFORMATION

1. Our Company was incorporated on September 19, 1981 as a private limited company under the name of Natco Fine Pharmaceuticals Private Limited. We became a deemed public company with effect from July 1, 1992 and the word 'private' was deleted from the name of our Company pursuant to Company's intimation to the RoC by letter dated May 29, 1992. The name of our Company was changed to Natco Pharma Limited and a fresh certificate of incorporation consequent upon change of name was issued by the RoC on February 18, 1993. Our Company was converted into a public limited company and a fresh certificate of incorporation dated December 30, 1994 was issued by the RoC. The CIN of our Company is L24230TG1981PLC003201. For further details in relation to the change of the name of the Company, see "*Business*" on page 95. The Registered and Corporate Office of our Company is situated at Natco House, Road no. 2, Banjara Hills, Hyderabad 500 034, Telangana.

2. The Equity Shares are listed on BSE and NSE. The Issue was approved by the Board on November 2, 2017. The Shareholders of our Company have authorized the Issue pursuant to a special resolution dated November 29, 2017, authorised raising of funds up to Rs. 15,000 million by way of issue of securities including Equity Shares pursuant to the Issue.

3. Our Company has received in-principle approvals under Regulation 28(1) of the Listing Regulations from both BSE and NSE on December 11, 2017, respectively. We will apply for final listing and trading approvals of the Equity Shares on the Stock Exchanges.

4. Copies of Memorandum and Articles of Association will be available for inspection between 11:00 am to 1:00 pm on all working days, except Saturdays during the Bid/Issue Period at the Registered and Corporate Office.

5. Except as disclosed in this Placement Document, our Company has obtained necessary consents, approvals and authorisations required in connection with the Issue.

6. There has been no material change in the financial or trading position of our Company since September 30, 2017, the date of the Consolidated Reviewed Financial Statement prepared in accordance with Ind AS and included in this Placement Document, except as disclosed herein.

7. Except as disclosed in this Placement Document, there are no legal or arbitration proceedings against or affecting our Company or its assets or revenues, nor is our Company aware of any pending or threatened legal or arbitration proceedings, which are, or might be, material in the context of the Issue or could have a material adverse effect on the position, business, operations, prospects or reputation of our Company. For further details, see "*Legal Proceedings*" on page 209.

8. Our Company's statutory auditors, Walker Chandiok & Co LLP, Chartered Accountants, firm registration no. 001076N/N500013, have audited the Audited Consolidated Financial Statements as of and for the Fiscals 2017, 2016 and 2015, which have been included in this Placement Document. Further, the Consolidated Reviewed Financial Statement have been reviewed by Walker Chandiok & Co LLP, our statutory auditors, which have been included in this Placement Document.

9. Our Company confirms that it is in compliance with the minimum public shareholding requirements as required under the terms of the Listing Regulations, SCRA and SCRR.

10. The Floor Price for the Equity Shares under the Issue is Rs. 937.63 per Equity Share which has been calculated in accordance with Chapter VIII of the SEBI ICDR Regulations. Our Company has offered a discount of 2.41%, i.e. Rs. 22.63, on the Floor Price of Rs. 937.63 per Equity Share in terms of Regulation 85 of the SEBI ICDR Regulations.

11. Details of the Compliance Officer:

M. Adinarayana
Company Secretary and Vice-President (Legal & Corporate Affairs) and Compliance Officer
Natco House, Road no. 2
Banjara Hills
Hyderabad – 500 034
Telangana
Tel: +91 40 2354 7532; Fax: +91 40 2354 8243
Email: investorsnatco@natcopharma.co.in

FINANCIAL INFORMATION

Financial Statements	Accounting Principle	Page No.
Audited Consolidated Financial Statements for the Fiscal 2015	Indian GAAP	F-1
Audited Consolidated Financial Statements for the Fiscal 2016	Indian GAAP	F-38
Audited Consolidated Financial Statements for the Fiscal 2017	Ind AS	F-76
Consolidated Reviewed Financial Statement	Ind AS	F -122

Walker Chandiok & Co LLP

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Independent Auditor's Report

To the Members of NATCO Pharma Limited

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of NATCO Pharma Limited, ("the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), which comprise the Consolidated Balance Sheet as at 31 March 2015, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). The Holding Company's Board of Directors, and the respective Board of Directors/management of the subsidiaries included in the Group, are responsible for the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. Further, in terms with the provisions of

the Act, the respective Board of Directors of the Holding Company and its subsidiary company, incorporated in India are responsible for maintenance of adequate accounting records; safeguarding the assets; preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements, which have been used for the purpose of preparation of the consolidated financial statements by the directors of the Holding Company, as aforesaid.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

4. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the auditor's report under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Holding Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

7. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph 9 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries as noted below, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2015, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other Matters

9. We did not audit the financial statements of subsidiaries, included in the consolidated financial statements, whose financial statements reflect total assets (after eliminating intra-group transactions) of ₹1,901,614,795 as at 31 March 2015, total revenues (after eliminating intra-group transactions) of ₹1,134,625,154 and net cash flows amounting to ₹28,207,727 for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.

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 by and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

10. As required by the Companies (Auditor's Report) Order, 2015 ("the Order"), issued by the Central Government of India in terms of Section 143(11) of the Act, and based on the comments in the auditor's report of a subsidiary company incorporated in India, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.

11. As required by Section 143(3) of the Act, and based on the auditor's report of a subsidiary, we report, to the extent applicable, that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;

b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;

c) The consolidated financial statements dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014(as amended);

e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2015 taken on record by the Board of Directors of the Holding Company and the report of the other statutory auditor of its subsidiary company incorporated in India, none of the directors of the Group companies incorporated in India, are disqualified as on 31 March, 2015 from being appointed as a director in terms of Section 164 (2) of the Act;

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

(i) as detailed in note 31(b), the consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group;

(ii) the Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

(iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company. In relation to a subsidiary company incorporated in India, there were no amounts which were required to be transferred to the Investor Education and Protection Fund.

Walker Chandiok & Co LLP

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

per **Sanjay Kumar Jain**
Partner
Membership No.: 207660

Place: Hyderabad
Date: 22 May 2015

Annexure to the Independent Auditor's Report of even date to the members of NATCO Pharma Limited, on the consolidated financial statements for the year ended 31 March 2015

Based on the audit procedures performed for the purpose of reporting a true and fair view on the consolidated financial statements of the Holding Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit and based on the comments in the auditor's report of a subsidiary company incorporated in India, we report that:

(i) (a) The Holding Company and its subsidiary company incorporated in India have maintained proper records showing full particulars, including quantitative details and situation of fixed assets, except for certain instances where the records for plant and machinery, furniture and other assets are maintained for a group of similar assets and not for each individual asset by the Holding Company.

(b) The Holding Company and a subsidiary company incorporated in India has a regular program of physical verification of its fixed assets under which fixed assets are verified in a phased manner over a period of three years, which, in our opinion, is reasonable having regard to the size of the companies and the nature of their assets. No material discrepancies were noticed on such verification.

(ii) (a) The management of Holding Company and its subsidiary company incorporated in India has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedures of physical verification of inventory followed by the management of Holding Company and its subsidiary company incorporated in India are reasonable and adequate in relation to the size of the companies and the nature of their businesses.

(c) The Holding Company and a subsidiary company incorporated in India are maintaining proper records of inventory and no material discrepancies between physical inventory and book records were noticed on physical verification.

(iii) A subsidiary company incorporated in India has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a) and 3(iii)(b) of the Order are not applicable to such subsidiary company. The Holding Company has granted interest free unsecured loans to a company covered in the register maintained under Section 189 of the Act and with respect to the same:

(a) As the terms and conditions of the said loan are not stipulated, we are unable to comment as to whether the receipt of the principal amount is regular; and

(b) In the absence of stipulated terms and conditions, we are unable to comment as to whether there is any overdue amount in excess of ₹ one lakh and whether reasonable steps have been taken by the Holding Company for recovery of the principal amount and interest.

Annexure to the Independent Auditor's Report of even date to the members of NATCO Pharma Limited, on the consolidated financial statements for the year ended 31 March 2015

(iv) In our opinion, there is an adequate internal control system commensurate with the size of the Holding Company and a subsidiary company incorporated in India and the nature of their businesses for the purchase of inventory and fixed assets, except in certain cases wherein the Holding Company has incurred capital expenditure without issuing any purchase or work orders, as applicable, and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

(v) The Holding Company and a subsidiary company incorporated in India has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) We have broadly reviewed the books of account maintained by the Holding Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub-section (1) of Section 148 of the Act in respect of Holding Company's products and are of the opinion that, *prima facie*, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete. In relation to a subsidiary company incorporated in India, the Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of subsidiary company's products/ services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable to such subsidiary company.

(vii)(a) A subsidiary company incorporated in India, is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, with the appropriate authorities. In relation to Holding Company, undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in a few cases. Further, in relation to Holding Company and a subsidiary company incorporated in India, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.

Annexure to the Independent Auditor's Report of even date to the members of NATCO Pharma Limited, on the consolidated financial statements for the year ended 31 March 2015

(b) In relation to Holding Company, the dues outstanding in respect of income tax, sales tax, customs duty, service tax, wealth tax, excise duty, value added tax and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹)	Amount Paid Under Protest (₹)	Period to which the amount relates	Forum where dispute is pending
The Central Sales Tax Act, 1956	Central sales tax	8,690,000	2,500,000	FY: 1997-98	Honorable High Court of Andhra Pradesh
The Customs Act, 1962	Customs duty	2,000,000	-	July 2006 to June 2010	CESTAT, Bengaluru
The Finance Act, 1994	Service tax	1,749,256	1,068,319	FY: 2011-12	CESTAT, Bengaluru
The Income Tax Act, 1961	Income tax	656,957	656,957	AY: 1989-90 to 1998-99	Honorable High Court of Andhra Pradesh.

In relation to a subsidiary company incorporated in India, there are no dues in respect of income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax and cess that have not been deposited with the appropriate authorities on account of any dispute.

(c) The Holding Company has transferred the amount required to be transferred to the investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 and rules made thereunder within the specified time. In relation to a subsidiary company incorporated in India, there were no amounts which were required to be transferred to the Investor Education and Protection Fund by such company in accordance with the relevant provisions of the Companies Act, 1956 and rules made thereunder. Accordingly, the provisions of clause 3(vii)(c) of the Order are not applicable to such subsidiary company.

(viii) The Holding Company has no accumulated losses at the end of the financial year and they have not incurred cash losses in the current and the immediately preceding financial year. In relation to a subsidiary company incorporated in India, the company's accumulated losses at the end of the financial year are less than fifty per cent of its net worth. The subsidiary company has incurred cash losses in the current and the immediately preceding financial year.

(ix) The subsidiary company incorporated in India has no dues payable to a financial institution or a bank or debenture-holders during the year. In respect of Holding Company, in our opinion, the Company has not defaulted in repayment of dues to any financial institution or a bank during the year. The Holding Company did not have any outstanding debentures during the year.

Annexure to the Independent Auditor's Report of even date to the members of NATCO Pharma Limited, on the consolidated financial statements for the year ended 31 March 2015

(x) The Holding Company and a subsidiary company incorporated in India has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 3(x) of the Order are not applicable.

(xi) The subsidiary company incorporated in India did not have any term loans outstanding during the year. In respect of Holding Company, in our opinion the Company has applied the term loans for the purpose for which these loans were obtained.

(xii) No fraud on or by the Holding Company and a subsidiary company incorporated in India has been noticed or reported during the year covered by our audit.

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

per **Sanjay Kumar Jain**
Partner
Membership No.: 207660

Place: Hyderabad
Date: 22 May 2015

NATCO Pharma Limited
Consolidated Balance Sheet as at 31 March 2015
(All amounts in ₹ unless otherwise stated)

	Notes	31 March 2015	31 March 2014
Equity and liabilities			
Shareholders' funds			
Share capital	3	332,348,490	330,730,740
Reserves and surplus	4	8,128,162,428	6,928,029,630
		8,460,510,918	**7,258,760,370**
Minority interest		**50,250,161**	**68,795,530**
Non-current liabilities			
Long-term borrowings	5	970,157,454	954,862,897
Deferred tax liabilities (net)	6	118,894,128	430,565,589
Other long term liabilities	7	8,257,334	10,399,407
Long-term provisions	8	94,976,176	110,889,471
		1,192,285,092	**1,506,717,364**
Current liabilities			
Short-term borrowings	9	1,685,435,777	986,312,469
Trade payables	10	1,253,014,315	1,097,862,833
Other current liabilities	11	1,185,626,934	1,021,781,301
Short-term provisions	12	13,326,463	16,864,289
		4,137,403,489	**3,122,820,892**
Total		**13,840,449,660**	**11,957,094,156**
Assets			
Non-current assets			
Fixed assets			
Tangible assets	13	6,640,243,508	6,127,380,414
Intangible assets	14	459,461,121	320,052,933
Capital work-in-progress		1,289,643,974	1,237,762,962
Non-current investments	15	15,677,945	15,677,945
Long-term loans and advances	16	570,327,217	542,475,803
Other non-current assets	17	35,433,011	32,380,362
		9,010,786,776	**8,275,730,419**
Current assets			
Current investments	18	1,182,970	3,179,534
Inventories	19	2,199,997,394	1,811,246,508
Trade receivables	20	1,924,287,186	1,187,998,758
Cash and bank balances	21	133,605,399	110,475,468
Short-term loans and advances	16	551,482,819	543,241,906
Other current assets	22	19,107,116	25,221,563
		4,829,662,884	**3,681,363,737**
Total		**13,840,449,660**	**11,957,094,156**

Notes 1 to 36 form an integral part of these consolidated financial statements.

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

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date : 22 May 2015

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

V C Nannapaneni
Chairman & Managing Director

Rajeev Nannapaneni
Vice Chairman & CEO

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

SVVN Appa Rao
Interim CFO

Place: Hyderabad
Date : 22 May 2015

NATCO Pharma Limited
Consolidated Statement of Profit and Loss for the year ended 31 March 2015
(All amounts in ₹ unless otherwise stated)

	Notes	31 March 2015	31 March 2014
Revenue			
Revenue from operations (gross)	23	8,382,254,848	7,447,181,452
Less : Excise duty		129,494,407	58,255,959
Revenue from operations (net)		**8,252,760,441**	**7,388,925,493**
Other income	24	149,071,423	167,077,830
Total revenue		**8,401,831,864**	**7,556,003,323**
Expenses			
Cost of materials consumed (including packing material consumed)	25	1,672,623,796	1,600,971,625
Purchases of stock-in-trade		842,783,226	888,979,944
Changes in inventory of finished goods, work-in-progress and stock-in-trade	26	(91,677,623)	(157,714,880)
Employee benefits expense	27	1,369,162,152	1,127,729,729
Finance costs	28	316,763,593	366,188,677
Depreciation and amortisation expense	13 and 14	472,656,545	304,433,992
Other expenses	29	2,325,369,688	2,135,152,604
Prior period item		703,373	494,052
Total expenses		**6,908,384,750**	**6,266,235,743**
Profit before exceptional items and tax		**1,493,447,114**	**1,289,767,580**
Exceptional item	30	151,274,688	-
Profit before tax		**1,342,172,426**	**1,289,767,580**
Tax expense			
Current tax		351,173,069	322,640,399
Deferred tax benefit	6(a)	(311,671,461)	(13,940,128)
Profit after tax and before minority interest		**1,302,670,818**	**981,067,309**
Minority interest		(43,486,931)	(46,275,569)
Profit for the year		**1,346,157,749**	**1,027,342,878**
Earnings per equity share [EPES]			
Basic and diluted EPES		40.64	32.16
Nominal value per equity share		10	10
Weighted average number of equity shares considered in computation of basic and diluted EPES		33,120,055	31,945,951

Notes 1 to 36 form an integral part of these consolidated financial statements.

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

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date : 22 May 2015

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

V C Nannapaneni
Chairman & Managing Director

Rajeev Nannapaneni
Vice Chairman & CEO

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

SVVN Appa Rao
Interim CFO

Place: Hyderabad
Date : 22 May 2015

NATCO Pharma Limited
Consolidated Cash Flow Statement for the year ended 31 March 2015
(All amounts in ₹ unless otherwise stated)

		31 March 2015	31 March 2014
Cash flows from operating activities			
Profit before tax		**1,342,172,426**	**1,289,767,580**
Adjustments :			
Depreciation and amortisation expense		472,656,545	304,433,992
Net gain on sale of current investments		(23,631,749)	(10,058,159)
Inventory written-off		7,024,358	7,813,451
Bad and doubtful trade receivables written off		58,537	1,918,395
Provision for employee benefits		(8,943,942)	25,513,106
Provision no longer required, written back		(38,766,503)	(6,753,572)
Interest income		(5,532,804)	(5,613,616)
Dividend income		(3,660)	(131,668)
Gain on sale of asset		(6,580,947)	(78,095)
Interest expenses		302,927,361	345,871,387
Unrealised foreign exchange gain		(17,759,765)	(5,705,925)
Operating profit before working capital changes		**2,023,619,857**	**1,946,976,876**
Increase in other current liabilities		101,325,392	116,968,817
Increase in trade payables		193,917,985	39,347,051
Decrease in long-term liabilities		(2,142,073)	(12,573,462)
Increase in inventories		(395,775,244)	(358,819,918)
Decrease / (increase) in trade receivables		(718,587,200)	112,918,379
Decrease in other current assets		6,114,447	2,143,611
Increase in short-term loans and advances		(8,240,913)	(109,910,790)
Decrease / (increase) in long-term loans and advances		(36,179,324)	48,796,743
Cash generated from operating activities		**1,164,052,927**	**1,785,847,307**
Income taxes paid		(237,390,843)	(345,503,303)
Net cash generated from operating activities	**A**	**926,662,084**	**1,440,344,004**
Cash flows from investing activities			
Purchase of tangible assets		(1,167,141,649)	(1,060,398,167)
Purchase of intangible assets		(24,959,654)	(43,261,829)
Proceeds from sale of tangible assets		17,356,896	-
Purchase of non-current investments		-	(255,035)
Proceeds from sale of current investments		25,628,313	15,000,151
Interest received		3,591,795	5,858,404
Dividends received		3,660	131,668
Increase in other bank balances		(1,980,265)	(6,301,349)
Net cash used in investing activities	**B**	**(1,147,500,904)**	**(1,089,226,157)**

NATCO Pharma Limited
Consolidated Cash Flow Statement for the year ended 31 March 2015
(All amounts in ₹ unless otherwise stated)

		31 March 2015	31 March 2014
Cash flows from financing activities			
Proceeds from issuance of equity shares		-	1,085,280,000
(Repayment) / proceeds from long-term borrowings, net		14,812,302	(419,903,392)
(Repayment) / proceeds from short-term borrowings, net		699,123,308	(491,122,363)
Movement in minority interest		75,293,757	9,704,247
Interest paid		(299,150,179)	(343,131,346)
Dividends paid (including tax on distributed profits)		(199,329,249)	(193,485,693)
Net cash (used in) / from financing activities	**C**	**290,749,939**	**(352,658,547)**
Effect of currency translation adjustment	**D**	**(47,649,813)**	**4,177,923**
Net increase in cash and cash equivalents (A+B+C+D)		22,261,306	2,637,223
Cash and cash equivalents as at the beginning of the year		102,155,082	99,517,859
Cash and cash equivalents as at the end of the year [Refer Note 1]		**124,416,388**	**102,155,082**
Note 1:			
Cash and bank balances as per note 21		133,605,399	110,475,468
Less: Other bank balances		9,189,011	8,320,386
Cash and cash equivalents considered for cash flow statement		**124,416,388**	**102,155,082**

Note 2: Issue of equity shares including premium aggregating to ₹194,130,000 issued to erst while shareholders of Natco Organics Limited ('NOL') for swap of shares in NOL (Refer 3 (e) (i)) has been considered as non-cash item for the cash flow statement.

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

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date : 22 May 2015

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

V C Nannapaneni
Chairman & Managing Director

Rajeev Nannapaneni
Vice Chairman & CEO

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

SVVN Appa Rao
Interim CFO

Place: Hyderabad
Date : 22 May 2015

NATCO Pharma Limited
Summary of significant accounting policies and other explanatory information
(All amounts in ₹ unless otherwise stated)

1. Significant accounting policies

a. Basis of consolidation

The consolidated financial statements of NATCO Pharma Limited ("the Company") together with its subsidiaries (collectively referred as the 'Group' or the 'consolidating entities') are prepared under historical cost convention on accrual basis, in accordance with the generally accepted accounting principles in India ("Indian GAAP") and comply in all material respects with the mandatory Accounting Standards ("AS") notified under the Companies Act, 2013 read with the Rule 7 of the Companies (Accounts) Rules, 2014 (as amended), pronouncements of The Institute of Chartered Accountants of India ('ICAI'). The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible in the same manner as the Company's separate financial statements, except otherwise stated for like transactions in similar circumstances.

Investments in subsidiaries, except where the investments are acquired exclusively with a view to its subsequent disposal in the near future, are accounted in accordance with accounting principles as defined in the Accounting Standard ('AS') 21 'Consolidated Financial Statements', as prescribed under the Rules.

The standalone financial statements of the consolidating entities are added on a line-by-line basis and material inter-company balances and transactions including unrealized gain and loss from such transactions are eliminated upon consolidation. The following subsidiaries have been considered for the purpose preparation of consolidated financial statements:

Names of the consolidating entities	Country of Incorporation	Percentage holding /interest (%)	
		As at 31 March	
		2015	2014
NATCO Pharma Inc.	United States of America	100.00	100.00
Time Cap Overseas Limited	Mauritius	84.00	73.00
NATCO Farma Do Brazil	Brazil	75.60	65.70
NATCO Organics Limited ("NOL")	India	100.00	51.00
NATCO Pharma (Canada), Inc.	Canada	99.33	97.82
Natco Pharma Asia Pte. Ltd.	Singapore	100.00	100.00
NATCO Pharma Australia PTY Ltd	Australia	100.00	NA

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

b. Use of estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the consolidated financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debtors and other receivables, provision for inventories, future obligations under employee retirement benefit plans, income taxes, useful lives of fixed assets and carrying value of intangible assets.

Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprise of purchase price, freight, non-refundable duties, taxes and any other cost attributable to bringing the asset to its working condition for its intended use. Assets retired from active use and held for disposal are stated at their estimated net realisable values or net book values, whichever is lower.

Exchange rate variations relating to long-term foreign currency monetary items, which are utilized in acquisition of a depreciable capital assets are added to or deducted from the cost of the asset and depreciated over the remaining useful life of the asset.

d. Depreciation

Depreciation is provided on Straight Line Method based on the rates prescribed under Schedule II to the Act, except in respect of fixed assets of overseas subsidiaries, which are depreciated over the estimated useful lives, using the Straight Line Method.

Depreciation on sold/discarded fixed assets is provided for up to the date of sale /discarded as the case may be.

e. Borrowing costs

Borrowing costs that are attributable to the acquisition and construction of a qualifying asset are capitalised as a part of the cost of the asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

f. Intangible assets

Acquired intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets in the nature of software are amortized over a period of six years.

Goodwill

Goodwill represents the excess of purchase consideration over the net book value of net assets acquired. Goodwill is evaluated periodically for impairment and impairment losses are recognized where applicable.

g. Impairment of assets

The carrying amounts of assets, both tangible and intangible, are reviewed at each balance sheet date if there is any indication of impairment based on internal and/or external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use.

h. Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

i. Research and development

Expenditure incurred on research and development activities is expensed as and when incurred.

j. Inventories

Raw material, stock-in-trade, packaging material, stores and spare parts are carried at cost. Cost includes purchase price excluding taxes those are subsequently recoverable by the enterprise from the concerned authorities, freight inwards and other expenditure incurred in bringing such inventories to their present location and condition.

Cost of inventories is determined using the weighted average cost method, except in the case of inventories held by NATCO Pharma Inc., the cost is determined using first-in-first out method.

The carrying cost of raw materials, stock-in-trade, packaging materials and stores and spare parts are appropriately written down when there is a decline in replacement cost of such materials and finished products in which they will be incorporated are expected to be sold below cost.

Finished goods and work in progress are valued at the lower of cost and net realizable value. Cost of work in progress and manufactured finished goods is determined on weighted average basis and comprises cost of direct material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition. Excise duty liability is included in the valuation of closing inventory of finished goods.

k. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue measured and collectability is reasonably assured.

Sale of goods:
Revenue from sale of goods is recognized on dispatch or on the date of the bill of lading or airway bill in respect of export sales and in case of pharmacy sale when items are sold, which coincides with transfer of significant risks and rewards to customer and is inclusive of excise duty and net of trade discounts, sales returns and sales tax, where applicable.

Sale of services:
Revenue from sale of services is recognized as per the terms of contracts with customers when the related services are performed or the agreed milestones are achieved and when the Company completes all its performance obligations.

Dividend income:
Dividend income is recognized when the right to receive the payment is established.

Interest income:
Income from interest on deposits is recognised on the time proportionate methods taking into account the amount outstanding and the interest rate applicable.

Export entitlements:
Export entitlements are recognized when the right to receive such entitlement as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding compliance with the terms and conditions of such scheme.

Profit sharing arrangements:
Revenue from profit sharing arrangements on sale of products is recognized based on terms and conditions of arrangements with respective customers.

Licensing and dossiers arrangements:
Revenue from licensing and dossiers arrangements is recognised in accordance with terms of the relevant agreement as accepted and agreed with the customers.

l. **Taxes**

Tax expense comprises of current and deferred tax. The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the entities in the Group.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods. Deferred tax is measured based on the tax rates and the tax laws enacted or subsequently enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

In situations where the Group has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

Unrecognized deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain or virtually certain, as the case may be that future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets are reviewed at each balance sheet date.

The Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Group has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

Minimum Alternative Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the ICAI, the said asset is created by way of a credit to the Statement of Profit and Loss and shown as MAT credit entitlement.

m. **Earnings per equity share**

Basic earnings per equity share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

n. **Foreign currency transactions**

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported at year-end rates. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar

valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences
Exchange differences arising on the settlement of foreign currency monetary items or on reporting monetary items of the Company at rates different from those at which they were initially recorded during the year, or reported in previous consolidated financial statements, are recognized as income or as expense in the year in which they arise.

o. Foreign currency translation
Exchange difference relating to non-integral foreign operations is disclosed as 'foreign currency translation reserve account' in the consolidated balance sheet until the disposal of the net investment. On the disposal of a non-integral foreign operation, the cumulative amount of the exchange difference is recognized as income or expense in the period in which gain or loss on disposal is recognized. In accordance with the accounting principles prescribed under AS11 'The Effects of Changes in Foreign Exchange Rates' as notified by the Rules, the Group has designated all its foreign operations, as 'non-integral foreign operations'.

p. Employee benefits

Defined contribution plan
In respect of the Company and Indian subsidiary, retirement benefits in the form of contribution to provident fund scheme and employee state insurance scheme are charged to Statement of Profit and Loss of the year when the contribution to the respective fund is due. There are no other obligations other than the contribution payable to the respective fund.

In respect of overseas subsidiaries, retirement benefits such as 401(k) plan and others for eligible employees are charged to Statement of Profit and Loss of the year when the contribution to respective fund is due. Contributions by the consolidating entity are discretionary and there are no other obligations other than the contribution payable to the respective fund.

Defined benefit plan
Gratuity is a post-employment defined benefit plan. An independent actuary, using the projected unit credit method calculates the defined benefit obligation annually. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Statement of Profit and Loss in the period in which such gains or losses arises.

Compensated absences
As per the Company policy, eligible leaves can be accumulated by the employees and carried forward to future periods either to be utilized during the service, or encashed. Encashment can be made during service or on resignation, or retirement of the employee. The value of benefits is determined based on an independent actuarial valuation using the projected unit credit method as at the year end. Actuarial gains and losses are recognized immediately in the Statement of Profit and Loss.

q. Government grants
Government grants relating to specific fixed assets are adjusted against the cost of underlying fixed assets and revenue grants are credited to consolidated Statement of Profit and Loss on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate.

r. Leases
Where the lessor effectively retains all risk and benefits of ownership of the leased items, such leases are classified as operating lease. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight line basis.

s. Provisions and contingent liabilities

A provision is recognised when the Group has a present obligation as a result of past event i.e., it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. A disclosure of the contingent liability is made when there is a possible or a present obligation that may, but probably will not, require an outflow of resources.

t. Cash flow statement

Cash flows are reported using the indirect method, whereby net profit 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.

u. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with original maturity of less than three months.

v. Segment reporting

The Company's management has identified the business segments viz. active pharmaceuticals ingredient, finished dosage formulations, job works, pharmacy and others. Segments have been identified and reported taking into account the differing risks and returns and the internal business reporting systems. Inter segment sales are generally accounted at fair values and the same have been eliminated in consolidation. The accounting policies of the segments are substantially the same as those described in the 'Summary of significant accounting policies' as above.

2. Change in accounting estimate

Hitherto, depreciation on all tangible fixed assets was provided on straight line method over the estimated useful lives using the rates prescribed under erstwhile Schedule XIV of the Companies Act, 1956. Effective 1 April 2014, in accordance with the requirements to Schedule II of the Act, the Company has adopted the rates prescribed under Schedule II and accordingly, depreciation on the tangible fixed assets for the year ended 31 March 2015 is higher by ₹127,839,130 and further an amount of ₹63,251,616 has been charged to the opening balance of the general reserve in respect of the assets whose remaining useful life is nil as at 1 April 2014 in accordance with Schedule II of the Act.

3. **Share capital**

	31 March 2015		31 March 2014	
	Number	Amount	Number	Amount
Authorised share capital				
Equity shares of ₹10 each	**40,000,000**	**400,000,000**	**40,000,000**	**400,000,000**
Issued, subscribed and fully paid up				
Equity shares of ₹10 each	33,234,849	332,348,490	33,073,074	330,730,740
	33,234,849	**332,348,490**	**33,073,074**	**330,730,740**

(a) Reconciliation of shares

	31 March 2015		31 March 2014	
	Number	Amount	Number	Amount
Equity shares of ₹10 each				
Balance at the beginning of the year	33,073,074	330,730,740	31,373,074	313,730,740
Add: Issued during the year	161,775	1,617,750	1,700,000	17,000,000
Balance at the end of the year	**33,234,849**	**332,348,490**	**33,073,074**	**330,730,740**

(b) Terms and rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing general meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts in proportion of their shareholding.

(c) Shareholders holding more than five percent shares in the Company

	31 March 2015		31 March 2014	
	Number	%	Number	%
Equity shares of ₹10 each				
V C Nannapaneni *	8,147,363	24.51%	8,023,838	24.26%
Time Cap Pharma Labs Limited	3,431,444	10.32%	3,412,694	10.32%
Natsoft Information Systems Private Limited	3,153,500	9.49%	3,153,500	9.53%
CX Securities Limited**	NA	NA	1,700,000	5.14%

* including shares held in the capacity of Karta of HUF aggregating to 14,829 (31 March 2014:1,088,009)

** shareholding of the investor as at 31 March 2015 is less than 5% and hence no disclosure is given.

(d) Employee stock option scheme ("ESOP")

(i) The Company had instituted NATCO Stock Option Plan 2010 ("ESOP 2010") as per the special resolution passed in the annual general meeting of the members held on 30 September 2010. The Scheme was formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI ESOP Guidelines") issued by the Securities and Exchange Board of India ("SEBI") and pursuant to the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956. Pursuant to such approval, the Board is authorized to issue employee stock options, that are exercisable into not more than 600,000 equity shares of the Company to eligible employees based on specific recommendations of the remuneration committee. Each option comprises of one underlying equity share of ₹10 each. 236,551 options were granted during August 2011 at an exercise price of ₹10 each and were accounted at an intrinsic value of ₹252.55 per share, being the difference between the market value, calculated in accordance with the valuation methods prescribed by the SEBI and the grant price and accounted as stock option compensation over the vesting period of twelve months from the date of the grant.

(ii) During the year ended 31 March 2015, the Company has not granted any options to the employees and no options were pending for vesting / exercie as at 31 March 2015.

(e) Details of shares issued pursuant to contract without payment being received in cash during the last 5 years, immediately preceding the balance sheet date:

	Number of shares	
	1 April 2010 to 31 March 2015	1 April 2009 to 31 March 2014
Aggregate number of equity shares allotted *	386,897	332,247

* Equity shares alloted pursuant to contracts without payment being received in cash comprise of:

(i) During the year ended 31 March 2015, the Company has issued 161,775 equity shares of ₹10 each, fully paid-up at a premium of ₹1,190 per equity share to the erstwhile shareholders of Natco Organics Limited ('NOL') in exchange of 19,310,000 equity shares of ₹10 each at face value held in NOL.

(ii) Balance equity shares comprising of 225,122 (31 March 2014: 332,247) were allotted during the period of five years, on exercise of the options granted under the employee stock option plan (ESOP) wherein part consideration was received in form of employee services.

4. **Reserves and surplus**

	31 March 2015	31 March 2014
Capital reserve	**207,272,762**	207,272,762
Capital redemption reserve	**4,928,810**	4,928,810
Securities premium reserve		
Balance at the beginning of the year	2,589,721,552	1,521,441,552
Add : Additions during the year	192,512,250	1,068,280,000
Balance at the end of the year	**2,782,233,802**	**2,589,721,552**
General reserve		
Balance at the beginning of the year	437,161,000	327,161,000
Add : Additions during the year	110,000,000	110,000,000
Less: Adjustment (Refer note: 2)	(63,251,616)	-
Balance at the end of the year	**483,909,384**	**437,161,000**
Foreign currency translation reserve		
Balance at the beginning of the year	50,910,475	46,732,552
Add : Adjustments during the year	(75,087,711)	4,177,923
Balance at the end of the year	**(24,177,236)**	**50,910,475**
Surplus in the statement of profit and loss		
Balance at the beginning of the year	3,638,035,031	2,914,161,368
Add : Profit for the year	1,346,157,749	1,027,342,878
Less: Interim dividend of ₹5 (31 March 2014: ₹5) per equity share	(166,174,245)	(165,365,370)
Less: Tax on distributed profits	(34,023,629)	(28,103,845)
Less: Transferred to general reserve	(110,000,000)	(110,000,000)
Balance at the end of the year	**4,673,994,906**	**3,638,035,031**
	8,128,162,428	**6,928,029,630**

5. **Long-term borrowings**

	31 March 2015	31 March 2014
Secured		
Term loans from		
Banks	1,179,868,320	965,606,253
Other parties	223,235,295	419,705,883
	1,403,103,615	1,385,312,136
Unsecured		
From other parties	29,854,476	32,833,653
	1,432,958,091	**1,418,145,789**
Less: Current maturities of long-term borrowings (note 11)	(462,800,637)	(463,282,892)
	970,157,454	**954,862,897**

(a) **Terms and conditions of secured loan-term borrowings and nature of its security**

(i) Term loans amounting to ₹623,235,295 (31 March 2014: ₹457,205,883) is secured by pari-passu first charge on the entire immovable properties and movable fixed assets both present and future of Mekaguda Unit and part of the loan is further secured by an exclusive charge on all the immovable properties and movable fixed assets of both the units (Plot No-19 and Plot NoA-3) at Dehradun and exclusive charge on the R&D equipment acquired from the loan amount.

(ii) Term loans amounting to ₹122,086,614 (31 March 2014: ₹241,300,697) is secured by an exclusive charge over all movable and immovable fixed assets of NATCO Research Center and a part of the loan is secured by first charge on the movable and immovable fixed assets of Mekaguda unit along with other lenders.

(iii) Term loans amounting to ₹657,781,706 (31 March 2014: ₹686,805,556) is secured by pari-passu first charge on the entire fixed assets both present and future of Kothur Unit.

All the above loans are guaranteed by Mr. V.C Nannapaneni, Chairman and Managing Director and carry interest linked to the respective Bank's / Institution's prime / base lending rate, and range from 3.53% per annum to 12.75% per annum (31 March 2014: 3.53% per annum to 12.50% per annum).

(b) Unsecured loans amounting to ₹29,854,476 (31 March 2014: ₹32,833,653) has been availed at an interest rate of 5% to 29.52% per annum (31 March 2014: 6.25% to 19.56% per annum).

(c) **Details of repayment of long term borrowings**

	31 March 2015	31 March 2014
Up to 1 year	462,800,637	463,282,892
From 1 to 3 years	888,681,305	771,918,452
3 years and above	81,476,149	182,944,445
	1,432,958,091	**1,418,145,789**

6. **Deferred tax liabilities (net)**

	31 March 2015	31 March 2014
On account of depreciation	131,041,663	471,319,608
On account of employee benefits and others	(12,147,535)	(40,754,019)
Net deferred tax liability	**118,894,128**	**430,565,589**

(a) On the basis of management's assessment of its future business plan and impact thereof on its future taxable income, the management believes that the Company shall continue to pay tax on income under the Minimum Alternate Tax (MAT) provisions of the Income Tax Act, 1961 over the next several years. Thus, deferred tax liabilities (net) aggregating to ₹310,366,437 recognized in the earlier years on account of timing differences which will be reversed during the periods in which taxes are expected to be paid under MAT de-recognized in the current financial year in accordance with the provisions of Accounting Standard 22 – 'Accounting for Taxes on Income'.

7. **Other long-term liabilities**

	31 March 2015	31 March 2014
Security deposits	8,257,334	10,399,407
	8,257,334	**10,399,407**

8. **Long-term provisions**

	31 March 2015	31 March 2014
Provision for gratuity	60,275,275	72,697,561
Provision for compensated absences	34,700,901	38,191,910
	94,976,176	**110,889,471**

In respect of NOL, provision for gratuity aggregating to ₹2,601,756 (31 March 2014: ₹2,053,297) has been made based on management estimate, as against the group accounting policy as mentioned in note 1(o).

(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 or in the event of death in lump sum after deduction of necessary taxes upto a maximum limit of ₹1,000,000. The following table set out the status of the gratuity plan and the reconciliation of opening and closing balances of the present value and defined benefit obligation.

(i) **Change in projected benefit obligation**

	31 March 2015	31 March 2014
Projected benefit obligation at the beginning of the year	**117,454,552**	94,462,630
Service cost	**9,415,272**	7,557,010
Interest cost	**9,396,364**	6,704,247
Actuarial (gain) / loss	**(8,815,079)**	13,818,766
Benefits paid	**(7,019,049)**	(5,088,101)
Projected benefit obligation at the end of the year	**120,432,060**	117,454,552

(ii) **Change in plan assets**

	31 March 2015	31 March 2014
Fair value of plan assets at the beginning of the year	**46,810,288**	39,943,228
Expected return on plan assets	**4,704,817**	3,517,274
Employer contributions	**9,966,090**	8,437,887
Benefits paid	**(7,019,049)**	(5,088,101)
Fair value of plan assets at the end of the year	**54,462,146**	46,810,288

(iii) **Reconciliation of present value of obligation on the fair value of plan assets**

	31 March 2015	31 March 2014
Present value of projected benefit obligation at the end of the year	**120,432,060**	117,454,552
Funded status of the plans	**54,462,146**	46,810,288
Net liability recognized in the balance sheet	**65,969,914**	70,644,264

(iv) **Expense recognized in the statement of profit and loss**

	31 March 2015	31 March 2014
Service cost	**9,415,272**	7,557,010
Interest cost	**9,396,364**	6,704,247
Expected returns on plan assets	**(4,704,817)**	(3,517,274)
Recognized net actuarial (gain)/ loss	**(8,815,079)**	13,818,766
Net gratuity costs	**5,291,740**	24,562,749

(v) **Key actuarial assumptions**

	31 March 2015	31 March 2014
Discount rate	**8.00%**	8.00%
Expected return on plan assets	**9.00%**	8.75%
Salary escalation rate	**4.00%**	4.00%

(vi) **Amounts for the current and previous four periods are as follows:**

Particulars	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
Defined benefit obligation	120,432,060	117,454,552	94,462,630	73,162,037	58,231,217
Planned Assets	54,462,146	46,810,288	39,943,228	27,293,852	26,078,468
Surplus / (deficit)	(65,969,914)	(70,644,264)	(54,519,402)	(45,868,185)	(32,152,749)
Experience adjustment to planned liabilities	(8,815,079)	13,818,766	13,154,930	7,133,657	(2,872,373)
Experience adjustment to planned assets	-	-	-	-	-

9. **Short-term borrowings**

Loans repayable on demand	31 March 2015	31 March 2014
Secured		
From Banks		
Unsecured	1,375,197,497	943,354,453
From Banks		
	310,238,280	42,958,016
	1,685,435,777	**986,312,469**

(a) Loans repayable on demand represents cash credit, overdraft, bills purchased and discounted with various banks and carry interest linked to the respective Bank's / Institution's prime / base lending rate, and range from 10% per annum to 14% per annum (31 March 2014: 5.75% per annum to 14% per annum).

(b) Loans repayable on demand are secured by way of first charge on all the current assets of the Company. The collateral security is joint pari-passu first charge on the corporate Office and all fixed assets of Nagarjuna Sagar Unit apart from personal guarantees of Mr. V.C. Nannapaneni, Chairman and Managing Director, Ms. Durga Devi Nannapaneni, promoter and Dr. N. Ramakrishna Rao, relative of Chairman and Managing Director.

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

10. **Trade payables**

Creditors for purchases and expenses	31 March 2015	31 March 2014
	1,253,014,315	1,097,862,833
	1,253,014,315	**1,097,862,833**

11. **Other current liabilities**

	31 March 2015	31 March 2014
Current maturities of long-term borrowings	462,800,637	463,282,892
Interest accrued but not due on long-term borrowings	13,758,895	9,981,713
Creditors for capital assets	265,081,581	206,724,892
Book overdraft	78,249,535	36,462,711
Employee related payables	107,463,380	98,817,800
Advance from customers	202,195,465	151,945,350
Unpaid dividends	9,189,011	8,320,386
Statutory liabilities	46,888,430	46,245,557
	1,185,626,934	**1,021,781,301**

12. **Short-term provisions**

	31 March 2015	31 March 2014
Provision for taxation [net of advance tax]	2,220,378	12,727,557
Provision for leave benefits	2,809,690	4,136,732
Provision for gratuity	8,296,395	-
	13,326,463	**16,864,289**

13. **Tangible assets**

	Freehold land	Leasehold land	Buildings	Plant and equipment	Office equipment	Furniture and fixtures	Vehicles	Computers	Total
Gross block									
Balance as at 1 April 2013	641,299,200	16,725,782	1,980,703,421	3,998,573,161	37,396,332	57,041,008	95,959,496	100,560,913	6,928,259,313
Additions	329,773,216	-	76,345,496	403,075,811	3,141,145	15,845,696	6,539,220	10,662,969	845,983,553
Disposals / adjustments	-	-	-	1,034,146	-	170,290	1,302,045	-	2,506,481
Foreign exchange adjustments	-	-	13,043,925	23,356,265	965,885	541,831	(18,343)	634,492	38,524,055
Balance as at 31 March 2014	**971,072,416**	**16,725,782**	**2,070,092,842**	**4,424,571,091**	**41,503,362**	**73,258,245**	**101,178,328**	**111,858,374**	**7,810,260,440**
Additions	122,308,886	113,026,354	339,639,322	423,640,051	8,266,602	27,816,448	14,751,747	8,181,287	1,057,630,697
Disposals / adjustments	10,765,000	-	-	18,650	80,567	-	1,471,770	-	12,335,987
Foreign exchange adjustments	-	-	-	-	404,375	229,858	(18,343)	409,746	1,025,636
Balance as at 31 March 2015	**1,082,616,302**	**129,752,136**	**2,409,732,164**	**4,848,192,492**	**50,093,772**	**101,304,551**	**114,439,962**	**120,449,407**	**8,856,580,786**
Accumulated depreciation									
Up to 1 April 2013	-	1,437,778	306,507,309	922,025,394	18,056,511	24,511,603	42,831,420	73,828,982	1,389,198,997
Depreciation charge	-	188,535	65,555,548	205,952,257	2,702,745	4,363,171	7,297,397	6,749,772	292,809,425
Reversal on disposal	-	-	-	129,870	-	38,450	788,238	-	956,558
Foreign exchange translation	-	-	-	-	801,275	494,057	(8,156)	540,986	1,828,162
Up to 31 March 2014	-	**1,626,313**	**372,062,857**	**1,127,847,781**	**21,560,531**	**29,330,381**	**49,332,423**	**81,119,740**	**1,682,880,026**
Depreciation charge	-	2,175,022	74,572,281	342,573,877	6,383,836	7,077,845	14,752,892	11,220,612	458,756,365
Adjustment (Refer note 2)	-	-	7,607,938	46,273,631	5,433,923	-	1,052,393	2,573,318	62,941,203
Reversal on disposal	-	-	-	-	-	-	1,460,821	-	1,460,821
Foreign exchange translation	-	3,549,670	-	-	968,374	7,703,989	412,968	585,504	13,220,505
Up to 31 March 2015	-	**7,351,005**	**454,243,076**	**1,516,695,289**	**34,346,664**	**44,112,215**	**64,089,855**	**95,499,174**	**2,216,337,278**
Net block									
Balance as at 31 March 2014	971,072,416	15,099,469	1,698,029,985	3,296,723,310	19,942,831	43,927,864	51,845,905	30,738,634	6,127,380,414
Balance as at 31 March 2015	**1,082,616,302**	**122,401,131**	**1,955,489,088**	**3,331,497,203**	**15,747,108**	**57,192,336**	**50,350,107**	**24,950,233**	**6,640,243,508**

(a) Leasehold land include land acquired from the State Industrial Development Corporation of Uttarakhand Limited for a period of 90 years, Uttar Pradesh State Industrial Development Corporation Limited for a period of 87 years and from 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.

14. **Intangible assets**

	Computer Software	Goodwill	Total
Gross block			
Balance as at 1 April 2013	66,204,022	275,192,942	341,396,964
Additions	26,151,798	-	26,151,798
Deletions/Adjustments	-	-	-
Foreign exchange adjustments	(43,070)	21,094,339	21,051,269
Balance as at 31 March 2014	**92,312,750**	**296,287,281**	**388,600,031**
Additions	5,008,364	163,729,095	168,737,459
Deletions/Adjustments	-	-	-
Foreign exchange adjustments	(6,259,080)	(7,831,651)	(14,090,731)
Balance as at 31 March 2015	**91,062,034**	**452,184,725**	**543,246,759**
Accumulated amortisation			
Up to 1 April 2013	16,517,183	-	16,517,183
Amortization charge	11,624,567	-	11,624,567
Foreign exchange translation	112,625	-	112,625
Up to 31 March 2014	**28,254,375**	**-**	**28,254,375**
Amortization charge	13,900,180	-	13,900,180
Adjustment	285,279	-	285,279
Foreign exchange translation	(576,060)	-	(576,060)
Up to 31 March 2015	**41,863,774**	**-**	**41,863,774**
Impairment loss			
Up to 1 April 2013	-	36,464,110	36,464,110
Foreign exchange adjustments	-	3,828,613	3,828,613
Up to 31 March 2014	-	**40,292,723**	**40,292,723**
Foreign exchange adjustments	-	**1,629,141**	**1,629,141**
Up to 31 March 2015	-	**41,921,864**	**41,921,864**
Net block			
Balance as at 31 March 2014	64,058,375	255,994,558	320,052,933
Balance as at 31 March 2015	**49,198,260**	**410,262,861**	**459,461,121**

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15. **Non-current investments**

	31 March 2015	31 March 2014
Investments in equity instruments, Trade, Unquoted		
Others		
Share application money in NATIVITA JLLC	255,035	255,035
750 (31 March 2014: 750) equity shares of ₹100 each, fully paid-up, in Jeedimetla Effluent Treatment Limited	75,000	75,000
34,400 (31 March 2014: 34,400) equity shares of ₹10 each, fully paid-up, in Pattancheru Enviro-Tech Limited	344,000	344,000
Total investments in equity instruments, Trade (A)	**674,035**	**674,035**
Investments in equity instruments, Others, Quoted		
27,000 (31 March 2014: 27,000) equity shares of ₹10 each, fully paid-up in Jayalakshi Spinning Mills Limited	270,000	270,000
Total investments in equity instruments, Others (B)	**270,000**	270,000
Other non-current investments, Others, Unquoted		
Investment in portfolio management services		
15,000,000 (31 March 2014: 15,000,000) compulsorily convertible preference shares of ₹1 each, fully paid-up in Ravindranath GE Medical Associates Private Limited	15,000,000	15,000,000
National savings certificates	3,910	3,910
Total investments in other non-current investments (C)	**15,003,910**	15,003,910
Total non-current investments (A+B+C)	**15,947,945**	**15,947,945**
Less: provision for diminution in value of investments	270,000	270,000
	15,677,945	**15,677,945**
Quoted investments		
Market value of quoted investments	270,000	270,000
Unquoted investments [including share application money]	-	-
Provision for diminution in value of investments	15,677,945	15,677,945
	270,000	270,000

Investment in portfolio management services

The Company has made an investment, aggregating to ₹15,000,000 in the private equity opportunities fund of Anand Rathi Financial Services Limited (ARFSL). By virtue of shareholders agreement and share subscription agreement, both dated 29 November 2010, ARFSL has invested, the Company's fund in the Compulsorily Convertible Preference Shares of Ravindranath GE Medical Associates Private Limited. The Company's investment in the private equity opportunities fund of ARFSL provides for a return of 20% in excess of 16% on a gross pre-tax IRR basis. In the absence of reasonable certainty of realization of return, no income was accrued on such investment for the year ended 31 March 2015.

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16. **Loans and advances**
(Unsecured, considered good)

Long-term	**31 March 2015**	**31 March 2014**
Capital advances	387,316,135	271,354,640
Security deposits	43,446,298	33,908,779
Advance tax, net	43,192,485	167,481,890
Balances with government authorities	96,372,299	69,730,494
	570,327,217	**542,475,803**
Short-term		
Loans and advances to related parties	-	39,071,244
Prepaid expenses	38,173,371	18,674,873
Balances with government authorities	353,352,420	303,812,731
Advances for purchases and expenses	103,607,161	125,140,782
Other advances	56,349,867	56,542,276
	551,482,819	**543,241,906**

17. **Other non-current assets**
(Unsecured, considered good)

	31 March 2015	**31 March 2014**
Deposit with banks*	27,119,198	26,007,558
Interest accrued on fixed deposits	8,313,813	6,372,804
	35,433,011	**32,380,362**

*Bank deposits held with banks as margin money with a maturity period of more than 12 months.

18. **Current investments**

Investments in equity instruments, Quoted, Non trade	**31 March 2015**	**31 March 2014**
15,000 (31 March 2014: 75,000) equity shares of ₹10 each, fully paid-up in Neuland Laboratories Limited	675,000	2,671,564
2,000 (31 March 2014: 2,000) equity shares of ₹10 each, fully paid-up in Sun Pharmaceuticals Industries Limited	507,970	507,970
	1,182,970	**3,179,534**
Aggregate amount of		
Quoted investments		
Market value of quoted investments	1,182,970	3,179,534
Unquoted investments	7,039,800	20,649,500
	-	-

19. **Inventories**

	31 March 2015	31 March 2014
Raw materials [including goods-in-transit of ₹3,952,172 (31 March 2014: ₹4,851,836)]	585,572,442	424,530,989
Packing materials [including goods-in-transit of ₹Nil (31 March 2014: ₹18,479,433)]	226,242,498	213,118,475
Work-in-progress	750,276,075	663,646,801
Finished goods	246,738,453	204,830,894
Stores and spares [including goods-in-transit of ₹7,276,750 (31 March 2014: ₹4,833,231)]	272,491,924	161,561,868
Stock-in-trade	118,676,002	143,557,481
	2,199,997,394	**1,811,246,508**

20. **Trade receivables**

	31 March 2015	31 March 2014
Due for a period exceeding six months		
Unsecured, considered good	205,072,653	196,679,936
Unsecured, considered doubtful	17,607,783	16,344,519
	222,680,436	**213,024,455**
Less: Provision for doubtful receivables	17,607,783	16,344,519
	205,072,653	**196,679,936**
Other debts		
Unsecured, considered good	1,719,214,533	991,318,822
	1,924,287,186	**1,187,998,758**

21. **Cash and bank balances**

	31 March 2015	31 March 2014
Cash and cash equivalents		
Balances with banks		
- on current accounts	91,928,479	73,535,784
- on deposit accounts	-	2,000,000
Cash on hand	32,487,909	26,619,298
	124,416,388	**102,155,082**
Other bank balances		
Unpaid dividend account	9,189,011	8,320,386
	9,189,011	**8,320,386**
	133,605,399	**110,475,468**

22. **Other current assets**

(Unsecured, considered good)

	31 March 2015	31 March 2014
Export incentives receivable	19,107,116	25,221,563
	19,107,116	**25,221,563**

23. **Revenue from operations**

	31 March 2015	31 March 2014
Sale of products	7,776,271,838	6,716,164,751
Sale of services	112,877,714	225,591,510
Other operating revenues		
Job work charges	85,427,633	119,331,350
Export incentives	50,345,985	48,734,811
Trading Sales	137,306,131	13,048,723
Scrap sales	16,081,796	19,555,425
Income from profit sharing arrangements	203,943,751	304,754,882
	493,105,296	**505,425,191**
Total revenue from operations	**8,382,254,848**	**7,447,181,452**

24. **Other income**

	31 March 2015	31 March 2014
Interest income from		
Fixed deposits	5,532,804	5,613,616
Income tax refund	1,026,337	19,407,066
Dividend income	3,660	131,668
Net gain on sale of current investments	23,631,749	10,058,159
Net gain on sale of fixed assets	6,580,947	-
Net gain on foreign currency transaction and translation	58,634,399	110,474,639
Provision no longer required, written back	38,766,503	6,753,572
Other non-operating income	14,895,024	14,639,110
	149,071,423	**167,077,830**

25. **Cost of raw materials consumed (including packing materials consumed) #**

	31 March 2015	31 March 2014
Opening stock	637,649,464	489,854,483
Add: Purchases during the year	1,846,789,273	1,748,766,606
Less: Closing stock	811,814,941	637,649,464
	1,672,623,796	**1,600,971,625**

Disclosed based on derived figures, rather than actual records of issue.

26. **Changes in inventories of finished goods, work-in-progress and stock-in-trade**

	31 March 2015	31 March 2014
Opening stock		
- Finished goods	204,830,894	155,069,614
- Work-in-progress	663,646,801	544,128,311
- Stock-in-trade	143,557,481	142,807,763
	1,012,035,176	**842,005,688**
Closing stock		
- Finished goods	246,738,453	204,830,894
- Work-in-progress	750,276,075	663,646,801
- Stock-in-trade	118,676,002	143,557,481
	1,115,690,530	1,012,035,176
Currency translation adjustment	(11,977,731)	(12,314,608)
	(91,677,623)	**(157,714,880)**

27. **Employee benefits expense**

	31 March 2015	31 March 2014
Salaries and wages	1,200,049,804	953,990,035
Contribution to provident and other funds	82,352,615	74,739,189
Gratuity expense	5,312,718	24,538,447
Staff welfare expenses	81,447,015	74,462,058
	1,369,162,152	**1,127,729,729**

28. **Finance costs**

	31 March 2015	31 March 2014
Interest expense	302,927,361	343,131,346
Other borrowing costs	13,836,232	23,057,331
	316,763,593	**366,188,677**

Interest expense is after capitalization of ₹11,022,070 (31 March 2014: ₹10,064,052) to qualifying fixed assets.

29. **Other expenses**

	31 March 2015	31 March 2014
Consumption of stores and spare parts	197,462,154	216,116,145
Power and fuel	432,375,630	447,662,890
Rent	29,187,398	25,365,567
Repairs and maintenance		
- Buildings	47,903,800	44,113,925
- Plant and equipment	110,023,333	122,252,435
- Others	37,628,674	30,895,070
Insurance	40,602,451	34,071,884
Rates and taxes	147,521,843	106,553,332
Factory maintenance expenses	139,121,473	148,365,091
Analysis charges	72,163,662	61,145,373
Carriage and freight outwards	97,851,937	85,148,396
Donations	45,355,911	42,765,409
CSR expenditure	25,542,579	-
Communication expenses	28,661,974	22,131,778
Office maintenance and other expenses	41,348,363	32,018,283
Travelling and conveyance	120,561,029	103,642,762
Legal and professional fees	169,484,467	208,210,805
Payment to auditors		
- As auditor	2,676,772	2,000,000
- For reimbursement of expenses	39,000	23,412
Inventory written-off	7,024,358	7,813,451
Bad debts	58,537	1,918,395
Directors sitting fee	480,000	265,000
Provision towards doubtful trade receivables	7,273,264	
Sales promotion expenses including sales commssion	275,729,906	176,455,556
Research and development expenses	126,084,969	142,851,578
Printing and stationery	41,010,710	27,842,839
Miscellaneous expenses	82,195,494	45,523,228
	2,325,369,688	**2,135,152,604**

30. **Exceptional item**

Exceptional item represents amount paid on settlement of pending legal dispute with M/s. SMS Pharmaceuticals Limited.

31. **Related party disclosures**

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

Names of related parties	Nature of relationship
Time Cap Pharma Labs Limited NATCO Trust, Hyderabad NATCO Group Employees Welfare Trust Natsoft Information Systems Private Limited	Entities in which Directors have control or have significant influence
V C Nannapaneni Rajeev Nannapaneni A K S Bhujanga Rao P Bhaskara Narayana (till October 2014)	Key management personnel ("KMP")
Durga Devi Nannapaneni Venkata Satya Swathi Kantamani Neelima Nannapaneni Dr. Ramakrishna Rao	Relative of KMP

(b) **Transactions with related parties**

	For the year ended 31 March 2015	31 March 2014
Time Cap Pharma Labs Limited		
Income from Job work charges and sales	-	253,091
Commission and expenses reimbursement	4,243,323	6,883,562
Purchases	1,169,175	1,713,600
Rental expense	4,200,000	3,800,000
Advances given	-	3,500,000
Dividends paid	17,157,220	17,063,470
Natsoft Information Systems Private Limited		
Dividends paid	15,767,500	15,767,500
NATCO Trust		
Donations given	20,238,541	29,569,040
CSR activities	25,542,579	-
NATCO Group Employees Welfare Trust		
Dividends paid	-	273,785
Transactions with key management personnel		
V C Nannapaneni		
Managerial remuneration	15,000,000	13,938,000
Leave encashment paid	13,200,000	-
Rental expenses	1,800,000	1,800,000
Dividends paid	40,736,815	40,119,190
Rajeev Nannapaneni		
Managerial remuneration	12,498,000	11,148,000
Leave encashment paid	1,133,333	-
Rental expenses	960,000	960,000
Dividends paid	1,786,175	1,783,050
A K S Bhujanga Rao		
Managerial remuneration	8,652,996	3,350,996
Dividends paid	43,500	43,500
Leave encashment paid	1,215,000	-
P Bhaskara Narayana		
Managerial remuneration, including final settlement pay-out	8,228,186	3,600,000
Dividends paid	-	18,500

	For the year ended 31 March 2015	31 March 2014
Transactions with a relatives of key management personnel		
Durga Devi Nannapaneni		
Dividends paid	4,139,100	4,139,100
Venkata Satya Swathi Kantamani		
Dividends paid	2,750,000	2,750,000
Neelima Nannapaneni		
Dividends paid	182,960	1,982,960
Dr. Ramakrishna Rao		
Dividends paid	706,610	704,910

(c) **Balances receivable / (payable)**

	31 March 2015	31 March 2014
Time Cap Pharma Labs Limited	(2,028,499)	(1,413,982)
NATCO Trust	-	8,668,747
V C Nannapaneni	(1,103,850)	(577,293)
Rajeev Nannapaneni	(492,087)	(499,087)
A K S Bhujanga Rao	(299,840)	(157,203)
P Bhaskara Narayana	-	(182,753)

Note:

(i) Mr. V C Nannapaneni has extended personal guarantees in connection with the loans availed by the Company. Refer note 5 &

(ii) Mrs. Durga Devi Nannapaneni and Dr. Ramakrishna Rao has extended personal guarantees in connection with the loans availed by the Company. Refer note 5.

32. **Contingent liabilities and commitments**

	31 March 2015	31 March 2014
(a) **Commitments**		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	191,532,103	190,481,959
(b) **Contingent liabilities**		
Claims against the company not acknowledged as debt		
Disputed sales tax liabilities	-	204,227,280
Disputed service tax liabilities	8,690,000	8,690,000
Disputed customs liability	1,749,256	-
Disputed income tax liabilities	2,000,000	-
	656,957	29,952,680

33. **Expenditure on Corporate social responsibility activities**

	31 March 2015
(a) Gross amount required to be spent by the company during the year	22,419,167
(b) Contribution to trusts controlled by the company	
NATCO Trust	-
Provision towards CSR activities undertaken by entering into a contractual obligation	25,542,579
(c) and which have completed during the year	-

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34. **Segment reporting**

The primary and secondary reportable segments are business segments and geographical segments respectively. The Group's principal segments of business are active pharmaceutical ingredients ("API"), finished dosage formulations, job work charges and retail pharmacy. Segment's revenue, expense, assets and liabilities include amount of such items that can be allocated to the segment on a reasonable basis. Revenues, expenses, assets and liabilities which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis have been included under 'others'.

Business segment

For the year ended 31 March 2015

Particulars	API	Finished dosage formulations	Job works	Pharmacy	Others	Eliminations	Total
Revenue							
External sales	2,600,495,083	4,269,557,495	-	947,952,421	-	(23,965,417)	**7,794,039,582**
Inter-segment sales	513,807,684	-	-	-	-	(513,807,684)	**-**
	3,114,302,767	4,269,557,495	-	947,952,421	-	(537,773,101)	**7,794,039,582**
Less: Excise duty	71,191,765	58,302,642	-	-	-	-	**129,494,407**
Revenue [Net]	3,043,111,002	4,211,254,853	-	947,952,421	-	(537,773,101)	**7,664,545,175**
Sale of dossiers	-	-	-	-	112,877,714	-	**112,877,714**
Job work charges	-	-	85,427,633	-	-	(2,405,923)	**83,021,710**
Other operating income	26,328,045	228,917,094	-	-	137,306,131	(235,428)	**392,315,842**
Total segment revenue	3,069,439,047	4,440,171,947	85,427,633	947,952,421	250,183,845	(540,414,452)	**8,252,760,441**
Results							
Segment result	718,425,511	1,589,019,424	70,815,948	71,159,089	135,409,613	-	**2,584,829,585**
Unallocated corporate expenses							**1,074,964,989**
Finance cost							**316,763,593**
Other income							**149,071,423**
Profit before tax							**1,342,172,426**
Income tax [Including deferred tax]							**39,501,608**
Profit before minority interest							**1,302,670,818**
Minority interest							**(43,486,931)**
Net profit for the year							**1,346,157,749**

34. **Segment reporting**

Other information as at 31 March 2015

Particulars	API	Finished dosage Formulations	Job Works	Pharmacy	Others	Eliminations	Total
Segment assets	6,731,631,884	5,406,956,775	22,729,345	274,897,512	79,681,265	-	**12,515,896,782**
Unallocated corporate assets	-	-	-	-	-	-	**1,324,552,878**
Total assets	6,731,631,884	5,406,956,775	22,729,345	274,897,512	79,681,265	-	**13,840,449,660**
Segment liabilities	792,726,428	858,976,349	-	48,525,093	0	0	**1,700,227,869**
Unallocated corporate liabilities	-	-	-	-	-	-	**3,629,487,009**
Total liabilities	792,726,428	909,200,213	-	48,525,093	-	-	**5,329,714,878**
Capital expenditure	271,721,100	585,881,886	-	3,551,429	59,809,575	-	**920,963,990**
Depreciation and amortisation	273,846,284	162,587,938	-	1,646,005	34,576,318	-	**472,656,545**
Non cash expenses, other than depreciation	7,024,358	-	-	58,537	-	-	**7,082,895**

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34. **Segment reporting**

Business segment
For the year ended 31 March 2014

Particulars	API	Finished dosage Formulations	Job Works	Pharmacy	Others	Eliminations	Total
Revenue							
External sales	1,978,641,126	3,574,507,247	-	1,163,016,378	-	-	**6,716,164,751**
Inter-segment sales	214,834,025	-	-	-	-	(214,834,025)	**-**
	2,193,475,151	3,574,507,247	-	1,163,016,378	-	(214,834,025)	**6,716,164,751**
Excise duty	25,856,044	32,399,915	-	-	-	-	**58,255,959**
Total Sales	2,167,619,107	3,542,107,332	-	1,163,016,378	-	(214,834,025)	**6,657,908,792**
Sale of dossiers	-	-	-	-	225,591,510	-	**225,591,510**
Job work charges	-	-	119,331,350	-	-	-	**119,331,350**
Other Income	41,873,572	331,171,546	-	-	13,048,723	-	**386,093,841**
Total segment revenue	2,209,492,679	3,873,278,878	119,331,350	1,163,016,378	238,640,233	(214,834,025)	**7,388,925,493**
Results							
Segment result	259,131,446	1,692,408,991	98,675,562	(37,849,757)	226,896,382	-	**2,239,262,624**
Unallocated corporate expenses							**750,384,197**
Finance cost							**366,188,677**
Other income							**167,077,830**
Extraordinary items							**-**
Profit before tax and minority interest							**1,289,767,580**
Income tax [Including deferred tax]							**308,700,271**
Profit before minority interest							**981,067,309**
Minority interest							**(46,275,569)**
Net profit for the year							**1,027,342,878**

34. **Segment reporting**

Other information as at 31 March 2014

Particulars	API	Finished dosage Formulations	Job Works	Pharmacy	Others	Eliminations	Total
Other information							
Segment assets	5,659,281,907	4,537,196,951	16,460,710	315,934,061	133,418,062	-	**10,662,291,691**
Unallocated corporate assets							**1,294,802,465**
Total assets	5,659,281,907	4,537,196,951	16,460,710	315,934,061	133,418,062	-	**11,957,094,156**
Segment liabilities	636,690,750	752,824,902	-	130,674,568	-	-	**1,520,190,220**
Unallocated corporate liabilities							**3,109,348,036**
Total liabilities	636,690,750	752,824,902	-	130,674,568	-	-	**4,629,538,256**
Capital expenditure	414,610,703	531,752,083	-	7,635,954	74,683,687	-	**1,028,682,427**
Depreciation and amortisation	162,006,696	117,422,086	-	3,647,283	21,357,927	-	**304,433,992**
Other non-cash expenses	-	7,813,451	-	1,918,395	25,513,106	-	**35,244,952**

The Group's secondary segments are the geographic distribution of activities. Revenue and receivables are specified by location of customers and other information is specified by location of assets. The table below, present revenue, capital expenditure and asset information regarding the Group's secondary segment.

Particulars	For the year ended and as at 31 March 2015			For the year ended and as at 31 March 2014		
	Segment revenue	Segment assets	Capital expenditure	Segment revenue	Segment assets	Capital expenditure
India	3,896,834,268	11,670,121,386	887,916,654	3,417,846,574	10,875,846,950	1,021,046,474
America	2,775,201,858	1,126,462,146	30,370,044	2,543,208,764	828,100,425	7,635,953
Europe	1,393,710,265	881,816,563	-	1,109,566,426	177,519,543	-
Rest of the world	336,085,473	162,049,565	2,677,292	485,381,559	75,627,238	-
Total	**8,401,831,864**	**13,840,449,660**	**920,963,990**	**7,556,003,323**	**11,957,094,156**	**1,028,682,427**

35. **Additional disclosure as required under paragraph 2 of 'General Instructions for the preparation of Consolidated Financial Statements' of the Schedule III to the Act**

Name of the entity	Net assets		Share in profit or loss	
	As a % of consolidated net assets	Amount(₹)	As a % of consolidated profit or loss	Amount(₹)
Parent company				
NATCO Pharma Limited	80%	6,837,968,891	117%	1,529,255,356
Subsidiaries				
- Indian				
NATCO Organics Limited	16%	1,330,465,843	-6%	(73,069,924)
- Foreign				
NATCO Pharma Inc.				
Time Cap Overseas Limited*	3%	262,596,423	4%	53,257,461
NATCO Pharma (Canada), Inc.	1%	78,286,672	-11%	(142,187,925)
NATCO Pharma Asia Pte. Ltd.	0%	1,401,312	-4%	(46,881,419)
NATCO Pharma Australia PTY Ltd	0%	1,427,621	-1%	(11,314,526)
Total	0%	(1,385,683)	0%	(6,388,204)
		8,510,761,079		**1,302,670,819**
Minority interest in all subsidiaries				
Time Cap Overseas Limited*				
Natco Pharma Australia PTY LTD	1%	50,250,161	2%	24,179,139
Natco Pharma (Canada) Inc	0%	-	0%	807,630
NATCO Organics Limited	0%	-	0%	426,690
Total	0%	-	1%	18,073,472
		50,250,161		**43,486,931**

*Amount is after considering share of Time Cap Overseas Limited in NATCO Farma Do Brazil (step down subsidiary of NATCO Pharma Limited) in which it helds 95% of equity.

(a) The disclosure requirement is applicable from current year onwards and hence comparitive information for the year ended 31 March 2014 is not applicable.

36. **Comparatives**

Previous year figures have been reclassified / regrouped wherever necessary, to confirm to current year presentation.

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date : 22 May 2015

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

V C Nannapaneni
Chairman & Managing Director

Rajeev Nannapaneni
Vice Chairman & CEO

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

SVVN Appa Rao
Interim CFO

Place: Hyderabad
Date : 22 May 2015

Walker Chandiok & Co LLP

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Independent Auditor's Report

To the Members of NATCO Pharma Limited

Report on the Consolidated Financial Statements

1. We have audited the accompanying Consolidated financial statements of NATCO Pharma Limited, ("the Holding Company") and its subsidiaries, (hereinafter collectively referred to as the "Group"), which comprise the Consolidated Balance Sheet as at 31 March 2016, the consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group, in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). The Holding Company's Board of Directors, and the respective Board of Directors of the subsidiaries included in the Group are responsible for the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. Further, in terms with the provisions of the Act, the respective Board of Directors of the Holding Company and its subsidiary which are incorporated in India are responsible for maintenance of adequate accounting records; safeguarding the assets; preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements, which have been used for the purpose of preparation of the consolidated financial statements by the directors of the Holding Company, as aforesaid.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

4. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the auditor's report under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Holding Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

7. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph 9 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries as noted below, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2016, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other Matter

9. We did not audit the financial statements of 6 subsidiaries incorporated outside India viz, NATCO Pharma, Inc., NATCO Pharma Australia PTY Ltd., Time Cap Overseas Limited, NatcoFarma Do Brasil Ltda., NATCO Pharma Asia Pte. Ltd., NATCO Pharma (Canada) Inc., included in the consolidated financial statements, whose financial statements reflect total assets (after eliminating intra-group transactions) of ₹535,736,077 as at 31 March 2016; total revenues (after eliminating intra-group transactions) of ₹1,216,593,782 and net cash flows amounting to ₹(2,937,815) for the year ended on that date. These financial statements have been audited by other auditors whose audit 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, is based solely on the reports of the other auditors.

   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 by and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

10. As required by Section 143(3) of the Act, and based on the auditor's report of the Holding Company, we report, to the extent applicable, that:

    a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;

    b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;

    c) The consolidated financial statements dealt by this report are in agreement with the relevant books of account maintained for the purpose of preparation of consolidated financial statements;

    d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);

    e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2016 taken on record by the Board of Directors of the Holding Company none of the directors of the Group companies incorporated in India, is disqualified as on 31 March 2016, from being appointed as a director in terms of Section 164(2) of the Act;

f) we have also audited the internal financial controls over financial reporting (IFCoFR) of the Holding Company, as of 31 March 2016, in conjunction with our audit of the consolidated financial statements of the group for the year ended on that date and our report dated 26 March 2016 as per annexure I expressed unqualified opinion.

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

i. as detailed in note 36(b), the consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group;

ii. the Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company. In relation to a subsidiary company incorporated in India, there were no amounts which were required to be transferred to the Investor Education and Protection Fund.

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

per **Sanjay Kumar Jain**
Partner
Membership No. 207660

Place: Hyderabad

Date: 26 May 2016

Annexure I to the Independent Auditor's Report of even date to the members of NATCO Pharma Limited, on the consolidated financial statements for the year ended 31 March 2016

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

1. In conjunction with our audit of the consolidated financial statements of the NATCO Pharma Limited ("the Holding Company") and its subsidiaries, (the Holding Company and its subsidiaries together referred to as "the Group"), as of and for the year ended 31 March 2016, we have audited the internal financial controls over financial reporting (IFCoFR) of the Holding Company as of that date.

Management's Responsibility for Internal Financial Controls

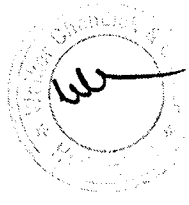
2. The Board of Directors of the Holding Company are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note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

Auditor's Responsibility

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

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

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



NATCO Pharma Limited
Consolidated Balance Sheet as at 31 March 2016
(All amounts in ₹ unless otherwise stated)

	Notes	31 March 2016	31 March 2015
Equity and liabilities			
Shareholders' funds			
Share capital	3	348,348,490	332,348,490
Reserves and surplus	4	12,634,989,726	8,128,162,428
		12,983,338,216	**8,460,510,918**
Minority interest		49,122,594	50,250,161
Non-current liabilities			
Long-term borrowings	5	-	970,157,454
Deferred tax liabilities (net)	6	144,154,149	118,894,128
Other long term liabilities	7	7,710,412	8,257,334
Long-term provisions	8	124,709,498	94,976,176
		276,574,059	**1,192,285,092**
Current liabilities			
Short-term borrowings	9	983,578,006	1,685,435,777
Trade payables	31		
- Dues to micro and small enterprises		25,554,013	14,966,656
- Dues to others		2,729,631,970	1,238,047,659
Other current liabilities	10	1,141,804,628	1,185,626,934
Short-term provisions	11	48,439,762	13,326,463
		4,929,008,379	**4,137,403,489**
Total		**18,238,043,248**	**13,840,449,660**
Assets			
Non-current assets			
Fixed assets			
Tangible assets	12	7,045,977,902	6,640,243,508
Intangible assets	13	89,190,935	459,461,121
Capital work-in-progress		2,118,050,119	1,289,643,974
Non-current investments	14	677,945	15,677,945
Long-term loans and advances	15	618,721,338	570,327,217
Other non-current assets	16	42,386,966	35,433,011
		9,915,005,205	**9,010,786,776**
Current assets			
Current investments	17	209,641,979	1,182,970
Inventories	18	3,572,832,417	2,199,997,394
Trade receivables	19	2,615,977,806	1,924,287,186
Cash and bank balances	20	451,194,564	133,605,399
Short-term loans and advances	15	1,038,181,649	551,482,819
Other current assets	21	435,209,628	19,107,116
		8,323,038,043	**4,829,662,884**
Total		**18,238,043,248**	**13,840,449,660**

Notes 1 to 41 form an integral part of these consolidated financial statements.

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

For **Walker Chandiok & Co LLP**
Chartered Accountants

per Sanjay Kumar Jain
Partner

Place: Hyderabad
Date: 26 May 2016

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

V C Nannapaneni
Chairman & Managing Director
DIN:00183315

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

Rajeev Nannapaneni
Vice Chairman & CEO
DIN:00183872

SVVN Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 26 May 2016

NATCO Pharma Limited
Consolidated Statement of Profit and Loss for the year ended 31 March 2016
(All amounts in ₹ unless otherwise stated)

	Notes	31 March 2016	31 March 2015
Revenue			
Revenue from operations (gross)	22	11,794,336,164	8,382,254,848
Less: Excise duty		378,173,053	129,494,407
Revenue from operations (net)		**11,416,163,111**	**8,252,760,441**
Other income	23	107,593,469	149,071,423
Total revenue		**11,523,756,580**	**8,401,831,864**
Expenses			
Cost of materials consumed (including packing material consumed)	24	3,036,717,853	1,672,623,796
Purchases of stock-in-trade		904,936,151	842,783,226
Changes in inventory of finished goods, work-in-progress and traded goods	25	(530,365,101)	(91,677,623)
Employee benefits expense	26	1,866,801,331	1,369,162,152
Finance costs	27	229,032,085	316,763,593
Depreciation and amortisation charge	12 and 13	509,525,403	472,656,545
Other expenses	28	3,440,870,448	2,326,073,061
Total expenses		**9,457,518,170**	**6,908,384,750**
Profit before exceptional items and tax		**2,066,238,410**	**1,493,447,114**
Exceptional item	29	-	151,274,688
Profit before tax		**2,066,238,410**	**1,342,172,426**
Profit from continuing operations before tax		1,995,667,999	1,264,503,726
Tax expense	6(a)		
Current tax		447,952,519	325,456,806
Deferred tax expense/(benefit)		31,249,395	(310,366,437)
Profit for the year from continuing operations after tax		**1,516,466,085**	**1,249,413,357**
Profit for the year from discontinuing operations before tax	35	70,570,411	77,668,700
Tax expense		48,775,892	24,411,239
Profit for the year from discontinuing operations after tax		**21,794,519**	**53,257,461**
Profit after tax and before minority interest		**1,538,260,604**	**1,302,670,818**
Minority interest		(13,493,586)	(43,486,931)
Profit for the year		**1,551,754,190**	**1,346,157,749**
Earnings per equity share [EPES]	33		
Basic EPES		9.10	8.13
Diluted EPES		9.08	8.13
Nominal value per equity share		2.00	2.00

Notes 1 to 41 form an integral part of these consolidated financial statements.

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

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 26 May 2016

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

V C Nannapaneni
Chairman & Managing Director
DIN:00183315

Rajeev Nannapaneni
Vice Chairman & CEO
DIN:00183872

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

SVVN Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 26 May 2016

NATCO Pharma Limited
Consolidated Cash Flow Statement for the year ended 31 March 2016
(All amounts in ₹ unless otherwise stated)

		31 March 2016	31 March 2015
Cash flows from operating activities			
Profit before tax		2,066,238,410	1,342,172,426
Adjustments :			
Depreciation and amortisation expense		509,525,403	472,656,545
Net gain on sale of current investments		(11,352,311)	(23,631,749)
Assets written off		48,637,363	7,024,358
Bad debts written-off		96,004,654	58,537
Provision for employee benefits		43,726,484	(8,943,942)
Provision no longer required, written back		-	(38,766,503)
Employee stock compensation expense		96,860,194	-
Income from insurance claims		(25,000,000)	-
Interest income		(53,006,901)	(5,532,804)
Dividend income		(84,707)	(3,660)
Loss/(gain) on sale of asset		2,075,903	(6,580,947)
Interest expenses		212,167,773	302,927,361
Unrealised foreign exchange gain		-	(17,759,765)
Operating profit before working capital changes		**2,985,792,265**	**2,023,619,857**
Increase in other current liabilities		68,793,681	101,325,392
Increase in trade payables		1,502,171,668	193,917,985
Decrease in long-term liabilities and provisions		(11,111,243)	(2,142,073)
Increase in inventories		(1,385,676,071)	(395,775,244)
Increase in trade receivables		(787,695,274)	(718,587,200)
(Increase)/decrease in other current assets		(453,869,859)	6,114,447
Increase in short-term loans and advances		(461,698,829)	(8,240,913)
Increase in long-term loans and advances		29,144,102	(36,179,324)
Cash generated from operating activities		**1,485,850,440**	**1,164,052,927**
Income taxes paid		(462,053,581)	(237,390,843)
Net cash generated from operating activities	**A**	**1,023,796,859**	**926,662,084**
Cash flows from investing activities			
Purchase of tangible assets		(1,573,705,388)	(1,167,141,649)
Purchase of intangible assets		180,313,460	(24,959,654)
Proceeds from sale of tangible assets		10,991,659	17,356,896
Sale of non-current investments		26,352,311	-
Acquisition of current investments		(208,459,009)	-
Sale of current investments		-	25,628,313
Interest received		18,760,791	3,591,795
Dividends received		84,707	3,660
Increase in other bank balances		(209,272,697)	(1,980,265)
Net cash used in investing activities	**B**	**(1,754,934,166)**	**(1,147,500,904)**

NATCO Pharma Limited
Consolidated Cash Flow Statement for the year ended 31 March 2016
(All amounts in ₹ unless otherwise stated)

		31 March 2016	31 March 2015
Cash flows from financing activities			
Proceeds from issuance of equity shares, net of share issue expenses		3,344,446,432	-
(Repayment) / proceeds from long-term borrowings, net		(1,291,376,443)	14,812,302
(Repayment) / proceeds from short-term borrowings, net		(701,857,771)	699,123,308
Movement in minority interest		12,366,019	75,293,757
Interest paid		(246,754,065)	(299,150,179)
Dividends paid (including tax on distributed profits)		(260,692,319)	(199,329,249)
Net cash from financing activities	**C**	**856,131,853**	**290,749,939**
Effect of currency translation adjustment	**D**	**(7,753,091)**	**(47,649,813)**
Net increase in cash and cash equivalents (A+B+C+D)		117,241,455	22,261,306
Cash and cash equivalents as at the beginning of the year		124,416,388	102,155,082
Cash and cash equivalents as at the end of the year [Refer Note 1]		**241,657,843**	**124,416,388**
Note 1:			
Cash and bank balances as per note 20		451,194,564	133,605,399
Less: Other bank balances		209,536,721	9,189,011
Cash and cash equivalents considered for cash flow statement		**241,657,843**	**124,416,388**

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

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 26 May 2016

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

V C Nannapaneni
Chairman & Managing Director
DIN:00183315

Rajeev Nannapaneni
Vice Chairman & CEO
DIN:00183872

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

SVVN Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 26 May 2016

1. Significant accounting policies

a. Basis of consolidation

The consolidated financial statements of NATCO Pharma Limited ("the Company") together with its subsidiaries (collectively referred as the 'Group' or the 'consolidating entities') are prepared on accrual basis of accounting and in accordance with the accounting standards notified pursuant to the Companies (Accounting Standards) Rules, 2006 (as amended) ("the Rules") specified under Section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and other recognized accounting practices and policies generally accepted in India including the requirements of the Act ("Indian GAAP"). The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Investments in subsidiaries, except where the investments are acquired exclusively with a view to its subsequent disposal in the near future, are accounted in accordance with accounting principles as defined in the Accounting Standard ('AS') 21 'Consolidated Financial Statements', as prescribed under the Rules.

The standalone financial statements of the consolidating entities are added on a line-by-line basis and material inter-company balances and transactions including unrealized gain and loss from such transactions are eliminated upon consolidation. The following subsidiaries have been considered for the purpose of preparation of the consolidated financial statements:

Names of the subsidiaries	Country of Incorporation	Percentage holding /interest (%)	
		As at 31 March	
		2016	2015
NATCO Pharma, Inc.,	United States of America	100.00	100.00
Time Cap Overseas Limited	Mauritius	87.73	83.78
NATCO Farma Do Brazil	Brazil	84.69	79.47
NATCO Organics Limited ("NOL")	India	-	100.00
NATCO Pharma (Canada), Inc.	Canada	99.68	99.34
Natco Pharma Asia Pte. Ltd.	Singapore	100.00	100.00
NATCO Pharma Australia PTY Ltd	Australia	80.00	80.00

Note 1: Interest in NATCO Farma Do Brazil represent effective holding of the Company.
Note 2: NOL has been amalgamated with the Company effective 1 April 2015. Refer note 34 for details of scheme of amalgamation.

b. Use of estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the consolidated financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful trade and other receivables, provision for slow and non-moving inventories, future obligations under employee retirement benefit plans, income taxes, useful lives of fixed assets and carrying value of intangible assets.

Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

1. Significant accounting policies (continued)

c. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprise of purchase price, freight, non-refundable duties, taxes and any other cost attributable to bringing the asset to its working condition for its intended use. Assets retired from active use and held for disposal are stated at their estimated net realisable values or net book values, whichever is lower.

Exchange rate variations relating to long-term foreign currency monetary items, which are utilized for acquisition of a depreciable capital assets are added to or deducted from the cost of the asset and is depreciated over the remaining useful life of the asset.

d. Depreciation

Depreciation is provided using Straight Line Method based on the rates prescribed under Schedule II to the Act, except in respect of fixed assets of overseas subsidiaries, which are depreciated over the estimated useful lives, using the Straight Line Method.

Depreciation on sold/discarded fixed assets is provided for up to the date of sale /discarded as the case may be.

e. Borrowing costs

Borrowing costs that are attributable to the acquisition and construction of a qualifying asset are capitalised as a part of the cost of the asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

f. Intangible assets

Acquired intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets in the nature of software are amortized over a period of six years.

Goodwill
Goodwill represents the excess of purchase consideration over the net book value of net assets acquired. Goodwill is evaluated periodically for impairment and impairment losses are recognized where applicable.

g. Impairment of assets

The carrying amounts of assets, both tangible and intangible, are reviewed at each balance sheet date if there is any indication of impairment based on internal and/or external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use.

1. Significant accounting policies (continued)

h. Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

i. Research and development

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized as expense in the Consolidated Statement of Profit and Loss when incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if:

- the product or the process is technically and commercially feasible;
- future economic benefits are probable and ascertainable;
- the Group intends to and has sufficient resources, technical and financial, to complete development of the product and has the ability to use or sell the asset; and
- development costs can be measured reliably.

j. Inventories

Raw material, stock-in-trade, packaging material, stores and spare parts are carried at cost. Cost includes purchase price excluding taxes those are subsequently recoverable by the enterprise from the concerned authorities, freight inwards and other expenditure incurred in bringing such inventories to their present location and condition.

Cost of inventories is determined using the weighted average cost method, except in the case of inventories held by NATCO Pharma Inc., the cost is determined using first-in-first out method.

The carrying cost of raw materials, stock-in-trade, packaging materials and stores and spare parts are appropriately written down when there is a decline in replacement cost of such materials and finished products in which they will be incorporated are expected to be sold below cost.

Finished goods and work in progress are valued at the lower of cost and net realizable value. Cost of work in progress and manufactured finished goods is determined on weighted average basis and comprises cost of direct material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition. Excise duty liability is included in the valuation of closing inventory of finished goods.

k. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue reliably measured and the collectability is reasonably assured.

Sale of goods:
Revenue from sale of goods is recognized on dispatch or on the date of the bill of lading or airway bill in respect of export sales; and in case of sale of pharmacy products revenue is recognized on sale of products which coincides with transfer of significant risks and rewards to customers and is inclusive of excise duty and net of trade discounts, sales returns and sales tax, where applicable.

1. **Significant accounting policies (continued)**

k. **Revenue recognition (continued)**

Sale of services:
Revenue from sale of services is recognized as per the terms of contracts with customers when the related services are performed or the agreed milestones are achieved and when the Group completes all its performance obligations.

Interest income:
Income from interest on deposits is recognised on the time proportionate methods taking into account the amount outstanding and the interest rate applicable.

Dividend income:
Dividend income is recognized when the right to receive the payment is established.

Export entitlements:
Export entitlements are recognized when the right to receive such entitlement as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding compliance with the terms and conditions of such scheme.

Profit share arrangements:
Revenue under profit share arrangements is recognized based on the explicit terms and conditions of arrangements with respective customers.

Licensing and dossiers arrangements:
Revenue from licensing and dossiers arrangements is recognised in accordance with terms of the relevant agreement as accepted and agreed with the customers.

l. **Taxes**

Tax expense comprises of current and deferred tax. The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the entities in the Group.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods. Deferred tax is measured based on the tax rates and the tax laws enacted or subsequently enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

In situations where the Group has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

Unrecognized deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain or virtually certain, as the case may be that future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets are reviewed at each balance sheet date.

The Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

1. **Significant accounting policies (continued)**

l. **Taxes (continued)**

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Group has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

Minimum Alternative Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Group will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the ICAI, the said asset is created by way of a credit to the Consolidated Statement of Profit and Loss and shown as MAT credit entitlement.

m. Earnings per equity share

Basic earnings per equity share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

n. Foreign currency transactions

Initial recognition
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction.

Conversion
Foreign currency monetary items are reported at year-end rates. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences
Exchange differences arising on the settlement of foreign currency monetary items or on reporting monetary items of the Group at rates different from those at which they were initially recorded during the year, or reported in previous Consolidated financial statements, are recognized as income or as expense in the year in which they arise.

o. Foreign currency translation

Exchange difference relating to non-integral foreign operations is disclosed as 'foreign currency translation reserve account' in the consolidated balance sheet until the disposal of the net investment. On the disposal of a non-integral foreign operation, the cumulative amount of the exchange difference is recognized as income or expense in the period in which gain or loss on disposal is recognized. In accordance with the accounting principles prescribed under AS11 'The Effects of Changes in Foreign Exchange Rates' as notified by the Rules, the Group has designated all its foreign operations, as 'non-integral foreign operations'.

1. Significant accounting policies (continued)

p. Employee benefits

Defined contribution plan
In respect of the Company and Indian subsidiary, retirement benefits in the form of contribution to provident fund scheme and employee state insurance scheme are charged to Consolidated Statement of Profit and Loss of the year when the contribution to the respective fund is due. There are no other obligations other than the contribution payable to the respective fund.

In respect of overseas subsidiaries, retirement benefits eligible employees are charged to Consolidated Statement of Profit and Loss of the year when the contribution to respective fund is due.

Defined benefit plan
Gratuity is a post-employment defined benefit plan. An independent actuary, using the projected unit credit method calculates the defined benefit obligation annually. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Consolidated Statement of Profit and Loss in the period in which such gains or losses arises.

Compensated absences
As per the Group policy, eligible leaves can be accumulated by the employees and carried forward to future periods either to be utilized during the service, or encashed. Encashment can be made during service or on resignation, or retirement of the employee. The value of benefits is determined based on an independent actuarial valuation using the projected unit credit method as at the year end. Actuarial gains and losses are recognized immediately in the Consolidated Statement of Profit and Loss.

q. Employee stock compensation cost

Measurement and disclosure of the employee share-based payment plans is done in accordance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and the Guidance note on "Accounting for Employee Share-based Payments", issued by the ICAI. The Group measures compensation cost relating to employee stock options using the fair value method. Compensation expense, if any, is amortized over the vesting period of the option on a straight line basis.

r. Government grants

Government grants relating to specific fixed assets are adjusted against the cost of underlying fixed assets and revenue grants are credited to Consolidated Statement of Profit and Loss on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate.

s. Leases

Where the lessor effectively retains all risk and benefits of ownership of the leased items, such leases are classified as operating lease. Operating lease payments are recognized as an expense in the Consolidated Statement of Profit and Loss on a straight line basis.

1. **Significant accounting policies (continued)**

t. **Provisions and contingent liabilities**

A provision is recognised when the Group has a present obligation as a result of past event i.e., it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. A disclosure of the contingent liability is made when there is a possible or a present obligation that may, but probably will not, require an outflow of resources.

u. **Cash flow statement**

Consolidated Cash flows are reported using the indirect method, whereby net profit 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.

v. **Cash and cash equivalents**

Cash and cash equivalents in the consolidated balance sheet comprise cash at bank and in hand and short-term investments with original maturity of less than three months.

w. **Segment reporting**

The Group's management has identified the business segments viz. active pharmaceuticals ingredient, finished dosage formulations, job works, pharmacy and others. Segments have been identified and reported taking into account the differing risks and returns and the internal business reporting systems. Intersegment sales are generally accounted at fair values and the same have been eliminated in consolidation. The accounting policies of the segments are substantially the same as those described in the 'Summary of significant accounting policies' as above.

2. a) **Change in accounting estimate**

In accordance with the provisions of the Act, effective 1 April 2014, the Group has adopted useful lives as prescribed under Schedule II which coincides with the useful lives as estimated by the management. Accordingly, the depreciation on tangible fixed assets for the previous year ended was higher by ₹127,839,130 and further an amount of ₹62,258,333 was charged to the opening balance of the general reserve in respect of the assets whose remaining useful life was nil as at 1 April 2014.

b) **Change in accounting policy**

Hitherto, the Group had used intrinsic value method for recognition of employee stock option compensation cost arising on account of grant of stock options. However, during the year management of the Group has elected the fair value method of accounting for compensation on stock options granted during the year. Management is of the opinion that the impact of such change is expected to be insignificant on the consolidated financial statements of the Group.

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3. Share capital

	31 March 2016		31 March 2015	
	Number	Amount	Number	Amount
Authorised share capital				
Equity shares of ₹2 each	200,000,000	400,000,000	200,000,000	400,000,000
Issued, subscribed and fully paid up				
Equity shares of ₹2 each	174,174,245	348,348,490	166,174,245	332,348,490
	174,174,245	**348,348,490**	**166,174,245**	**332,348,490**

(a) Reconciliation of shares

	31 March 2016		31 March 2015	
	Number	Amount	Number	Amount
Equity shares of ₹2 each				
Balance at the beginning of the year	166,174,245	332,348,490	165,365,370	330,730,740
Add: Issued during the year	8,000,000	16,000,000	808,875	1,617,750
Balance at the end of the year	**174,174,245**	**348,348,490**	**166,174,245**	**332,348,490**

(b) Terms and rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹2 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors, if any, is subject to the approval of the shareholders in the ensuing general meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts in proportion of their shareholding.

(c) Shareholders holding more than five percent shares in the Company

	31 March 2016		31 March 2015	
	Number	%	Number	%
Equity shares of ₹2 each				
V C Nannapaneni *	40,736,815	23.39%	40,736,815	24.51%
Time Cap Pharma Labs Limited	17,157,220	9.85%	17,157,220	10.32%
Natsoft Information Systems Private Limited	15,767,500	9.05%	15,767,500	9.49%

* including shares held in the capacity of Karta of HUF aggregating to 5,440,045 (31 March 2015: 5,440,045)

(d) Shares reserved for issue under options

(i) The Company has instituted the NATCO Employee Stock Option Plan 'ESOP-2015' ("the Scheme") as per the special resolution passed in the Extraordinary General Meeting of the Company held on 27 June 2015. This scheme was formulated in accordance with the Securities Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 issued by the Securities and Exchange Board of India ("SEBI"). Pursuant to such order, the Board of the Directors of the Company have granted 750,000 options (post split) to eligible employees on 12 August 2015. The terms of the Scheme provide that each option entitles the holder to 5 equity shares of ₹2 each (post split) and that the options can be settled only by way of issue of equity shares. The options vest on an annual basis over a period of 5 years from the date of grant and the options are entirely time-based with no performance conditions.

(ii) The Company had instituted NATCO Stock Option Plan 2010 ("ESOP 2010") as per the special resolution passed in the annual general meeting of the members held on 30 September 2010. The Scheme was formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI ESOP Guidelines") issued by the Securities and Exchange Board of India ("SEBI") and pursuant to the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956. Pursuant to such approval, the Board was authorized to issue employee stock options, that were exercisable into not more than 600,000 equity shares of the Company to eligible employees based on specific recommendations of the remuneration committee. Each option comprises of one underlying equity share of ₹10 each.(pre split) 236,551 options were granted during August 2011 at an exercise price of ₹10 each(pre split) and were accounted at an intrinsic value of ₹252.55 per share (pre split), being the difference between the market value, calculated in accordance with the valuation methods prescribed by the SEBI and the grant price and accounted as stock option compensation over the vesting period of twelve months from the date of the grant. During the year the Company has terminated NATCO Employee Stock Option Plan, 2010 (NATSOP 2010).

(d) **Shares reserved for issue under options (continued)**

(iii) During the year ended 31 March 2016, the Company had incurred stock compensation cost of ₹96,860,194 (31 March 2015: ₹Nil) in respect of ESOP 2015.

The details of options Outstanding of ESOP 2015 Scheme :

	31 March 2016		31 March 2015	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	750,000	2	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	
Expired during the year	-	-	-	-
Outstanding at the end of the year	750,000	2	-	-
Exercisable at the end of the year	-	-	-	-

The weighted average share price at the date of exercise for stock options exercised during the year was ₹Nil (31 March 2015: ₹Nil). The stock options outstanding as at 31 March 2016 had a weighted average exercise price of ₹2 post split (31 March 2015: ₹Nil), and the weighted average remaining contractual life of unvested options is 25.13 months (31 March 2015: Nil).

The fair value of options was estimated at the date of grant using the Black-Scholes-Merton formula with the following assumptions:

Risk-free interest rate	7.35% - 7.82%
Expected life	1-5 years
Expected volatility	47.75%
Expected dividend yield	0.002%

(e) Details of shares issued pursuant to contract without payment being received in cash during the last 5 years, immediately preceding the balance sheet date:

	Number of shares	
	1 April 2011 to 31 March 2016	1 April 2010 to 31 March 2015
Aggregate number of equity shares allotted *	1,934,485	1,934,485

* Equity shares allotted pursuant to contract without payment being received in cash comprise of:

(i) During the year ended 31 March 2015, the Company had issued 808,875 equity shares (post split) of ₹2 each, fully paid-up at a premium of ₹238 per equity share (post split) to the erstwhile shareholders of Natco Organic Limited (NOL) in exchange of 19,310,000 equity shares of ₹ 10 each at face value held in NOL.

(ii) Balance equity shares comprising of 1,125,610 (31 March 2015: 1,125,610) (psot split) were allotted during the period of five years, on exercise of the options granted under the employee stock option plan (ESOP 2010) wherein part consideration was received in the form of employee services.

(f) Equity shares of the Company with face value of ₹10 per share were sub-divided into 5 equity shares of ₹2 each effective 30 November 2015, accordingly comparative has been restated to be inline with the current year's face value per share and number of shares. Consequently, in accordance with Accounting Standard (AS) 20 - "Earnings Per Share", the basic and diluted earnings per share of the previous year have been recomputed and disclosed accordingly.

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4. **Reserves and surplus**

	31 March 2016	31 March 2015
Capital reserve	**207,272,762**	**207,272,762**
Capital redemption reserve	**4,928,810**	**4,928,810**
Securities premium reserve		
Balance at the beginning of the year	2,782,233,802	2,589,721,552
Add : Additions during the year	3,392,880,000	192,512,250
Less: Share issue expenses	(64,433,568)	-
Balance at the end of the year	**6,110,680,234**	**2,782,233,802**
Stock options outstanding account		
Balance at the beginning of the year	-	-
Add : Amortisation during the year	96,860,194	-
Balance at the end of the year	**96,860,194**	**-**
General reserve		
Balance at the beginning of the year	483,909,384	437,161,000
Add : Additions during the year	110,000,000	110,000,000
Less: Adjustment (Refer note:2)	-	(63,251,616)
Balance at the end of the year	**593,909,384**	**483,909,384**
Foreign currency translation reserve		
Balance at the beginning of the year	(24,177,236)	50,910,475
Add : Adjustments during the year	(18,236,763)	(75,087,711)
Balance at the end of the year	**(42,413,999)**	**(24,177,236)**
Surplus in the statement of profit and loss		
Balance at the beginning of the year	4,673,994,906	3,638,035,031
Add : Profit for the year	1,551,754,190	1,346,157,749
Less: Pursuant to the scheme of amalgamation (refer note 34)	(189,956,726)	
Less: Interim dividend of ₹1.25 (31 March 2015: ₹1) per share	(217,717,806)	(166,174,245)
Less: Tax on distributed profits	(44,322,223)	(34,023,629)
Less: Transferred to general reserve	(110,000,000)	(110,000,000)
Balance at the end of the year	**5,663,752,341**	**4,673,994,906**
	12,634,989,726	**8,128,162,428**

5. **Long-term borrowings**

	31 March 2016	31 March 2015
Secured		
Term loans from		
Banks	66,581,648	1,179,868,320
Other parties	75,000,000	223,235,295
	141,581,648	**1,403,103,615**
Unsecured		
From other parties	-	29,854,476
	141,581,648	**1,432,958,091**
Less: Current maturities of long-term borrowings (note 10)	(141,581,648)	(462,800,637)
	-	**970,157,454**

(a) Terms and conditions of secured loan-term borrowings and nature of its security

(i) Term loans amounting to ₹75,000,000 (31 March 2015: ₹623,235,295) are secured by pari-passu first charge on the entire immovable properties and movable fixed assets both present and future of Mekaguda Unit and part of the loan is further secured by an exclusive charge on all the immovable properties and movable fixed assets of both the units (Plot No-19 and Plot NoA-3) at Dehradun and exclusive charge on the R&D equipment acquired from the loan amount.

(ii) Term loan amounting to ₹66,581,648 (31 March 2015: ₹122,086,614) is secured by first charge on the movable and immovable fixed assets of Mekaguda unit along with other lenders.

(iii) Term loan amounting to ₹Nil (31 March 2015: ₹657,781,706) was secured by pari-passu first charge on the entire fixed assets both present and future of Kothur Unit.

All the above loans are guaranteed by Mr. V.C Nannapaneni, Chairman and Managing Director and carry interest linked to the respective Bank's / Institution's prime / base lending rate, and range from 1.88% per annum to 12.75% per annum (31 March 2015: 3.53% per annum to 12.75% per annum).

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(b) Unsecured loan-term borrowings were availed at an interest rate of 8.64% to 31.68% per annum (31 March 2015: 5% to 29.52% per annum)

(c) **Details of repayment of long term borrowings**

	31 March 2016	31 March 2015
Up to 1 year	141,581,648	462,800,637
From 1 to 3 years	-	888,681,305
3 years and above	-	81,476,149
	141,581,648	**1,432,958,091**

6. **Deferred tax liabilities (net)**

	31 March 2016	31 March 2015
Deferred tax liability on account of:		
- Fixed assets	199,745,013	131,041,663
- Employee benefits	-	(12,147,535)
Deferred tax asset on account of:		
- Unabsorbed depreciation	55,590,864	-
Net deferred tax liability	**144,154,149**	**118,894,128**

(a) On the basis of management's assessment of its future business plan and impact thereof on its future taxable income, the management believes that the Company shall continue to pay tax on income under the Minimum Alternate Tax (MAT) provisions of the Income Tax Act, 1961 over the next several years. Thus, in accordance with the provisions of Accounting Standard 22 - "Accounting for Taxes on Income", deferred tax liabilities (net) aggregating to ₹310,366,437 lakhs recognized in the earlier years on account of timing differences which will be reversed during the period in which taxes are expected to be paid under MAT was de-recognized in the financial year 2014-15 .

7. **Other long-term liabilities**

	31 March 2016	31 March 2015
Security deposits	7,710,412	8,257,334
	7,710,412	**8,257,334**

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8. **Long-term provisions**

	31 March 2016	31 March 2015
Provision for gratuity	88,057,414	60,275,275
Provision for compensated absences	36,652,084	34,700,901
	124,709,498	**94,976,176**

(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 or in the event of death in lumpsum after deduction of necessary taxes upto a maxmium limit of ₹1,000,000.

The following table set out the status of the gratuity plan and the reconciliation of opening and closing balances of the present value and defined benefit obligation.

(i) **Change in projected benefit obligation**

	31 March 2016	31 March 2015
Projected benefit obligation at the beginning of the year	123,033,816	117,741,579
Service cost	12,291,767	9,415,272
Interest cost	9,842,705	9,396,364
Actuarial (gain) / loss	31,081,647	(6,500,350)
Benefits paid	(19,535,052)	(7,019,049)
Projected benefit obligation at the end of the year	**156,714,883**	**123,033,816**

(ii) **Change in plan assets**

	31 March 2016	31 March 2015
Fair value of plan assets at the beginning of the year	54,462,146	46,810,288
Expected return on plan assets	4,547,015	4,704,817
Employer contributions	23,111,240	9,966,090
Premium expenses	291,226	
Benefits paid	(19,535,052)	(7,019,049)
Fair value of plan assets at the end of the year	**62,876,575**	**54,462,146**

(iii) **Reconciliation of present value of defined benefit obligation and the fair value of plan assets**

	31 March 2016	31 March 2015
Present value of defined benefit obligation at the end of the year	156,714,883	120,432,060
Fair value of plan assets at the end of the year	(62,876,575)	(54,462,146)
Net liability recognised in the balance sheet	**93,838,308**	**65,969,914**

(iv) **Expense recognized in the statement of profit and loss**

	31 March 2016	31 March 2015
Service cost	12,291,767	9,415,272
Interest cost	9,842,705	9,396,364
Expected returns on plan assets	(4,547,015)	(4,704,817)
Premium expenses	214,392	
Recognized net actuarial (gain)/ loss	31,081,647	(6,500,350)
Net gratuity costs	**48,883,496**	**7,606,469**

(v) **Key actuarial assumptions**

	31 March 2016	31 March 2015
Discount rate	**8.00%**	8.00%
Expected return on plan assets	**8.00%**	9.00%
Salary escalation rate	**6.00%**	4.00%

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(vi) **Amounts for the current and previous four periods are as follows:**

Particulars	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Defined benefit obligation	156,714,883	120,432,060	117,454,552	94,462,630	73,162,037
Plan Assets	(62,876,575)	(54,462,146)	46,810,288	39,943,228	27,293,852
Surplus/(deficit)	(93,838,308)	(65,969,914)	(70,644,264)	(54,519,402)	(45,868,185)
Experience adjustment to planned liabilities	31,081,647	(6,500,350)	13,818,766	13,154,950	7,133,657
Experience adjustment to planned assets	-	-	-	-	-

9. **Short-term borrowings**

	31 March 2016	31 March 2015
Loans repayable on demand		
Secured		
From Banks	881,320,170	1,375,197,497
Unsecured		
From Banks	102,257,836	310,238,280
	983,578,006	**1,685,435,777**

(a) Loans repayable on demand represents cash credit, overdraft, bills purchased and discounted with various banks and carry interest linked to the respective Bank's / Institution's prime / base lending rate, and range from 9.25% per annum to 13.25% per annum (31 March 2015: 10% per annum to 14% per annum).

(b) Loans repayable on demand are secured by way of first charge on all the current assets of the Company. The collateral security is joint pari-passu first charge on the corporate Office and all fixed assets of Nagarjuna Sagar Unit apart from personal guarantees of Mr. V.C. Nannapaneni, Chairman and Managing Director, Ms. Durga Devi Nannapaneni, promoter and Dr. N. Ramakrishna Rao, relative of Chairman and Managing Director.

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

10. **Other current liabilities**

	31 March 2016	31 March 2015
Current maturities of long-term borrowings	141,581,648	462,800,637
Interest accrued but not due on long-term borrowings	-	13,758,895
Creditors for capital assets	486,095,768	265,081,581
Book overdraft	-	78,249,535
Employee related payables	155,416,000	107,463,380
Advance from customers	236,951,538	202,195,465
Unpaid dividends	10,536,721	9,189,011
Statutory liabilities	89,713,368	46,888,430
Other payables	21,509,585	
	1,141,804,628	**1,185,626,934**

11. **Short-term provisions**

	31 March 2016	31 March 2015
Provision for taxation [net of advance tax]	33,904,836	2,220,378
Provision for compensated absences	3,187,138	2,809,690
Provision for gratuity	11,347,788	8,296,395
	48,439,762	**13,326,463**

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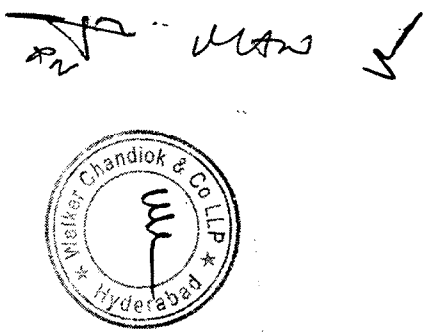
12. Tangible assets

	Freehold land	Leasehold land	Buildings	Plant and equipment	Office equipment	Furniture & fixtures	Vehicles	Computers	Total
Gross block									
Balance as at 1 April 2014	971,072,416	16,725,782	2,070,092,842	4,424,571,091	41,503,362	73,258,245	101,178,328	111,858,374	7,810,260,440
Additions	122,308,886	113,026,354	339,639,322	423,640,051	8,266,602	27,816,448	14,751,747	8,181,287	1,057,630,697
Disposals / adjustments	10,765,000	-	-	18,650	80,567	-	1,471,770	-	12,335,987
Foreign exchange adjustments	-	-	-	-	404,375	229,858	(18,343)	409,746	1,025,636
Balance as at 31 March 2015	1,082,616,302	129,752,136	2,409,732,164	4,848,192,492	50,093,772	101,304,551	114,439,962	120,449,407	8,856,580,786
Additions	146,344,435	386,045	205,800,412	497,534,797	17,061,801	17,515,896	40,095,692	13,805,364	938,544,442
Disposals / adjustments	2,851,000	-	6,153,700	28,242,583	15,389,753	6,000,090	8,527,166	8,327,251	75,491,543
Foreign exchange adjustments	-	888,427	-	-	973,822	1,675,457	144,909	545,376	4,227,991
Balance as at 31 March 2016	1,226,109,737	131,026,608	2,609,378,876	5,317,484,706	52,739,642	114,495,814	146,153,397	126,472,896	9,723,861,676
Accumulated depreciation									
Up to 1 April 2014	-	1,626,313	372,062,857	1,127,847,781	21,560,531	29,330,381	49,332,423	81,119,740	1,682,880,026
Depreciation charge	-	2,175,022	74,572,281	342,573,877	6,383,836	7,077,845	14,752,892	11,220,612	458,756,365
Adjustments			7,607,938	46,273,631	5,433,923	-	1,052,393	2,573,318	62,941,203
Reversal on disposal	-	-	-	-	-	-	1,460,821	-	1,460,821
Foreign exchange translation	-	3,549,670	-	-	968,374	7,703,989	412,968	585,504	13,220,505
Up to 31 March 2015	-	7,351,005	454,243,076	1,516,695,289	34,346,664	44,112,215	64,089,855	95,499,174	2,216,337,278
Depreciation charge	-	3,382,932	81,997,641	371,121,323	4,366,511	8,476,339	14,443,584	10,681,670	494,470,000
Reversal on disposal	-	-	196,083	5,226,978	11,896,724	6,023,750	4,268,221	7,659,924	35,271,680
Foreign exchange translation	-	355,166	-	-	601,356	859,081	81,282	451,291	2,348,176
Up to 31 March 2016	-	11,089,103	536,044,634	1,882,589,634	27,417,807	47,423,885	74,346,500	98,972,211	2,677,883,774
Net block									
Balance as at 31 March 2015	1,082,616,302	122,401,131	1,955,489,088	3,331,497,203	15,747,108	57,192,336	50,350,107	24,950,233	6,640,243,508
Balance as at 31 March 2016	1,226,109,737	119,937,505	2,073,334,242	3,434,895,072	25,321,835	67,071,929	71,806,897	27,500,685	7,045,977,902

(a) Leasehold land include land acquired from the State Industrial Development Corporation of Uttarakhand Limited, for a period of 90 years and from Uttar Pradesh State Industrial Development Corporation Limited for a period of 87 years and from Ramky Pharma City (India) Private Limited for a period of 33 years which is renewable for a further period of 2 terms of 33 years each.



13. **Intangible assets**

	Computer Software	Goodwill (Refer note 34)	Total
Gross block			
Balance as at 1 April 2014	92,312,750	296,287,281	388,600,031
Additions	5,008,364	163,729,095	168,737,459
Deletions/Adjustments	-	-	-
Foreign exchange adjustments	(6,259,080)	(7,831,651)	(14,090,731)
Balance as at 31 March 2015	91,062,034	452,184,725	543,246,759
Additions	18,137,470	-	18,137,470
Deletions/Adjustments	-	429,540,942	429,540,942
Foreign exchange adjustments	(71,046)	14,295,514	14,224,468
Balance as at 31 March 2016	**109,128,458**	**36,939,297**	146,067,755
Accumulated amortisation			
Up to 1 April 2014	28,254,375	-	28,254,375
Amortization charge	13,900,180	-	13,900,180
Adjustment	285,279	-	285,279
Foreign exchange translation	(576,060)	-	(576,060)
Up to 31 March 2015	41,863,774	-	41,863,774
Amortization charge	15,055,403	-	15,055,403
Adjustment	-	-	-
Foreign exchange translation	(42,357)	-	(42,357)
Up to 31 March 2016	**56,876,820**	-	56,876,820
Impairment loss			
Up to 1 April 2014	-	40,292,723	40,292,723
Foreign exchange adjustments	-	1,629,141	1,629,141
Up to 31 March 2015	-	41,921,864	41,921,864
Adjustments	-	43,787,853	43,787,853
Foreign exchange adjustments	-	1,865,989	1,865,989
Up to 31 March 2016	-	-	-
Net block			
Balance as at 31 March 2015	**49,198,260**	**410,262,861**	459,461,121
Balance as at 31 March 2016	**52,251,638**	**36,939,297**	89,190,935

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14. **Non-current investments**

	31 March 2016	31 March 2015
Investments in equity instruments, Others, Unquoted		
Share application money in NATIVITA JLLC	255,035	255,035
750 (31 March 2015: 750) equity shares of ₹100 each, fully paid-up, in Jeedimetla Effluent Treatment Limited	75,000	75,000
34,400 (31 March 2015: 34,400) equity shares of ₹10 each, fully paid-up, in Pattancheru Enviro-Tech Limited	344,000	344,000
Total investments in equity instruments, Trade (A)	**674,035**	**674,035**
Investments in equity instruments, Others, Quoted		
27,000 (31 March 2015: 27,000) equity shares of ₹10 each, fully paid-up in Jayalakshi Spinning Mills Limited	270,000	270,000
Total investments in equity instruments, Others (B)	**270,000**	**270,000**
Other non-current investments, Others, Unquoted		
Investment in portfolio management services		
Nil (31 March 2015: 15,000,000) compulsorily convertible preference shares of ₹1 each, fully paid-up in Ravindranath GE Medical Associates Private Limited	-	15,000,000
National savings certificates	3,910	3,910
Total investments in other non-current investments (C)	**3,910**	**15,003,910**
Total non-current investments (A+B+C)	**947,945**	**15,947,945**
Less: provision for diminution in value of investments	270,000	270,000
	677,945	**15,677,945**
Quoted investments	270,000	270,000
Market value of quoted investments	-	-
Unquoted investments [including share application money]	677,945	15,677,945
Provision for diminution in value of investments	270,000	270,000

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15. **Loans and advances**
(Unsecured, considered good)

	31 March 2016	31 March 2015
Long-term		
Capital advances	435,912,521	387,316,135
Security deposits	63,687,173	43,446,298
Advance tax, net	33,946,147	43,192,485
Balances with government authorities	85,175,497	96,372,299
	618,721,338	**570,327,217**
Short-term		
Deposits with financial institution	400,000,000	-
Prepaid expenses	64,736,932	38,173,371
Balances with government authorities	401,210,347	353,352,420
Insurance claim receivable	39,482,126	
Advances for purchases and expenses	95,843,136	103,607,161
Other advances	36,909,108	56,349,867
	1,038,181,649	**551,482,819**

16. **Other non-current assets**
(Unsecured, considered good)

	31 March 2016	31 March 2015
Margin money*	36,044,185	27,119,198
Interest accrued on fixed deposits	6,342,781	8,313,813
	42,386,966	**35,433,011**

*Given against bank guarantees/performance guarantees.

17. **Current investments**

	31 March 2016	31 March 2015
Investments in equity instruments, Unquoted, Non-trade		
15,000 (31 March 2015: 15,000) equity shares of ₹10 each, fully paid-up in Neuland Laboratories Limited	675,000	675,000
778 (31 March 2015: Nil) equity shares of ₹2 each, fully paid-up in Alkem Laboratories Ltd	816,900	-
15,000 (31 March 2015: nil) equity shares of ₹1 each, fully paid-up in Cadila Healthcare Ltd	5,005,864	-
5,500 (31 March 2015: 2,000) equity shares of ₹1 each, fully paid-up in Sun Pharmaceuticals Industries Limited	3,144,215	507,970
Total investments in equity instruments, Unquoted (A)	**9,641,979**	**1,182,970**
Investments in equity instruments, Unquoted, Non-trade		
2,000 (31 March 2015: Nil) non-convertible debentures of ₹1,00,000 in Citicorp Finance India Limited	200,000,000	-
Total investments in equity instruments, Quoted (A)	**200,000,000**	**-**
Total current investments (A) + (B)	**209,641,979**	**1,182,970**
Aggregate amount of		
Quoted investments	9,641,979	1,182,970
Market value of quoted investments	20,872,068	7,039,800
Unquoted investments	200,000,000	-

18. **Inventories (refer note 2(j))**

	31 March 2016	31 March 2015
Raw materials [including goods-in-transit of ₹24,414,105 (31 March 2015: ₹3,952,172)]	1,406,001,402	585,572,442
Work-in-progress	985,008,160	750,276,075
Finished goods	528,299,551	246,738,453
Stores and spares [including goods-in-transit of ₹35,335,319 (31 March 2015: ₹7,276,750)]	348,938,170	272,491,924
Packing materials [including goods-in-transit of ₹483,336 (31 March 2015: ₹Nil)]	280,362,843	226,242,498
Stock-in-trade	24,222,291	118,676,002
	3,572,832,417	**2,199,997,394**

19. **Trade receivables**

	31 March 2016	31 March 2015
Due for a period exceeding six months		
Unsecured, considered good	381,114,882	205,072,653
Unsecured, considered doubtful	6,609,890	17,607,783
	387,724,772	**222,680,436**
Less: Provision for doubtful receivables	6,609,890	17,607,783
	381,114,882	**205,072,653**
Other debts		
Unsecured, considered good	2,234,862,924	1,719,214,533
	2,615,977,806	**1,924,287,186**

20. **Cash and bank balances**

	31 March 2016	31 March 2015
Cash and cash equivalents		
Balances with banks		
- on current accounts	113,340,321	91,928,479
- on deposit accounts	103,316,632	
Cash on hand	25,000,890	32,487,909
	241,657,843	**124,416,388**
Other bank balances		
Term deposits (original maturity more than 3 months but less than 12 months)	199,000,000	
Unpaid dividend accounts	10,536,721	9,189,011
	209,536,721	**9,189,011**
	451,194,564	**133,605,399**

21. **Other current assets**
(Unsecured, considered good)

	31 March 2016	31 March 2015
Receivables from sale of retail pharmacy business (Refer note: 35)	285,031,743	
Interest accrued on fixed deposits	36,217,142	
Export incentives receivable	113,960,743	19,107,116
	435,209,628	**19,107,116**

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22. **Revenue from operations**

	31 March 2016	31 March 2015
Sale of products	11,219,998,269	7,776,271,838
Sale of services		
Income from sale of dossiers	41,675,143	112,877,714
Other operating revenues		
Job work charges	66,942,115	85,427,633
Export incentives	151,020,109	50,345,985
Trading Sales	10,618,893	137,306,131
Scrap sales	16,671,919	16,081,796
Income from profit sharing arrangement	287,409,716	203,943,751
	532,662,752	**493,105,296**
Total revenue from operations	**11,794,336,164**	**8,382,254,848**

23. **Other income**

	31 March 2016	31 March 2015
Interest income from		
Fixed deposits	53,006,901	5,532,804
Income tax refund	-	1,026,337
Dividend income	84,707	3,660
Net gain on sale of current investments	11,352,311	23,631,749
Net gain on sale of fixed assets	-	6,580,947
Net gain on foreign currency transaction and translation	-	58,634,399
Insurance claim - loss of profits	25,000,000	-
Provision no longer required, written back	-	38,766,503
Other non-operating income	18,149,550	14,895,024
	107,593,469	**149,071,423**

24. **Cost of raw materials consumed (including packing materials**

	31 March 2016	31 March 2015
Opening stock	811,814,941	637,649,464
Add: Purchases during the year	3,911,267,157	1,846,789,273
Less: Closing stock	1,686,364,245	811,814,941
	3,036,717,853	**1,672,623,796**

25. **Changes in inventories of finished goods, work-in-progress and stock-in-trade**

	31 March 2016	31 March 2015
Opening stock		
- Finished goods	246,738,453	204,830,894
- Work-in-progress	750,276,075	663,646,801
- Stock-in-trade	118,676,002	143,557,481
	1,115,690,530	**1,012,035,176**
Closing stock		
- Finished goods	528,299,551	246,738,453
- Work-in-progress	985,008,160	750,276,075
- Stock-in-trade	150,464,225	118,676,002
	1,663,771,936	**1,115,690,530**
Currency translation adjustment	(17,716,305)	(11,977,731)
	(530,365,101)	**(91,677,623)**

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26. **Employee benefits expense**

	31 March 2016	31 March 2015
Salaries and wages	1,516,721,610	1,200,049,804
Contribution to provident and other funds	103,338,096	82,352,615
Employee stock compenstation expenses	96,860,194	-
Gratuity expense	43,726,484	5,312,718
Staff welfare expenses	106,154,947	81,447,015
	1,866,801,331	**1,369,162,152**

27. **Finance costs**

	31 March 2016	31 March 2015
Interest expense*	212,167,773	302,927,361
Other borrowing costs	16,864,312	13,836,232
	229,032,085	**316,763,593**

*Interest expense is after capitalization of ₹20,827,397 (31 March 2015: ₹11,022,070) to qualifying fixed assets.

28. **Other expenses**

	31 March 2016	31 March 2015
Consumption of stores and spare parts	223,785,424	197,462,154
Power and fuel	439,997,636	432,375,630
Rent	38,316,494	29,187,398
Repairs and maintenance		
- Buildings	34,600,544	47,903,800
- Plant and equipment	155,493,099	110,023,333
- Others	23,047,741	37,628,674
Insurance	51,906,488	40,602,451
Rates and taxes	92,168,902	162,574,482
Factory maintenance expenses	187,535,876	139,121,473
Analysis charges	108,683,557	72,163,662
Carriage and freight outwards	93,793,232	97,851,937
Donations	39,109,724	30,303,272
CSR expenditure	28,812,000	25,542,579
Communication expenses	29,722,891	28,661,974
Office maintenance and other expenses	52,473,845	41,348,363
Travelling and conveyance	146,529,408	120,561,029
Legal and professional fees	190,995,364	169,484,467
Payment to auditors		
- As auditor	4,653,780	2,676,772
- For reimbursement of expenses	39,000	39,000
Adjustments to the carrying amount of assets on account of sale	35,796,315	-
Inventory written-off	12,841,048	7,024,358
Bad debts written-off	96,004,654	58,537
Directors sitting fee	620,975	480,000
Provision towards doubtful trade receivables	-	-
Foreign exchange loss, net	41,352,845	7,273,264
Sales promotion expenses including sales commssion	1,032,981,441	275,729,906
Other research and development expenses	150,702,193	126,084,969
Printing and stationery	49,538,130	41,010,710
Miscellaneous expenses	79,367,842	82,898,867
	3,440,870,448	**2,326,073,061**

29. **Exceptional item**

Exceptional item represents expenditure on settlement of pending legal dispute with M/s. SMS Pharmaceuticals Limited.

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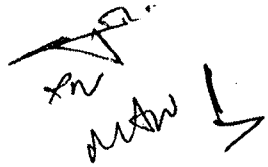
30. **Related party disclosures**

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

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

(b) **Transactions with related parties**

	For the year ended 31 March 2016	31 March 2015
Time Cap Pharma Labs Limited		
Commission and expenses reimbursement	12,238,830	4,243,323
Purchase of raw-materials	562,275	1,169,175
Rental expense	4,500,000	4,200,000
Dividends paid	21,446,525	17,157,220
Natsoft Information Systems Private Limited		
Dividends paid	19,709,375	15,767,500
NATCO Trust		
Donations	19,450,580	20,238,541
CSR activities	28,812,000	25,542,579
Transactions with key management personnel		
V C Nannapaneni		
Managerial remuneration	15,996,000	15,000,000
Leave encashment paid	2,805,000	13,200,000
Rental expenses	2,100,000	1,800,000
Dividends paid	50,921,019	40,736,815
Commission on profits	15,000,000	
Rajeev Nannapaneni		
Managerial remuneration	13,998,000	12,498,000
Leave encashment paid	2,420,002	1,133,333
Rental expenses	1,200,000	960,000
Dividends paid	2,095,219	1,786,175
Transactions with relatives of KMP		
Durga Devi Nannapaneni		
Dividends paid	4,423,875	4,139,100
Venkata Satya Swathi Kantamani		
Dividends paid	3,575,000	2,750,000
Neelima Nannapaneni		
Dividends paid	228,700	182,960
Dr. Ramakrishna Rao		
Dividends paid	933,013	706,610



30. **Related party disclosures (continued)**

(c) **Balances receivable / (payable)**

	As at 31 March 2016	31 March 2015
Time Cap Pharma Labs Limited	(4,620,017)	(2,928,499)
V C Nannapaneni	(11,131)	(1,103,850)
Rajeev Nannapaneni	(262,336)	(492,087)

Note:

(i) Mr. V C Nannapaneni has extended personal guarantees in connection with the loans availed by the Company. Refer note 5 & 9.

(ii) Mrs. Durga Devi Nannapaneni and Dr. Ramakrishna Rao has extended personal guarantees in connection with the loans availed by the Company. Refer note 8.

31. **Dues to Micro and small enterprises**

The Micro and Small Enterprises have been identified on the basis of information available with the Company. This has been relied upon by the auditors. Details of dues to such parties are given below:

	31 March 2016	31 March 2015
(a) The principal amount remaining unpaid as at the end of the year	25,554,013	14,966,656
(b) The amount of interest accrued and remaining unpaid at the end of the year	819,378	3,657,576
(c) Amount of interest paid by the company in terms of Section 16, of Micro Small and Medium Enterprises Development Act 2006("MSMED Act 2006") along with the amount of payments made beyond the appointed day during each		
(d) Amount of interest due and payable for the period of delay in making payment but without adding the interest specified under the (MSMED Act 2006)		
(e) Amount of interest accrued and remaining unpaid at the end of each accounting year; and		
(f) The amount of further interest remaining due and payable in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the (MSMED Act 2006)		

32. **Amounts incurred on research and development expenses**

	31 March 2016	31 March 2015
Salaries and wages	214,720,008	164,985,137
Consumption of materials and spares	171,083,128	160,075,625
Power and fuel	15,058,398	14,593,611
Other research and development expenses	151,199,704	135,484,603
Capital equipments	151,028,243	42,032,302
	703,089,481	**517,171,278**

The aforementioned expenditure, other than capital equipments, are included under the respective heads of the Consolidated Statement of Profit and Loss.

33. **Earnings per equity share**

	31 March 2016	31 March 2015
Profit after tax - used as numerator for calculating earnings per equity share	1,551,754,190	1,346,157,749
Weighted average number of shares used in computing basic earnings per equity share	170,448,218	165,681,275
Add: Dilution effect of employee stock options	512,767	-
Weighted average number of shares used in computing diluted earnings per equity share	170,960,985	165,681,275
Nominal value per share	2	2
Basis earnings per equity share	9.10	8.13
Diluted earnings per equity share	9.08	8.13

34. **Amalgamation of NATCO Organics Limited**

Pursuant to a composite scheme of amalgamation of NOL with the Company ("the Scheme") as sanctioned by the Honorable High Court of Judicature at Madras vide their order dated 28 April 2016 all the assets and properties, both movable and immovable, rights, title and interests, secured and unsecured debts, borrowings, and all other duties, debts, liabilities, undertakings and obligations of NATCO Organics Limited, have been transferred to and vested in the Company retrospectively with effect from 1 April 2015. The Scheme has accordingly been given effect to in these consolidated financial statements.

The amalgamation has been accounted for under the "Pooling of Interest method" as prescribed under Accounting Standard 14 (AS 14) - "Accounting for Amalgamations" as specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies Accounts Rules, 2014. Accordingly, in compliance with the Scheme all the assets, liabilities and reserves of NOL, now considered a division of the Company, were recorded in the standalone books of the Company at their carrying amounts with effect from 1 April 2015.

Since NOL was a wholly owned subsidiary of the Company, no shares were exchanged to effect the amalgamation. An amount of ₹189,956,726 being the excess of the Company's investment over the net assets of the erstwhile NOL, earlier disclossed as goodwill in the consolidated financial statements, has been adjusted against the consolidated reserves as at 1 April 2015.

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35. **Discontinued operations**

Pursuant to the authorization of the Board of Directors of the Company, the retail pharmacy business of NATCO Pharma Inc., USA was sold by way of an Asset Sale agreement with Care Mart Inc. for an aggregate consideration of United States Dollars (USD) 4,101,210. The retail pharmacy business represents a separate business segment of the Group's operations and accordingly qualifies for disclosure as a discontinuing operation in accordance with the Accounting Standard 24 "Discontinuing Operations" ("AS 24"). The disclosures required under AS 24 are as follows:

(a) The carrying amounts, as of the balance sheet date, of the total assets and the total liabilities of the retail pharmacy business are as follows:

	31 March 2016	31 March 2015
Total assets	-	319,331,268
Total liabilities	-	56,734,845
	-	262,596,423

(b) The following statement shows the break-up of aggregate amounts in respect of revenue and expenses in respect of ordinary activities attributable to the discontinuing operations during the year ended 31 March 2016:

	31 March 2016	31 March 2015
Revenues		
Revenue from operations	990,185,116	947,952,421
Other income	2,695,544	6,509,611
Total revenues	**992,880,660**	**954,462,032**
Expenses		
Cost of materials consumed	752,781,598	700,568,471
Changes in inventory of traded goods	(47,750,212)	23,718,557
Employee benefits expense	97,519,585	93,193,003
Depreciation and amortisation	1,599,261	1,646,005
Other expenses	118,160,018	57,667,296
Total expenses	**922,310,250**	**876,793,332**
Profit before tax	**70,570,410**	**77,668,700**
Tax expense	48,775,892	24,411,239
Profit after tax	**21,794,518**	**53,257,461**

(c) The net cash flows attributable to the operating, investing and financing activities of the retail pharmacy business during the year ended 31 March 2016, are as follows:

	31 March 2016	31 March 2015
Operating activities	34,383,654	18,162,513
Investing activities	(221,085)	(3,551,490)
Financing activities	(39,187,968)	
	(5,025,399)	**14,611,023**

36. **Contingent liabilities and commitments**

	31 March 2016	31 March 2015
(a) **Commitments**		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	385,295,064	191,532,103
(b) **Contingent liabilities**		
Claims against the company not acknowledged as debt	5,922,048	
Sales tax related matters	8,690,000	8,690,000
Service tax related matters	1,749,256	1,749,256
Customs related matters	2,000,000	2,000,000
Income tax related matters	-	656,957

37. **Expenditure on corporate social responsibility activities**

	31 March 2016	31 March 2015
Gross amount required to be spent by the Company during the year	27,759,464	22,419,167
Contribution to trusts controlled by the Company		
NATCO Trust	28,812,000	25,542,579
Provision towards CSR activities undertaken by entering into a contractual obligation and which have completed during the year		

38. **Segment reporting**

The primary and secondary reportable segments are business segments and geographical segments respectively. The Group's principal segments of business are active pharmaceutical ingredients ("API"), finished dosage formulations, job work charges and retail pharmacy. Segment's revenue, expense, assets and liabilities include amount of such items that can be allocated to the segment on a reasonable basis. Revenues, expenses, assets and liabilities which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis have been included under the head 'Others'.

Business segment
For the year ended 31 March 2016

Particulars	API	Finished dosage formulations	Job works	Pharmacy	Others	Eliminations	Total
Revenue							
External sales	1,689,743,207	8,566,051,545	-	990,185,116	-	(9,309,680)	**11,236,670,188**
Inter-segment sales	973,143,265	-	-	-	-	(973,143,265)	-
	2,662,886,472	8,566,051,545	-	990,185,116	-	(982,452,945)	**11,236,670,188**
Less: Excise duty	27,187,315	350,985,738	-	-	-	-	**378,173,053**
Revenue [Net]	2,635,699,157	8,215,065,807	-	990,185,116	-	(982,452,945)	**10,858,497,135**
Sale of dossiers	-	-	-	-	41,675,143	-	**41,675,143**
Other operating income	61,550,190	376,879,635	66,942,115	-	10,618,893	-	**515,990,833**
Total segment revenue	2,697,249,347	8,591,945,442	66,942,115	990,185,116	52,294,036	(982,452,945)	**11,416,163,111**
Results							
Segment result	392,984,448	3,081,919,231	59,850,131	67,874,866	48,117,402	-	**3,650,746,078**
Unallocated corporate expenses							1,463,069,052
Finance cost							229,032,085
Other income							107,593,469
Profit before tax							**2,066,238,410**
Income tax [Including deferred tax]							527,977,806
Profit before minority interest							**1,538,260,604**
Minority interest							(13,493,586)
Net Profit for the year							**1,551,754,190**

38. **Segment reporting**

Other information as at 31 March 2016

Particulars	API	Finished dosage Formulations	Job Works	Pharmacy	Others	Eliminations	Total
Segment assets	6,236,618,347	8,221,885,412	27,500,919	337,561,266	-	-	14,823,565,944
Unallocated corporate assets	-	-	-	-	-	-	3,414,477,304
Total assets	6,236,618,347	8,221,885,412	27,500,919	337,561,266	-	-	18,238,043,248
Segment liabilities	(764,576,987)	(2,689,954,272)	-	(77,579,816)	-	-	(3,532,111,075)
Minority interest	-	(49,122,594)	-	-	-	-	(49,122,594)
Unallocated corporate liabilities	-	-	-	-	-	-	(1,673,471,363)
Total liabilities	(764,576,987)	(2,739,076,866)	-	(77,579,816)	-	-	(5,254,705,032)
Capital expenditure	317,442,564	408,907,773		-	319,191,422	-	1,045,541,759
Depreciation and amortisation	293,191,985	185,792,746		-	30,540,672	-	509,525,403
Non cash expenses, other than depreciation	12,841,048	96,004,654		79,584,167	183,644,011	-	372,073,880

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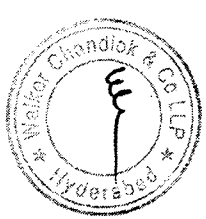
38. Segment reporting

Business segment
For the year ended 31 March 2015

Particulars	API	Finished dosage Formulations	Job Works	Pharmacy	Others	Eliminations	Total
Revenue							
External sales	2,600,495,083	4,269,557,495	-	947,952,421	-	(23,965,417)	7,794,039,582
Inter-segment sales	513,807,684	-	-	-	-	(513,807,684)	-
	3,114,302,767	**4,269,557,495**	**-**	**947,952,421**	**-**	**(537,773,101)**	7,794,039,582
Excise duty	71,191,765	58,302,642	-	-	-	-	129,494,407
Total Sales	**3,043,111,002**	**4,211,254,853**	**-**	**947,952,421**	**-**	**(537,773,101)**	7,664,545,175
Sale of dossiers	-	-	-	-	112,877,714	-	112,877,714
Job work charges	-	-	85,427,633	-	-	(2,405,923)	83,021,710
Other Income	26,328,045	228,917,094	-	-	137,306,131	(235,428)	392,315,842
Total segment revenue	**3,069,439,047**	**4,440,171,947**	**85,427,633**	**947,952,421**	**250,183,845**	**(540,414,452)**	8,252,760,441
Results							
Segment result	**718,425,511**	**1,589,019,424**	**70,815,948**	**71,159,089**	**135,409,613**	**-**	2,584,829,585
Unallocated corporate expenses							1,074,964,989
Finance cost							316,763,593
Other income							149,071,423
Profit before tax and minority interest							1,342,172,426
Income tax [Including deferred tax]							39,501,608
Profit before minority interest							1,302,670,818
Minority interest							(43,486,931)
Net profit for the year							1,346,157,749



38. **Segment reporting**

Other information as at 31 March 2015

Particulars	API	Finished dosage Formulations	Job Works	Pharmacy	Others	Eliminations	Total
Other information							
Segment assets	6,731,631,884	5,406,956,775	22,729,345	274,897,512	79,681,265	-	12,515,896,782
Unallocated corporate assets	-	-	-	-	-	-	1,324,552,878
Total assets	**6,731,631,884**	**5,406,956,775**	**22,729,345**	**274,897,512**	**79,681,265**	**-**	**13,840,449,660**
Segment liabilities	792,726,428	858,976,349	-	48,525,093	-	-	1,700,227,869
Unallocated corporate liabilities	-	-	-	-	-	-	3,629,487,009
Minority interest	-	50,223,864	-	-	-	-	50,223,864
Total liabilities	**792,726,428**	**909,200,213**	**-**	**48,525,093**	**-**	**-**	**5,379,938,742**
Capital expenditure	271,721,100	585,881,886	-	3,551,429	59,809,575	-	920,963,990
Depreciation and amortisation	273,846,284	162,587,938	-	1,646,005	34,576,318	-	472,656,545
Non cash expenses, other than depreciation	7,024,358	-	-	58,537	-	-	7,082,895

The Group's secondary segments are the geographic distribution of activities. Revenue and receivables are specified by location of customers and other information is specified by location of assets. The table below, present revenue, capital expenditure and asset information regarding the Group's secondary segment.

Particulars	For the year ended and as at 31 March 2016			For the year ended and as at 31 March 2015		
	Segment revenue	**Segment assets**	**Capital expenditure**	Segment revenue	Segment assets	Capital expenditure
India	6,520,836,432	16,211,003,080	1,027,000,748	3,896,834,268	11,670,121,386	887,916,654
America	3,324,781,931	1,514,841,784	-	2,775,201,858	1,126,462,146	30,370,044
Europe	1,269,338,594	387,733,868	-	1,393,710,265	881,816,563	-
Rest of the world	408,799,623	124,464,516	18,541,010	336,085,473	162,049,565	2,677,292
Total	**11,523,756,580**	**18,238,043,248**	**1,045,541,758**	8,401,831,864	13,840,449,660	920,963,990

39. During the year ended 31 March 2016 the Company made a Qualified Institutional Placement ('QIP') and alloted 8,000,000 equity shares (post split) on 18 September 2015 of face value of ₹2 each (post split) at a premium of ₹424.11 per equity share (post split), pursuant to clause 49 of the erstwhile listing agreement with the stock exchanges, for the purposes of capital expenditure and long term working and capital requirements, expenses for exploring acquisition oportunities and general corporate requirements of the Company.

Particulars	31 March 2016
Amounts raised in QIP	3,408,880,000
Amount utilised during the year:	
QIP expenses (gross of tax)	64,433,568
Utilised for the purposes of the QIP issue	2,444,129,800
Unutilized amount at the end of the year	**900,316,632**

Details of short-term investment made from unutilized portion of QIP raises during the year ended 31 March 2016.

Particulars	31 March 2016
Investment in Non-convertible debentures	200,000,000
Deposit with	
Banks	300,316,632
Financial institutions	400,000,000
	900,316,632

40. Additional disclosure as required under paragraph 2 of 'General Instructions for the preparation of Consolidated Financial Statements' of the Schedule III to the Act

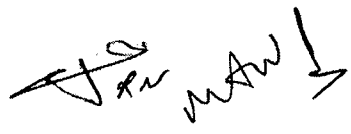
For the year ended 31 March 2016

Name of the entity	Net assets		Share in profit or loss	
	As a % of consolidated net assets	Amount (₹)	As a % of consolidated profit or loss	Amount (₹)
Parent company				
NATCO Pharma Limited	97%	12,642,127,492	110%	1,685,618,077
Foreign subsidiaries				
NATCO Pharma Inc.	2%	253,371,559	1%	21,220,156
Time Cap Overseas Limited	1%	110,249,158	-7%	(111,160,115)
NATCO Pharma (Canada), Inc.	0%	30,589,569	-2%	(36,868,224)
NATCO Pharma Asia Pte. Ltd.	0%	1,690,082	-1%	(15,164,053)
NATCO Pharma Australia PTY Ltd	0%	(5,567,055)	0%	(5,385,237)
Total		**13,032,460,805**		**1,538,260,604**
Minority interest in all subsidiaries				
Time Cap Overseas Limited*	0%	49,035,694	1%	13,370,813
NATCO Pharma Australia PTY Ltd	0%	86,900	0%	122,773
NATCO Pharma (Canada) Inc.	0%	-	0%	-
Total		**49,122,594**		**13,493,586**

For the year ended 31 March 2015

Name of the entity	Net assets		Share in profit or loss	
	As a % of consolidated net assets	Amount (₹)	As a % of consolidated profit or loss	Amount (₹)
Parent company				
NATCO Pharma Limited	80%	6,837,968,891	117%	1,529,255,356
Indian subsidiary				
NATCO Organics Limited	16%	1,330,465,843	-6%	(73,069,924)
Foreign subsidiaries				
NATCO Pharma Inc.	3%	262,596,423	4%	53,257,461
Time Cap Overseas Limited	1%	78,286,672	-11%	(142,187,925)
NATCO Pharma (Canada), Inc.	0%	1,401,312	-4%	(46,881,419)
NATCO Pharma Asia Pte. Ltd.	0%	1,427,621	-1%	(11,314,526)
NATCO Pharma Australia PTY Ltd.	0%	(1,385,683)	0%	(6,388,204)
Total		**8,510,761,079**		**1,302,670,819**
Minority interest in all subsidiaries				
NATCO Organics Limited	1%	50,250,161	2%	24,179,139
Time Cap Overseas Limited*	0%	-	0%	807,630
NATCO Pharma Australia PTY Ltd	0%	-	0%	426,690
NATCO Pharma (Canada) Inc.	0%	-	1%	18,073,472
Total		**50,250,161**		**43,486,931**

*Amount is after considering share of Time Cap Overseas Limited in NATCO Farma Do Brazil (step down subsidiary of NATCO Pharma Limited) in which it holds 96.53% of equity.



NATCO Pharma Limited
Summary of significant accounting policies and other explanatory information
(All amounts in ₹ unless otherwise stated)

41. **Comparatives**

Previous year figures have been reclassified / regrouped wherever necessary, to conform to current year presentation.

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date.

For Walker Chandiok & Co LLP
Chartered Accountants

per Sanjay Kumar Jain
Partner

Place: Hyderabad
Date: 26 May 2016

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

V C Nannapaneni
Chairman & Managing Director
DIN:00183315

Rajeev Nannapaneni
Vice Chairman & CEO
DIN:00183872

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

SVVN Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 26 May 2016

Walker Chandiok & Co LLP

Walker Chandiok & Co LLP
(Formerly Walker, Chandiok & Co
7th Floor, Block III, White House
Kundan Bagh, Begumpet
Hyderabad 500016
India

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Independent Auditor's Report

To the Members of NATCO Pharma Limited

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of NATCO Pharma Limited ('the Company') and its subsidiaries (the Company and its subsidiaries together referred to as 'the Group'), which comprise the Consolidated Balance Sheet as at 31 March 2017, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. The Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ('the Act') that give a true and fair view of the consolidated state of affairs (consolidated financial position), consolidated profit or loss (consolidated financial performance including other comprehensive income), consolidated cash flows and consolidated changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act. The Company's Board of Directors and the respective Board of Directors/management of the subsidiaries included in the Group, are responsible for the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. Further, in terms of the provisions of the Act, the respective Board of Directors/management of the companies included in the Group, covered under the Act are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Company, as aforesaid.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

4. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these consolidated financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

7. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph 9 under the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on these consolidated financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements and on the other financial information of the subsidiaries, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs (consolidated financial position) of the Group, as at 31 March 2017, and their consolidated profit (consolidated financial performance including other comprehensive income), their consolidated cash flows and consolidated changes in equity for the year ended on that date.

Other Matters

9. We did not audit the financial statements of six subsidiaries, whose financial statements reflect total assets of ₹862 million and net assets of ₹550 million as at 31 March 2017, total revenues of ₹719 million and net cash inflows amounting to ₹47 million for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.

Further, all subsidiaries are located outside India and their financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Company's management.

Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Company and audited by us.

10. The Company had prepared separate sets of consolidated financial statements for the year ended 31 March 2016 and 01 April 2015 in accordance with Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) on which we issued auditor's reports dated 26 May 2016 and 22 May 2015 respectively. These separate sets of consolidated financial statements have been adjusted for the differences in the accounting principles adopted by the Company on transition to Ind AS, which have also been audited by us. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

11. As required by Section 143(3) of the Act, based on our audit and on the consideration of the reports of the other auditors on separate financial statements and other financial information of the subsidiaries, we report, to the extent applicable, that:

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

b) in our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors,

c) the consolidated financial statements dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

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

e) on the basis of the written representations received from the directors of the Company and taken on record by the Board of Directors of the Company, none of the directors of the Company, covered under the Act, are disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164(2) of the Act;

f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure A; and

g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries:

(i) the consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group as detailed in note 37 to the consolidated financial statements.

(ii) the Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

(iii) there has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Company; and

Chartered Accounta

(iv) the Group, as detailed in note 43 to the consolidated financial statements, has made requisite disclosures in these consolidated financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016. Based on the audit procedures performed and taking into consideration the information and explanations given to us, in our opinion, these are in accordance with the books of account maintained by the Group.

Walker Chandiok & Co LLP

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

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

Place: Hyderabad
Date: 30 May 2017

Annexure A to the Independent Auditor's Report of even date to the members of NATCO Pharma Limited, on the consolidated financial statements for the year ended 31 March 2017

Independent Auditor's report on the Internal Financial Controls under Section 143(3)(i) of the Companies Act, 2013 ("the Act")

1. In conjunction with our audit of the consolidated financial statements of NATCO Pharma Limited ("the Company") and its subsidiaries, (the Company and its foreign subsidiaries together referred to as "the Group"), as of and for the year ended 31 March 2017, we have audited the internal financial controls over financial reporting (IFCoFR) of the Company as of that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

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

Meaning of Internal Financial Controls over Financial Reporting

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

Annexure A to the Independent Auditor's Report of even date to the members of NATCO Pharma Limited, on the consolidated financial statements for the year ended 31 March 2017

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

Walker Chandiok & Co LLP

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

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

Place: Hyderabad

Date: 30 May 2017

NATCO Pharma Limited
Consolidated Balance Sheet as at 31 March 2017
(All amounts in ₹ millions, except share data and where otherwise stated)

	Notes	31 March 2017	31 March 2016	1 April 2015
ASSETS				
Non-current assets				
(a) Property, plant and equipment	6	8,272	7,046	6,640
(b) Capital work-in-progress		3,363	2,118	1,290
(c) Other intangible assets	7	58	55	424
(d) Financial assets				
Investments	8	1	1	27
Other financial assets	10	131	106	79
(e) Other non-current assets	11	478	521	484
		12,303	**9,847**	**8,944**
Current assets				
(a) Inventories	12	3,489	3,573	2,200
(b) Financial Assets				
Investments	8	321	221	7
Trade receivables	13	4,752	2,616	1,924
Cash and cash equivalents	14	235	242	124
Other bank balances		123	210	9
Loans	9	35	28	26
Other financial assets	10	752	770	30
(c) Income tax assets (net)		-	34	43
(d) Other current assets	11	1,166	676	515
		10,873	**8,370**	**4,878**
Total assets		**23,176**	**18,217**	**13,822**
EQUITY AND LIABILITIES				
Equity				
(a) Equity share capital	15	349	348	332
(b) Other equity	16	16,144	12,609	8,114
Equity attributable to owners		**16,493**	**12,957**	**8,446**
Non-controlling interest		41	49	50
Total of Equity		**16,534**	**13,006**	**8,496**
Liabilities				
Non-current liabilities				
(a) Financial liabilities				
Borrowings	17	-	-	970
Other financial liabilities	18	8	8	8
(b) Provision for employee benefits	19	219	125	92
(c) Deferred tax liabilities (net)	20	150	147	116
(d) Other non-current liabilities	21	-	-	-
		377	**280**	**1,186**
Current liabilities				
(a) Financial liabilities				
Borrowings	17	2,216	984	1,765
Trade payables	22	2,627	2,756	1,253
Other financial liabilities	18	1,014	815	859
(b) Other current liabilities	21	257	327	250
(c) Provision for employee benefits	19	18	15	11
(d) Current tax liabilities, net		133	34	2
		6,265	**4,931**	**4,140**
Total equity and liabilities		**23,176**	**18,217**	**13,822**

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

This is the Balance Sheet referred to in our report of even date.

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

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

Place: Hyderabad
Date: 30 May 2017

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

VC Nannapaneni
Chairman & Managing Director
(DIN: 00183315)

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

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183972)

SVVN Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 30 May 2017

NATCO Pharma Ltd. NATCO Hyderabad

NATCO Pharma Limited
Consolidated Statement of Profit and Loss for the year ended 31 March 2017
(All amounts in ₹ millions, except share data and where otherwise stated)

	Notes	31 March 2017	31 March 2016
Revenue			
Revenue from operations	23	20,650	10,801
Other income	24	139	96
Total revenues		**20,789**	**10,897**
Expenses			
Cost of materials consumed	25	5,208	3,037
Purchases of stock-in-trade		971	152
Changes in inventories of finished goods, stock-in - trade and work-in-progress	26	(188)	(483)
Employee benefits expense	27	2,432	1,798
Finance costs	28	185	229
Depreciation and amortisation expense	6 & 7	544	508
Other expenses	29	5,393	3,641
Total expenses		**14,545**	**8,882**
Profit before tax		**6,244**	**2,015**
Tax expense	30		
Current tax		1,354	441
Deferred tax		1	38
Tax for earlier years		40	-
Profit from continuing operation		**4,849**	**1,536**
Profit from discontinued operations		-	71
Tax expense on discontinued operations		-	49
Profit from discontinued operations, net of tax		**-**	**22**
Profit after tax		**4,849**	**1,558**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurement gains (losses) on defined benefit plans		(41)	(31)
Net (loss)/gain on FVTOCI equity securities		23	6
Exchange differences on translation of foreign operations		(12)	(18)
Income tax relating to items that will not be reclassified to profit or loss			
Re-measurement gains (losses) on defined benefit plans		(9)	(7)
Net (loss)/gain on FVTOCI equity securities		5	1
Total comprehensive income for the year		**4,815**	1,509
Profit for the year attributable to:			
Owners of the parent		**4,860**	1,571
Non-controlling interests		**(11)**	(13)
Total comprehensive income for the year attributable to:			
Owners of the parent		**4,826**	1,522
Non-controlling interests		**(11)**	(13)
Basic earnings per equity share (₹) (of nominal value ₹2 each)	31		
From continued and discountinued operations		27.78	9.14
From continued operations		27.78	9.01
Diluted earnings per equity share (₹) (of nominal value ₹2 each)			
From continued and discountinued operations		27.75	9.11
From continued operations		27.75	8.98

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

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

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

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

Place: Hyderabad
Date: 30 May 2017

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

VC Nannapaneni
Chairman & Managing Director
(DIN: 00183315)

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

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

SVVN Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 30 May 2017

NATCO Pharma Ltd. NATCO Hyderabad

NATCO Pharma Limited
Consolidated statement of changes in equity for the year ended 31 March 2017
(All amounts in ₹ millions, except share data and where otherwise stated)

A Equity Share Capital

	Notes	Number of shares	Amount
As at 1 April 2015		**166,174,245**	**332**
Changes in equity share capital	15	8,000,000	16
As at 31 March 2016		**174,174,245**	**348**
Changes in equity share capital	15	133,555	1
As at 31 March 2017		**174,307,800**	**349**

B Other Equity (Refer note 16)

	Reserves and Surplus						Other reserves			Non-controlling interest	Total
	Securities premium reserve	Capital reserve	Capital redemption reserve	General reserve	Share options outstanding account	Retained earnings	FVOCI equity instruments	Foreign currency translation reserve	Defined benefit obligations		
Balance as at 1 April 2015	**2,783**	**207**	**5**	**485**	**-**	**4,641**	**7**	**(25)**	**11**	**50**	**8,164**
Profit/(loss) for the year	-	-	-	-	-	1,571	-	-	-	(1)	1,570
Other comprehensive income	-	-	-	-	-	-	6	(19)	(31)	-	(44)
Income tax relating to items of other comprehensive income	-	-	-	-	-	-	1	-	(7)	-	(6)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**1,571**	**7**	**(19)**	**(38)**	**(1)**	**1,520**
Pursuant to scheme of amalgamation	-	-	-	-	-	(190)	-	-	-	-	(190)
Transfer to general reserve	-	-	-	-	-	(110)	-	-	-	-	(110)
Transfer from retained earnings	-	-	-	110	-	-	-	-	-	-	110
Transactions with owners in their capacity as owners:											
Issue of equity shares	3,393	-	-	-	-	-	-	-	-	-	3,393
Employee stock option expense	-	-	-	-	97	-	-	-	-	-	97
Share issue expenses (Refer note 39)	(64)	-	-	-	-	-	-	-	-	-	(64)
Dividend paid	-	-	-	-	-	(218)	-	-	-	-	(218)
Tax on distributed profits	-	-	-	-	-	(44)	-	-	-	-	(44)
Balance as at 31 March 2016	**6,112**	**207**	**5**	**595**	**97**	**5,650**	**14**	**(44)**	**(27)**	**49**	**12,658**
Profit for the year	-	-	-	-	-	4,860	-	-	-	(8)	4,852
Other comprehensive income	-	-	-	-	-	-	23	(10)	(41)	-	(28)
Income tax relating to items of other comprehensive income	-	-	-	-	-	-	5	-	(9)	-	(4)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**4,860**	**28**	**(10)**	**(50)**	**(8)**	**4,820**
Transactions with owners in their capacity as owners:											
Employee stock option expense	-	-	-	-	123	-	-	-	-	-	123
Dividend paid	-	-	-	-	-	(1,176)	-	-	-	-	(1,176)
Tax on distributed profits						(240)	-	-	-	-	(240)
Share options exercised	66	-	-	-	(66)	-	-	-	-	-	-
Balance as at 31 March 2017	**6,178**	**207**	**5**	**595**	**154**	**9,094**	**42**	**(54)**	**(77)**	**41**	**16,185**

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

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No.: 001706N/N500013

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

Place: Hyderabad
Date: 30 May 2017

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

VC Nannapaneni
Chairman & Managing Director
(DIN: 00183315)

Place: Hyderabad
Date: 30 May 2017

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

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

SVVN Appa Rao
Chief Financial Officer

NATCO Pharma Ltd. Hyderabad

NATCO Pharma Limited
Cash Flow Statement for the year ended 31 March 2017
(All amounts in ₹ millions, except share data and where otherwise stated)

		31 March 2017	31 March 2016
Cash flows from operating activities			
Profit before tax			
- Continuing operations		6,244	2,015
- Discontinued operations		-	71
Adjustments :			
Depreciation and amortisation expense		544	510
Finance cost		163	229
Employee share-based payment expense		123	97
Interest income		(81)	(53)
Income from insurance claims		-	(25)
Bad debts written - off (net)		239	96
Assets written - off		24	49
(Gain) / loss on sale of asset		-	2
Unrealised foreign exchange loss / (gain), net		(12)	-
Operating profit before working capital changes		**7,244**	**2,991**
Increase/(decrease) in trade payables		(129)	1,502
Increase in employee benefit obligations		47	21
Increase in other financial liabilities		162	70
Increase/(decrease) in other liabilities		(69)	60
(Increase)/decrease in other financial assets		286	(734)
(Increase) in loans		(7)	(2)
(Increase) in other assets		(528)	(150)
(Increase)/decrease in inventories		84	(1,386)
(Increase) in trade receivables		(2,374)	(788)
Cash generated from operating activities		**4,716**	**1,584**
Income taxes paid		(1,258)	(462)
Net cash generated from operating activities	**A**	**3,458**	**1,122**
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,792)	(1,574)
Proceeds from sale of property, plant and equipment		0	11
Purchase of intangible assets		(3)	180
Payments for purchase of investments		(286)	(208)
Proceeds from sale of investments		214	26
Increase in other bank balances		(113)	(209)
Interest received		80	19
Deposits with financial institutions		(293)	-
Withdrawal of fixed deposits		199	-
Net cash used in investing activities	**B**	**(2,994)**	**(1,755)**

NATCO Pharma Limited
Cash Flow Statement for the year ended 31 March 2017
(All amounts in ₹ millions, except share data and where otherwise stated)

		31 March 2017	31 March 2016
Cash flows from financing activities			
Proceeds from issue of shares		-	3,344
Repayment of non-current borrowings		(142)	(1,291)
Movement in minority interest		3	12
(Repayments) / proceeds from current borrowings, net		-	-
Dividends paid to Company's shareholders and tax thereon		(1,409)	(261)
Interest paid		(161)	(264)
Net cash (used in) / from financing activities	**C**	**(1,709)**	**1,540**
Effect of currency translation adjustment	**D**	**6**	**(8)**
Net increase / (decrease) in cash and cash equivalents (A+B+C+D)		**(1,239)**	**899**
Cash and cash equivalents as at the beginning of the year		(742)	(1,641)
Cash and cash equivalents as at the end of the year [Refer Note 1]		**(1,981)**	**(742)**
Note 1:			
Cash and cash equivalents includes:			
Cash and bank balances (Note 14)		235	242
Working capital loans (Note 17)		(2,216)	(984)
		(1,981)	**(742)**

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

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

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

Place: Hyderabad
Date: 30 May 2017

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

VC Nannapaneni
Chairman & Managing Director
(DIN: 00183315)

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

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

SVVN Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 30 May 2017

NATCO Pharma Ltd. NATCO Hyderabad

NATCO Pharma Limited
Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

1. General information

NATCO Pharma Limited ("the Company" or "the Parent") is a public limited company domiciled and incorporated in India in accordance with the provisions of the Companies Act, 1956. The registered office of the Company is at NATCO House, Road No. 2, Banjara Hills, Hyderabad – 500034. The equity shares of the Company are listed on the National Stock Exchange and Bombay Stock Exchange.

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

These consolidated financial statements for the year ended 31 March 2017 were authorized and approved for issue by the Board of Directors on 30 May 2017.

2. Basis of preparation

(i) Compliance with Ind AS

The consolidated financial statements of the Group have been prepared in accordance with the Indian Accounting Standards as notified under section 133 of the Companies Act 2013 ("the Act") read with the Companies (Indian Accounting Standards) Rules 2015 issued by Ministry of Corporate Affairs ('MCA'). The Group has uniformly applied the accounting policies during the periods presented.

For all periods up to and including the year ended 31 March 2016, the Group has prepared its consolidated financial statements in accordance with accounting standards notified under the section 133 of the Act, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Previous GAAP). These consolidated financial statements for the year ended 31 March 2017 are the first which the Group has prepared in accordance with Ind AS (see note 42 for explanation for transition to Ind AS). For the purpose of comparatives, consolidated financial statements for the year ended 31 March 2016 are also prepared under Ind AS.

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

The consolidated financial statements have been prepared on going concern basis under the historical cost basis except for the following –

- Certain financial assets and liabilities which are measured at fair value;
- Share based payments which are measured at fair value of the options; and
- Contingent consideration

(ii) Principles of consolidation

a. Subsidiaries

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

b. *Change in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests

NATCO Pharma Ltd. NATCO Hyderabad

in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid of received is recognised within equity.

c. *Interest in other entities*

The following subsidiaries have been considered for the purpose of preparation of the consolidated financial statements:

Name of the subsidiaries	Country of Incorporation	Percentage holding/interest (%)		
		As at 31 March		
		2017	2016	2015
NATCO Pharma, Inc.,	United States of America	100.00	100.00	100.00
Time Cap Overseas Limited	Mauritius	89.43	87.73	83.78
NATCO Farma Do Brazil	Brazil	86.91	84.69	79.47
NATCO Organics Limited ("NOL)	India	-	-	100.00
NATCO Pharma (Canada), Inc.	Canada	99.71	99.68	99.34
Natco Pharma Asia Pte. Ltd.	Singapore	100.00	100.00	100.00
NATCO Pharma Australia PTY Ltd.	Australia	93.76	80.00	80.00

Note 1: Interest in NATCO Farma Do Brazil represent effective holding of the Company.
Note 2: NOL has been amalgamated with the Company effective 1 April 2015. Refer note 40.
Note 3: 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.

3. Standards, not yet effective and have not been adopted early by the Group

Information on new standards, amendments and interpretations that are expected to be relevant to the consolidated financial statements is provided below.

Ind AS 115 'Revenue from Contracts with Customers' (Ind AS 115)

There is one new standard notified by MCA (not yet effective) for revenue recognition which overhauls the existing revenue recognition standards including Ind AS 18 – Revenue and Ind AS 11 – Construction contracts. The new standard provides a control-based revenue recognition model and provides a five step application principle to be followed for revenue recognition:

i. Identification of the contracts with the customer
ii. Identification of the performance obligations in the contract
iii. Determination of the transaction price
iv. Allocation of transaction price to the performance obligations in the contract (as identified in step ii)
v. Recognition of revenue when the Group satisfies a performance obligation.

The effective date of the new standard has not yet been notified by the MCA. The management is yet to assess the impact of this new standard on the Group's consolidated financial statements.

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4. Summary of significant accounting policies

The consolidated financial statements have been prepared using the accounting policies and measurement basis summarized below.

a. Current versus non-current classification

The Group presents assets and liabilities in the balance sheet based on current/ non-current classification.

An **asset** is classified as current when it is:
- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A **liability** is classified as current when:
- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

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

b. Foreign currency

Functional and presentation currency
The consolidated financial statements are presented in Indian Rupee ('INR' or '₹') which is also the functional and presentation currency of the Group.

Transactions and balances
Foreign currency transactions are recorded in the functional currency, by applying to the exchange rate between the functional currency and the foreign currency at the date of the transaction.

Foreign currency monetary items are converted to functional currency using the closing rate. Non-monetary items denominated in a foreign currency which are carried at historical cost are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or any other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the statement of profit and loss in the year in which they arise.

c. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

Excise duty is a liability of the Group as a manufacturer, which forms part of the cost of production, irrespective of whether the goods are sold or not. Therefore, the recovery of excise duty flows to the Group on its own account and hence revenue includes excise duty.

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Sales tax/ Value Added Tax [VAT] is not received by the Group on its own account. Rather, it is tax collected on value added to the Goods by the Group on behalf of the government. Accordingly, it is excluded from revenue.

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

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Service Revenue
Service income is recognised as per the terms of contracts with the customers when the related services are performed or the agreed milestones are achieved and are net of service tax, wherever applicable.

Interest Income
Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable. For all debt instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR) method.

Dividend income
Dividend income is recognised at the time when right to receive the payment is established, which is generally when the shareholders approve the dividend.

Profit sharing arrangements
Revenue from profit sharing arrangements on sale of products is recognised based on terms and conditions of arrangements with respective customers.

Licensing and long term supply arrangements:
Revenue from licensing and long term supply arrangements is recognised in the period in which the Group completes all its performance obligations.

d. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Statement of Profit and Loss as incurred.

e. Property, plant and equipment (PPE)

Recognition and initial measurement
Property, plant and equipment are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.
Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group. All other repair and maintenance costs are recognised in statement of profit or loss as incurred.

Subsequent measurement (depreciation and useful lives)
Depreciation on property, plant and equipment is provided on the straight-line method, computed on the basis of useful lives as estimated by management which coincides with rates prescribed in Schedule II to the Companies Act, 2013.

Cost of the leasehold land is amortized on a straight-line basis over the term of the lease.

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The residual values, useful lives and method of depreciation of are reviewed at each financial year end and adjusted prospectively, if appropriate.

De-recognition
An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

Transition to Ind AS
On transition to Ind AS, the Group has elected to continue with the carrying value of all its property, plant and equipment recognised as at 1 April 2015 measured as per the provisions of Previous GAAP and use that carrying value as the deemed cost of property, plant and equipment.

f. Intangible assets

Recognition and initial measurement
Intangible assets (software) are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Subsequent measurement (amortisation)
The cost of capitalized software is amortized over a period of 6 years, on a straight line basis.

Transition to Ind AS
On transition to Ind AS, the Group has elected to continue with the carrying value of all its intangible assets recognised as at 1 April 2015 measured as per the provisions of Previous GAAP and use that carrying value as the deemed cost of intangible assets.

g. Operating leases

Where the lessor effectively retains all risk and benefits of ownership of the leased items, such leases are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of profit and loss on a straight line basis.

h. Impairment of non-financial assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired, based on internal or external factors. If any such indication exists, the Group estimates the recoverable amount of the asset or the cash generating unit. If such recoverable amount of the asset or cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. Impairment losses previously recognized are accordingly reversed in the statement of profit and loss.

Financial instruments

Financial assets

Initial recognition and measurement
All financial assets are recognised initially at fair value and transaction cost that is attributable to the acquisition of the financial asset is also adjusted.

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Subsequent measurement

i. **Debt instruments at amortised cost** – A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method.

ii. **Equity investments** – All equity investments in scope of Ind-AS 109 are measured at fair value. Equity instruments which are held for trading are generally classified as at fair value through profit and loss (FVTPL). For all other equity instruments, the Group decides to classify the same either as at fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL). The Group makes such election on an instrument by instrument basis. The classification is made on initial recognition and is irrevocable.

iii. **Mutual funds** – All mutual funds in scope of Ind-AS 109 are measured at fair value through profit and loss (FVTPL).

De-recognition of financial assets
A financial asset is primarily de-recognised when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset.

Financial liabilities

Initial recognition and measurement
All financial liabilities are recognised initially at fair value and transaction cost that is attributable to the acquisition of the financial liabilities is also adjusted. These liabilities are classified as amortised cost.

Subsequent measurement
These liabilities include are borrowings and deposits. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

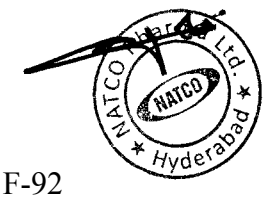
De-recognition of financial liabilities
A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified party fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of expected loss allowance determined as per impairment requirements of Ind-AS 109 and the amount recognised less cumulative amortisation.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.



i. Investment in instruments of consolidated entities

The Company's investment in equity and optionally convertible instruments in subsidiaries and fellow subsidiaries (direct subsidiaries of Parent Company) are accounted for at cost.

j. Impairment of financial assets

In accordance with Ind-AS 109, the Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss for financial assets.

ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. When estimating the cash flows, the Group is required to consider –

- All contractual terms of the financial assets (including prepayment and extension) over the expected life of the assets.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Trade receivables
The Group applies approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of receivables.

Other financial assets
For recognition of impairment loss on other financial assets and risk exposure, the Group determines whether there has been a significant increase in the credit risk since initial recognition and if credit risk has increased significantly, impairment loss is provided.

k. Inventories

Raw material, packaging material, stores and spare parts are carried at cost. Cost includes purchase price excluding taxes those are subsequently recoverable by the Group from the concerned authorities, freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. Cost of inventories is determined using the weighted average cost method.

The carrying cost of raw materials, packing materials, stores and spare parts are appropriately written down when there is a decline in replacement cost of such materials and finished products in which they will be incorporated are expected to be sold below cost.

Finished goods and work in progress are valued at the lower of cost and net realizable value. Cost of work in progress and manufactured finished goods is determined on weighted average basis and comprises cost of direct material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition. Cost of traded goods is determined on weighted average basis. Excise duty liability is included in the valuation of closing inventory of finished goods.

l. Income taxes

Tax expense recognized in statement of profit or loss comprises the sum of deferred tax and current tax except the ones recognized in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted for the reporting period. Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity).

m. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, other short-term highly liquid investments (original maturity of 3 months or less) that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

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

Defined contribution plan
The Group's contribution to provident fund and employee state insurance schemes is charged to the statement of profit and loss. The Group's contributions towards Provident Fund are deposited with the Regional Provident Fund Commissioner under a defined contribution plan.

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

The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC). Under the said policy, the eligible employees are entitled for gratuity upon their resignation, retirement or in the event of death in lumpsum after deduction of necessary taxes upto a maximum limit of ₹1. Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Company makes contributions to the Gratuity Fund.

Other long-term employee benefits
The Group also provides benefit of compensated absences to its employees which are in the nature of long - term benefit plan. Liability in respect of compensated absences becoming due and expected to be availed more than one year after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method as on the reporting date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded in the statement of profit and loss in the year in which such gains or losses arise.

Short-term employee benefits
Short-term employee benefits comprise of employee costs such as salaries, bonus etc. is recognized on the basis of the amount paid or payable for the period during which services are rendered by the employee.

o. Share based payments

The employee benefits expense is measured using the fair value of the employee stock options and is recognised over vesting period with a corresponding increase in equity. The vesting period is the period over which all the specified vesting conditions are to be satisfied.

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Transition to Ind AS
On transition to Ind AS, the Group has elected to not consider the charge related to employee stock options for which the vesting period is already over.

p. Provisions, contingent liabilities and contingent assets

Provisions are recognized only when there is a present obligation, as a result of past events, and when a reliable estimate of the amount of obligation can be made at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. Provisions are discounted to their present values, where the time value of money is material.

Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Group or
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are neither recognized nor disclosed. However, when realization of income is virtually certain, related asset is recognized.

q. Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

r. Share issue expense

Share issue expenses are charged first against balance available in the securities premium.

5. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group.

Recognition of deferred tax assets – The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions (see note 20).

Recognition of deferred tax liability on undistributed profits: The extent to which the Group can control the timing of reversal of deferred tax liability on undistributed profits of its subsidiaries requires judgement.

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.

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Recoverability of advances/receivables: At each balance sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding receivables and advances.

Useful lives of depreciable/amortisable assets: Management reviews its estimate of the useful lives of depreciable/amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain software, customer relationships, IT equipment and other plant and equipment.

Defined benefit obligation (DBO): Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, medical cost trends, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

Fair value measurements: Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Provisions: At each balance sheet date basis the management judgment, changes in facts and legal aspects, the Group assesses the requirement of provisions against the outstanding warranties and guarantees. However, the actual future outcome may be different from this judgement.

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6. Property, plant and equipment

	Freehold land#	Leasehold Land	Buildings	Plant and equipment	Office equipment	Furniture	Vehicles	Computers	Total
Gross carrying amount									
At 1 April 2015	1,083	130	2,409	4,848	50	101	114	120	**8,855**
Additions	146	-	206	497	17	17	39	14	**936**
Disposals/retirement	3	-	6	28	15	6	9	8	**75**
Foreign exchange adjustments	-	1	-	-	1	2	-	1	**5**
Balance as at 31 March 2016	**1,226**	**131**	**2,609**	**5,317**	**53**	**114**	**144**	**127**	**9,721**
Additions	230	144	416	922	3	24	40	16	**1,795**
Disposals/assets written off	-	-	46	7	-	-	13	-	**66**
Foreign exchange adjustments	-	2	-	-	2	2	-	-	**6**
Balance as at 31 March 2017	**1,456**	**277**	**2,979**	**6,232**	**58**	**140**	**171**	**143**	**11,456**
Accumulated depreciation									
Up to 1 April 2015	-	7	454	1,517	34	44	64	95	**2,215**
Charge for the year	-	3	82	371	4	8	14	11	**493**
Adjustments for disposals	-	-	-	5	12	6	4	8	**35**
Foreign exchange translation	-	-	-	-	1	1	-	-	**2**
Balance as at 31 March 2016	**-**	**10**	**536**	**1,883**	**27**	**47**	**74**	**98**	**2,675**
Charge for the year	-	4	88	394	4	9	15	13	**527**
Adjustments for disposals	-	-	10	2	-	-	7	-	**19**
Foreign exchange translation	-	1	-	-	-	-	-	-	**1**
Balance as at 31 March 2017	**-**	**15**	**614**	**2,275**	**31**	**56**	**82**	**111**	**3,184**
Net book value as at 1 April 2015 (Deemed Cost)	1,083	123	1,955	3,331	16	57	50	25	6,640
Net book value as at 31 March 2016	1,226	121	2,073	3,434	26	67	70	29	7,046
Net book value as at 31 March 2017	**1,456**	**262**	**2,365**	**3,957**	**27**	**84**	**89**	**32**	**8,272**

(i) Contractual obligations

Refer to note 37 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

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

Land parcel with a carrying amount of ₹4 (31 March 2016: ₹Nil) is under dispute pending in a court as to the ownership of the property. The management, based on available information and advice of legal counsel, is confident of favorable outcome in this case and hence, no adjustments are made in these financial statements.

7. Other intangible assets

	Computer Software	Goodwill	Total
Gross carrying amount			
As at 1 April 2015	**92**	416	**508**
Additions	20	-	20
Deletions	-	430	430
Foreign exchange adjustments	0	14	14
As at 31 March 2016	**112**	-	**112**
Additions	19	-	19
As at 31 March 2017	**131**	-	**131**
Accumulated amortization			
Up to 1 April 2015	**42**	-	42
Amortization charge for the year	15	-	15
Foreign exchange adjustment	0	-	-
Up to 31 March 2016	**57**	-	**57**
Charge for the year	17	-	17
Foreign exchange adjustment	(1)	-	(1)
Up to 31 March 2017	**73**	-	**73**
Impairment loss			
Up to 1 April 2015	-	42	42
Deletions/ adjustments	-	44	44
Foreign exchange adjustments	-	2	2
Up to 31 March 2016	-	-	-
Deletions/ adjustments	-	-	-
Foreign exchange adjustments	-	-	-
Up to 31 March 2017	-	-	-
Net carrying amount (Deemed Cost)			
As at 1 April 2015	50	374	424
As at 31 March 2016	55	-	55
As at 31 March 2017	**58**	-	**58**

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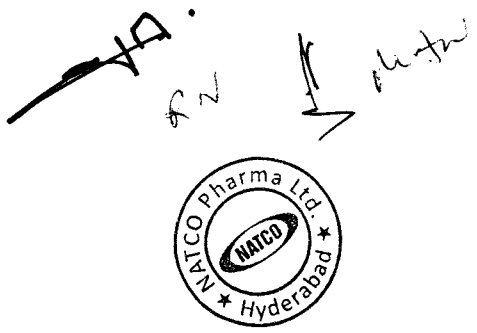
8. Investments

	31 March 2017	31 March 2016	1 April 2015
Non-current			
Investments in equity instruments			
Others	1	1	1
Quoted	0	0	0
Unquoted	-	0	26
Total non-current investments	1	1	27
Less: provision for diminution in value of investments	0	0	0
	1	1	27
Aggregate book value of unquoted investments	1	1	27
Aggregate book value of quoted investments	0	0	0
Aggregate amount of impairment in the value of investments	0	0	0
Investments carried at amortised cost	1	1	1
Investments carried at fair value through profit or loss	-	-	26
Current			
Quoted, Non trade			
At fair value through OCI			
Investments in equity instruments	121	21	7
Investments in Bonds	200	-	-
Unquoted, Non trade			
Investments in Debentures	-	200	-
Total current investments	321	221	7
Aggregate book value of unquoted investments	-	200	-
Aggregate cost of quoted investments	292	10	1
Aggregate market value of quoted investments	321	21	7
Aggregate amount of impairment in the value of investments	-	-	-
Investments carried at amortised cost	200	200	-
Investments carried at fair value through other comprehensive income	121	21	7
Investments carried at fair value through profit or loss	-	-	-



9. Loans
(Unsecured, considered good)

	31 March 2017	31 March 2016	1 April 2015
Current			
Loans to employees	35	28	26
Total current loans	**35**	**28**	**26**

10. Other financial assets

	31 March 2017	31 March 2016	1 April 2015
Non-current			
Restricted deposits*	55	36	27
Security deposits	71	64	44
Interest accrued on deposits	5	6	8
	131	**106**	**79**
*Given against bank guarantees/performance guarantees			
Current			
Deposits with financial institution	693	400	-
Interest accrued on fixed deposits	29	36	-
Insurance claim receivable	8	39	-
Other advances	22	295	30
	752	**770**	**30**

11. Other assets

	31 March 2017	31 March 2016	1 April 2015
Non-current			
Capital advances	353	436	388
Balances with government authorities	125	85	96
	478	**521**	**484**
Current			
Advance to material/service providers	206	96	105
Prepaid expenses	74	65	38
Export incentives receivable	147	114	19
Balances with statutory authorities	739	401	353
	1,166	**676**	**515**

12. Inventories

(at lower of cost and net realisable value)	31 March 2017	31 March 2016	1 April 2015
Raw materials [including goods-in-transit of ₹14 (31 March 2016: ₹24; 31 March 2015: ₹4)]	1,123	1,406	586
Work-in-progress	1,021	986	750
Finished goods	613	528	247
Stores and spares [including goods-in-transit of ₹20 (31 March 2016: ₹35; 31 March 2015: ₹7)]	350	349	272
Packing materials [including goods-in-transit of ₹1 (31 March 2016: ₹0; 31 March 2015: ₹Nil)]	245	280	226
Stock-in-trade	137	24	119
	3,489	**3,573**	**2,200**

During the year, ₹2 (31 March 2016: ₹5; 31 March 2015: ₹2) was recognised as an expense for inventories at net realisable value.

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13. Trade receivables
(Unsecured)

	31 March 2017	31 March 2016	1 April 2015
Trade receivables, gross			
- Considered good	4,752	2,616	1,924
- Considered doubtful	-	7	18
	4,752	**2,623**	**1,942**
Less: Allowance for doubtful debts	-	7	18
	4,752	**2,616**	**1,924**

14. Cash and cash equivalents

	31 March 2017	31 March 2016	1 April 2015
Balances with banks			
- on current accounts	228	114	92
- on deposit accounts	-	103	-
Cash on hand	7	25	32
	235	**242**	**124**

There are no repatriation restrictions with regard to cash and cash equivalents as at the end of the reporting period and prior periods.

15. Equity share capital

i. Authorised share capital

	31 March 2017		31 March 2016		1 April 2015	
	Number	Amount	Number	Amount	Number	Amount
Equity shares of ₹2 each	**200,000,000**	**400**	**200,000,000**	**400**	**200,000,000**	**400**

ii. Issued, subscribed and fully paid up

	31 March 2017		31 March 2016		1 April 2015	
	Number	Amount	Number	Amount	Number	Amount
Equity shares of ₹2 each	174,307,800	349	174,174,245	348	166,174,245	332
		349		**348**		**332**

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

	31 March 2017		31 March 2016		1 April 2015	
	Number	Amount	Number	Amount	Number	Amount
Equity shares						
Balance at the beginning of the year	174,174,245	348	166,174,245	332	165,365,370	331
Add: Issued during the year	133,555	1	8,000,000	16	808,875	1
Balance at the end of the year	**174,307,800**	**349**	**174,174,245**	**348**	**166,174,245**	**332**

iv. Rights, preferences and restrictions attached to equity shares

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

v. The Board of Directors have recommended two interim dividends of ₹0.75 and ₹6 during the current financial year.

vi. Details of shareholder holding more than 5% share capital

	31 March 2017		31 March 2016		1 April 2015	
Name of the equity shareholder	Number	% holding	Number	% holding	Number	% holding
V C Nannapaneni *	40,736,815	23.37%	40,736,815	23.39%	40,736,815	24.51%
Time Cap Pharma Labs Limited	17,157,220	9.84%	17,157,220	9.85%	17,157,220	10.32%
Natsoft Information Systems Private Limited	15,767,500	9.05%	15,767,500	9.05%	15,767,500	9.49%

* including shares held in the capacity of Karta of HUF aggregating to 5,440,045 (31 March 2016: 5,440,045; 31 March 2015: 5,440,045)

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vii. Shares reserved for issue under options

(a) The Company has instituted the NATCO Employee Stock Option Plan 'ESOP-2015' and NATCO Employee Stock Option Plan 'ESOP-2016' ("the Schemes"). The schemes were formulated in accordance with the Securities Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 issued by the Securities and Exchange Board of India ("SEBI"). Pursuant to the terms of the Scheme, the Board of the Directors of the Company have granted 750,000 options (post split) and 174,330 (post split) to eligible employees on 12 August 2015 and 11 November 2016 respectively. The terms of the Scheme provide that each option entitles the holder to one equity share of ₹2 each (post split) and that the options can be settled only by way of issue of equity shares. The options vest on an annual basis over a period of 5 years from the date of grant and the options are entirely time-based with no performance conditions.

(b) During the year ended 31 March 2017, the Company had incurred stock compensation cost of ₹123 (31 March 2016: ₹97; 31 March 2015: ₹Nil) in respect of ESOP 2015 and ESOP 2016 schemes.

The details of options are as follows :

	31 March 2017		31 March 2016		1 April 2015	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at the beginning of the year	750,000	2	-	-	-	-
Granted during the year	174,330	2	750,000	2	-	-
Forfeited during the year	-	-	-	-	-	-
Exercised during the year	133,555	2	-	-	-	-
Expired during the year	-	-	-	-	-	-
Outstanding at the end of the year	790,775	2	750,000	2	-	-
Exercisable at the end of the year	-	-	-	-	-	-

The weighted average share price at the date of exercise for stock options exercised during the year was ₹Nil (31 March 2016: ₹Nil). The stock options outstanding as at 31 March 2017 had a weighted average exercise price of ₹2 post split (31 March 2016: ₹2 post split), and the weighted average remaining contractual life of unvested options is 29.41 months (31 March 2016: 25.13 months).

The fair value of options was estimated at the date of grant using the Black-Scholes-Merton formula with the following assumptions:

	ESOP 2016	ESOP 2015
Risk-free interest rate	6.82% - 8.05%	7.14% - 8.18%
Expected life	1-5 years	1-5 years
Expected volatility	37.28%-43.76%	40.59%- 49.91%
Expected dividend yield	0.20%	0.20%

viii. Details of shares issued pursuant to contract without payment being received in cash during the last 5 years, immediately preceding the balance sheet date:

	Number of shares		
	1 April 2012 to 31 March 2017	1 April 2011 to 31 March 2016	1 April 2010 to 31 March 2015
Aggregate number of equity shares allotted *	2,068,040	1,934,485	1,934,485

* Equity shares allotted pursuant to contract without payment being received in cash comprise of:

(a) During the year ended 31 March 2015, the Company has issued 808,875 equity shares (post split) of ₹2 each, fully paid-up at a premium of ₹238 per equity share (post split) to the erstwhile shareholders of Natco Organic Limited ('NOL') in exchange of 19,310,000 equity shares of ₹10 each at face value held in NOL.

(b) Balance equity shares comprising of 1,259,165 (31 March 2016: 1,125,610; 31 March 2015: 1,125,610) (post split) were allotted during the period of five years, on exercise of the options granted under the employee stock option plan wherein part consideration was received in the form of employee services.

ix. Equity shares of the Company with face value of ₹10 per share were sub-divided into 5 equity shares of ₹2 each effective 30 November 2015. Consequently, in accordance with Indian Accounting Standard (Ind AS) 33 - "Earnings Per Share", the basic and diluted earnings per share of the Company has been recomputed and disclosed accordingly.

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16. Other equity

	31 March 2017	31 March 2016	1 April 2015
Reserve and surplus			
Securities premium reserve	6,178	6,112	2,783
Capital reserve	207	207	207
Capital redemption reserve	5	5	5
General reserve	595	595	485
Share options outstanding account	154	97	-
Retained earnings	9,094	5,650	4,641
Total reserves and surplus	**16,233**	**12,666**	**8,121**
Other reserves			
FVOCI - Equity instruments	42	14	7
Foreign currency translation	(54)	(44)	(25)
Remeasurement of defined benefit	(77)	(27)	11
	(89)	**(57)**	**(7)**
	16,144	**12,609**	**8,114**

(i) Nature and purpose of other reserves

Securities premium reserve
Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with provisions of the Act.

Capital reserve
Capital reserve was created on amalgamation of certain entities into the Company in the earlier years. The Company uses capital reserve for transactions in accordance with the provisions of the Act.

Capital redemption reserve
In accordance with the requirements of the Companies Act, 1956, the Company has created capital redemption reserve on buyback of shares. The Company uses capital redemption reserve for transactions in accordance with the provisions of the Act.

General reserve
The Company generally appropriates a portion of its earnings to the general reserve to be used for contingencies. These reserves are freely available for use by the Company.

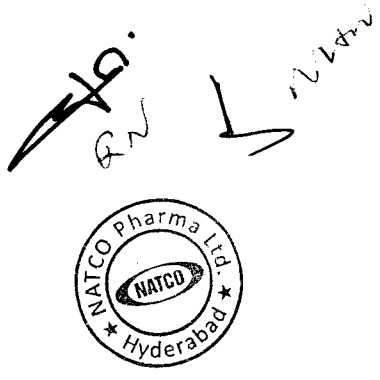
Share options outstanding account
The reserve represents the excess of the fair value of the options on the grant date over the strike price which is accumulated by the Company in respect of all options that have been granted. The Company transfers the proportionate amounts, outstanding in this account, in relation to options exercised to securities premium account on the date of exercise of such options.

FVOCI equity instruments
The Company has elected to recognise the change in fair value of certain investments in equity shares in other comprehensive income. These changes are accumulated within the FVOCI equity instruments reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity instruments are derecognised.

Remeasurement of defined benefit obligations
The reserve represents the remeasurement gains/(losses) arising from the actuarial valuation of the defined benefit obligations of the Company. The remeasurement gains/(losses) are recognized in other comprehensive income and accumulated under this reserve within equity. The amounts recognized under this reserve are not reclassified to profit or loss.

Foreign currency translation reserve

Exchange differences arising on translation of the foreign operations are recognised in other comprehensive income as described in accounting policy and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed-off.



17. Borrowings

	31 March 2017	31 March 2016	1 April 2015
Non-current			
Secured loans:			
Term loans			
From banks	-	67	1,180
Other parties	-	75	223
	-	**142**	1,403
Unsecured loans:			
Term loans			30
	-	142	1,433
Less: current maturities of long term borrowings	-	142	463
	-	**-**	**970**

(a) Terms and conditions of loans and nature of security

(i) Term loans amounting to ₹Nil (31 March 2016: ₹75; 31 March 2015: ₹623) is secured by pari-passu first charge on the entire immovable properties and movable fixed assets both present and future of Mekaguda Unit and part of the loan is further secured by an exclusive charge on all the immovable properties and movable fixed assets of both the units (Plot No-19 and Plot NoA-3) at Dehradun and exclusive charge on the R&D equipment acquired from the loan amount.

(ii) Term loan amounting to ₹Nil (31 March 2016: ₹67; 31 March 2015: ₹122) is secured by charge over all movable and immovable fixed assets of Mekaguda unit along with other lenders.

All the above loans are guaranteed by Mr. V.C Nannapaneni, Chairman and Managing Director and carry interest linked to the respective Bank's / Institution's prime / base lending rate, and range from 2.23085% per annum to 11.50% per annum. (31 March 2016: 1.88% per annum to 12.75% per annum; 31 March 2015: 3.53% per annum to 12.75% per annum).

	31 March 2017	31 March 2016	1 April 2015
Current			
Working capital loans (secured)	1,456	882	1,377
Working capital loans (unsecured)	760	102	388
	2,216	**984**	**1,765**

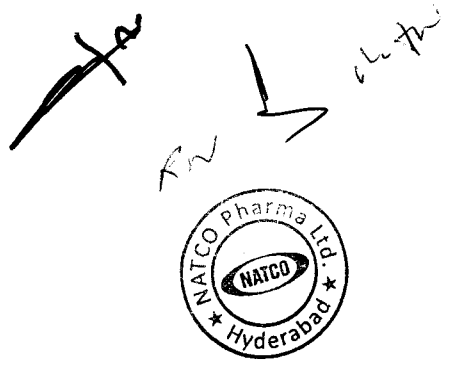
(i) Working capital loans represents cash credit, overdraft, commercial paper, bills purchased and discounted with various banks and carry interest linked to the respective Bank's base lending rate/Marginal cost of lending rate and range from 1.00% per annum to 12.70% per annum (31 March 2016: 9.25% per annum to 13.25% per annum).

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

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

18. Other financial liabilities

	31 March 2017	31 March 2016	1 April 2015
Non-current			
Security deposits from customers	8	8	8
	8	**8**	**8**
Current			
Current maturities of non-current borrowings	-	142	463
Interest accrued but not due on borrowings	2	-	14
Capital creditors	658	486	265
Unpaid dividend on equity shares	17	11	9
Employee related payables	304	155	107
Other payables	33	21	1
	1,014	**815**	**859**



19. Provision for employee benefits

	31 March 2017	31 March 2016	1 April 2015
Non-current			
Gratuity	139	88	58
Compensated absences	80	37	34
	219	**125**	**92**
Current			
Gratuity	15	3	3
Compensated absences	3	12	8
	18	**15**	**11**

(a) Gratuity

The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC). Under the said policy, the eligible employees are entitled for gratuity upon their resignation, retirement or in the event of death in lumpsum after deduction of necessary taxes upto a maximum limit of ₹1. Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Company makes contributions to the Gratuity Fund.

The following table set out the status of the gratuity plan and the reconciliation of opening and closing balances of the present value and defined benefit obligation.

(i) Change in projected benefit obligation

	31 March 2017	31 March 2016	1 April 2015
Projected benefit obligation at the beginning of the year	157	119	117
Pursuant to the scheme of amalgamation (refer note 40)	-	3	-
Service cost	16	13	9
Interest cost	13	10	9
Actuarial (gain) / loss	41	31	(9)
Benefits paid	(14)	(19)	(7)
Projected benefit obligation at the end of the year	**213**	**157**	**119**

(ii) Change in plan assets

Fair value of plan assets at the beginning of the year	63	55	47
Pursuant to the scheme of amalgamation (refer note 40)	-	0	-
Expected return on plan assets	5	5	5
Employer contributions	7	23	10
Benefits paid	(14)	(20)	(7)
Fair value of plan assets at the end of the year	**61**	**63**	**55**

(iii) Reconciliation of present value of obligation on the fair value of plan assets

Present value of projected benefit obligation at the end of the year	213	157	119
Funded status of the plans	(61)	(63)	(55)
Net liability recognised in the balance sheet	**152**	**94**	**64**

(iv) Expense recognized in the statement of profit and loss

Service cost	16	12	9
Interest cost	13	10	9
Expected returns on plan assets	(5)	(5)	(5)
Premium expenses	0	0	-
Net gratuity costs	**24**	**17**	**13**

(v) Expense recognized in other comprehensive income

Recognized net actuarial (gain)/ loss	41	31	(9)
	41	**31**	**(9)**

(vi) Key actuarial assumptions

Discount rate	8.00%	8.00%	8.00%
Expected return on plan assets	8.25%	8.00%	9.00%
Salary escalation rate	8.00%	6.00%	4.00%

Assumptions regarding future mortality experience are set in accordance with the published statistics by the Life Insurance Corporation of India.

Plan assets does not comprise any of the Company's own financial instruments or any assets used by the Company. The Company has the plan covered under a policy with the Life Insurance Corporation of India Limited.

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the salary growth rate and the average life expectancy. The calculation of the net defined benefit liability is sensitive to these assumptions. However, the impact of these changes is not ascertained to be material by the management.

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20. Deferred tax liabilities (net)

	31 March 2017	31 March 2016	1 April 2015
Deferred tax liabilities arising on account of :			
Fixed assets	144	200	131
Adjustments to OCI	16	7	-
Deferred tax assets arising on account of :			
Unabsorbed depreciation (pursuant to the scheme of amalgamation)	-	56	12
Adjustments to OCI	10	4	3
	150	**147**	**116**

(a) Certain entities of the Group have undistributed earnings of ₹171 (31 March 2016: ₹168) which, if paid out as dividends, would be subject to tax. An assessable temporary differences exists, but no deferred tax liability has been recognised as the Parent controls the timing of distributions from this subsidiary and is not expected to distribute these profits in the foreseeable future.

(b) The Group has not recognized deferred tax assets in respect of unused tax credits (minimum alternate tax credits) aggregating to ₹2,023 (31 March 2016: ₹1,524). These unused tax credits will expire over next 15 years. Further, the Group has not recognised deferred tax asset in respect of unabsorbed tax losses aggregating to ₹130 (31 March 2016: ₹150). These losses will expire in future years upto 2036.

21. Other liabilities

	31 March 2017	31 March 2016	1 April 2015
Current			
Payable to statutory authorities	113	90	47
Advance from customers	144	237	203
	257	**327**	**250**

22. Trade payables

	31 March 2017	31 March 2016	1 April 2015
Current			
Due to micro and small enterprises*	15	26	15
Due to related parties	5	-	-
Due to others	2,607	2,730	1,238
	2,627	**2,756**	**1,253**

*Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006 ("MSMED Act, 2006") as at 31 March 2017, 31 March 2016 and 1 April 2015:

	Particulars	31 March 2017	31 March 2016	1 April 2015
i)	the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	15	26	15
ii)	the amount of interest paid by the buyer in terms of section 16, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year;	-	-	-
iii)	the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;	-	-	-
iv)	the amount of interest accrued and remaining unpaid at the end of each accounting year; and	1	1	4
v)	the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.	-	-	-

The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.

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23. Revenue from operations

	31 March 2017	31 March 2016
Sale of products (including excise duty)	20,417	10,524
Sale of services	69	42
	20,486	10,566
Less: Refund of service income received in earlier years	(158)	-
	20,328	**10,566**
Other operating revenues		
Job work charges	71	67
Export incentives	232	151
Scrap sales	19	17
	20,650	**10,801**

24. Other income

	31 March 2017	31 March 2016
Dividend from subsidiary	-	-
Interest income from Fixed deposits	79	55
Insurance claim - loss of profits	-	25
Foreign exchange - gain (net)	49	-
Other non-operating income	11	16
	139	**96**

25. Cost of raw materials consumed (including packing materials consumed)

	31 March 2017	31 March 2016
Raw material and packing material at the beginning of the year	1,686	781
Add: Pursuant to the scheme of amalgamation	-	31
Add: Purchases during the year	4,890	3,911
Less: Raw material and packing material at the end of the year	1,368	1,686
	5,208	**3,037**

26. Changes in inventories of finished goods, Stock-in -Trade and work-in-progress

	31 March 2017	31 March 2016
Opening balance		
- Finished goods	528	247
- Work-in-progress	986	750
- Stock-in-trade	24	40
	1,538	**1,037**
Closing balance		
- Finished goods	613	528
- Work-in-progress	1,021	986
- Stock-in-trade	137	24
	1,771	**1,538**
Currency translation adjustment	(45)	(18)
	(188)	**(483)**

27. Employee benefits expense

	31 March 2017	31 March 2016
Salaries, wages and bonus	2,047	1,486
Contribution to provident fund and other funds	132	101
Gratuity expense	13	13
Employee stock compensation expenses	123	97
Staff welfare expenses	117	101
	2,432	**1,798**

28. Finance costs

	31 March 2017	31 March 2016
Interest on borrowings	138	212
Interest - others	22	-
Other borrowing costs	25	17
	185	**229**

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29. Other expenses

	31 March 2017	31 March 2016
Consumption of stores and spares	325	224
Excise duty	448	378
Power and fuel	505	437
Rental charges	27	24
Repairs and maintenance		
- Buildings	67	33
- Plant and equipment	186	155
- Others	35	23
Insurance	77	47
Rates and taxes	176	92
Factory maintenance expenses	213	188
Analysis charges	126	109
Carriage and freight outwards	86	94
Donations	48	39
Corporate social responsibility (CSR) expenses	36	29
Communication expenses	48	29
Office maintenance and other expenses	62	44
Travelling and conveyance	186	145
Legal and professional fees	251	180
Payment to auditors		
- As auditor*	4	5
- For reimbursement of expenses	-	-
Adjustment to the carrying amount of assets on account of sale	-	-
Directors sitting fee	1	1
Bad debts (net of related liabilities) written off	239	96
Assets written off	24	-
Foreign exchange loss, net	2	41
Royalty expense	285	169
Sales promotion expenses including sales commission	1,346	822
Research and development expenses	460	151
Printing and stationery	49	50
Miscellaneous expenses	81	36
	5,393	3,641

*Excludes ₹Nil (31 March 2016: ₹2) charged to securities premium reserve for QIP.

(i) Details of CSR expenditure :	31 March 2017	31 March 2016
(a) Gross amount required to be spent by the Company during the year	35	28
(b) Amount spent on eligible activities	36	29

30. Income tax

	31 March 2017	31 March 2016
Tax expense comprises of:		
Current income tax	1,354	441
Deferred tax	1	38
Tax for earlier years	40	-
Income tax expense reported in the statement of profit or loss	1,395	479

The major components of income tax expense and the reconciliation of expected tax expense based on the domestic effective tax rate of the Company at 34.608% and the reported tax expense in profit or loss are as follows:

Reconciliation of tax expense and the accounting profit multiplied by India's tax rate		
Profit before tax	6,244	2,015
Tax at the Indian tax rate (34.608%)	2,161	697
Adjustments:		
CSR expense	21	12
Weighted deduction on research and development expense	(528)	(283)
Deferred taxes not recognized in the books	520	232
Tax incentives	(819)	(179)
Tax for earlier years	40	-
Other items	-	-
Income tax expense	1,395	479

31. Earnings per share (EPS)

The following reflects the income and share data used in the basic and diluted EPS computations:

	31 March 2017	31 March 2016
Profit attributable to equity shareholders	4,826	1,522
Weighted average number of equity shares outstanding during the year	174,225,837	170,448,218
Effect of dilution:		
Employee stock options	183,863	512,767
Weighted average number of equity shares adjusted for the effect of dilution	174,409,700	170,960,985
Earnings per equity share from continued and discontinued operations:		
Basic	27.78	9.14
Diluted	27.75	9.11
Earnings per equity share from continued operations:		
Basic	27.78	9.01
Diluted	27.75	8.98
Earnings per equity share from discontinued operations:		
Basic	-	0.13
Diluted	-	0.13
Nominal Value per share equity share	₹2	₹2

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32. Fair value measurements

(i) Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) in active markets for financial instruments.
Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data rely as little as possible on entity specific estimates.
Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(ii) Financial assets and financial liabilities measured at fair value

	31 March 2017	31 March 2016
Fair value hierarchy		
Financials assets		
Listed equity instruments	1	1
	121	21

Financial instruments by category

For amortised cost instruments, carrying value represents the best estimate of fair value.

	31 March 2017			31 March 2016		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial assets						
Investments						
- Equity instruments	-	121	1	-	21	1
- Debentures	-	-	200	-	-	200
- Other investments	-	-	-	-	-	0
Trade receivables	-	-	4,752	-	-	2,616
Loans	-	-	35	-	-	28
Cash and cash equivalents	-	-	235	-	-	242
Other bank balances	-	-	123	-	-	210
Other financial assets	-	-	883	-	-	876
Total financial assets	**-**	**121**	**6,229**	**-**	**21**	**4,173**

	31 March 2017			31 March 2016		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial liabilities						
Borrowings	-	-	2,216	-	-	984
Trade payables	-	-	2,627	-	-	2,756
Other financial liabilities	-	-	1,022	-	-	823
Total financial liabilities	**-**	**-**	**5,865**	**-**	**-**	**4,563**

The Group's principal financial liabilities, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations. The Group also holds FVTOCI investments and investment in it's subsidiaries.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's Board of Directors oversees the management of these risks. The Group's Board of Directors is supported by the senior management that advises on financial risks and the appropriate financial risk governance framework for the Group. The senior management provides assurance to the Group's Board of directors that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

The carrying amounts reported in the statement of financial position for cash and cash equivalents, trade and other receivables, trade and other payables and other liabilities approximate their respective fair values due to their short maturity.

33. Financial instruments risk management

A. Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, FVOCI investments, trade receivables and other financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2017 and 31 March 2016. The analyses exclude the impact of movements in market variables on: the carrying values of gratuity and other post retirement obligations; provisions; and the non-financial assets and liabilities.

i. Interest rate risk

The Group's fixed rate borrowings are carried at amortised cost. They are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates. The Group considers the impact of fair value interest rate risk on investment in deposits with banks and financial institutions and debentures as not material.

The Group's variable rate borrowing is subject to interest rate risk. Below is the details of exposure to fixed rate and variable rate instruments:

Particulars	31 March 2017	31 March 2016
Fixed rate instruments		
Financial assets	748	636
Financial liabilities	-	75
Variable rate instruments		
Financial assets	-	-
Financial liabilities	-	-

ii. Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Group's exposure to foreign currency financial assets and financial liabilities expressed in ₹ are as follows:

Financial assets

	31 March 2017			31 March 2016		
	Investments	Trade receivables	Loans	Investments	Trade receivables	Loans
- USD	-	2,665	-	-	981	-
- EUR	-	60	-	-	5	-
- CAD	-	76	30	-	19	-
- AUD	-	-	-	-	-	-
- SGD	-	0	-	-	-	-

Financial liabilities

	31 March 2017			31 March 2016		
	Borrowings	Trade payables	Other financial liabilities	Borrowings	Trade payables	Other financial liabilities
- USD	-	251	7	67	374	7
- EUR	-	41	-	-	17	-
- GBP	-	15	-	-	9	-

33. Financial instruments risk management (continued)

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in USD. The Group's exposure to foreign currency changes for all other currencies is not material.

Particulars	Impact on profit after tax	
	31 March 2017	31 March 2016
USD sensitivity		
₹/USD - Increase by 2%	48	11
₹/USD - Decrease by 2%	(48)	(11)

iii. Equity price risk:

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the balance sheet as FVOCI (Note 8).

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set up by the Group.

The majority of the Group's equity investments are publicly traded and are included in the NSE Nifty 50 index.

The table below summarises the impact of increase/decrease of the index on the Group's equity and profit for the period. The analysis is based on the assumption that the equity index had increased/decreased by 10% with all other variables held constant, and that off the Group's equity instruments moved in line with the index.

Particulars	Impact on other components of equity	
	31 March 2017	31 March 2016
NSE Nifty 50 - Increase by 10%	9	2
NSE Nifty 50 - Decrease by 10%	(9)	(2)

B. Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group, leading to a financial loss. The Group is mainly exposed to the risk of its balances with the bankers and trade and other receivables.

Ageing of receivable is as follows:

	31 March 2017	31 March 2016
Neither past due nor impaired	3,740	1,946
Past due not impaired:		
0-30 days	845	208
31-60 days	101	5
61-90 days	19	19
91-180 days	35	62
Greater than 180 days	11	376
	4,751	2,616

C. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the nature of the business, the Group maintains flexibility in funding by maintaining availability under committed facilities.

Management monitors rolling forecasts of the Group's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Group takes into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The Group's principal sources of liquidity are the cash flows generated from operations. The Group has no long term borrowings and believes that the working capital is sufficient for its current requirments. Accordingly, no liquidity risk is perceived.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is insignificant.

31 March 2017	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Non-derivatives				
Borrowings	2,216	-	-	**2,216**
Trade and other payables	2,627	-	-	**2,627**
Other financial liabilities	1,014	8	-	**1,022**
Total	**5,857**	**8**	**-**	**5,865**

31 March 2016	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Non-derivatives				
Borrowings	1,126	-	-	**1,126**
Trade payable	2,756	-	-	**2,756**
Other financial liabilities	673	8	-	**681**
Total	**4,555**	**8**	**-**	**4,563**

34. Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for stakeholders. The Group also proposes to maintain an optimal capital structure to reduce the cost of capital. Hence, the Group may adjust any dividend payments, return capital to shareholders or issue new shares. Total capital is the equity as shown in the consolidated statement of financial position. Currently, the Group primarily monitors its capital structure on the basis of gearing ratio. Management is continuously evolving strategies to optimize the returns and reduce the risks. It includes plans to optimize the financial leverage of the Group.

The capital for the reporting year under review is summarized as follows:

	31 March 2017	31 March 2016
Total borrowings (note 17)	2,216	1,126
Less: Cash and bank balances (note 14 & 10)	(1,106)	(888)
Net debt	**1,110**	**238**
Total equity	16,493	12,957
Total capital	**17,603**	**13,195**
Net debt to equity ratio (%)	**6%**	**2%**

35. Related party disclosures

(a) Names of the related parties and nature of relationship (as per Ind AS 24)

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

(b) Transactions with related parties

	For the year ended 31 March 2017	31 March 2016
Time Cap Pharma Labs Limited		
Commission and expenses reimbursement	13	12
Purchase of raw-materials	0	1
Rental expense	5	5
Dividends paid	116	21
Natsoft Information Systems Private Limited		
Dividends paid	106	20
NATCO Trust		
Donations	25	19
CSR activities	36	29
V C Nannapaneni		
Short-term employee benefits	16	16
Leave encashment paid	1	3
Rental expenses	2	2
Dividends paid	275	51
Commission on profits	49	15
Rajeev Nannapaneni		
Short-term employee benefits	14	14
Leave encashment paid	1	2
Rental expenses	1	1
Dividends paid	11	2
Durga Devi Nannapaneni		
Dividends paid	24	4
Venkata Satya Swathi Kantamani		
Dividends paid	19	4
Neelima Nannapaneni		
Dividends paid	1	0
Dr. Ramakrishna Rao		
Dividends paid	5	1

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(c) **Balances receivable / (payable)**

	As at	
	31 March 2017	31 March 2016
Time Cap Pharma Labs Limited	(5)	(5)
V C Nannapaneni	(50)	(0)
Rajeev Nannapaneni	(1)	(0)

Note:

(i) Mr. V C Nannapaneni has extended personal guarantees in connection with the loans availed by the Company. Refer note 17.

(ii) Mrs. Durga Devi Nannapaneni and Dr. Ramakrishna Rao have extended personal guarantees in connection with the loans availed by the Company. Refer note 17.

(iii) Short-term employee benefits to KMP does not include expenditure on account of provision for gratuity and compensated absences computed for Company as a whole.

(d) **Transaction with related parties**

In accordance with the applicable provisions of the Income Tax Act, 1961, the Company is required to use certain specified methods in assessing that the transactions with the related parties, are carried at an arm's length price and is also required to maintain prescribed information and documents to support such assessment. The appropriate method to be adopted will depend on the nature of transactions / class of transactions, class of associated persons, functions performed and other factors as prescribed. Based on certain internal analysis carried out, management believes that transactions entered into with the related parties were carried out at arms length prices. The Company is in the process of updating the transfer pricing documentation for the financial year ended 31 March 2017. In opinion of the management, the same would not have an impact on these financial statements. Accordingly, these financial statements do not include the effect of the transfer pricing implications, if any.

36. Segment reporting

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

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

i. Revenues

	31 March 2017	31 March 2016
India	9,351	5,894
Outside India	11,438	5,003

ii. Non-current assets

	31 March 2017	31 March 2016
India	12,131	9,695
Outside India	40	45

iii. Major customer

The Group has one customer who contributed more than 10% of the Group's total revenue during the current year (one customer in the previous year). The revenue from such major customers during the year is ₹6,429 (31 March 2016: ₹1,479).

37. Contingent liabilities and commitments

	31 March 2017	31 March 2016
(a) **Commitments**		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	619	385
(b) **Contingent liabilities**		
Disputed sales tax liabilities	9	9
Disputed service tax liabilities	2	2
Disputed customs liability	2	2
Claims not acknowledged as debt	-	6

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

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38. Amounts incurred on research and development expenses

	31 March 2017	31 March 2016
Salaries and wages	271	215
Consumption of materials, spares	228	171
Power and fuel	19	15
Other research and development expenses	392	151
Capital equipments	306	151
	1,216	703

The aforementioned expenditure, other than capital equipments, are included under the respective heads of the Statement of Profit and Loss.

39. During the year ended 31 March 2016 the Company made a Qualified Institutional Placement ('QIP') and allotted 8,000,000 equity shares (post split) on 18 September 2015 of face value of ₹2 each (post split) at a premium of ₹424.11 per equity share (post split), pursuant to clause 49 of the erstwhile listing agreement with the stock exchanges, for the purposes of capital expenditure and long term working and capital requirements, expenses for exploring acquisition opportunities and general corporate requirements of the Company.

Details of Utilisation :

	31 March 2017	31 March 2016
Amounts raised in QIP	-	3,408
Unutilised amount at the beginning of the year	900	
Amount utilised during the year:		
QIP expenses (gross of tax)	-	64
Utilised for the purposes mentioned above	900	2,444
Unutilised amount as at the end of the year	-	900

Details of short term investment made from unutilised portion of QIP raise

	31 March 2017	31 March 2016
Investment in Non-convertible debentures	-	200
Term deposit with		
Banks	-	300
Financial institutions	-	400
	-	900

40. Amalgamation of NATCO Organics Limited

(a) Pursuant to a composite scheme of amalgamation of NOL with the Company ("the Scheme") as sanctioned by the Honorable High Court of Judicature at Madras vide their order dated 28 April 2016 all the assets and properties, both movable and immovable, rights, title and interests, secured and unsecured debts, borrowings, and all other duties, debts, liabilities, undertakings and obligations of NATCO Organics Limited, have been transferred to and vested in the Company retrospectively with effect from 1 April 2015. The Scheme has accordingly been given effect to in these consolidated financial statements.

The amalgamation has been accounted for under the "Pooling of Interest method" as prescribed under Indian Accounting Standard 103 (Ind AS 103) - *"Business Combinations"* as specified under Section 133 of the Act, read with Rule 7 of the Companies Accounts Rules, 2014. Accordingly, in compliance with the Scheme all the assets, liabilities and reserves of NOL, now considered a division of the Company, were recorded in the standalone books of the Company at their carrying amounts with effect from 1 April 2015.

Since NOL was a wholly owned subsidiary of the Company, no shares were exchanged to effect the amalgamation. An amount of ₹190 being the excess of the Company's investment over the net assets of the erstwhile NOL, earlier disclosed as goodwill in the consolidated financial statements, has been adjusted against the consolidated reserves as at 1 April 2015.

41. Discontinued operations

Pursuant to the authorization of the Board of Directors of the Company, the retail pharmacy business of NATCO Pharma Inc., USA was sold by way of an Asset Sale agreement with Care Mart Inc. for an aggregate consideration of United States Dollars (USD) 4,101,210. The retail pharmacy business represents a separate business segment of the Group's operations and accordingly qualifies for disclosure as a discontinuing operation in accordance with the Indian Accounting Standard 105 "Non-current Assets Held for Sale and Discontinued Operations" ("Ind AS 105"). The disclosures required under Ind AS 105 and Ind AS 1 are as follows:

(a) The carrying amounts, as of the balance sheet date, of the total assets and the total liabilities of the retail pharmacy business are as follows:

	31 March 2017	31 March 2016	1 April 2015
Total assets	-	-	319
Total liabilities	-	-	57
	-	-	262

41. Discontinued operations (continued)

(b) The following statement shows the break-up of aggregate amounts in respect of revenue and expenses in respect of ordinary activities attributable to the discontinuing operations during the year ended 31 March 2016:

	31 March 2016
Revenue from operations	990
Other income	3
Total revenues	**993**
Expenses	
Cost of materials consumed	753
Changes in inventory of traded goods	(48)
Employee benefits expense	98
Depreciation and amortisation	2
Other expenses	118
Total expenses	**923**
Profit before tax	70
Tax expense	49
Profit after tax	**21**

(c) The net cash flows attributable to the operating, investing and financing activities of the retail pharmacy business during the year ended 31 March 2016, are as follows:

	31 March 2016
Operating activities	34
Investing activities	0
Financing activities	(39)
	(5)

42. Additional disclosure as required under paragraph 2 of 'General Instructions for the preparation of Consolidated Financial Statements' of the Schedule III to the Act

For the year ended 31 March 2017

Name of the entity	Net assets		Share in profit or loss	
	As a % of consolidated net assets	Amount (₹)	As a % of consolidated profit or loss	Amount (₹)
Parent company				
NATCO Pharma Limited	97%	16,033	102%	4,947
Foreign subsidiaries				
NATCO Pharma Inc.	1%	219	0%	3
Time Cap Overseas Limited	1%	107	-2%	(113)
NATCO Pharma (Canada), Inc.	1%	198	1%	57
NATCO Pharma Asia Pte. Ltd.	0%	(2)	0%	(16)
NATCO Pharma Australia PTY Ltd.	0%	(21)	-1%	(29)
Total		**16,534**		**4,849**
Minority interest in all subsidiaries				
Time Cap Overseas Limited*	0%	40	0%	11
NATCO Pharma Australia PTY Ltd.	0%	0	0%	(0)
NATCO Pharma (Canada) Inc.	0%	-	0%	0
Total		**40**		**11**

For the year ended 31 March 2016

Name of the entity	Net assets		Share in profit or loss	
	As a % of consolidated net assets	Amount (₹)	As a % of consolidated profit or loss	Amount (₹)
Parent company				
NATCO Pharma Limited	97%	12,650	109%	1,705
Foreign subsidiaries				
NATCO Pharma Inc.	2%	253	1%	21
Time Cap Overseas Limited	0%	76	-7%	(111)
NATCO Pharma (Canada), Inc.	0%	31	-2%	(37)
NATCO Pharma Asia Pte. Ltd.	0%	2	-1%	(15)
NATCO Pharma Australia PTY Ltd.	0%	(6)	0%	(5)
Total		**13,006**		**1,558**
Minority interest in all subsidiaries				
Time Cap Overseas Limited*	0%	49	1%	13
NATCO Pharma Australia PTY Ltd	0%	0	0%	0
NATCO Pharma (Canada) Inc.	0%	-	0%	-
Total		**49**		**13**

*Amount is after considering share of Time Cap Overseas Limited in NATCO Farma Do Brazil (step down subsidiary of NATCO Pharma Limited) in which it holds 96.53% of equity.

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43. Disclosure on Specified Bank Notes (SBNs)

During the year, the Company had specified bank notes (SBNs) and other denomination notes as defined in the MCA notification G.S.R. 308(E) dated 31 March, 2017. The details of SBNs held and transacted during the period from 8 November 2016 to 30 December 2016 is as follows:

Particulars	SBNs	Other denomination notes	Total
Closing cash in hand as on 8 November 2016	33	9	42
(+) Permitted receipts	-	4	4
(-) Permitted payments	-	10	10
(-) Amounts deposited in banks	33	0	33
Closing cash in hand as on 30 December 2016	**-**	**3**	**3**

44. First time adoption of Ind AS

These are the Group's first financial statements prepared in accordance with Ind AS.

The accounting policies set out in note 4 have been applied in preparing the financial statements for the year ended 31 March 2017, the comparative information presented in these financial statements for the year ended 31 March 2016 and in the preparation of an opening Ind AS balance sheet at 1 April 2015 (the Group's date of transition). An explanation of how the transition from previous GAAP to Ind AS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and notes.

A Ind AS optional exemptions

A1 Deemed cost for property, plant and equipment, investment property and intangible assets

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets. Accordingly, the Company has elected to measure all of its property, plant and equipment and intangible assets at their previous GAAP carrying value.

A2 Designation of previously recognised financial instruments

Ind AS 101 allows an entity to designate investments in equity instruments at FVOCI on the basis of the facts and circumstances at the date of transition to Ind AS. The Group has elected to apply this exemption for its investment in equity investments.

B Ind AS mandatory exemptions

B1 Estimates

An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were an error.

Ind AS estimates as at 1 April 2015 are consistent with the estimates as at the same date made in conformity with previous GAAP. The Group made estimates for following items in accordance with Ind AS at the date of transition as these were not required under previous GAAP:

a) Investment in equity instruments carried at FVTPL or FVOCI
b) Impairment of financial assets based on expected credit loss model.

B2 Classification and measurement of financial assets and liabilities

The classification and measurement of financial assets will be made considering whether the conditions as per Ind AS 109 are met based on facts and circumstances existing at the date of transition.

Financial assets can be measured using effective interest method by assessing its contractual cash flow characteristics only on the basis of facts and circumstances existing at the date of transition and if it is impracticable to assess elements of modified time value of money i.e. the use of effective interest method, fair value of financial asset at the date of transition shall be the new carrying amount of that asset. The measurement exemption applies for financial liabilities as well.

Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so. It is impracticable to apply the changes retrospectively if:

a) The effects of the retrospective application or retrospective restatement are not determinable;
b) The retrospective application or restatement requires assumptions about what management's intent would have been in that period;

The retrospective application or retrospective restatement requires significant estimates of amounts and it is impossible to distinguish objectively information about those estimates that existed at that time.

B3 De-recognition of financial assets and liabilities

Ind AS 101 requires a first-time adopter to apply the de-recognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first-time adopter to apply the de-recognition requirements in Ind AS 109 retrospectively from a date of the entity's choosing, provided that the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions.

The Group has elected to apply the de-recognition provisions of Ind AS 109 prospectively from the date of transition to Ind AS.

NATCO Pharma Ltd. NATCO Hyderabad

44. First time adoption of Ind AS (continued)

C Reconciliations between previous GAAP and Ind AS

Equity at the date of transition to Ind ASs i.e. 1 April 2015 and 31 March 2016 can be reconciled with the amounts reported under Indian GAAP as follows:

		As at 31 March 2016			As at 1 April 2015		
	Notes	As per IGAAP*	Adjustments	As per Ind AS	As per IGAAP*	Adjustments	As per Ind AS
ASSETS							
Non-current assets							
(a) Property, plant and equipment		7,046	-	7,046	6,640	-	6,640
(b) Capital work-in-progress		2,118	-	2,118	1,290	-	1,290
(c) Other intangible assets		90	(35)	55	459	(35)	424
(d) Financial assets					-		
Investments	i.	1	-	1	16	11	27
Loans		-	-	-	-	-	-
Other financial assets		106	-	106	79	-	79
(e) Other non-current assets		521	-	521	484	-	484
		9,882	**(35)**	**9,847**	**8,968**	**(24)**	**8,944**
Current assets							
(a) Inventories		3,573	-	3,573	2,200	-	2,200
(b) Financial Assets							
Investments	i.	210	11	221	1	6	7
Trade receivables		2,616	-	2,616	1,924	-	1,924
Cash and cash equivalents		242	-	242	124	-	124
Other bank balances		210	-	210	9	-	9
Loans		28	-	28	26	-	26
Other financial assets		770	-	770	30	-	30
(c) Income tax assets (net)		34	-	34	43	-	43
(d) Other current assets		676	-	676	515	-	515
		8,359	**11**	**8,370**	**4,872**	**6**	**4,878**
Total assets		**18,241**	**(24)**	**18,217**	**13,840**	**(18)**	**13,822**
EQUITY AND LIABILITIES							
Equity							
(a) Equity share capital		348	-	348	332	-	332
(b) Other equity	i.	12,635	(26)	12,609	8,129	(15)	8,114
Equity attributable to owners		**12,983**	**(26)**	**12,957**	**8,461**	**(15)**	**8,446**
Non-contorlling interest		49	-	49	50	-	50
Total of Equity		**13,032**	**(26)**	**13,006**	**8,511**	**(15)**	**8,496**
Liabilities							
Non-current liabilites							
(a) Financial liabilities							
Borrowings		-	-	-	970	-	970
Other financial liabilities		8	-	8	8	-	8
(b) Employee benefit obligations		125	-	125	92	-	92
(c) Deferred tax liabilities (net)		145	2	147	119	(3)	116
(d) Other non-current liabilities		-	-	-	-	-	-
		278	**2**	**280**	**1,189**	**(3)**	**1,186**
Current liabilities							
(a) Financial liabilities							
Borrowings		984	-	984	1,765	-	1,765
Trade payables		2,756	-	2,756	1,253	-	1,253
Other financial liabilities		815	-	815	859	-	859
(b) Other current liabilities		327	-	327	250	-	250
(c) Employee benefit obligations		15	-	15	11	-	11
(d) Current tax liabilities (net)		34	-	34	2	-	2
		4,931	**-**	**4,931**	**4,140**	**-**	**4,140**
Total equity and liabilities		**18,241**	**(24)**	**18,217**	**13,840**	**(18)**	**13,822**

*The IGAAP figures have been reclassified to confirm to Ind AS presentation requirements for the purposes of this note.

Total effect on retained earnings and equity is further analysed as follows:

	Notes to first time adoption	31 March 2016	1 April 2015
Total equity (shareholder's funds) as per previous GAAP		13,032	8,511
Adjustments:			
Fair valuation of investment classified as FVTOCI	i.	11	6
Fair valuation of investment classified as FVTPL	i.	-	11
Derecognition of intangible assets		(35)	(35)
Tax on the above adjustments		(2)	3
Total adjustments		**(26)**	**(15)**
Total equity as per Ind AS		**13,006**	**8,496**

NATCO Pharma Ltd. NATCO Hyderabad

44. First time adoption of Ind AS (continued)

C Reconciliations between previous GAAP and Ind AS (continued)

	Notes	For the year ended 31 March 2016		
		As per IGAAP*	Adjustments	As per Ind AS
Revenue				
Revenue from operations	iv.	10,423	378	10,801
Other income	i.	107	(11)	96
Total revenues		**10,530**	**367**	**10,897**
Expenses				
Cost of materials consumed		3,037	-	3,037
Purchases of stock-in-trade		152	-	152
		(483)	-	(483)
Changes in inventories of finished goods, Stock-in -Trade and work-in-progress				
Employee benefits expense	v.	1,829	(31)	1,798
Finance costs		229	-	229
Depreciation and amortisation expense		508	-	508
Other expenses		3,263	378	3,641
Total expenses		**8,535**	**347**	**8,882**
Profit before tax		**1,995**	**20**	**2,015**
Tax expense				
Current tax		441	-	441
Deferred tax		38	-	38
Profit from continuing operation		**1,516**	**20**	**1,536**
Profit from discontinued operations		71	-	71
Tax expense on discontinued operations		49	-	49
Profit from discontinued operations, net of tax		**22**	**-**	**22**
Profit after tax		**1,538**	**20**	**1,558**
Non-controlling interest (NCI)		(13)	-	(13)
Profit after tax and NCI		**1,551**	**20**	**1,571**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Re-measurement gains (losses) on defined benefit plans	v.	-	(31)	(31)
Net (loss)/gain on FVTOCI equity securities	i.	-	6	6
Exchange differences on translation of foreign operations		-	(18)	(18)
Income tax relating to items that will not be reclassified to profit or loss				
Re-measurement gains (losses) on defined benefit plans		-	(7)	(7)
Net (loss)/gain on FVTOCI equity securities		-	1	1
Total comprehensive income for the year		**1,551**	**(29)**	**1,522**

*The IGAAP figures have been reclassified to confirm to Ind AS presentation requirements for the purposes of this note.

Notes to the reconciliations

i. Investments

Under the previous GAAP, investments in equity instruments and mutual funds were classified as long-term investments or current investments based on the intended holding and realisability. Long-term investments were carried at cost less provision for other than temporary decline in the value of such investments. Current Investments were carried at lower of cost or fair value. Under Ind AS, these investments are required to be measured at fair value. The resulting fair value changes of these investments (other than equity instruments designated as at FVOCI) have been recognised in retained earnings as at the date of transition and subsequently in the profit or loss for the year ended 31 March 2016. This increased the retained earnings by ₹11 as at 31 March 2016 (1 April 2015: ₹11).

Fair value changes with respect to investments in equity instruments designated as at FVOCI have been recognized in FVOCI - Equity investments reserve as at the date of transition and subsequently in the other comprehensive income for the year ended 31 March 2016. This increased other reserves by ₹17 as at 31 March 2016 (1 April 2015: ₹6).

Consequent to the above, the total equity as at 31 March 2016 increased by ₹28 (1 April 2015: ₹17) and profit and other comprehensive income for the year ended 31 March 2016 increased/(decreased) by (₹11) and ₹5 respectively.

ii. Retained earnings

Retained earnings as at April 1, 2015 has been adjusted consequent to the above Ind AS transition adjustments.

iii. Other comprehensive income

Under Ind AS, all items of income and expense recognised in a period should be included in profit or loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in profit or loss but are shown in the statement of profit and loss as 'other comprehensive income' includes re-measurements of defined benefit plans, foreign exchange differences arising on translation of foreign operations, effective portion of gains and losses on cash flow hedging instruments and fair value gains or (losses) on FVOCI equity instruments. The concept of other comprehensive income did not exist under previous GAAP.

NATCO Pharma Ltd. NATCO Hyderabad

44. First time adoption of Ind AS (continued)

Notes to the reconciliations (continued)

iv. Revenue from operations

Under Indian GAAP, sale of goods was presented as net of excise duty. However, under Ind AS, sale of goods includes excise duty. Excise duty on sale of goods is separately presented in the face of statement of profit and loss. Thus sale of goods under Ind AS has increased by ₹378 with a corresponding increase in expense.

v. Remeasurement of post-employment benefit obligations

Under Ind AS, remeasurements i.e. actuarial gains and losses and the retunr on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability are recognised in other comprehensive income instead of profit or loss. Under the previous GAAP, these remeasurements were forming part of the profit or loss for the year. As a result of this change, the profit for the year ended 31 March 2016 decreased by ₹31. There is no impact on the total equity as at 31 March 2016.

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

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

Place: Hyderabad
Date: 30 May 2017

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

VC Nannapaneni
Chairman & Managing Director
(DIN: 00183315)

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

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

SVVN Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 30 May 2017

NATCO Pharma Ltd. NATCO Hyderabad

Walker Chandiok & Co LLP

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Independent Auditor's Review Report on the Unaudited Condensed Interim Consolidated Financial Statements

To the Board of Directors of NATCO Pharma Limited

Introduction

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

Scope of review

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

Conclusion

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

Other matters

4. We did not review the financial statements of six subsidiaries included in the Unaudited Condensed Interim Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the countries of their incorporation, whose financial statements reflect total assets of ₹778 million and net assets of ₹473 million as at 30 September 2017, and total revenues of ₹341 million and net cash outflows of ₹68 million for the half year then ended, whose financial statements have not been reviewed by us. These financial statements of such subsidiaries have been reviewed by other auditors under generally accepted auditing standards applicable in that country, whose review reports have been furnished to us by the Management of the Company. Our report in respect of the Unaudited Condensed Interim Consolidated Financial Statements of the Company is based solely on the reports of such other auditors and the conversion adjustments have been prepared by the Management of the Company and reviewed by us.

5. We draw attention to Note 3 to the Unaudited Condensed Interim Consolidated Financial Statements, which states that the Company has also submitted unaudited consolidated financial results for the half year ended 30 September 2017 pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, on which we issued an unmodified review report dated 2 November 2017 to the Board of the Directors of the Company.

Our conclusion is not modified in respect of these matters.

Restriction on distribution or use

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

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

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

Place: Hyderabad
Date: 11 December 2017

Annexure 1

List of entities included in the Statement

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

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

	Notes	As at 30 September 2017 (Unaudited)	As at 31 March 2017 (Audited)
ASSETS			
Non-current assets			
(a) Property, plant and equipment	5	8,389	8,272
(b) Capital work-in-progress		4,041	3,363
(c) Other intangible assets	6	55	58
(d) Financial assets			
Investments		4	1
Other financial assets		157	131
(e) Other non-current assets	7	561	478
		13,907	**12,303**
Current assets			
(a) Inventories	8	3,861	3,489
(b) Financial Assets			
Investments	9	495	321
Trade receivables		3,389	4,752
Cash and cash equivalents		113	235
Other bank balances		123	123
Loans		38	35
Other financial assets		666	752
(c) Other current assets	7	1,149	1,166
		9,834	**10,873**
Total assets		**23,741**	**23,176**
EQUITY AND LIABILITIES			
Equity			
(a) Equity share capital		349	349
(b) Other equity		17,755	16,144
Equity attributable to owners		**18,104**	**16,493**
Non-controlling interest		8	41
Total Equity		**18,112**	**16,534**
Liabilities			
Non-current liabilities			
(a) Financial liabilities			
Other financial liabilities		8	8
(b) Provision for employee benefits		255	219
(c) Deferred tax liabilities (net)		152	150
		415	**377**
Current liabilities			
(a) Financial liabilities			
Borrowings	10	1,947	2,216
Trade payables		2,220	2,627
Other financial liabilities		747	1,014
(b) Other current liabilities		218	257
(c) Provision for employee benefits		25	18
(d) Current tax liabilities (net)		57	133
		5,214	**6,265**
Total equity and liabilities		**23,741**	**23,176**

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

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

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

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

Place: Hyderabad
Date: 11 December 2017

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

VC Nannapaneni
Chairman & Managing Director
(DIN: 00183315)

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

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

SVVN Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 11 December 2017

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

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

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

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

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

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

Place: Hyderabad
Date: 11 December 2017

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

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Chairman & Managing Director
(DIN: 00183315)

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Vice Chairman & CEO
(DIN: 00183872)

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

SVVN Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 11 December 2017

NATCO Pharma Limited

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

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

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

Note:

Cash and cash equivalents includes:

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

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

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

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

Place: Hyderabad
Date: 11 December 2017

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

VC Nannapaneni
Chairman & Managing Director
(DIN: 00183315)

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(DIN: 00183872)

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

SVVN Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 11 December 2017

NATCO Pharma Limited

Unaudited Condensed Interim Consolidated Statement of Changes in Equity for the period ended 30 September 2017

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

A Equity Share Capital

	Authorised		Issued and paid-up	
	Number of shares	Amount	Number of shares	Amount
As at 1 April 2016 (Audited)	**200,000,000**	**400**	**174,174,245**	**348**
Changes in equity share capital	-	-	-	-
As at 30 September 2016 (Unaudited)	**200,000,000**	**400**	**174,174,245**	**348**
As at 1 April 2017 (Audited)	**200,000,000**	**400**	**174,307,800**	**349**
Changes in equity share capital	-	-	-	-
As at 30 September 2017 (Unaudited)	**200,000,000**	**400**	**174,307,800**	**349**

B Other Equity

	Reserves and Surplus						Other reserves					
	Securities premium reserve	Capital reserve	Capital redemption reserve	General reserve	Share options outstanding account	Retained earnings	FVOCI equity instruments	Foreign currency translation reserve	Defined benefit obligations	Other reserves	Non-controlling interest	Total
Balance as at 1 April 2016 (Audited)	**6,112**	**207**	**5**	**595**	**97**	**5,650**	**14**	**(44)**	**(27)**	**(57)**	**49**	**12,658**
Profit/(loss) for the period	-	-	-	-	-	1,142	-	-	-	-	(5)	1,137
Other comprehensive income (net of taxes)	-	-	-	-	-	-	4	-	(16)	(12)	-	(12)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**1,142**	**4**	**-**	**(16)**	**(12)**	**(5)**	**1,125**
Transactions with owners in their capacity as owners:												
Employee stock option expense	-	-	-	-	78	-	-	-	-	-	-	78
Dividend paid	-	-	-	-	-	(131)	-	-	-	-	-	(131)
Tax on distributed profits	-	-	-	-	-	(25)	-	-	-	-	-	(25)
Others	-	-	-	-	-	-	-	-	-	-	2	2
Balance as at 30 September 2016 (Unaudited)	**6,112**	**207**	**5**	**595**	**175**	**6,636**	**18**	**(44)**	**(43)**	**(69)**	**46**	**13,707**
Balance as at 1 April 2017 (Audited)	**6,178**	**207**	**5**	**595**	**154**	**9,094**	**42**	**(54)**	**(77)**	**(89)**	**41**	**16,185**
Profit for the period	-	-	-	-	-	1,788	-	-	-	-	(7)	1,781
Other comprehensive income (net of taxes)	-	-	-	-	-	-	(5)	45	(6)	34	-	34
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**1,788**	**(5)**	**45**	**(6)**	**34**	**(7)**	**1,815**
Transactions with owners in their capacity as owners:												
Employee stock option expense	-	-	-	-	51	-	-	-	-	-	-	51
Dividend paid	-	-	-	-	-	(218)	-	-	-	-	-	(218)
Tax on distributed profits	-	-	-	-	-	(44)	-	-	-	-	-	(44)
Others	-	-	-	-	-	-	-	-	-	-	(26)	(26)
Balance as at 30 September 2017 (Unaudited)	**6,178**	**207**	**5**	**595**	**205**	**10,620**	**37**	**(9)**	**(83)**	**(55)**	**8**	**17,763**

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

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

per **Adi P. Sethna**
Partner
Membership No. 108840
Place: Hyderabad
Date: 11 December 2017

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

VC Nannapaneni
Chairman & Managing Director
(DIN: 00183315)
Place: Hyderabad
Date: 11 December 2017

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

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

SVVN Appa Rao
Chief Financial Officer

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

1. General information

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

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

2. Basis of preparation

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

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

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

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

(ii) Principles of consolidation

a. Subsidiaries

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

b. *Change in ownership interests*

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

c. *Interest in other entities*

The following subsidiaries have been considered for the purpose of preparation of the consolidated financial statements:

Name of the subsidiaries	Country of Incorporation	Percentage holding/interest (%)		
		As at		
		30 Sep 2017	31 Mar 2017	30 Sep 2016
NATCO Pharma, Inc.,	United States of America	100.00	100.00	100.00
Time Cap Overseas Limited	Mauritius	89.81	89.43	88.64
NATCO Farma Do Brazil	Brazil	88.30	86.90	85.88
NATCO Pharma (Canada), Inc.	Canada	99.71	99.71	99.71
Natco Pharma Asia Pte. Ltd.	Singapore	100.00	100.00	100.00
NATCO Pharma Australia PTY Ltd.	Australia	81.91	93.76	93.76

Note 1: Interest in NATCO Farma Do Brazil represent effective holding of the Company.
Note 2: Principal activity of all subsidiaries except Time Cap Overseas Limited is marketing of pharmaceutical products. Time Cap Overseas Limited is an intermediate investment holding company.

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

4. **Estimates**

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

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

5. Property, plant and equipment

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

(i) Contractual obligations

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

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

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

6. Other intangible assets

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

This space is intentionally left blank.

7. Other assets

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

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

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

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

9. Current Investments

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

10. Current Borrowings

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

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

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

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

11. Revenue from operations

	For the period ended	
	30 September 2017	30 September 2016
	(Unaudited)	
Sale of products (including excise duty)	8,544	7,938
Sale of services	6	7
	8,550	**7,945**
Other operating revenues		
Job work charges	36	36
Export incentives	124	92
Scrap sales	10	9
	8,720	**8,082**

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

	For the period ended	
	30 September 2017	30 September 2016
	(Unaudited)	
Raw material and packing material at the beginning of the period	1,368	1,686
Add: Purchases during the period	2,150	2,768
Less: Raw material and packing material at the end of the period	1,420	1,733
	2,097	**2,721**

13. Employee benefits expense

	For the period ended	
	30 September 2017	30 September 2016
	(Unaudited)	
Salaries, wages and bonus	1,146	899
Contribution to provident fund and other funds	84	63
Gratuity expense	50	17
Employee stock compensation expenses	18	76
Staff welfare expenses	68	47
	1,367	**1,102**

14. Other expenses

	For the period ended	
	30 September 2017	30 September 2016
	(Unaudited)	
Consumption of stores and spares	157	147
Power and fuel	286	247
Rental charges	12	13
Repairs and maintenance		
- Buildings	38	38
- Plant and equipment	108	100
- Others	33	19
Insurance	47	35
Rates and taxes	106	80
Factory maintenance expenses	134	90
Analysis charges	66	57
Carriage and freight outwards	37	47
Donations	93	42
Communication expenses	26	19
Office maintenance and other expenses	28	21
Travelling and conveyance	109	83
Legal and professional fees	93	145
Payment to auditors		
- As auditor	2	1
- For reimbursement of expenses	-	-
Directors sitting fee	0	0
Foreign exchange loss, net	-	2
Royalty expense	121	143
Sales promotion expenses including sales commission	597	642
Research and development expenses	200	161
Printing and stationery	35	21
Miscellaneous expenses	44	16
	2,372	**2,169**

15. Related party disclosures

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

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

(b) **Transactions with related parties**

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

(c) **Balances receivable / (payable)**

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

Note:

(i) Mr. V C Nannapaneni has extended personal guarantees in connection with the loans availed by the Company. Refer note 10.

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

16. Segment reporting

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

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

i. Revenues

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

ii. Non-current assets

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

iii. Major customer

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

17. Commitments

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

(b) **Contingent liabilities**

	As at	
	30 September 2017	31 March 2017
	(Unaudited)	(Audited)
Disputed sales tax liabilities	9	9
Disputed service tax liabilities	2	2
Disputed customs liability	2	2
Claims not acknowledged as debt	-	-

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

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

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

Place: Hyderabad
Date: 11 December 2017

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

VC Nannapaneni
Chairman & Managing Director
(DIN: 00183315)

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

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

SVVN Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 11 December 2017

DECLARATION

Our Company certifies that all relevant provisions of Chapter VIII and Schedule XVIII of the SEBI ICDR Regulations have been complied with and no statement made in this Placement Document is contrary to the provisions of Chapter VIII and Schedule XVIII of the SEBI ICDR Regulations and that all approvals and permissions required to carry on our Company's business have been obtained, are currently valid and have been complied with. Our Company further certifies that all the statements in this Placement Document are true and correct.

Signed by:

_____

V. C. Nannapaneni
Chairman and Managing Director

Place: Hyderabad
Date: December 14, 2017

DECLARATION

We, the Directors of the Company certify that:

(i) the Company has complied with the provisions of the Companies Act, 2013 and the rules made thereunder;

(ii) the compliance with the Companies Act, 2013 and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government; and

(iii) the monies received under the offer shall be used only for the purposes and objects indicated in this Placement Document (which includes disclosures prescribed under Form PAS-4).

Signed by:

_____

V. C. Nannapaneni
Chairman and Managing Director

We are severally authorized by the Board of Directors of the Company, vide resolution dated November 2, 2017 to sign this form and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and the Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

Signed by:

_____

V. C. Nannapaneni
Chairman and Managing Director

_____

M. Adinarayana
Compliance Officer

Place: Hyderabad
Date: December 14, 2017

ISSUER

Natco Pharma Limited

Registered and Corporate Office of the Issuer
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Tel: +91 40 2354 7532; Fax: +91 40 2354 8243
Website: www.natcopharma.co.in; CIN: L24230TG1981PLC003201

Details of Compliance Officer
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Company Secretary and Vice-President (Legal & Corporate Affairs) and Compliance Officer
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INTERNATIONAL LEGAL COUNSEL TO THE BRLMS AND THE GCBRLMS

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STATUTORY AUDITORS TO OUR COMPANY

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Chartered Accountants
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