



38th Annual General Meeting, 30th September 2021, Hyderabad

Chairman Speech

Dear Shareholders,

A very good morning!

On behalf of the Board of Directors, I welcome all of you to the 38th Annual General Meeting of your company.

The year in consideration was probably a once-in-a-lifetime situation with pandemic lead macroeconomic shocks to businesses. In such a year, as NATCO was being tested on all fronts, we quickly re-prioritized goals to ensure employee safety and business continuity with great tenacity and determination. While several outward activities were restricted due to the pandemic environment, we looked more inwards and focused on R&D efforts, tightened financial controls, enhanced business processes and improved operational efficiencies. Working with agility and clear focus, NATCO redirected some of its resources to develop and offer products to patients affected by COVID-19. At the end of the year, we are positioned well to grow the business.

For the financial year ending March 31st, 2021, your company has recorded consolidated total revenue of INR 2,155.7 Crore, with net profits, after tax (PAT), of INR 440.9 Crore. Despite significant shocks to business, we grew revenue and kept profits stable. The Earnings before Interest, Tax, Depreciation & Amortization (EBITDA) margin for the company stood at a healthy ~33%. NATCO is on the verge of inflection growth point, driven by the strategic filings done years ago. We are very excited about significant growth in earnings over the next several years lead by launches in the US and emerging markets, including long awaited launch of Lenalidomide and other niche First-to-File (FTF) products.

Pharma, Domestic Business: Adapting to new conditions

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

Our Hepatitis-C business continued to deteriorate due to market size contraction. To offset the impact, we focused on product launches pivoted around pandemic needs. The list of products which were launched include Chloroquine, Apixaban, Amphotericin and Posaconazole to treat post-COVID-19 complications. Additional products include Baricitinib, which was repurposed for use in COVID-19 patients and the anti-viral drug Molnupiravir, which is in the clinical trial stage. We are glad to be part of efforts, which is trying to combat the effects of the pandemic. Despite the challenging circumstances, we launched a total of 10 products in domestic market during the year.

Pharma, International Business: Fortifying our presence

Our international business, which comprises the United States (US) and Rest of World (RoW) markets, was also partly a victim of the pandemic conditions. Although the majority of our US portfolio remained stable, a key flu product, Oseltamivir, suffered significant revenue loss. This led to the overall decline in revenue in the US market when compared to the previous year. In spite of this adverse impact, we have successfully launched products recently in the US, such as, Lapatinib, as sole generic and oncology product Everolimus, in a limited competition environment. We continue to be bullish about our prospects in this market. We are constantly looking at ways to propel our business growth, whether through niche filings or by strategically positioning ourselves for better profitability, including considering establishing a front-end entity in the US.

During the year, contribution from the subsidiaries increased appreciably driven by growth in our portfolio of products in Canada. Our product portfolio has resulted in promising launches through our subsidiaries/step-down subsidiaries in Brazil, Canada, the Philippines, Australia, and Singapore as well as markets in the RoW such as South Africa, helping us secure our foothold and widening our revenue base.

Agri Business: Creating footprints

Through careful selection of niche molecules, NATCO plans to develop a pipeline of technical and formulation Agro products. These would include pesticides and pheromone based environmentally friendly products that help in prevention of pest rather than extermination, as part of Integrated Pest Management (IPM) solution to farmers.

We received our first key product approval in Crop Health Sciences during the year and our manufacturing units in Nellore are operational. We launched the first indigenously manufactured pheromone-based product in India for controlling Pink Bollworm (PBW) which affects the cotton crop. We are confident to grow this business to be an appreciable contributor of revenue in the next few years.

Investing for sustained future

Our R&D as well as product development teams tenaciously pursued critical activities during the year to alleviate the situation for patients affected by the pandemic. An integral part of our DNA has been our commitment to R&D, which remains crucial to our success. During the year, our expenditure in R&D amounted to INR 159.6 crore. We spent 9.1% of our standalone revenue towards R&D – a sign of our commitment. We have also spent INR 228.1 crore as capital expenditure, which was used to enhance our facilities.

Synthetic chemistry, biotech, nano medicines, novel drug development and cell biology are a few areas of our expertise. We are constantly adopting new technologies to improve the quality of our APIs and formulations while reducing their environmental impact. Our pipeline and technology are on right track, and we are focused on expanding our product basket. On the Agro business, by leveraging our current pharma R&D resources, we have established development centers in Nellore and Hyderabad to develop niche products.

Towards a better world

Health is intrinsically connected to the environment, and hence, we continue to explore ways to mitigate climate change by reducing our impact on the environment through ecologically sustainable practices across the value chain.

During the year, we were uncompromising in our actions to conserve natural resources and to empower our communities. We lowered our carbon footprint and improved our energy mix, increasing our solar energy capacity at our three major manufacturing facilities in Kothur, Sagar, and Mekaguda. As of today, ~26% of our energy consumption is from renewable sources, primarily solar and wind. Today, over 80% of power needs at our Vizag and Chennai facilities are met through Wind energy.

We invest in the long-term well-being and development of our associates and communities. During the year, ~50,000 people benefited from our community outreach and healthcare services, which included two mobile health clinics and two independent satellite clinics for communities and employees respectively.

The Comprehensive NATCO Cancer Centre at GGH, Guntur, is a state-of-the-art cancer care center built in a spacious area of 80,000 sq. ft. has become fully operational with 110 beds. This is a first-of-its-kind government hospital in Andhra Pradesh, which matches the best

private hospitals and offers holistic cancer treatment, including medical, surgical and radiotherapy services.

NATCO Trust schools generate value for the communities. Online and offline classes, after-school tuitions, Gurukula coaching, and home visits were some of the activities carried out under the NATCO Trust umbrella, which helped around 8,800 children. Our healthcare and farm-based livelihood programs have earned the trust and confidence of the community.

Committed to sustainable development and being a responsible corporate citizen, we closely monitored the situation and supported our communities all through the pandemic year.

Standing with our people and stakeholders

Your company's market capitalization stood at approx. INR 15,353 crore as of March 31, 2021. We gave three interim dividends amounting to INR 95.65 crore, resulting in a pay-out of 30.90% of the standalone profit after tax of the Company

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

I thank one and all.

Chairman

NATCO PHARMA LIMITED

Note: This does not purport to be a record of the proceedings of the 38th Annual General Meeting of the Members of the Company.