



39th Annual General Meeting, 30th September 2022, Hyderabad

Chairman Speech

Dear Shareholders,

A very warm welcome to all!

On behalf of the Board of Directors, I welcome all of you to the 39th Annual General Meeting of your company.

I wish to state that the year in consideration, FY 2021-22 has been one of transitioning with resilience. While the pandemic continued to mount challenges on the supply chain and margin pressure on our brands, it was time to pause, reflect on the new reality, and quickly adapt. Despite repeated waves of the pandemic the company sustained its revenue for the reporting year and had the highest number of product launches ever in both domestic and international markets.

Having proven resilience yet again, the company has begun to unlock significant value with the launch of its long-awaited blockbuster product, Lenolidomide, in the US market and through growth in its subsidiaries. As the world was phasing out of the pandemic, NATCO was repositioning itself to the new normal and is well prepared for sustained growth and stability.

For the financial year ending March 31st, 2022, your company has recorded consolidated total revenue of INR 2,043.8 Crore. The net profit for the period, on a consolidated basis, was INR 170.0 Crore. The reduction in the profit was primarily due to inventory value write-off related to Covid products and provision of receivables.

Our regulatory filings and launches through our subsidiaries continue to remain strong during the year. We are well positioned to bring high value product launches across several geographies around the globe in the coming years.

Pharma, Domestic Business: Positioned for growth

Our domestic pharma business had 14 new product launches during the year, the maximum in any year since inception. Despite competition and price erosion, we estimate that 25 of NATCO's brands remain in the 1st position for its indicated prescriptions. The business showed resilience against mounting pricing pressure and pandemic related headwinds. With our focus on R&D as well as the strategy to reach wider pool of doctors we are confident of growth in the domestic business.

Pharma, International Business: Escalating growth

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

The company recorded INR 1182.4 crore in revenue from its international business, almost 58% share of the total revenue. The year in review from the perspective of international business was also remarkable due to many firsts. This includes the very first launch in South Africa, Indonesia and Taiwan. Our subsidiaries are doing well, especially growth in Canada and Brazil entities.

During the year, we expanded our product presence in multiple geographies, and filed strong products for the US and other markets for sustainable future. Our step-down subsidiary DASH Pharmaceuticals LLC is giving us a new identity in the US pharmaceutical

market. As a result of this acquisition, we have evolved from being a collaborator to selling directly to the major generic drug wholesalers.

Agri Business: Expanding Horizons

In September 2022, NATCO marked a significant legal win on its CTPR insecticide product when Delhi High Court allowed launch of the product. CTPR and its formulated products is a wide-spectrum insecticide targeting pests in over a dozen different crops & is over 2000 crore market in India alone. This win paves way for the beginning of growth in Crop Health Sciences division.

During the year under review, NATCO has made a soft launch of its pheromone-based bio-pesticide product, NATMATE PBW, for management of Pink Boll Worm pest in cotton crop. The company is working aggressively to build its brands and parallelly working with strategic partners. We are carefully building product and market development teams that will be instrumental in bringing unique products to farmers.

R&D: Leveraging our skills

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

We are constantly on the lookout for innovative methods to improve the process of our APIs and formulations while reducing the environmental impact. Today, we have 44 active Drug Master Filings (DMF) for active pharmaceutical ingredient in the US.

During the year, our expenditure in R&D amounted to INR 226.7 crore. We spent 12.8% of our standalone revenue towards R&D - a sign of our commitment. We have also spent INR 227.9 crore as capital expenditure, which was used to enhance our facilities.

Environment & Societal Actions: For a better tomorrow

We conscious of our responsibility towards the environment and strive to reduce our carbon footprint through optimum utilization of resources. Our sustainability initiatives have remained a driving force for our business and encompass every aspect of our operations.

We employ the 4R principle of Reduce, Reuse, Recycle and Recharge to systemically manage our water consumption patterns and invest in water conservation endeavor. In 2021-22, renewable energy contribution was at 26.25% of the total energy consumption, reducing 16,008 tons of carbon dioxide emission.

Through the NATCO Trust's inception in 1995, we are unlocking value for the community through our continuing pursuits in education, health, hygiene, sanitation, water, livelihoods, farming, institutional support, and need-based community infrastructure. In the last financial year, we continued our support to Five government hospitals across AP and Telangana, wherein we helped more than 250 patients each day. During the pandemic, NATCO Trust stood firmly in support of communities in need.

Empowering our people and standing with our stakeholders

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

Your company's market capitalization stood at approx. INR 13,822 crore as of March 31, 2022. We gave three interim dividends amounting to INR 82.2 crore, resulting in a pay-out of 59% of the standalone profit after tax of the Company

I would like to extend my heartfelt 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. By continuing to work with our key stakeholders and prioritizing sustainability, we will do our part to ensure a healthier tomorrow for future generations to come.

I thank one and all.

CHAIRMAN

NATCO PHARMA LIMITED

Note: This does not purport to be a record of the proceedings of the 39th Annual General Meeting of the Members of the Company.