Preliminary 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 was changed to "Natco Pharma Limited" on December 30, 1994 under the Companies Act, 1956. The registered 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: investors@natcopharma.co.in; Website: www.natcopharma.co.in; Corporate identification number:L24230TG1981PLC003201.

Natco Pharma Limited (our "**Company**" or the "**Issuer**") is issuing up to [●] equity shares of face value of Rs. 10 each (the "**Equity Shares**") at a price of Rs. [●] per Equity Share, including a premium of Rs. [●] per Equity Share, aggregating to Rs. [●] million (the "**Issue**").

ISSUE IN RELIANCE UPON SECTION 42 OF THE COMPANIES ACT, 2013, AS AMENDED, READ WITH RULES MADE THEREUNDER, AND CHAPTER VIII 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 PRELIMINARY PLACEMENT DOCUMENT IS BEING MADE TO QUALIFIED INSTITUTIONAL BUYERS ("QIBs") AS DEFINED IN THE SEBI ICDR REGULATIONS IN RELIANCE UPON CHAPTER VIII OF THE SEBI ICDR REGULATIONS, AS AMENDED AND SECTION 42 OF THE COMPANIES ACT, 2013, AS AMENDED, AND RULES MADE THEREUNDER. THIS PRELIMINARY 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 QIBs. THIS PRELIMINARY PLACEMENT DOCUMENT WILL BE CIRULATED ONLY TO SUCH 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 shall only be made pursuant to this Preliminary Placement Document, together with the Application Form and the Placement Document. For further details, see "Issue Procedure" on page [●]. The distribution of this Preliminary Placement Document or the disclosure of its contents to any person, other than QIBs and persons retained by QIBs to advise them with respect to their purchase of the Equity Shares, is unauthorized and prohibited. Each prospective investor, by accepting delivery of this Preliminary Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document.

A copy of this Preliminary 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 the National Stock Exchange of India Limited ("**NSE**" and, together with BSE, the "**Stock Exchange**"). Our Company shall also make the requisite filings with the Registrar of Companies, Andhra Pradesh and Telangana (the "**RoC**") and the Securities Exchange Board of India ("**SEBI**") within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014. This Preliminary Placement Document has not been reviewed by the SEBI, the Reserve Bank of India ("**RBI**"), the Stock Exchange or any other regulatory or listing authority and is intended only for use by QIBs. This Preliminary 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 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 PART OF THEIR INVESTMENTS. PROSPECTIVE INVESTORS ARE ADVISED TO READ "RISK FACTORS" ON PAGE [●] 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 THIS PRELIMINARY PLACEMENT DOCUMENT.

The information on our Company's website or any website directly or indirectly linked to our Company's website does not form part of this Preliminary 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 the BSE and the NSE on [●] was Rs. [●] and Rs. [●] per Equity Share, respectively. In-principle approval under Clause 24(a) of the Equity Listing Agreement for listing of the Equity Shares has been received from BSE and NSE on [●]. Application to the Stock Exchanges will be made for obtaining listing and trading approval for the Equity Shares offered through this Preliminary Placement Document. The Stock Exchanges assumes 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 business or the Equity Shares.

YOU ARE NOT AUTHORIZED TO (1) DELIVER THIS PRELIMINARY PLACEMENT DOCUMENT TO ANY OTHER PERSON; (2) REPRODUCE THIS PRELIMINARY PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER; OR (3) RELEASE ANY PUBLIC ADVERTISEMENTS OR UTILIZE ANY MEDIA, MARKETING OR DISTRIBUTION CHANNELS OR AGENTS TO INFORM THE PUBLIC AT LARGE ABOUT THE ISSUE. ANY DISTRIBUTION OR REPRODUCTION OF THIS 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 PRELIMINARY 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 PRELIMINARY PLACEMENT DOCUMENT.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any state securities laws of the United States, and 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 U.S. Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered, sold and delivered to QIBs (as defined in the SEBI ICDR Regulations) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act ("**Regulation S**"). See "Selling and Transfer Restrictions" on page [●].

This Preliminary Placement Document is dated [●]

BOOK RUNNING LEAD MANAGERS		
IDFC **IDFC Securities Limited**	INGA **Inga Capital Private Limited***	Jefferies **Jefferies India Private Limited***

* In alphabetical order

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TABLE OF CONTENTS

NOTICE TO INVESTORS

Our Company has furnished and accept full responsibility for all the information contained in this Preliminary Placement Document and confirm that, to the best of our knowledge and belief, having made all reasonable enquiries, the Preliminary 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 Preliminary 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 Preliminary 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 Preliminary 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.

The Book Running Lead Managers ("**BRLMs**") have made reasonable enquiries but have not separately verified all of the information contained in this Preliminary Placement Document (financial, legal or otherwise). Accordingly, neither the BRLMs 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 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 Preliminary Placement Document or any other information supplied in connection with the Equity Shares. Each person receiving this Preliminary Placement Document acknowledges that such person has not relied on the BRLMs 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 Preliminary 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 Preliminary 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. The delivery of this Preliminary 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 Preliminary Placement Document. Any representation to the contrary may be a criminal offence in certain jurisdictions.

The Equity Shares have not been recommended by any foreign, federal or state securities commission or regulatory authority. As such, this Preliminary 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 which would permit an issue of the Equity Shares or distribution of this Preliminary 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 this Preliminary 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 have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any state securities laws of the United States and 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 U.S. Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered, sold and delivered to QIBs (as defined in the SEBI ICDR Regulations) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act ("**Regulation S**"). The Equity Shares are transferable only in accordance with the restrictions described in

"*Selling and Transfer Restrictions*" on page [●]. Purchaser of the Equity Shares will be deemed to make the representations, warranties, acknowledgments and agreements set forth in the sections "Representations by Investors" and "Selling and Transfer Restrictions".

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

The distribution of this Preliminary Placement Document and the issuance of Equity Shares pursuant to this Issue may be restricted by law in certain jurisdictions. As such, this Preliminary 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 which would permit an Issue of the Equity Shares or distribution of this Preliminary 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 this Preliminary 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 and the terms of this Issue, including the merits and risks involved. Investors should not construe the contents of this Preliminary 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 are making any representation to any offeree or purchaser of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or purchaser under applicable legal, investment or similar laws or regulations.

Each purchaser 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 purchaser 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 or their respective affiliates or any website directly or indirectly linked to such websites does not constitute or form a part of this Preliminary Placement Document. Prospective investors should not rely on the information contained in, or available through, any such websites.

This Preliminary 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.

For information in certain other jurisdictions, see "*Selling and Transfer Restrictions*" on page [●].

REPRESENTATIONS BY INVESTORS

All references to "you" or "your" in this section are to the prospective investors in this Issue. By bidding for and 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 as follows:

(a) you (i) are a QIB as defined in this Preliminary 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, (i) you are an Eligible FPI as defined in this Preliminary Placement Document including a FII (including a sub-account other than a sub-account which is a foreign corporate or a foreign individual) have a valid and existing registration with SEBI under the applicable laws in India; or (ii) a multilateral or bilateral development financial institution or (iii) an FVCI and have a valid and existing registration with SEBI under applicable laws in India. Further, if you are a non-resident QIB, then the investment amount will be paid out of inward remittance of foreign exchange received through normal banking channels and as per RBI's notification no. FEMA 20/2000 – RB dated May 3, 2000, as amended from time to time;

(c) you are eligible to invest in India under applicable laws, including the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, 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;

(f) you are aware that this Preliminary 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 Preliminary 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 QIBs. This Preliminary Placement Document has been filed (and the Placement Document will be filed) with the Stock Exchanges for record purposes only and this Preliminary Placement Document has been displayed (and the Placement Document will be 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 this Preliminary Placement Document), and will honour such obligations;

(h) neither we nor the BRLMs 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 that neither the BRLMs 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 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 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 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;

(k) all statements other than statements of historical fact included in this Preliminary 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 Preliminary Placement Document. We assume no responsibility to update any of the forward-looking statements contained in this Preliminary Placement Document;

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

(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 this 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 this Preliminary Placement Document and no other disclosure or representation by us or the BRLMs 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 look to us, the BRLMs 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 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 purchase, 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 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 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 QIBs (to whom this 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 or to group companies of the Promoter, either directly or indirectly and your Bid does not directly or indirectly represent the Promoter or Promoter Group or persons related to the Promoter of our Company or to group companies of the Promoter of our Company;

(s) you have no rights under a shareholders' agreement or voting agreement with the Promoter or persons related to the Promoter, 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 Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended;

(w) your aggregate holding, together with other 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 Code;

(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 in the format prescribed in clause 35 of the Equity Listing Agreement 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 Clause 24(a) of the Equity Listing Agreement, for listing and admission of the Equity Shares and for trading on the Stock Exchanges, were made and an approval has been received from 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 will have entered into a placement agreement with our Company (the "**Placement Agreement**") whereby the BRLMs have, subject to the satisfaction of certain conditions set out therein, undertaken severally and not jointly to use their reasonable endeavours to seek to procure subscriptions for the Equity Shares on the terms and conditions set forth herein;

(cc) the contents of this Preliminary Placement Document are our exclusive responsibility and neither the BRLMs 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 Preliminary 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 Preliminary 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 or us or any other person and neither the BRLMs, 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 this Preliminary 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 (including any view, statement, opinion or representation expressed in any research published or distributed by any of the BRLMs or its affiliates or any view, statement, opinion or representation expressed by any staff (including research staff) of any of the BRLMs 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 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 nor their affiliates have any obligation to purchase or acquire all or any part of the Equity Shares purchased 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 their respective 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, acknowledgements and agreements made by you in this Preliminary 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) we, the BRLMs, 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 on their own behalf and on behalf of us and are irrevocable;

(ii) you are a sophisticated investor who is seeking to purchase 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 purchase 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;

(jj) you understand that the Equity Shares have not been and will not be registered under the U.S. 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 U.S. Securities Act;

(kk) 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 this Preliminary Placement Document and the Placement Document; and

(ll) 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 and Transfer Restrictions*" on page [●].

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, a 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, may issue, subscribe 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 a FPI against securities held by it that are listed or proposed to be listed on any recognized stock exchange in India, as its underlying (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, listed or proposed to be listed on any recognized stock exchange in India 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. A FPI shall also ensure that further issue or transfer of any instrument referred to above issued by or on behalf of it, is made only to persons who are regulated by appropriate foreign regulatory authorities. P-Notes have not been and are not being offered or sold pursuant to this Preliminary Placement Document. This Preliminary Placement Document does not contain any information concerning P-Notes, including, without limitation, any information regarding any risk factors relating thereto.

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 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 do not constitute any obligations of, or claims on, the BRLMs. 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 may purchase, to the extent permissible under law, Equity Shares in this Issue, and may issue P-Notes in respect thereof. Affiliates of the BRLMs which are FPIs may purchase, to the extent permitted by applicable laws, the Equity Shares in the Issue and any P-Notes 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 Preliminary 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 Preliminary 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 Preliminary 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 Preliminary 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 Preliminary 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 Preliminary 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;
- "MXN" are to Mexican Peso, the official currency of Mexico;
- "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$" 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. Our Company prepares its financial statements in accordance with Indian Generally Accepted Accounting Principles ("**Indian GAAP**"). Indian GAAP differs in certain respects from International Financial Reporting Standards ("**IFRS**") and U.S. Generally Accepted Accounting Principles ("**U.S. GAAP**"). We do not provide a reconciliation of our financial statements to IFRS or U.S. GAAP. We also do not provide a summary of differences between Indian GAAP, IFRS and U.S. GAAP. Each of U.S. GAAP and IFRS differs in significant respects from Indian GAAP. Accordingly, the degree to which the financial statements prepared in accordance with Indian GAAP included in this Preliminary Placement Document will provide meaningful information is entirely dependent on the reader's level of familiarity with the respective accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Preliminary Placement Document should accordingly be limited and we urge you to consult your own advisors regarding such differences and their impact on the financial data.

In this Preliminary 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 Preliminary 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. Our Audited Consolidated Financial Statements and Unaudited Limited Reviewed Financial Statements that appear in this Preliminary Placement Document have been prepared by our Company in accordance with Indian GAAP.

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 Preliminary 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 Preliminary Placement Document has been obtained from the report titled "Report on Pharmaceutical Industry" dated August 31, 2015 (the "**CARE Report**") which is commissioned report prepared by Credit Analysis & Research Limited ("**CARE**") and report titled "Global Outlook for Medicines Through 2018" dated November 2014 published by IMS Institute for Healthcare Informatics (the "**IMS Report**").

We have not commissioned any report for purposes of the Preliminary Placement Document other than the CARE Report. We commissioned Credit Analysis & Research Limited 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 Preliminary Placement Document are reliable, it has not been independently verified by us or the BRLMs or any of their affiliates or advisors. The extent to which the market and industry data used in this Preliminary 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.

This CARE Report is prepared by CARE Research, a division of CARE. 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. CARE Research operates independently of ratings division and this CARE Report does not contain any confidential information obtained by ratings division, which they may have obtained in the regular course of operations. The opinion expressed in this report cannot be compared to the rating assigned to the company within this industry by the ratings division. The opinion expressed is also not a recommendation to buy, sell or hold an instrument.

CARE Research is not responsible for any errors or omissions in analysis/inferences/views or for results obtained from the use of information contained in this report and especially states that CARE (including all divisions) has no financial liability whatsoever to the user of this product. This Care Report is for the information of the intended recipients only and no part of this report may be published or reproduced in any form or manner without prior written permission of CARE Research.

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. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of the information is not guaranteed.

Neither we nor the BRLMs have independently verified this data and neither we nor the BRLMs 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 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 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 Preliminary 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 Preliminary 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 Preliminary Placement Document that are not historical facts.

These forward-looking statements and any other projections contained in this Preliminary 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 ability to successfully develop, secure approvals for and commercialize new pharmaceutical products;
- our ability to defend litigation, particularly litigation involving intellectual property rights, involving our Company and Subsidiaries;
- our ability to maintain relationship with third parties for joint development and product offerings in other jurisdiction;
- exposure to government price control;
- increase in competition in the pharmaceutical industry
- ability to comply with regulations prescribed by government and regulatory agencies;
- ability to obtain, renew and maintain statutory and regulatory permits, licenses and approvals for our business operations from time to time;
- grant of product approvals from respective regulatory authorities and the ability to secure exclusive marketing right for certain ANDA filings under Paragraph IV filing;
- our suppliers failing to supply us with adequate quantities of raw materials; and
- our manufacturing facilities operating without any disturbances/shut-down.

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 page [●], [●] and [●].

The forward-looking statements contained in this Preliminary 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 Preliminary Placement Document or the respective dates indicated in this Preliminary 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 12 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 recognize 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.

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 September 8, 2015 the exchange rate (RBI reference rate) was Rs. 66.606 to US$ 1.00.

	Period end	Average[(1)]	High	Low
				(Rs. per US$)
Financial Year:				
2015	62.59	61.15	63.75	58.43
2014	60.10	60.50	68.36	53.74
2013	54.39	54.45	57.22	50.56
Quarter ended:				
June 30, 2015	63.75	63.50	64.20	62.16
Month ended:				
July, 2015	64.00	63.63	64.03	63.37
August, 2015	66.31	65.07	66.71	63.76

(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 September 8, 2015 the exchange rate (RBI reference rate) was Rs. 74.605 to €1.00.

	Period end	Average[(1)]	High	Low
				(Rs. per €)
Financial Year:				
2015	67.51	77.47	84.52	65.95
2014	82.58	81.14	91.47	69.59
2013	69.54	70.07	73.13	67.01
Quarter ended:				
June 30, 2015	71.20	70.31	72.88	66.16
Month ended:				
July, 2015	70.16	70.03	70.88	68.83
August, 2015	74.49	72.51	77.11	69.31

(Source: www.rbi.org.in)

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

DEFINITIONS AND ABBREVIATIONS

This Preliminary 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 Preliminary 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 Preliminary 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.

Company Related Terms

Term	Description
"Articles"/ "Articles of Association"	The articles of association of our Company as amended from time to time
"Additional Director"	Additional Director of our Company, unless otherwise specified
"Associates"	With reference to any company, the associate of that company would mean any other company within the meaning of the Companies Act
"Auditor"	The statutory auditors of our Company, namely, Walker Chandiok & Co LLP
"Audited Consolidated Financial Statements"	The audited consolidated financial statements as of and for the years ended March 31, 2015, 2014 and 2013
"Audited Standalone Financial Statements"	The audited standalone financial statements as of and for the years ended March 31, 2015, 2014 and 2013
"Board of Directors"/ "Board"	The Board of Directors of our Company, or a duly constituted committee thereof
"Company"	Natco Pharma Limited
"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, the Unaudited Limited Reviewed Financial Statements and Audited Standalone Financial Statements
"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 Directors"	Non-executive director(s) of our Company, unless otherwise specified
"Promoters"	V. C. Nannapaneni; Time Cap Pharma Labs Limited; Natsoft Information Systems Private Limited; Venkaiah Chowdary Nannapaneni HUF; Rajeev Nannapaneni; Neelima Sita Nannapaneni; Durga Devi Nannapaneni; N. Ramakrishna Rao; T. Anila; T. Ananda Babu; Vidyadhari Tummala; Sita Ravamma Nannapaneni; Jhansi Tummala; Alapati Bapanna; Devendranth Alapati; Venkta Satya Swathi Kantamani; IL & FS Trust Company Ltd/ A/c Neelima Nannapaneni Trust; Natco Aqua Limited; NDL Infra Tech Private Limited; and T. Bapineedu
"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 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 USA;

Term	Description
	2. Natco Mauritius; 3. Natco Canada; 4. Natco Organics Limited, India; 5. Natco Brazil (step-down subsidiary); 6. Natco Singapore; and 7. Natco Australia.
"Unaudited Limited Reviewed Financial Statements"	Unaudited limited reviewed consolidated statement of profit and loss for the three months period ended June 30, 2015

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 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 Securities Limited, Inga Capital Private Limited and Jefferies India Private Limited
"Bid"	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
"Bidders"	A 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 QIBs after determination of the Issue Price, and requesting payment for the entire applicable Issue Price for all the Equity Shares Allocated to such QIBs
"Category III foreign portfolio investor(s)"	FPIs who are registered as "Category III foreign portfolio investors" under the SEBI (FPI) Regulations
"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 [●]
"Cut-off Price"	The Issue Price of the Equity Shares to be issued pursuant to the Issue which shall be finalised by our Company in consultation with the BRLMs
"Designated Date	The date of credit of Equity Shares pursuant to the Issue to the Allottee's 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)
"Equity Listing Agreement"	The equity listing agreement entered into between our Company and the Stock Exchanges
"Equity Shares"	The equity shares of face value Rs. 10 each of our Company
"Escrow Account"	The account titled 'Natco Pharma – QIP 2015 Escrow Account' to be 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"	Yes Bank Limited

Term	Description
"Escrow Agreement"	The agreement dated September 10, 2015 entered into amongst our Company, the Escrow Agent and the BRLMs
"Floor Price"	The floor price of Rs. [●] 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 may offer a discount of not more than 5% on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations
"Issue"	The offer and issue of up to [●] Equity Shares each at a price of Rs. [●] per Equity Share, including a premium of Rs. [●] per Equity Share, aggregating Rs. [●] million pursuant to chapter VIII of the SEBI ICDR Regulations and the provisions of the Companies Act, 2013
"Issue Closing Date"	[●], the last date up to which the Application Forms shall be accepted by our Company (or the BRLMs, on behalf of our Company)
"Issue Opening Date"	[●], the date on which the acceptance of the Application Forms shall have commenced by our Company (or the BRLMs, on behalf of our Company)
"Issue Price"	A price per Equity Share of Rs. [●]
"Issue Size"	The aggregate size of the Issue, aggregating to Rs. [●] 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 September 10, 2015 between our Company and the BRLMs
"Placement Document"	The Placement Document to be issued in accordance with Chapter VIII of the SEBI ICDR Regulations and section 42 of the Companies Act, 2013 and the rules thereunder
"Preliminary Placement Document"	This Preliminary Placement Document dated [●] issued in accordance with Chapter VIII of the SEBI ICDR Regulations
"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 (Prospectus and Allotment of Securities) Rules, 2014
"Relevant Date"	[●], which is the date of the meeting wherein the Board of Directors, or a duly authorised committee, decides 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
"CCI"	Competition Commission of India
"CDSL"	Central Depository Services (India) Limited
"CEO"	Chief executive officer
"CESTAT"	Custom Excise and Service Tax Appellate Tribunal
"CIN"	Corporate identity number
"Companies Act"	The Companies Act, 1956 and/or the Companies Act, 2013, as applicable

Term	Description
"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, as amended
"CSR"	Corporate Social Responsibility
"Depositories Act"	The Depositories Act, 1996, as amended
"Depository"	A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, as amended
"DP"/ "Depository Participant"	A depository participant as defined under the Depositories Act
"DIN"	Director Identification Number
"DTC"	Direct Taxes Code, 2013, proposed by the Ministry of Finance, Government of India
"EBITDA"	Earnings Before Interest Tax Depreciation and Amortisation
"ECB"	External Commercial Borrowing
"EGM"	Extraordinary general meeting
"Eligible FPIs"	FPIs that are eligible to participate in the Issue and does not include Category III Foreign Portfolio Investors (who are not eligible to participate in the Issue)
"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)/2015-FC-1, effective from May 12, 2015, as amended from time to time
"FEMA"	Foreign Exchange Management Act, 1999, as amended, and the regulations framed thereunder
"FEMA 20"	The Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended
"FIIs"	Foreign institutional investors as defined under Regulation 2(g) of the SEBI FPI Regulations and registered as such with the SEBI
"FII Regulations"	The Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended
"FIPB"	Foreign Investment Promotion Board
"Financial Year" / "Fiscal Year"/ "Fiscal"/ "FY"	A period of 12 months ending March 31, unless otherwise stated
"FVCI"	Foreign venture capital investors as defined and registered with SEBI under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, as amended
"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. Any foreign institutional invest or or qualified foreign investor who holds a valid certificate of registration is deemed to be a foreign portfolio investor till the expiry of the block of three years for which fees have been paid as per the FII Regulations
"FVCI"	Foreign venture capital investors as defined under and registered with SEBI pursuant to the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, as amended
"GAAP"	Generally accepted accounting principles
"GAAR"	General Anti-Avoidance Rules
"GDP"	Gross domestic product
"GoI"/"Government"	Government of India
"ICAI"	The Institute of Chartered Accountants of India
"IDFC"	IDFC Securities Limited

Term	Description
"IFRS"	International Financial Reporting Standards issued by the International Accounting Standards Board
"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, as amended
"Inga"	Inga Capital Private Limited
"Insider Trading Regulations"	The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended
"ITAT"	Income Tax Appellate Tribunal
"Jefferies"	Jefferies India Private Limited
"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
"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, as amended
"Regulation S"	Regulation S under the U.S. 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, as amended
"SCRR"	Securities Contracts (Regulation) Rules, 1957, as amended
"SEBI"	Securities and Exchange Board of India
"SEBI Act"	The Securities and Exchange Board of India Act, 1992, as amended
"SEBI AIF Regulations"	The Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, as amended
"SEBI FPI Regulations"	The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014
"SEBI Prohibition of Insider Trading Regulations"	The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended
"SEBI ICDR Regulations"	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended
"SENSEX"	An index of 30 constituent stocks traded on BSE representing a sample of large, liquid and representative companies
"SEZ"	Special Economic Zone
"Stock Exchanges"	The BSE and the NSE
"STT"	Securities transaction tax
"Supreme Court"	Supreme Court of India
"Takeover Code"	The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended from time to time
"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

Term	Description
"USA"/ "U.S."/ "United States"	The United States of America
"U.S. Securities Act"	U.S. Securities Act of 1933, as amended supplemented or otherwise modified from time to time
"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
"CAGR"	Compound annual growth rate
"CDSCO"	Central Drugs Standard Control Organization, India
"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

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 Preliminary Placement Document where these disclosures, to the extent applicable, have been provided.

Sr. No.	Disclosure Requirements	Relevant Page of this Preliminary 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
(c)	Business carried on by the company and its subsidiaries with the details of branches or units, if any.	86-101
(d)	Brief particulars of the management of the company.	118-126
(e)	Names, addresses, DIN and occupations of the directors.	118-120
(f)	Management's perception of risk factors.	34-55
(g)	Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of:	
(i)	Statutory dues;	184-185
(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.	195
2.	**PARTICULARS OF THE OFFER**	
(a)	Date of passing of board resolution.	194
(b)	Date of passing of resolution in the general meeting, authorising the offer of securities.	194
(c)	Kinds of securities offered (i.e. whether share or debenture) and class of security.	Cover page, 28
(d)	Price at which the security is being offered including the premium, if any, along with justification of the price.	Cover page, 28
(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, 28
(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.	28-29
(i)	Purposes and objects of the offer.	59
(j)	Contribution being made by the promoters or directors either as part of the offer or separately in furtherance of such objects.	NA
(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	123-126
(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	184

Sr. No.	Disclosure Requirements	Relevant Page of this Preliminary 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)	121-122
(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	126
(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	185-193
(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	193
(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	184
4.	**FINANCIAL POSITION OF THE COMPANY**	
(a)	the capital structure of the company in the following manner in a tabular form:	61-62
(i)(a)	the authorised, issued, subscribed and paid up capital (number of securities, description and aggregate nominal value)	61
(b)	size of the present offer	Cover page
(c)	paid up capital: A. after the offer	61
	B. after conversion of convertible instruments (if applicable)	NA
(d)	share premium account (before and after the offer)	61
(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	61-62
(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
(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)	63
(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	30
(e)	Audited Cash Flow Statement for the three years immediately preceding the date of circulation of offer letter	32-33
(f)	Any change in accounting policies during the last three years and their effect on the profits and the reserves of the company.	114

SUMMARY OF BUSINESS

We are a vertically integrated and R&D focused pharmaceutical company engaged in developing, manufacturing and marketing of finished dosage formulations ("**FDF**") and active pharmaceutical ingredients ("**APIs**"). Our focus is primarily on niche therapeutic areas and complex products. We market and distribute our products in over 40 countries. We sell our FDF products in the United States, India, Europe and the rest of the world ("**RoW**"). In the United States, our FDF business is primarily focused on high-barrier-to-entry products that are either difficult to formulate and/or manufacture or face complex legal and regulatory challenges, typically resulting into limited competition in the market. We are one of the leading players in domestic oncology segment, in our portfolio of operated products. (*Source: Report on Pharmaceutical Industry (2015) published by Credit Analysis & Research Limited*). Our API products are primarily used for captive consumption in FDF products and are also sold to various international markets such as Brazil, Europe and USA.

In the USA, as of August 31, 2015, we have made 36 ANDA filings with USFDA of which (i) 12 are approved; (ii) two are tentatively approved; (iii) 21 are under review (including Paragraph III and Paragraph IV filings) and, one filing has been subsequently withdrawn. We typically make ANDA filings with the USFDA either on our own or in collaboration with global pharmaceutical companies such as Mylan, Actavis, Breckenridge and Lupin. Our Paragraph IV filings include generic versions of key brands such as Copaxone (20 mg and 40 mg), Gilenya, Tamiflu, Treanda and Revlimid, some of which, we believe, are first to file under Paragraph IV ANDA application ("**FTF**"). Currently, we sell our commercialised products in the USA through our partnerships with global pharmaceutical companies.

We are one of the leading players in domestic oncology segment, in our portfolio of operated products. (*Source: Report on Pharmaceutical Industry (2015) published by Credit Analysis & Research Limited*). As of August 31, 2015, we had a portfolio of 26 products catering to various oncology diseases including breast, brain, bone, lung and ovarian cancer. We have increased our product range, starting from six products in 2003-04 to 26 active products in 2014-15. We commenced selling our oncology products in 2003 by launching a generic version of Imatinib Mesylate under the name of Veenat which is used for the treatment of chronic myeloid leukaemia. Our oncology portfolio includes key brands like Veenat, Lenalid, Erlonat, Geftinat and Sorafenat, each of which had annual sales of more than Rs. 100 million in Fiscal 2015. We also won a compulsory non-exclusive license in India to manufacture the drug Sorafenib Tosylate which is used for the treatment of kidney and liver cancer and sold by Bayer under the brand Nexavar. This compulsory license is valid till the patent is held by Bayer. In the domestic market, we market our products through over 170 marketing personnel and over 350 distributors. We also have a portfolio of six products catering to therapeutic segments such as orthopaedics and gastroenterology, critical care and central nervous system (CNS). Our total FDF revenues from sale of products grew by 18.89% from Rs. 3,542.11 million in Fiscal 2014 to Rs. 4,211.25 million in Fiscal 2015. Our FDF revenues from sale of oncology products in India grew 25.86% from Rs. 1,546.92 million in Fiscal 2014 to Rs. 1,947.00 million in Fiscal 2015.

We have also entered into a non-exclusive licensing agreement with Gilead Sciences for manufacturing a generic version of Sofosbuvir and Ledipasvir and selling it in 101 countries including India. The drug made from Sofosbuvir is a medicine used for treating hepatitis C virus and sold globally by Gilead Sciences, under its brand 'Sovaldi'. Our Company has commenced manufacturing and selling of generic Sofosbuvir under its brand HEPCINAT in India. Further, we have recently launched the generic version of Sofosbuvir in Nepal.

We also manufacture API products which are primarily used for captive consumption in our FDF products and are also sold to customers for various international markets such as Brazil, Europe and USA. In the API segment, we have capabilities to develop and manufacture products with multi-step synthesis, semi synthetic fusion technologies, high-potency APIs and peptides. As of August 31, 2015, we have filed 31 DMFs with the USFDA, which includes therapeutic areas such as oncology, CNS, anti-asthmatic, anti-depressant, anti-migraine, anti-osteoporosis, anti emetic, renal disease, prostate disorder and gastrointestinal disorders. Our API revenue from sale of products grew by 29.52% from Rs. 1952.79 million in Fiscal 2014 to Rs. 2529.30 million in Fiscal 2015.

We are also engaged in contract manufacturing business, whereby we undertake selected contracts with pharmaceutical companies to manufacture and supply pharmaceutical products. We also operate a pharmacy under the name SaveMart Pharmacy, which is located at Lancaster, Pennsylvania, USA.

We have a strong focus on R&D initiatives which have enabled us to develop a strong portfolio of niche and

complex FDF and API products. We have a dedicated R&D facility housed at the Natco Research Centre, Hyderabad and a R&D unit in our Kothur facility, which comprises of over 240 personnel including scientists, chemists, research assistants, trainees and others, and have been accredited by the Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India ("**DSIR**"). Our R&D team has capabilities across synthetic chemistry, biotech and fermentation, nano pharmaceuticals and cell biology. We also have scientists with expertise in polymer based chemistry and peptides chemistry. Our R&D team is currently developing two New Chemical Entity (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 Chronic Myeloid Leukaemia (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 August 31, 2015, we have filed 76 patent applications in India, 127 patent applications internationally and we have been granted 179 patents in India and internationally. We spent approximately Rs. 406.59 million and Rs. 517.17 million on standalone basis on research and development activities during the years ended March 31, 2014 and March 31, 2015, respectively.

We operate seven manufacturing facilities which are located in Telangana, Uttarakhand and Assam, engaged in manufacturing of parenterals, APIs and FDFs. Our FDF products are manufactured from five manufacturing facilities, of which two are located in Dehradun, Uttarakand, two in Telangana (Kothur and Nagarjuna Sagar) and one in Guwahati, Assam. Our FDF manufacturing facility in Visakhapatnam, Andhra Pradesh is currently under construction in an SEZ location. Our API products are manufactured from two manufacturing facilities, of which one is located in Mekaguda, Telangana and the other at Manali, Chennai. Our manufacturing facilities have been approved by either one or more regulatory authorities such as USFDA, Public Health Service of the Netherlands (EU GMP), German Health Authority, PMDA Japan, Cofepris Mexico and ANVISA. In particular, our Kothur and Mekaguda facilities in Telangana are approved by USFDA. Our manufacturing facilities possess the ability to manufacture FDFs in oral solids, liquids and injectable dosage forms.

Our total revenue for the Fiscal 2015 stood at Rs. 8,401.83 million as against Rs. 7,556.00 million in Fiscal 2014 and Rs. 6729.32 million in Fiscal 2013, respectively. Our EBITDA for Fiscal 2015, 2014 and 2013 was Rs. 2,131.59 million, Rs. 1,960.39 million and Rs. 1,507.48 million, respectively.

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 in this Preliminary Placement Document, including under the sections titled "Risk Factors", "Use of Proceeds", "Issue Procedure" and "Description of Equity Shares".

Issuer	Natco Pharma Limited
Issue Size	Up to [●] Equity Shares aggregating up to Rs. [●] million A minimum of 10% of the Issue Size, or at least [●] Equity Shares, shall be available for Allocation to Mutual Funds only, and the balance [●] Equity Shares shall be available for Allocation to all 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 QIBs
Face Value	Rs. 10 per Equity Share
Issue Price	Rs. [●] per Equity Share
Minimum Offer Size	Minimum value of offer or invitation to subscribe to each QIB is Rs. 20,000 of the face value of the Equity Shares
Floor Price	Rs. [●] per Equity Share. Our Company may offer a discount of up to [●]% (i.e. Rs. [●]) on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations. The Floor Price, net of discount of [●]% is Rs. [●]
Eligible Investors	QIBs as defined in Regulation 2(1)(zd) of the SEBI ICDR Regulations to whom the Preliminary Placement Document and the Application Form is circulated and who are eligible to bid and participate in the Issue and QIBs not excluded pursuant to Regulation 86(1)(b) of the SEBI ICDR Regulations. See "*Issue Procedure*" and "*Selling and Transfer Restrictions*" on page [●] and [●], respectively. The list of QIBs to whom the Preliminary Placement Document and Application Form is delivered shall be determined by the BRLMs in consultation with our Company, at their sole discretion
Dividend	See "*Description of Equity Shares*", "*Dividend Policy*" and "*Statement of Tax Benefits*" on page [●], [●] and [●], respectively
Indian Taxation	See "*Statement of Tax Benefits*" on page [●]
Date of Board Resolution authorizing the Issue	May 22, 2015
Date of passing of resolution by Shareholders authorizing the issue	June 27, 2015
Equity Shares issued and outstanding immediately prior to the issue	33,234,849 Equity Shares
Equity Shares issued and outstanding immediately after the Issue	[●] Equity Shares
Listing	Our Company has obtained in principle approval dated [●] in terms of Clause 24(a) of the Equity Listing Agreement 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	Please see the sub-section titled "Lock-up" of "*Placement Agreement*" on page [●] 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 and Transfer Restrictions*" on page [●]
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. [●] million. Please see "*Use of Proceeds*" on page [●] for further information
Risk Factors	Please "*Risk Factors*" on page [●] 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 [●], 2015
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. The holders of such Equity Shares 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. Please see "*Description of Equity Shares*" on page [●].
Voting Rights of Share Holders	See the section titled "*Description of Equity Shares- Voting Rights*" on page [●].
Security Codes for the Equity Shares	ISIN: INE987B01018 BSE Code: 524816 NSE Code: NATCOPHARM Bloomberg: NTCPH IN Equity

SUMMARY FINANCIAL INFORMATION

The following selected information is extracted from and should be read in conjunction with our Audited Consolidated Financial Statements and notes thereto prepared in accordance with Indian GAAP, each included elsewhere in this Preliminary Placement Document.

Consolidated Balance Sheet			*(in Rs. Millions)*
	As on 31 March 2015	**As on 31 March 2014**	**As on 31 March 2013**
Equity and liabilities			
Shareholders' funds			
Share capital	332.35	330.73	313.73
Reserves and surplus	8,128.16	6,928.03	5,021.70
	8,460.51	**7,258.76**	**5,335.43**
Minority interest	50.25	68.80	105.37
Non-current liabilities			
Long-term borrowings	970.16	954.86	1,378.26
Deferred tax liabilities (net)	118.89	430.57	443.25
Other long term liabilities	8.26	10.40	6.91
Long-term provisions	94.98	110.89	86.21
	1,192.29	**1,506.72**	**1,914.63**
Current liabilities			
Short-term borrowings	1,685.44	986.31	1,477.43
Trade payables	1,253.01	1,097.86	1058.52
Other current liabilities	1,185.63	1,021.78	902.07
Short-term provisions	13.33	16.86	10.68
	4,137.40	**3,122.82**	**3,448.70**
Total	**13,840.45**	**11,957.09**	**10,804.12**
Assets			
Non-current assets			
Fixed assets			
Tangible assets	6,640.24	6,127.38	5,539.06
Intangible assets	459.46	320.05	288.42
Capital work-in-progress	1,289.64	1,237.76	1,058.42
Non-current investments	15.68	15.68	15.42
Long-term loans and advances	570.33	542.48	571.97
Other non-current assets	35.43	32.38	26.08
	9,010.79	**8,275.73**	**7499.36**
Current assets			
Current investments	1.18	3.18	8.12
Inventories	2,200.00	1,811.25	1,460.24
Trade receivables	1,924.29	1,188.00	1,297.13
Cash and bank balances	133.61	110.48	107.82
Short-term loans and advances	551.48	543.24	404.08
Other current assets	19.11	25.22	27.37
	4,829.66	**3,681.36**	**3304.76**
Total	**13,840.45**	**11,957.09**	**10,804.12**

Consolidated Statement of Profit and Loss			*(in Rs. Millions)*
	For the year ended		
	31 March 2015	**31 March 2014**	**31 March 2013**
Revenue			
Revenue from operations (gross)	8,382.25	7,447.18	6,681.01
Less : Excise duty	129.49	58.26	75.75
Revenue from operations (net)	**8,252.76**	**7,388.93**	**6,605.26**
Other income	149.07	167.08	124.06
Total revenue	**8,401.83**	**7,556.00**	**6,729.32**
Expenses			
Cost of materials consumed (including packing material consumed)	1,672.62	1,600.97	1,775.66
Purchases of stock-in-trade	842.78	888.98	871.41
Changes in inventory of finished goods, work-in-progress and stock-in-trade	(91.68)	(157.71)	(219.09)
Employee benefits expense	1,369.16	1,127.73	1,022.89
Finance costs	316.76	366.19	263.07
Depreciation and amortisation expense	472.66	304.43	221.22
Other expenses	2,325.37	2,135.15	1,654.28
Prior period item	0.70	0.49	0.85
Total expenses	**6,908.38**	**6,266.24**	**5,590.29**
Profit before exceptional items and tax	**1,493.45**	**1,289.77**	**1,139.03**
Exceptional item	151.27	-	115.84
Profit before tax	**1,342.17**	**1,289.77**	**1,023.19**
Tax expense			
Current tax	351.17	322.64	230.42
Deferred tax (benefit)/expense	(311.67)	(13.94)	133.94
Profit after tax and before minority interest	**1,302.67**	**981.07**	**658.83**
Minority interest	(43.49)	(46.28)	(59.86)
Profit for the year	**1,346.16**	**1,027.34**	**718.69**
Earnings per equity share [EPES]			
Basic EPES in Rs.	40.64	32.16	23.01
Diluted EPES in Rs.	40.64	32.16	22.91
Nominal value per equity share	10	10	10
Weighted average number of equity shares considered in computation of basic EPES	33,120,055	31,945,951	31,236,767
Weighted average number of equity shares considered in computation of diluted EPES	33,120,055	31,945,951	31,370,115

Consolidated Cash Flow Statement				*(in Rs. Millions)*
		For the year ended		
		31 March 2015	31 March 2014	31 March 2013
Cash flows from operating activities				
Profit before tax		**1,342.17**	**1,289.77**	**1,023.19**
Adjustments :				
Depreciation and amortisation expense		472.66	304.43	221.22
Net gain on sale of current investments		(23.63)	(10.06)	(11.77)
Inventory written-off		7.02	7.81	8.40
Bad and doubtful trade receivables written off		0.06	1.92	(0.14)
Provision for employee benefits		(8.94)	25.51	17.89
Provision no longer required, written back		(38.77)	(6.75)	(31.88)
Employee stock option compensation		-	-	57.11
Interest income		(5.53)	(5.61)	(23.51)
Dividend income		-	(0.13)	0.00
(Gain)/Loss on sale of asset		(6.58)	(0.08)	1.54
Interest expenses		302.93	345.87	249.46
Unrealised foreign exchange gain		(17.76)	(5.71)	0.41
Operating profit before working capital changes		**2,023.62**	**1,946.98**	**1,511.94**
Increase/(decrease) in other current liabilities		101.33	116.97	(79.22)
Increase in trade payables		193.92	39.35	201.61
Decrease in long-term liabilities		(2.14)	(12.57)	(9.20)
Increase in inventories		(395.78)	(358.82)	(343.86)
Decrease / (increase) in trade receivables		(718.59)	112.92	(349.72)
Decrease/(increase) in other current assets		6.11	2.14	(0.34)
Increase in short-term loans and advances		(8.24)	(109.91)	(72.90)
Decrease / (increase) in long-term loans and advances		(36.18)	48.80	(20.31)
Cash generated from operating activities		**1,164.05**	**1,785.85**	**838.00**
Income taxes paid		(237.39)	(345.50)	(226.06)
Net cash generated from operating activities	**A**	**926.66**	**1,440.34**	**611.95**
Cash flows from investing activities				
Purchase of tangible assets		(1,167.14)	(1,060.40)	(1,078.25)
Purchase of intangible assets		(24.96)	(43.26)	(38.56)
Proceeds from sale of tangible assets		17.36	-	-
Proceeds from dissolution of partnership firm		-	-	18.85
Purchase of non-current investments		-	(0.26)	-
Purchase of current investments		-	-	(9.13)
Proceeds from sale of current investments		25.63	15.00	11.79
Interest received		3.59	5.86	28.73
Dividends received		-	0.13	0.00
Increase in other bank balances		(1.98)	(6.30)	(4.17)
Net cash used in investing activities	**B**	**(1,147.50)**	**(1,089.23)**	**(1,070.73)**
Cash flows from financing activities				
Proceeds from issuance of equity shares		-	1,085.28	2.25
(Repayment) / proceeds from long-term borrowings, net		14.81	(419.90)	40.33
(Repayment) / proceeds from short-term borrowings, net		699.12	(491.12)	661.01
Movement in minority interest		75.29	9.70	23.64
Interest paid		(299.15)	(343.13)	(320.55)
Dividends paid (including tax on distributed profits)		(199.33)	(193.49)	(143.58)
Net cash (used in) / from financing activities	**C**	**290.75**	**(352.66)**	**263.10**

Consolidated Cash Flow Statement				*(in Rs. Millions)*
		For the year ended		
		31 March 2015	**31 March 2014**	**31 March 2013**
Effect of currency translation adjustment	**D**	**(47.65)**	**4.18**	**(51.24)**
Net increase/(decrease) in cash and cash equivalents (A+B+C+D)		22.26	2.64	(246.93)
Cash and cash equivalents as at the beginning of the year		102.16	99.52	**346.44**
Cash and cash equivalents as at the end of the year		**124.42**	**102.16**	**99.52**
Cash and bank balances		133.61	110.48	**107.82**
Less: Other bank balances		9.19	8.32	**8.30**
Cash and cash equivalents considered for cash flow statement		**124.42**	**102.16**	**99.52**

RISK FACTORS

This offering and an investment in Equity Shares involve a high degree of risk. You should carefully consider the risks described below as well as other information contained in this Preliminary Placement Document before making an investment decision in the Issue. If any one or some combination of the risks described below actually occurs, our business, prospects, financial condition, results of operation and cash flows could be seriously harmed, the trading price of our Equity Shares could decline and you may lose all or part of your investment. Unless specified in the risk factors below, we are not in a position to quantify the financial implications of any of the risks mentioned below. We have described the risks and uncertainties that our management currently believes are material but the risks set out in this Preliminary Placement Document may not be exhaustive or complete and additional risks and uncertainties not presently known to us, or which we currently deem to be immaterial, may arise or may become material in the future. This section should be read together with "Industry Overview", "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" as well as the financial statements, including the notes thereto, and other financial information included elsewhere in this Preliminary Placement Document. This Preliminary Placement Document also contains forward-looking statements that involve risks and uncertainties. Our results could differ materially from such forward-looking statements as a result of certain factors including the considerations described below and elsewhere in this Preliminary Placement Document. Additional risks not described below or not currently known to us or that we currently deem immaterial may also adversely affect the market price of our Equity Shares. In making an investment decision, prospective investors must rely on their own examination of our Company and the terms of the Issue including the merits and the risks involved.

Risk relating to our business

1. If we are unable to successfully develop or commercialize new products, our operating results will suffer.

Our financial results depend upon our ability to introduce and commercialize new complex and niche APIs and FDFs in a timely manner. Our future results of operations will depend to a significant extent upon our ability to successfully develop and commercialize new products in a timely manner. Developing and commercializing a new product is time consuming, costly and subject to numerous factors, including:

- the ability to correctly anticipate customer needs;
- the ability to develop products in a timely manner and in compliance with regulatory requirements;
- the success of the clinical testing process to assure that new products are safe and effective;
- the risk that any of our products presently under development, if and when fully developed and tested, will not perform as expected;
- delays or unanticipated costs, including delays associated with regulatory approval process and the ability to obtain in a timely manner and maintain required regulatory approvals;
- legal actions against our generic products brought by brand competitors;
- locate and establish collaborations with suppliers and distributors to distribute our products in our targeted markets as well as to ensure the availability, on commercially reasonable terms, of raw materials, including APIs and other key ingredients; and
- our ability to scale-up manufacturing methods to successfully manufacture commercial quantities of products in compliance with regulatory requirements, in a timely manner and cost effectively.

The majority of our revenues are generated by sales of our generic products. Our future profitability depends, to a significant extent, upon our ability to introduce, on a timely basis, new generic products. Generally, revenue from new generic products is highest immediately following launch and then declines over time, as new competitors enter the market. Furthermore, the greatest revenue is generally experienced by the company that is able to bring its product to the market first. Our continued growth is therefore dependent upon our ability to continue to successfully introduce and commercialize new complex and niche APIs and formulations.

Introduction of new branded products involve uncertainties, higher costs and lengthy time frames associated with research and development of such products and the inherent unproven market acceptance of such products.

Our long-term competitiveness and growth of our operations depends, to a significant degree, on our ability to successfully develop, secure approvals for and commercialize, in a timely manner, new pharmaceutical products in all of our key markets through our research and development activities. If any of our products, when acquired or developed and approved, cannot be successfully or timely commercialized, our operating results could be

adversely affected. Further, we may fail to obtain approvals for our products from regulatory authorities and that will adversely affect our ability to commercialse the products. There can be no assurance that we will be able to successfully commercialize the pharmaceutical products that we develop within the time constraints necessary to be successful.

We cannot guarantee that any investment we make in developing products will be recouped, even if we are successful in commercializing those products. Due to the time it takes to develop a new pharmaceutical product and receive all necessary approvals, if at all, the competitive landscape for certain pharmaceutical products we develop may change or differ significantly from what we had anticipated, and our products may not hold the competitive advantages in pricing or efficacy that we had anticipated during development. If any of the new products is not well accepted by the market, such products may not yield an appropriate return on our related research and development costs.

In the event we fail to successfully and timely develop, secure approvals for and commercialize new pharmaceutical products, our business prospects and results of operations could be materially and adversely affected.

2. We have been involved in certain legal and other proceedings in the past and may become involved in litigations in the future, which could have adverse effects on our business.

We are currently involved in certain outstanding litigations primarily with respect to tax disputes, property disputes and infringement of intellectual property rights. For further details, see "*Legal Proceedings*" on page [●]. Litigations involving intellectual property rights issues, particularly patents, regardless of the merits or eventual outcome, are costly and time consuming and we could incur significant costs and/or a significant reduction in revenue in defending the action and from the resulting delays in manufacturing, marketing or selling any of our products subject to such claims.

As a part of our business strategy, we primarily deal in generic drugs. In the US market, we seek to launch generic pharmaceutical products either where patent protection or other regulatory exclusivity of equivalent branded products have expired, where patents have been declared invalid or where products do not infringe on the patents of others. However, at times, we may seek approval to market generic products before the expiration of patents relating to the branded versions of those products, based upon our belief that such patents are invalid or otherwise unenforceable, or would not be infringed by our products. Some of our ANDA filings are for Paragraph IV Certification. Consequently, we are prone to patent infringement litigation by the patent owner. The manufacture, use and sale of generic versions of products has been subject to substantial litigation in the pharmaceutical industry. These litigation relate to the validity and infringement of patents or proprietary rights of third parties. Recently, the US Court of Appeals for Federal Circuit has invalidated Teva's US patent for Glatiramer Acetate, in a litigation involving us, enabling us to market generic version of Glatiramer Acetate, subject to approval from USFDA. However, given our business strategy, we will continue to be involved in patent related litigation and there is no assurance that that we will be able to successfully defend ourselves. Further, defending patent related litigation is expensive. If our products were found to be infringing on the intellectual property rights of a third-party, we could be required to cease selling the infringing products, causing us to lose future sales revenue from such products and face substantial liabilities for patent infringement, in the form of either payment for the innovator's lost profits or a royalty on our sales of the infringing product. These damages may be significant and could materially adversely affect our business. Although, we have entered into strategic business arrangements with certain of our business partners in the USA, whereby expenses pertaining to litigation involving a particular product is passed on to our business partner in consideration of higher profit sharing to our business partner, involvement in any litigation for patent infringement shall adversely affect our revenue and business operations.

We cannot assure you that these legal proceedings will be decided in our favour. Furthermore, we cannot assure you that we will not be involved in material legal proceedings in the future, including civil, criminal, consumer, intellectual property and tax-related litigations. Litigations can divert significant management time and attention, and consume significant financial resources in their defense or prosecution. In addition, if any proceeding in which we may be involved in and is decided against us, or if penalties are assessed and/or sanctions imposed on us in the future, it may have a material adverse effect on our businesses and reputation and financial conditions.

3. We depend on third-party agreements for a portion of our product offering, including certain key products, and any failure to maintain these arrangements or enter into similar arrangements with new partners could result in a material adverse effect.

We are in the process of broadening our product offering and have entered into a variety of third-party agreements covering a combination of joint development, manufacturing, licensing, supply, marketing and/or distribution of products. For example, we have entered into a licence agreement with Gilead Sciences Ireland UC ("Gilead") whereby Gilead has granted us a license to manufacture of Sofosbuvir and Ledipasvir and products incorporating Sofosbuvir and Ledipasvir, a product supply agreement with Lupin Limited for supply of Lanthanum Carbonate for marketing, distribution and sale in USA by Lupin, and an exclusive license and supply agreement with Mylan for supply of Glatiramer Acetate for marketing and distribution in USA, Europe, Australia New Zealand, Canada and Japan by Mylan. 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. We are also subject to certain obligations under the aforesaid business arrangements such as supply of minimum adequate quantities of products, sharing of technological information, exclusivity arrangements, conformity to standards and quality and product liability, indemnity for breach of representation and warranties or negligence and wilful misconduct or arising out of product liability. Further, such business arrangements may be terminated by short notices. We expect that in near future a significant percentage of our total net product sales could be generated from products manufactured, supplied and distributed under arrangements like aforesaid. Our strategy also includes selectively partnering or collaborating with other pharmaceutical and related companies to assist us in potential commercialization of our products, in some or all jurisdictions.

We may not be successful in entering into new collaborations with third parties on acceptable terms, or at all. In addition, if we fail to negotiate and maintain suitable development and/or commercialization agreements, we may have to limit the size or scope of our activities or we may have to delay one or more of our development or commercialization programs. Any failure to enter into development or commercialization agreements with respect to the development, marketing and commercialization of any products or our failure to develop, market and commercialize such product independently will have an adverse effect on our business, financial condition and results of operation.

In many of the foreign markets in which we have a presence, we generally appoint a local third party entity who imports, registers and distributes our products. We have limited control over the operations and businesses of such local third party entities. If any third party in our sales channels treats our competitors' products more favourably than ours, or stops selling our products, and we are unable to find appropriate substitutes, our business, financial condition and results of operations may be adversely affected. Any inability by our distributors to sell our products would have an adverse effect on our operations. Further, we are required at times to provide a notice before termination. The period of such notices are short. This restricts our ability to find and appoint new distributors in short span of time. Our reliance on, and inability to control, local sale, marketing and distribution agents could adversely affect our business, financial condition and results of operations. We may not be able to find suitable partners or successfully enter into arrangements on commercially reasonable terms or at all. Additionally, our distribution partners may make important marketing and other commercial decisions concerning our products without our input. As a result of these arrangements, many of the variables that may affect our business, are not exclusively within our control. 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. As a result, our operations may be disrupted and our financial condition and results of operations could be adversely affected.

We cannot provide assurance such arrangements as aforesaid will continue to be successful, that we will be able to renew such agreements or that we will be able to enter into new agreements for additional products. Any alteration to or termination of our current distribution and marketing agreements, any failure to enter into new and similar agreements, or interruption of our product supply under the distribution and marketing agreements, could materially adversely affect our business, condition (financial and otherwise), prospects or results of operations.

4. 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 authorizations 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 licences and approvals and comply with the applicable laws and regulations could lead to imposition of sanctions by the relevant authorities including penalties.

Our business is substantially dependent on exports. Regulatory authorities in many of these 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 these products are approved in India or other markets. Applicable regulations have become increasingly stringent, a trend which may continue in the future. 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 have ongoing duties to regulatory authorities, such as the CDSCO and the USFDA, 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, financial condition and results of operations.

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. In many of the international markets in which we sell our products, the approval process for a new product is complex, lengthy and expensive. If we fail to obtain such approvals, licenses, registrations and permissions, in a timely manner or at all, our business, results of operations and financial condition could be adversely affected. 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. We are required to comply with environmental laws and regulations that could cause us to incur significant costs.

Our manufacturing facilities, and those of the third parties with whom we contract for manufacturing services, are subject to a broad range of safety, health, environmental, workplace and related laws and regulations in the jurisdictions in which we operate, which impose controls on the disposal and storage of raw materials, noise emissions, air and water discharges, on the storage, handling, discharge and disposal of chemicals, employee exposure to hazardous substances and other aspects of our operations, and we expect that additional requirements with respect to environmental matters will be imposed in the future. For example, local laws in India limit the amount of hazardous and pollutant discharge that our manufacturing facilities may release into the air and water. The discharge of raw 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. In addition, we may be required to incur costs to remedy the damage caused by such discharges, pay fines or other penalties for non-compliance. Our research and development and manufacturing involve the use of hazardous materials and chemicals and related equipment. If an accident occurs, we could be held liable for resulting damages, which could be substantial. Material future expenditures may be necessary if compliance standards change, if material unknown conditions that require remediation are discovered or if required remediation of known conditions becomes more extensive than expected. If these costs become prohibitive, we may be forced to curtail or cease certain of our manufacturing operations. If we fail to comply with present and future

environmental laws and regulations, we could be subject to substantial fines, criminal sanctions, revocation of operating permits, shutdown of our production facilities and the imposition of obligations to take corrective measures, which could harm our business, financial condition and results of operations. Environmental laws could also restrict our ability to expand our facilities or could require us to acquire costly equipment or to incur other significant expenses in connection with our manufacturing processes.

6. We are required to obtain, renew and maintain statutory and regulatory permits, licenses and approvals for our business operations from time to time. Any failure or delay to obtain or renew them may adversely affect our operations.

We require certain statutory and regulatory permits, licenses and approvals to carry out our business operations and applications for their renewal need to be made within certain timeframes. For example, the certificate for use of boiler in our Mekaguda, Telangana facility has expired and a renewal application has been made in this regard. While we have applied for a few of these approvals and permits, we cannot assure you that we will receive these approvals in a timely manner or at all. Further, in future we will be required to apply for the renewal of approvals and permits for our business operations to continue. If we are unable to make application and renew or obtain necessary permits, licenses and approvals on acceptable terms, in a timely manner or at all, our business operations may be adversely affected.

7. If we fail to obtain exclusive marketing rights under Paragraph IV ANDA filings for our generic products or fail to introduce these generic products on a timely basis, our revenues, gross margin and operating results may decline significantly.

We have substantial presence in the USA market with ANDA filings made for 36 products out of which 14 are approved, including two tentative approvals. The Hatch-Waxman amendments to the Federal Food, Drug, and Cosmetic Act (the "FDCA") provide for a period of 180 days of generic marketing exclusivity for any applicant that is first to file an ANDA containing a certification of invalidity, non-infringement or unenforceability related to a patent listed with respect to the corresponding branded drug (commonly referred to as a "Paragraph IV certification"). "First filers" are often able to price the applicable generic drug to yield relatively high gross margins during this 180-day marketing exclusivity period. We have made several ANDA filings for Paragraph IV certification which are under review with USFDA. Our Company intends to exploit the exclusivity period from the sales of generic drugs to generate higher revenues and from the sale of other generic products for which there otherwise was limited competition.

ANDAs that contain Paragraph IV certifications generally become the subject of patent litigation that can be both lengthy and costly. There is no certainty that we will prevail in any such litigation, that we will be the first to file and granted the 180-day marketing exclusivity period, or, if we are granted the 180-day marketing exclusivity period, that we will not forfeit such period. Even where we are awarded marketing exclusivity, we may be required to share our exclusivity period with other first filers. Furthermore, timely commencement of the litigation by the patent owner imposes a stay of ANDA approval by the USFDA for certain period, unless the case is decided in the ANDA applicant's favour during that period. Finally, if the court decision is adverse to the ANDA applicant, the ANDA approval will be delayed until the challenged patent expires, and the applicant forfeits the 180 day marketing exclusivity.

8. 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.

9. Due to our dependence on a limited number of products, our business could be materially adversely affected if our key products do not perform as well as expected or if competing products become available and gain wider market acceptance.

We generate a significant portion of our total revenues and gross margin from the sale of a limited number of products. For the year ended March 31, 2015, sale of our top five FDF products on standalone basis is 50.66% of the total FDF product sales. Further, sale of our top five API products on standalone basis is 77.75% of our total API product sales, for the year ended March 31, 2015. Our revenues from these products may decline as a result of increased competition, regulatory action, pricing pressures or fluctuations in the demand or supply. Similarly, in the event of any breakthroughs in the development of alternative drugs for these products, our products may become obsolete or be substituted by such alternatives.

Our key products could be rendered obsolete or uneconomical by numerous factors, many of which are beyond our control, including:

- pricing actions by competitors;
- development by others of new pharmaceutical products that are more effective than ours;
- entrance of new competitors into our markets;
- loss of key relationships with suppliers or end-user customers;
- technological advances;
- manufacturing or supply interruptions;
- changes in the prescribing practices of physicians;
- product liability claims; and
- product recalls or safety alerts.

Our failure to effectively react to these situations or to successfully introduce new alternate products, could adversely affect our business, prospects, results of operations and financial condition. Any material adverse developments, including increased competition and supply shortages, with respect to the sale or use of these products, or our failure to successfully introduce new key products, could have a material adverse effect on our revenues and gross margin.

10. We are exposed to Government price controls which could negatively affect our results of operations.

In addition to normal price competition, the prices of our pharmaceutical products are or may be restricted by price controls imposed by governments and healthcare providers in India, or in other countries to which we export our products. Price controls can operate differently across countries and can cause wide variations in prices between markets. The existence of price controls may limit the revenue we earn from our products.

For example, in India, prices of certain pharmaceutical products are determined by the Drug Prices Control Order, 2013, promulgated by the Indian government. The National List of Essential Medicines, 2011 includes list of 348 medicines whose prices are regulated pursuant to the Drug Prices Control Order, 2013. Further, the National Pharmaceuticals Pricing Policy, 2012 lays down the principles for pricing essential drugs as specified in the National List of Essential Medicines, 2011, to ensure the availability of such medicines at reasonable prices. Some of our products are covered and may in future be covered under the National List of Essential Medicines, 2011 and will be subject to the ceiling prices as notified from time to time. If the price of one or more of our products is regulated by competent authorities, in India or outside, our business and results of operations could be adversely affected. Further, any future changes in prices of any of our products due to the changes in the laws and regulations cannot be anticipated and there can be no assurance that any of such changes will not adversely affect our results of operations.

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

We have entered into a non-exclusive licensing agreement with Gilead Sciences for manufacturing a generic version of Sofosbuvir and Ledipasvir and selling it in 101 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 Sciences, under its brand 'Sovaldi'. The Gilead Agreement has enabled us to enter new markets with generic version of Sofosbuvir and subsequently, an opportunity grow in these markets with introduction of our other existing products. Gilead Sciences has the right to terminate the Gilead Agreement with short notice. If the Gilead Agreement is terminated by Gilead, our Company's business plan of expansion to RoW markets, many of which form part of the Territories, through sale of generic Sofosbuvir and subsequently introduction and sale of other existing products of our Company, may get adversely affected.

12. 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 reorganization; (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 Boards restricted ability to decide on the reserved matter may adversely affect our business operations and performance.

13. We face intense competition in the pharmaceutical industry from both brand and generic companies, which could significantly limit our growth and materially adversely affect our financial results.

The pharmaceutical industry is highly competitive. The principal competitive factors in the pharmaceutical market include:

- introduction of other generic drug manufacturers' products in direct competition with our products;
- introduction of authorized generic products in direct competition with our products, particularly during exclusivity periods;
- ability of generic competitors to quickly enter the market after the expiration of patents or exclusivity periods, diminishing the amount and duration of significant profits;
- the willingness of generic drug customers, including wholesale and retail customers, to switch among products of different pharmaceutical manufacturers;
- pricing pressures by competitors and customers;
- a company's reputation as a manufacturer and distributor of quality products;
- a company's level of service (including maintaining sufficient inventory levels for timely deliveries);
- product appearance and labelling; and
- a company's breadth of product offerings

Many of our competitors have longer operating histories and greater financial, research and development, marketing and other resources than we do. Consequently, many of our competitors may be able to develop products and/or processes competitive with, or superior to, our own. Furthermore, we may not be able to differentiate our products from those of our competitors; to successfully develop or introduce new products on a timely basis or at all that are less costly than those of our competitors; or to offer customers payment and other commercial terms as favourable as those offered by our competitors. The markets in which we compete and intend to compete are undergoing, and are expected to continue to undergo, rapid and significant change. We expect competition to intensify as technological advances and consolidations continue. New developments by other manufacturers and distributors could render our products uncompetitive or obsolete.

We believe that our principal generic competitors are Sun Pharmaceuticals Industries Limited, Cipla Limited and Dr. Reddy's Laboratories Limited. These companies, among others, collectively compete with the majority of our products. We also face price competition generally as other generic manufacturers enter the market. Any such price competition may be especially pronounced where our competitors source their products from jurisdictions where production costs may be lower (sometimes significantly) than our production costs, especially lower-cost foreign jurisdictions. 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. Any of these factors, in turn, could result

in reductions in our sales prices and gross margin. This price competition has led to an increase in customer demands for downward price adjustments by generic pharmaceutical distributors.

In the USA, competition in the generic drug industry has also increased due to the proliferation of authorized generic pharmaceutical products. Authorized generics are generic pharmaceutical products that are introduced by brand companies, either directly or through third parties, under the brand's new drug application ("NDA") approval for its own branded drug. Authorized generics do not face any regulatory barriers to introduction and are not prohibited from sale during the 180 day marketing exclusivity period granted to the first-to-file ANDA applicant. The sale of authorized generics adversely impacts the market share of a generic product that has been granted 180 days of marketing exclusivity. This is a prospective significant source of competition for us, because an authorized generic can materially decrease the profits that we could receive as an otherwise exclusive marketer of a product. Such actions have the effect of reducing the potential market share and profitability of our generic products and may inhibit us from developing and introducing generic pharmaceutical products corresponding to certain branded drugs.

14. As our competitors introduce their own generic equivalents of our generic pharmaceutical products, our revenues and gross margin from such products generally decline, often rapidly.

Revenues and gross margin derived from generic pharmaceutical products often follow a pattern based on regulatory and competitive factors that we believe are unique to the generic pharmaceutical industry. Typically in jurisdictions like USA, as the patent(s) for a brand name product or the statutory marketing exclusivity period (if any) expires, the first generic manufacturer to receive regulatory approval for a generic equivalent of the product often is able to capture a substantial share of the market. However, as other generic manufacturers receive regulatory approvals for their own generic versions, that market share, and the price of that product, will typically decline depending on several factors, including the number of competitors, the price of the branded product and the pricing strategy of the new competitors. We cannot provide assurance that we will be able to continue to develop such products or that the number of competitors with such products will not increase to such an extent that we may stop marketing a product for which we previously obtained approval, which may have a material adverse impact on our revenues and gross margin.

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 have a material adverse effect on our business, financial position and results of operations.

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 increases. The availability and prices of raw materials and APIs required for our production of pharmaceutical products may be impacted by factors such as general market conditions, including increased demand for such materials and ingredients, weather conditions and the occurrence of natural disasters, many of which are outside of our control. 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. The available amounts of raw materials may not adjust in response to increasing demand of our customers. Further, for certain raw materials, we rely on limited suppliers because of the nature of the supply and scarce availability. In the event that any of our suppliers fail to continue to supply us with adequate quantities of raw materials and APIs at commercially reasonable prices or if we are not be able to procure raw materials and APIs from other sources on commercially-acceptable term, our ability to fulfil existing business commitments and procure new business would be adversely affected.

We may also be unable to respond to increases in the prices for raw materials and APIs, and unable to pass on such price increases to our customers. 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. In addition, 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 rely on third party entities for clinical trials and failure to comply with applicable regulations and guidelines and delay in conducting clinical trials may adversely affect our business operations

We also have engaged, and may in the future engage, a clinical research organization to run all aspects of a clinical trial on our behalf. There is no assurance that such individuals or organizations will be able to provide the functions, tests, biologic supply or services as agreed upon or in a quality fashion and we could suffer significant delays in the development of our products or processes. In some cases there may be only one or few providers of such services, including clinical data management services. In addition, the cost of such services could be significantly increased over time. Our reliance on these third parties and collaborators for clinical development activities reduces our control over these activities. Our reliance on these parties, however, does not relieve us of our regulatory responsibilities, including ensuring that our clinical trials are conducted in accordance with current good clinical practices regulations and the investigational plan and protocols contained in the regulatory agency applications. In addition, these third parties may not complete activities on schedule. If these third parties or collaborators do not successfully carry out their contractual duties or meet expected deadlines, obtaining regulatory approval for manufacturing and commercialization of our product candidates may be delayed or prevented. We rely substantially on third-party data managers for our clinical trial data. There is no assurance that these third parties will not make errors in the design, management or retention of our data or data systems. There is no assurance these third parties will successfully pass regulatory audits, which could delay or prohibit regulatory approval.

17. Our business is dependent on our manufacturing facilities, and the loss or shutdown of operations at any of our manufacturing facilities may have a material adverse effect on our business, financial condition and results of operations.

A significant portion of our revenue was generated by sales of products produced at our manufacturing facilities in India. Our manufacturing facilities can be substantially interrupted or perform below expected levels of output or efficiency due to a number of factors, many of which are outside of our control, including fire, flood, earthquakes, power outages, fuel shortages, breakdown or failure of equipment, terrorist attacks or wars, or other natural disasters, as well as obsolescence, labour disputes, strikes, lock-outs and industrial accidents. Our manufacturing facilities are also subject to operating risk arising from compliance with the directives of relevant government authorities, as non-compliance may lead to a loss of licenses, certifications and permits. We maintain industrial all risk insurance to mitigate such risks. For more information, see "*Business -Insurance*" on page [●]. Our business, financial condition and results of operations may be materially and adversely affected by any prolonged disruption or shutdown of operations at our manufacturing facilities, including due to any of the factors mentioned above or due to any political or country risks described elsewhere herein.

18. We may make acquisitions of, or investments in, complementary businesses or products, or seek to engage in strategic transactions which may be on terms that may not turn out to be commercially advantageous, may require additional debt or equity financing, and may involve numerous risks, including those set forth above.

We regularly review the potential acquisition of technologies, products, product rights and complementary businesses and are currently evaluating, and intend to continue to evaluate, potential product and/or company acquisitions and other business development opportunities to increase our geographic presence and product portfolio. Further, we may seek to engage in strategic transactions with third parties, such as strategic partnerships, joint ventures, restructurings, divestitures, business combinations and other investments. We may choose to enter into such transactions at any time. Nonetheless, we cannot provide assurance that we will be able to identify suitable acquisition, strategic transactions or investment opportunities. To the extent that we do identify opportunities that we believe to be suitable, we cannot provide assurance that we will be able to reach an agreement with the other party or parties, that the terms we may agree to will be commercially advantageous to us, or that we will be able to successfully consummate such investments, acquisitions or transactions even after definitive documents have been signed. If we make any acquisitions, investments or transactions, we may finance such acquisitions or investments through our cash reserves or through debt financing. If we require financing, we cannot provide assurance that we will be able to obtain required financing when needed on commercially acceptable terms or at all. Further, any such investments, acquisitions or transactions may require us to incur non-recurring and other charges, increase our near and long-term expenditures, pose significant integration challenges, require additional expertise, result in dilution of our existing stockholders and disrupt our management and business, which could harm our business, financial position and results of operations. We may face significant competition in seeking appropriate investment, acquisition and transaction, and the negotiation process can be time-consuming and complex. There is no assurance that, following the consummation of the

investment, acquisition or transaction, we will achieve the revenues or specific net income that justifies such investment, acquisition or transaction.

19. 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 in spite of having conducted a search in the records of 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.

20. Our expansion into international markets subjects us to increased regulatory oversight and regulatory, economic, social and political uncertainties, which could cause a material adverse effect on our business, financial position and results of operations.

We are subject to certain risks associated with our focus to commercialize products in the USA, Latin America and other European markets. We have limited experience in operating in these jurisdictions, and seeking regulatory approvals, marketing or selling products in these markets. Our operations in these jurisdictions may be adversely affected by general economic conditions and economic and fiscal policy, including changes in exchange rates and controls, interest rates and taxation policies, increased government regulation. Certain jurisdictions have, from time to time, experienced instances of civil unrest and hostilities, both internally and with neighbouring countries. Rioting, military activity, terrorist attacks, or armed hostilities could cause our operations there to be adversely affected or suspended.

The local laws in certain jurisdiction impose restrictions on the grant of product registrations and manufacturing licenses to foreign entities. These laws compel us to enter into agreements with local distributors or manufacturers in order to apply for and obtain these registrations and licenses in their name. If the parties that hold such approvals default in complying with the terms of such approvals and, as a result, we are unable to market or manufacture our products in those countries, it would have an adverse effect on our business, financial condition and results of operations.

There are a number of risks in doing business abroad, including political and economic uncertainty, social unrest, sudden changes in laws and regulations, changes in trade relationships between countries and shortages of trained professionals. These risks may impact our ability to expand our operations in different regions and otherwise achieve our objectives relating to our foreign operations, including utilizing these locations as suppliers to other markets. In addition, compliance with multiple and potentially conflicting foreign laws and regulations, import and export limitations and exchange controls is burdensome and expensive. Our foreign operations also subject us to the risks of international terrorism and hostilities and to foreign currency risks, including exchange rate fluctuations and limits on the repatriation of funds.

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 various governmental ministries, including tax administrations and appellate authorities, thus creating uncertainty and potential unexpected results. Due to our limited operating history in these international jurisdictions, the applicability of the different accounting and taxation standards are subject to complex interpretation and as a result we may be exposed to 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 various government or tax authorities, may result in our tax risks being significantly higher than expected. Any of the above events may result in an adverse effect on the business, financial condition and results of operations.

21. We expend a significant amount of resources on research and development, which may not lead to successful product introductions.

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. We spent approximately Rs. 406.59 million

and Rs. 517.17 million on standalone basis on research and development activities during the years ended March 31, 2014 and March 31, 2015, respectively. Typically, research expenses related to the development of innovative compounds and the filing of regulatory applications for new chemical entity products are significantly greater and time consuming than those expenses associated with regulatory applications for generic drugs. Much of our development effort is focused on complex, niche and difficult-to-formulate products and/or products that require advanced manufacturing technology. We expend resources on research and development primarily to enable us to manufacture and market regulatory approved pharmaceuticals in accordance with applicable regulations. Because of the inherent risk associated with research and development efforts in the industry, particularly with respect to new drugs, our research and development expenditures may not result in the successful introduction of approved new pharmaceutical products. Finally, we cannot be certain that any investment made in developing products will be recovered, even if we are successful in commercialization. Our ongoing investments in new product launches and research and development for future products could result in higher costs without a proportionate increase in revenues. 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 commercialize similar products before us. To the extent that we expend significant resources on research and development efforts and are not ultimately able to introduce successful new products as a result of those efforts, our business, financial position and results of operations may be materially adversely affected.

22. We may be subject to claims of infringement of third-party intellectual property rights, which could adversely affect our business.

While we take care to ensure that we comply with the intellectual property rights of third parties and that there are no pending claims against us for infringement of third party intellectual property rights, we cannot determine with certainty whether we are infringing upon any existing third-party intellectual property rights. Any claims of intellectual property infringement from third parties, regardless of merit or resolution of such claims, could force us to incur significant costs in responding to, defending and resolving such claims, and may divert the efforts and attention of our management and technical personnel away from our business. The risk of being subject to intellectual property infringement claims will increase as we continue to expand our operations and product offerings. 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.

23. If we are unable to adequately protect our intellectual property, or if the scope of our intellectual property fails to sufficiently protect our proprietary rights, other pharmaceutical companies could compete against us more directly, which may have a material adverse impact on our business and results of operations.

Our commercial success depends in part on our ability to protect our existing intellectual property and to obtain other intellectual property rights. Please see "*Business – Intellectual Property*" on page [●] for further details of our material intellectual property. If we do not adequately protect our intellectual property, competitors may be able to imitate our products, use our technologies and erode or negate any competitive advantage we may have, which could harm our business and ability to achieve profitability. Furthermore, we cannot assure you that any of our pending patent applications will mature into issued patents, or that such patents, if issued, will provide us with adequate proprietary protection or competitive advantages.

We have not applied for trademark registration of the name of our Company 'Natco'. We have obtained trademark registration for our logo NATCO under class 30 of the Trademarks Act, 1999, with the Registrar. However, trademark registration for our logo NATCO under class 5 of the Trademarks Act, 1999, with the Registrar of Trademarks is pending. We have also applied for certain registrations in connection with the protection of trademarks of our products. We have, in past occasion, made delayed renewal application for registration of trademarks. Further, certain of our trademarks, including those for products which we currently sell, could be unregistered, expired, removed, opposed, withdrawn, refused, objected or are otherwise under dispute. If any of our unregistered trademarks are registered in favour of a third party, we may not be able to claim registered ownership of such trademarks, and consequently, we may be unable to seek remedies for

infringement of those trademarks by third parties other than relief against passing off by other entities. Our inability to obtain or maintain these registrations may adversely affect our competitive business position.

Further, 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.

Detecting and policing unauthorized use of proprietary technology are difficult and expensive. We may need to resort to litigation to enforce or defend patents issued to us or determine the enforceability, scope and validity of our proprietary rights or those of others. An adverse determination in any such litigation could materially impair our intellectual property rights. If our intellectual property rights are inadequate as a result of the narrow scope of the patents granted or third parties' infringement, or we otherwise fail to sufficiently protect our intellectual property, our business, financial condition and results of operations could be adversely affected.

24. Restrictions imposed in the secured credit facilities and our other outstanding indebtedness may limit our ability to operate our business and to finance our future operations or capital needs or to engage in other business activities.

As of March 31, 2015, we had aggregate loans, both secured and unsecured, short term and long term, including current maturities of long term borrowings of Rs. 3,118.39 million on a consolidated basis. The terms of the secured credit facilities restrict us from engaging in specified types of transactions.

Most of our financing arrangements are secured by our movable and immovable assets. Our financing agreements generally include various conditions and covenants that require us to obtain lender consents prior to carrying out certain activities and entering into certain transactions and also covenants such as (a) changing the capital structure of our Company including change in shareholding of the Promoters; (b) formulating any scheme of amalgamation or reconstruction; (c) undertaking any new project, implementation of any scheme of expansion or acquisition of capital assets; (d) declaring dividend except out of profits of that year; (e) change in the management set-up; (f) undertaking any guarantee obligations on behalf of any third party; (g) investments by way of share capital in or lend to any other concern; and (h) any amendments to the Memorandum and Articles of our Company. Further, our consortium working capital facility availed from various banks and lead by Allahabad Bank provides a right to the consortium banks to utilize 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.

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. 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 raise, or face difficulties raising, further financing. In addition, other third parties and customers may 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, results of operations and financial condition. Moreover, any such action initiated by our lenders could adversely affect the price of the Equity Shares.

Our ability to make payments on our indebtedness will depend on our future performance and our ability to generate cash, which to a certain extent is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, many of which are beyond our control. If our future cash flows from operations and other capital resources are insufficient to pay our debt obligations, meet our contractual obligations, or to fund our other liquidity needs, we may be forced to sell assets or attempt to restructure or refinance our existing indebtedness. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our creditworthiness and/or any credit rating we may hold, which could harm our ability to incur additional indebtedness on acceptable terms.

25. Any change in the regulations, enforcement procedures or regulatory policies established by a regulatory agencies could increase the costs or time of development of our products and delay or prevent sales of our products and our revenues could decline and we may not achieve profitability.

Our products generally must receive regulatory clearance from appropriate regulatory authority before they can be sold. Any change in the regulations, enforcement procedures or regulatory policies set by the regulatory agencies could increase the costs or time of development of our products and delay or prevent sales of our products. We cannot determine what could be the future effect on our business pursuant to changes in regulations, statutes, legal interpretation or policies, when and if promulgated, enacted or adopted. These could vary from changes in manufacturing methods to labelling process to changes in regulatory filing process. Such changes, or new legislation, could increase the costs or delay or prevent sales of our products and our revenues may decline and we may not be able to achieve profitability. With respect to environmental, safety and health laws and regulations, we cannot accurately predict the outcome or timing of future expenditures that we may be required to make in order to comply with such laws as they apply to our operations and manufacturing facilities. In addition, increase in the time that is required for us to obtain regulatory approval could delay our commercialization of new products.

26. We depend upon our key managerial personnel, the loss of whom could adversely affect our operations. If we fail to attract and retain the talent required for our business, our business could be materially harmed.

We depend to a significant degree on the principal members of our management, including our research and development team. The loss of services from any of the persons from our management may significantly delay or prevent the achievement of our product development or business objectives. We carry key man life insurance on V. C. Nannapaneni and Rajeev Nannapaneni; we do not carry key man life insurance on any other key personnel. Our key employees may terminate his or her employment at any time without notice or short notice and without cause or good reason, and we may have little or no legal recourse to retain them. Our success depends upon our ability to attract and retain highly qualified personnel. The loss of the services of senior management could seriously impair our ability to continue to manage and expand our business. Our executives and researchers possess technical and business capabilities that may not be easily replaceable. Competition among pharmaceutical companies for qualified employees is intense, and the ability to attract and retain qualified individuals is critical to our success. We may not be able to attract and retain these individuals on acceptable terms or at all, and our inability to do so could significantly impair our ability to compete. If we lose the services of any of our personnel, executives or researchers 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.

27. Our inability to manage our planned growth could harm our business.

As we expand our business, we expect that our operating expenses and capital requirements will increase. As our product portfolio and product pipeline grow, we may require additional personnel on our project management, in-house quality assurance and facility compliance teams to work with our partners on quality assurance, regulatory affairs and compliance and product development. As a result, our operating expenses and capital requirements may increase significantly. Our ability to manage our growth effectively requires us to forecast accurately our sales, growth and manufacturing capacity and to expend funds to improve our operational, financial and management controls, reporting systems and procedures. If we are unable to manage our anticipated growth effectively, our business could be harmed.

28. We may become subject to claims and legal proceedings involving product liability claims that may adversely affect our business, financial condition and results of operations.

Pharmaceutical manufacturers are subject to significant regulatory scrutiny in many jurisdictions. We are also required to meet various quality standards and specifications for our customers under our supply contracts. Furthermore, we are liable for the quality of our products for the entire duration of the shelf life of the product. After our products reach the market, certain developments could adversely affect demand for our products, including the re-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. Our business of developing, producing, marketing, promoting and selling pharmaceutical products in various jurisdictions inherently exposes us to potential product liability claims and litigation. In particular, unanticipated side effects, safety or efficacy concerns may become evident only when drugs are introduced into the marketplace and our customers or governments may bring civil or criminal proceedings against us for alleged product defects. In other instances, third parties may perform analyses of published clinical trial results which raise questions regarding the safety of pharmaceutical products, and which may be publicized by the media. Even if such reports are inaccurate or misleading, in whole or in part, they may nonetheless result in claims against us for alleged product defects. There can be no assurances that we will not become subject to product liability claims or that we will be able to successfully defend ourselves against any such claims. The outcome of litigation and other legal proceedings that we may be involved in the future is difficult to assess or quantify. Plaintiffs may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. Defense and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the litigation process could take away from the time and effort of our management. If we are unable to defend ourselves against such claims, we may be subject to civil liability for physical injury, death or other losses caused by our products and to criminal liability and the revocation of our business licenses if our pharmaceutical products are found to be defective. In addition, we may be required to recall the relevant pharmaceutical products, suspend sales or cease sales. While we maintain product liability insurance and recall coverage to cover damages that may arise from product liability claims and product recalls, any product recall or the existence of any particular product liability claim or legal proceedings, including any allegation that our pharmaceutical products are harmful, whether or not ultimately proven, may adversely affect our reputation and sales volumes.

29. The time necessary to develop generic drugs may adversely affect whether, and the extent to which, we receive a return on our capital.

We generally begin our development activities for an API for a product expected to become generic several years in advance of the patent expiration date of the brand-name drug equivalent. The development process, including drug formulation (where applicable), testing, and regulatory review and approval, often takes three or more years. This process requires that we expend considerable capital to pursue activities that do not yield an immediate or near-term return. Also, because of the significant time necessary to develop a product, the actual market for a product at the time it is available for sale may be significantly less than the originally projected market for the product. If this were to occur, our potential return on our investment in developing the product, if approved for marketing by the regulatory authority, would be adversely affected and we may never receive a return on our investment in the product.

30. Volatility in exchange rate fluctuations may adversely affect our results of operations.

Our financial statements are prepared in Indian rupees. However, substantially portion of our sales and expenditures occur in markets outside of India and in each market's respective local currency, including the US dollar and Euro, among others. The exchange rates between the Indian rupee, the US dollar and Euro have varied substantially in recent years and may continue to fluctuate significantly in the future. In preparing our financial statements, we translate revenue and expenses in our markets outside India from their local currencies into Indian rupees using the exchange rates prevailing at the time of such transactions. If the Indian rupee strengthens relative to local currencies, our reported revenue, gross profit and net income will be reduced to that effect. Further, a significant portion of our raw material costs are in foreign currency. Therefore, foreign currency fluctuations can also result in losses and gains resulting from translation of foreign currency denominated balances on our balance sheet. Exchange rate fluctuations could affect the amount of income and expenditure we recognize or our ability to service our debt obligations. Given the complex global political and economic dynamics that affect exchange rate fluctuations, it is difficult to predict future fluctuations and the effect these fluctuations may have adverse effect upon future reported results or our overall financial condition.

Further, we have availed certain credit facilities in foreign currencies and any fluctuation in the currency exchange rate may increase our repayment obligations. Significant currency exchange rate fluctuations and currency devaluations could have an adverse effect on our results of operations from period to period.

31. 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 June 30, 2015, our Promoters and promoter group hold 53.76% 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.

32. Our insurance coverage is limited; if we experience uninsured losses, it could adversely affect our financial condition and results of operations.

Our insurance coverage is limited. Please see "*Business–Insurance*" on page [●] for further details of our insurance coverage. If we experience product liability claims, disruptions to our business or if key persons cease providing their services to us for any reason, we might incur substantial costs, diversion of resources or be unable to replace such key persons in a timely manner or at all, the damages from which may not be fully covered by insurance. In addition, there are certain types of losses, such as losses from war, acts of terrorism, earthquakes, typhoons, flooding and other natural disasters for which we cannot obtain insurance at a reasonable cost or at all. Should an uninsured loss or a loss in excess of insured limits occur, we could suffer financial losses, lose all or a portion of our production capacity, as well as future revenue anticipated to be derived from the manufacturing activities conducted at that property. If we experience uninsured losses or losses in excess of our insurance coverage, it could adversely affect our financial condition and results of operations.

33. Under Indian law, foreign investment in our Company requires the prior approval of the FIPB. This may limit our ability to attract foreign investors, which may adversely impact the trading price of the Equity Shares

Our Company has received an approval from the FIPB dated August 18, 2015 for foreign equity participation up to 37.22% of the issued and paid-up capital which comprises of an increase in the aggregate FII/FPI investment limit to 31.5% and allotment of eligible securities to QIBs pursuant to Chapter VIII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended for an approximate foreign investment amount of Rs. 4,500 million. Consequently, our Company cannot accept foreign investment beyond the stipulated limit by the FIPB, which may adversely affect our Company's ability to access foreign investors. The aforesaid FIPB approval is also subject to certain conditions stipulated by FIPB including maintaining of certain level of production of consumables and drugs falling under National List of Essential Medicines for the domestic market and maintaining certain level of research and development expenses. For further details, see "*General Information*" on page [●]. Our failure to comply with the stipulated conditions would amount to non-compliance and our FIPB approval may be subject to revocation or modification and the regulatory authorities may initiate action against us for such non-compliance.

34. We may face labour disruptions that could interfere with our operations.

We are exposed to the risk of labour stoppages at our manufacturing plants. While none of our employees are members of unions and we have not experienced difficulties with our labour relations in the past, we may experience a strike, work stoppage or other industrial action in the future. Although we believe that we have good industrial relations with our employees presently, there can be no assurance that our employees will not undertake or participate in strikes, work stoppages or other industrial actions in the future. 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, further affecting our revenue and margins.

The success of our manufacturing activities depends on, among other things, the productivity of our workforce, compliance with regulatory requirements and the continued functioning of our manufacturing processes and machinery. Disruptions in our manufacturing activities could delay production or require us to shut down the affected manufacturing facility. 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. Such an event will result in us being unable to meet with our contractual commitments and supply chain, which will have an adverse effect on our business, results of operation and financial condition.

Additionally, we rely on certain third party contract manufacturers for the supply of certain products. In the event that there are disruptions in the manufacturing facilities of such third party contract manufacturers, it will impact our ability to deliver such products and meet with our contractual commitments.

35. We require substantial financing for our business operations and business growth, and the failure to obtain additional financing on terms commercially acceptable to us may adversely affect our ability to grow and our future profitability.

We require substantial capital for our business operations and its growth. Debt financing could increase our interest costs and require us to comply with additional restrictive covenants in our financing agreements. Additional equity financing could dilute our earnings per Equity Share and your interest in the Company, and could adversely impact our Equity Share price. Our ability to obtain additional financing on favourable terms, if at all, will depend on a number of factors, including our future financial condition, results of operations and cash flows, the amount and terms of our existing indebtedness, general market conditions and market conditions for financing activities and the economic, political and other conditions in the markets where we operate. Further, we cannot assure you that we will be able to raise additional financing on acceptable terms in a timely manner or at all. Our failure to renew arrangements for existing funding or to obtain additional financing on acceptable terms and in a timely manner could adversely impact our planned capital expenditure and implementation of growth strategy, our business, results of operations and financial condition.

36. We have in the past entered into related party transactions and may continue to do so in the future.

We have entered into certain transactions with related parties. While we believe that all such transactions have been conducted on an arm's length basis, there can be no assurance that we could not have achieved more favourable terms had such transactions not been entered into with related parties. Furthermore, it is likely that we may enter into related party transactions in the future. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations. For further details, see "*Related Party Transactions*" on page [●].

37. We have contingent liabilities and our financial condition could be adversely affected if any of these contingent liabilities materializes.

As of March 31, 2015, contingent liabilities disclosed in our consolidated financial information aggregated to Rs. 13.10 million. Our contingent liabilities are mainly on account of sales tax, service tax, customs and income tax disputes pending before various forums. If any of these contingent liabilities materialize, our financial condition and results of operation may be adversely affected. For further details, see "*Financial Information*" on page [●].

Risks relating to India

38. Political, economic and social developments in India could adversely affect our business.

The Central and State Governments serve multiple roles in the Indian economy, including as consumers and regulators, which have significant influence on the pharmaceutical industry and us. Economic liberalization policies have encouraged private investment in the pharmaceutical sector, and changes in these governmental policies could have a significant impact on the business and economic conditions in India in general and the pharmaceutical sector in particular, which in turn could adversely affect our business, future financial condition and results of operations. Any political instability in India may adversely affect the Indian securities markets in general, which could also adversely affect the trading price of our Equity Shares.

39. Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets and our business.

Terrorist attacks and other acts of violence or war may negatively affect the Indian markets on which our Equity Shares trade and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately adversely affect our business. India has also witnessed civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic and political events in India could have a negative impact on us. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and the price of our Equity Shares.

40. A slowdown in economic growth in India or financial instability in Indian financial markets could materially and adversely affect our results of operations and financial condition.

The performance, quality and growth of our business are dependent on the health of the overall Indian economy. There can be no assurance that future fluctuations of the economic or business cycle, or other events that could influence the gross domestic product, will not have an adverse effect on our financial results and business prospects, as well as the price of our Equity Shares.

The Indian financial market and the Indian economy are influenced by economic and market conditions in other countries, particularly in Asian emerging market countries. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss in investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. Financial disruptions may occur again and could harm our results of operations and financial condition.

41. Our ability to raise foreign capital may be constrained by Indian law.

As an Indian company, we are subject to exchange controls that regulate raising of capital in foreign currencies. Such regulatory restrictions limit our financing sources for our expansion projects under development or acquisitions and other strategic transactions, and hence could constrain our ability to obtain financings on competitive terms and refinance existing indebtedness. In addition, we cannot assure you that the required approvals will be granted to us without onerous conditions, or at all. Limitations on foreign debt may have a material adverse impact on our business growth, financial condition and results of operations.

42. Government regulation of foreign ownership of Indian securities may have an adverse effect on the price of the Equity Shares.

Under 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 pricing and reporting requirements specified by the RBI. If the transfer of shares is not in compliance with such pricing or reporting requirements and does not fall under any of the exceptions referred to above, then the prior approval of the RBI will be required. Additionally, shareholders who seek to convert 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 a tax clearance certificate from the income tax authority. We cannot assure you that any required approval from the RBI or any other Government agency can be obtained on any particular terms or at all.

43. Any downgrading of India's debt rating by an independent agency may harm our ability to raise debt financing.

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely affect our ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse effect on our capital expenditure plans, business and financial performance.

44. It may not be possible to enforce any judgment obtained outside India, including in the United States, against our Company or any of our affiliates in India, except by way of a suit in India on such judgment.

Our Company is a public limited liability company incorporated under the laws of India. Except Rajeev Nannapaneni, all the Directors and the key managerial personnel of our Company named herein are residents of India and all or a substantial portion of the assets of our Company and such persons are located in India. As a result, it may not be possible for investors in our Equity Shares to effect service of process outside of India on us or our Directors and executive officers and experts named in this Preliminary Placement Document who are residents of India or to enforce judgments obtained against us or these persons in foreign courts predicated upon the liability provisions of foreign countries. Moreover, it is unlikely that a court in India would award damages on the same basis as a foreign court if an action were brought in India or that an Indian court would enforce foreign judgments if it viewed the amount of damages as excessive or inconsistent with Indian law and practice. See "*Enforcement of Civil Liabilities*" on page [●].

45. Natural calamities could have a negative effect on the Indian economy, adversely affecting our business and the price of our Equity Shares.

India has experienced natural calamities such as earthquakes, a tsunami, floods and drought in the past few years. The extent and severity of these natural disasters determines their effect on the Indian economy. For example, as a result of drought conditions in the country during Fiscal 2003, the agricultural sector recorded negative growth for that period. The erratic progress of the monsoon in 2004 affected sowing operations for certain crops. Further prolonged spells of below normal rainfall or other natural calamities could have a negative effect on the Indian economy, adversely affecting our business and the price of our Equity Shares.

Pandemic disease, caused by a virus such as H5N1 the ("avian flu" virus) or H1N1 (the "swine flu" virus), could have a severe adverse effect on our business. The potential impact of such a pandemic on our results of operations and financial position is highly speculative, and would depend on numerous factors, including: the probability of the virus mutating to a form that can be passed from human to human; the rate of contagion if and when that occurs; the regions of the world most affected; the effectiveness of treatment of the infected population; the rates of mortality and morbidity among various segments of the insured versus the uninsured population; our insurance coverage and related exclusions; the possible macroeconomic effects of a pandemic on our asset portfolio; the effect on lapses and surrenders of existing policies, as well as sales of new policies; and many other variables.

46. The Companies Act, 2013 has effected significant changes to the existing Indian company law framework, which may subject us to higher compliance requirements and increase our compliance costs.

A majority of the provisions and rules under the Companies Act, 2013 have recently been notified and have come into effect from the date of their respective notification, resulting in the corresponding provisions of the Companies Act, 1956 ceasing to have effect. The Companies Act, 2013 has brought into effect significant changes to the Indian company law framework, and, in certain cases, introduced requirements which did not have corresponding provisions under the Companies Act, 1956, such as in the provisions related to private placement of securities, corporate governance norms, accounting policies and audit matters, related party transactions, introduction of a provision allowing the initiation of class action suits in India against companies by shareholders or depositors, a restriction on investment by an Indian company through more than two layers of subsidiary investment companies (subject to certain permitted exceptions), prohibitions on loans to directors and insider trading and restrictions on directors and key managerial personnel from engaging in forward dealing.

The Companies Act, 2013 also introduced provisions relating to CSR, pursuant to which we may also need to spend, in each financial year, at least 2.0% of our average net profits during the three immediately preceding financial years towards one of the specified CSR activities. Accordingly, we may face challenges in interpreting and complying with such provisions due to limited administrative precedent or jurisprudence on them. In the event that our interpretation of such provisions of the Companies Act, 2013 differs from, or contradicts with, any judicial pronouncements or clarifications issued by the Government in the future, we may face regulatory actions or we may be required to undertake remedial steps. Additionally, some of the provisions of the Companies Act, 2013 overlap with other existing laws and regulations (such as the corporate governance norms and insider trading regulations). We may face difficulties in complying with any such overlapping requirements.

Further, the Companies Act, 2013 imposes greater monetary and other liability on our Company and Directors for any non-compliance. To ensure compliance with the requirements of the Companies Act, 2013, we may need to allocate additional resources, which may increase our regulatory compliance costs and divert management attention. Further, we cannot currently determine the impact of provisions of the Companies Act, 2013 which are yet to come in force. Any increase in our compliance requirements or in our compliance costs may have an adverse effect on our business and results of operations.

47. 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, 2002, as amended (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 Competition Commission of India (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.

Risks relating to this Issue and investment in our Equity Shares

48. After this Issue, our Equity Shares may experience price and volume fluctuations or an active trading market for our Equity Shares may not develop.

The Issue Price of the Equity Shares in this Issue will be determined by our Company in consultation with the Book Running Lead Managers based on the applications received in compliance with Chapter VIII of the SEBI Regulations, and it may not necessarily be indicative of the market price of the Equity Shares after this Issue is complete. You may be unable to resell your Equity Shares at or above the Issue Price and, as a result, you may lose all or part of your investment. The price at which the Equity Shares will trade after this Issue will be determined by the marketplace and may fluctuate after this Issue as a result of several factors, including:

- volatility in the Indian and global securities markets,
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures,
- the present state of our development,
- the results of our operations and our financial condition,
- the performance and financial condition of our competitors,
- the history of, and the prospects for, our business and the sectors in which we compete,
- developments in the Indian pharmaceutical sector and changing perceptions in the market about investments in the Indian pharmaceutical sector,
- adverse media reports on us or the Indian pharmaceutical sector,
- changes in the estimates of our performance or recommendations by financial analysts,

- significant developments in India's economic liberalization and deregulation policies, and
- significant developments in India's fiscal regulations.

In addition, the Indian stock market has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of Indian companies. As a result, investors in the Equity Shares may experience a decrease in the value of the Equity Shares regardless of our operating performance or prospects.

49. Any future issuance of Equity Shares may dilute prospective investors' shareholding and sales of our Equity Shares by our Promoters or other major shareholders may adversely affect the trading price of the Equity Shares.

Any future equity issuances by us, including in a primary offering or pursuant to a preferential allotment or issuances of stock options under employee stock option plans, or any perception by investors that such issuances or sales might occur may lead to the dilution of investor shareholding in our Company or affect the trading price of the Equity Shares and could affect our ability to raise capital through an offering of our securities.

As of June 30, 2015, the Promoters and the Promoter Group hold approximately 53.76% of our issued Equity Shares. The sale of a large number of Equity Shares by the Promoters and the Promoter Group, or the perception that such sale could occur, may also adversely affect the market price of the Equity Shares.

50. There is no guarantee that the Equity Shares will be listed on the BSE and NSE in a timely manner or at all, and any trading closures at the BSE and NSE may adversely affect the trading price of our Equity Shares.

In accordance with Indian law and practice, permission for listing of the Equity Shares will not be granted until after those Equity Shares have been issued and allotted. Approval requires all other relevant documents authorizing the issuing of Equity Shares to be submitted. There could be a failure or delay in listing the Equity Shares on the BSE and NSE. Any failure or delay in obtaining the approval would restrict your ability to dispose of your Equity Shares.

51. 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.

We are subject to an index-based market-wide circuit breaker generally imposed by the SEBI on Indian stock exchanges. This may be triggered by an extremely high degree of volatility in the market activity, among other things. As such, there can be no assurance that shareholders will be able to sell Equity Shares at their preferred price or at all at any particular point in time. For further details, see "*Securities Market of India*" on page [●].

52. Conditions in the Indian securities market may affect the price or liquidity of the Equity Shares.

The Indian securities markets are smaller than securities markets in more developed economies. Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities. The Indian stock exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies, such as temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and restricted margin requirements. Further, disputes have occurred on occasion between listed companies and the Indian stock exchanges, and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. If similar problems occur in the future, the market price and liquidity of the Equity Shares could be adversely affected.

53. 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.

Our future ability to pay dividends will also depend on the earnings, financial condition and capital requirements of our Subsidiaries and the dividends they distribute to us. Dividend distributed by our Subsidiaries will attract

dividend distribution tax at rates applicable from time to time. We cannot assure you that we will receive dividends from our Subsidiaries sufficient to cover our operating expenses and pay dividends to our shareholders, or at all.

Our business is capital intensive and we may plan to make additional capital expenditures to complete our ongoing projects, or to develop new projects. Our ability to pay dividends is also restricted under certain financing arrangements that we have entered into and expect to enter into. We may be unable to pay dividends in the near or medium term, and our future dividend policy will depend on our capital requirements and financing arrangements for our projects, financial condition and results of operations.

54. Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP and IFRS, with which investors may be more familiar with and may consider material to their assessment of our financial condition.

Our Company's consolidated financial statements included in this Preliminary Placement Document are prepared and presented in conformity with Indian GAAP. No attempt has been made to reconcile any of the information given in this Preliminary Placement Document to any other principles or to base it on any other standards. Indian GAAP differs in certain significant respects from IFRS, U.S. GAAP, Ind-AS and other accounting principles with which prospective investors may be familiar in other countries. If our Company's consolidated financial statements were to be prepared in accordance with such other accounting principles, our Company's results of operations, cash flows and financial position may be substantially different. Accordingly, the degree to which the financial information included in this Preliminary Placement Document will provide meaningful information is dependent on your familiarity with Indian GAAP and the Companies Act. Any reliance by persons not familiar with Indian GAAP on the financial disclosures present in the Preliminary Placement Document should be limited. Prospective investors should review the accounting policies applied in the preparation of our Company's consolidated financial statements, and consult their own professional advisers for an understanding of the differences between these accounting principles and those with which they may be more familiar.

55. Public companies in India, including our Company, may be required to prepare financial statements under a variation of IFRS, referred to as Indian Accounting Standard ("Ind AS") that are different from Indian GAAP. The transition to Ind AS in India is very recent and unclear and our Company may be negatively affected by such transition.

Our Company currently prepares its annual and interim financial statements under Indian GAAP. Public companies in India, including our Company, are required to prepare annual and interim financial statements under Indian Accounting Standard 101 "First-time Adoption of Indian Accounting Standards ("**Ind AS**"). On January 2, 2015, the Ministry of Corporate Affairs, Government of India (the "**MCA**") announced the revised roadmap for the implementation of Ind AS for companies other than banking companies, insurance companies and non-banking finance companies through a press release. On Febuary 16, 2015, the MCA issued the Companies (Indian Accounting Standards) Rules, 2015 (the "**Indian Accounting Standard Rules**"). Under the revised roadmap, implementation of Ind AS will be applicable from April 1, 2016 to companies with a net worth of ₹ 5,000 million or more. The Company will have to comply with Ind AS for accounting periods beginning April 1, 2016 and its opening Balance Sheet as at April 1, 2015 in accordance with Ind AS. In addition, any holding, subsidiary, joint venture or associate companies of the companies specified above shall also comply with such requirements from the respective periods specified above.

Additionally, Ind AS differs in certain respects from IFRS and therefore financial statements prepared under Ind AS may be substantially different from financial statements prepared under IFRS. There can be no assurance that the Company's financial condition, results of operation, cash flow or changes in shareholders' equity will not be presented differently under Ind AS than under Indian GAAP or IFRS. When our Company adopts Ind AS reporting, it may encounter difficulties in the ongoing process of implementing and enhancing its management information systems. There can be no assurance that the adoption of Ind AS by our Company will not adversely affect its results of operation or financial condition. Any failure to successfully adopt Ind AS in accordance with the prescribed timelines may have an adverse effect on the financial position and results of operation of our Company.

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

Pursuant to the SEBI Regulations, for a period of 12 months from the date of the issue of Equity Shares in the Issue, QIBs subscribing to the Equity Shares in the Issue may only sell their Equity Shares on the floor of the BSE Limited and the National Stock Exchange of India Limited and may not enter into any off-market trading in respect of these Equity Shares. We cannot be certain that these restrictions will not have an impact on the price of the Equity Shares.

57. Investors may be subject to Indian taxes arising out of capital gains on the sale of the equity shares.

Under current Indian tax laws and regulations, capital gains arising from the sale of shares in an Indian company are generally taxable in India. Any gain realised on the sale of listed 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 ("STT") has been paid on the transaction. STT will be levied on and collected by a domestic stock exchange on which the equity shares are sold. Any gain realized on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a recognized stock exchange and on which no STT has been paid, will be subject to long-term capital gains tax in India. Further, any gain realized on the sale of listed equity shares held for a period of 12 months or less will be subject to short-term capital gains tax in India. Capital gains arising from the sale of the equity shares will be exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is 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 jurisdiction on a gain upon the sale of the Equity Shares. The above statements are based on the current tax laws.

58. Applicants to the Issue are not allowed to withdraw their bids after the Bid/Issue Closing Date.

In terms of the SEBI Regulations, applicants in the Issue are not allowed to withdraw their bids ("Bids") after the bid/issue closing date (the "Bid/Issue Closing Date"). The allotment of Equity Shares in this Issue and the credit of such Equity Shares to the applicant's demat account with depository participant could take approximately seven days and up to ten days from the Bid/Issue Closing Date. However, there is no assurance that material adverse changes in the international or national monetary, financial, political or economic conditions or other events in the nature of force majeure, material adverse changes in the Company's business, results of operation or financial condition, or other events affecting the applicant's decision to invest in the Equity Shares, would not arise between the Bid/Issue Closing Date and the date of allotment of Equity Shares in the Issue. The occurrence of any such events after the Bid/Issue Closing Date could also impact the market price of the Equity Shares. The applicants shall not have the right to withdraw their Bids in the event of any such occurrence without the prior approval of the SEBI. The Company may complete the allotment of the Equity Shares even if such events may limit the applicants' ability to sell the Equity Shares after the Issue or cause the trading price of the Equity Shares to decline.

MARKET PRICE INFORMATION

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

(i) The following tables set forth the reported high, low and average market prices and the trading volumes of the Equity Shares on the BSE and the NSE on the dates on which such high and low prices were recorded for financial years ended March 2013, March 2014 and March 2015:

BSE

Financial Year	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 Financial Years	
										In number	(Rs. in million)
March 2013	490.25	December 19, 2012	114,277	56.41	331.20	July 02, 2012	12,250	4.10	397.25	5,071,164	2,078.66
March 2014	865.95	March 06, 2014	5,552	4.81	426.90	June 6, 2013	13,207	1.04	631.91	4,317,682	2,779.92
March 2015	2,291.70	March 13, 2015	166,891	367.87	684.65	April 01, 2014	466,662	319.51	1,255.66	4,520,707	5,625.05

(Source: www.bseindia.com)

NSE

Financial 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 year (Rs.)	Total Volume of Equity Shares traded in the Financial Years	
										In number	(Rs. in million)
March 2013	490.45	December 19, 2012	346,586	170.73	331.10	July 02, 2012	65,220	21.80	397.16	16,159,575	655.08
March 2014	869.35	March 06,2014	33,520	29.04	426.55	June 06, 2013	10,225	4.38	631.96	16,616,030	10753.69
March 2015	2,217.95	March 13, 2015	884,231	1949.75	685.00	April 01, 2014	1477099	1,008.90	1,255.68	22,727,559	29,670.29

(Source: www.nseindia.com)

Notes:

1. *High, low and average prices are based on the daily closing prices.*
2. *In case of two days with the same closing price, the date with the higher volume has been considered.*
3. *In the case of a year, prices represents the average of the closing prices on the last day of each month of each year presented.*

(ii) The following tables set forth the reported high, low and average market prices and the trading volumes of the Equity Shares on the 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)
August 2015	2479.35	August 10, 2015	20,734	51.19	2,033.30	August 24,2015	21,159	45.68	2,306.51	331,621	777.37
July 2015	2439.90	July 20, 2015	9,659	23.50	2,237.25	July 08,2015	7,153	16.17	2,310.06	180,569	421.25
June 2015	2279.55	June 30, 2015	18,482	41.84	2,003.85	June 16,2015	5,161	10.33	2,127.11	336698	724.56
May 2015	2448.55	May 18, 2015	43,374	106.43	1,991.40	May 06, 2015	23,441	48.21	2,213.38	442,806	992.45
April 2015	2621.20	April 08,2015	74,789	195.25	1,847.10	April 27, 2015	26,544	50.09	2,266.75	918,583	2,117.40
March 2015	2,291.70	March 13,2015	166,891	367.87	1,426.55	March 02,2015	15,195	21.65	1,927.18	1,001,038	2,022.44

(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)
August 2015	2489.10	August 10, 2015	229,039	567.07	2,026.80	August 24, 2015	100,204	215.60	2,308.49	2,157,838	5050.26
July 2015	2439.15	July 20, 2015	80,281	195.28	2,236.00	July 10, 2015	33,556	75.50	2,310.17	1,265,331	2956.14
June 2015	2283.45	June 30, 2015	126,967	287.80	2,003.25	June 16, 2015	29,553	59.14	2,127.88	1,841,079	3970.82
May 2015	2448.30	May 18, 2015	243,750	598.77	1,991.65	May 06, 2015	116,059	239.42	2,213.06	2,260,904	5096.65
April 2015	2619.75	April 08, 2015	386,001	1008.26	1,850.65	April 27, 2015	120,818	228.18	2,265.64	4,683,874	10,772.71
March 2015	2,217.95	March 13,2015	884,231	1949.75	1428.20	March 02, 2015	107,969	153.37	1,926.29	5,809,637	11,502.75

(Source: www.nseindia.com)

Notes:

1. *High, low and average prices are based on the daily closing prices.*
2. *In case of two days with the same closing price, the date with the higher volume has been considered.*
3. *In the case of a year, prices represents the average of the closing prices on the last day of each month of each year presented.*

(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 ending March 2012, March 2013 and March 2014 on the BSE and the NSE:

Period	Number of Equity Shares Traded		Volume of Business Transacted (In Rs. million)	
	BSE	NSE	BSE	NSE
Year ending 2013	5,071,164	16,159,575	2,078.66	655.08
Year ending 2014	4,317,682	16,616,030	2,779.92	10753.69
Year ending 2015	4,520,707	22,727,559	5,625.05	29,670.29
August 2015	331,621	2,157,838	777.37	5,050.26
July 2015	180,569	1,265,331	421.25	2,956.14
June 2015	336,698	1,841,079	724.56	3,970.82
May 2015	442,806	2,260,904	992.45	5,096.65
April 2015	918,583	4,683,874	2,117.40	10,772.71
March 2015	1,001,038	5,809,637	2,022.44	11,502.75

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

(iv) The following table sets forth the market price on the BSE and NSE on May 25, 2015, 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 (million)**	**Open**	**High**	**Low**	**Close**	**Number of Equity Shares traded**	**Turnover (Rs. million)**
1,968.0	2,043.0	1,801.0	1,996.1	58,790	113.01	1,999.0	2,049.0	1,795.0	1,992.9	301,030	576.68

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

USE OF PROCEEDS

The total proceeds of the Issue will be Rs. [●] million. After deducting the Issue expenses (including fees and commissions) of approximately Rs. [●] million, the net proceeds of the Issue will be approximately Rs. [●] million (the "**Net Proceeds**"**)**.

Subject to compliance with applicable laws and regulations, we intend to use the Net Proceeds to meet (i) our capital expenditure and long term working capital requirements; (ii) expenses for exploring acquisition opportunities; and (iii) general corporate requirements of our Company.

As permissible under applicable laws, our management will have flexibility in deploying the Net Proceeds received by our Company from the Issue. Pending utilisation for the purposes described above, our Company intends to temporarily invest funds in creditworthy instruments, including money market mutual funds and deposits with banks. Such investments would be in accordance with the investment policies as approved by the Board of Directors from time to time and 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.

CAPITALISATION

The following table sets forth the capitalization of our Company as at March 31, 2015, derived from the Company's audited consolidated financial statements for the Financial Year ended March 31, 2015, 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 [●], [●], and [●], respectively, of the Preliminary Placement Document.

(Rs. in millions)

	As of March 31, 2015	As Adjusted for the Issue*
Short term borrowing (A):	**1685.44**	[●]
Secured	1375.20	[●]
Unsecured	310.24	[●]
Long term borrowings including current maturities (B):	**1432.95**	[●]
Secured	1403.10	[●]
Unsecured	29.85	[●]
Total borrowing (C)	**3118.39**	[●]
Shareholders' funds:		
Share capital	332.35	[●]
Fresh shares pursuant to the Issue	-	[●]
Reserves and surplus (including securities premium reserve of Rs. 2782.23 million	8128.16	[●]
Share premium pursuant to the Issue**	-	[●]
Total shareholder's funds (D)	**8460.51**	[●]
Total capitalisation (C) + (D)	**11578.90**	[●]
Debt / equity ratio: (Total long term borrowings/total Shareholders fund (B/D))	0.17	[●]
Debt / equity ratio: (Total borrowings/total Shareholders' fund (C/D))	0.37	[●]

Note:

**Share capital, reserves, surplus (adjusted) and post-issue capitalisation can be determined only on the conclusion of the Issue.*

*** Does not consider the adjustment towards the Issue Expenses.*

CAPITAL STRUCTURE

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

(in Rs. except Equity Share data)

	Aggregate nominal value
Authorized Capital	
40,000,000 Equity Shares of Rs. 10 each	400,000,000
Issued, subscribed and fully paid-up share capital prior to the Issue	
33,234,849 Equity Shares of Rs. 10 each	332,348,490
Present Issue being offered to the equity shareholders through this Preliminary Placement Document	
[●] Equity Shares at a premium of Rs. [●], i.e. at a price per one Equity Share of Rs. [●]	[●]
Paid-up share capital after the Issue	
[●] Equity Shares	[●]
Securities premium account	
Securities premium account prior to the Issue	2,782,233,802
Securities premium account after the Issue	[●]

(a) As at June 30, 2015, our Promoter and Promoter Group, held 53.76 % 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 Equity Listing Agreements.

(b) The Issue has been authorized by the Board on May 22, 2015 and the Shareholders pursuant to a special resolution dated June 27, 2015.

Share capital history of our Company

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

Date of Issue/ Allotment/Buy-back period	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Reason for Allotment
September 14, 1981	20	100	100	Cash	First subscribers to Memorandum
July 7, 1982	3,980	100	100	Cash	Preferential allotment
July 7, 1986	2,800	100	100	Cash	Preferential allotment
May 23, 1987	2,610	100	100	Cash	Preferential allotment
August 1, 1988	760	100	100	Cash	Preferential allotment
November 15, 1988	1,830	100	100	Cash	Preferential allotment
March 19, 1991	1,775	100	100	Cash	Preferential allotment
September 15, 1993	645	100	100	Cash	Preferential allotment
May 25, 1994	-	-	-	-	Sub-division equity shares of face value Rs.100 each into Equity Shares of face value of Rs.10 each
June 2, 1994	2,307,200	10	-	-	Bonus issue
August 22, 1994	1,050,000	10	250	Cash	Preferential allotment
November 8, 1994	3,501,400	10	-	-	Bonus issue
November 9, 1994	147,200	10	190	Cash	Preferential allotment
May 31, 1996	5,961,100	10	-	Consideration other than cash	Allotment of equity shares to the shareholders of Natco Parenterals Limited, Dr. Karanth Pharma Labs Private Limited and Natco Laboratories Limited pursuant to a scheme of amalgamation between

Date of Issue/ Allotment/Buy-back period	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Reason for Allotment
					our Company and Natco Parenterals Limited, Dr. Karanth Pharma Labs Private Limited and Natco Laboratories Limited
January 31, 2001	4,270,500	10	17	Cash	Preferential allotment
October 18, 2003	6,000,000	10	12.50	Cash	Preferential allotment
January 25, 2005	2,020,636	10	121	Cash	Conversion of foreign currency convertible bonds
February 28, 2005	650,875	10	121	Cash	Conversion of foreign currency convertible bonds
March 30, 2005	108,272	10	121	Cash	Conversion of foreign currency convertible bonds
April 6, 2005	72,313	10	121	Cash	Conversion of foreign currency convertible bonds
April 11, 2005	484,614	10	121	Cash	Conversion of foreign currency convertible bonds
August 31, 2005	179,793	10	121	Cash	Conversion of foreign currency convertible bonds
September 29, 2005	72,561	10	121	Cash	Conversion of foreign currency convertible bonds
February 23, 2006	203,750	10	10	Cash	Allotment pursuant to ESOP scheme
July 31, 2006	2,925	10	10	Cash	Allotment pursuant to ESOP scheme
January 30, 2007	135,462	10	121	Cash	Conversion of foreign currency convertible bonds
January 30, 2007	108,625	10	10	Cash	Allotment pursuant to ESOP scheme
March 14, 2007	257,785	10	121	Cash	Conversion of foreign currency convertible bonds
April 16, 2007	283,438	10	121	Cash	Conversion of foreign currency convertible bonds
July 31, 2007	(492,881)	10	-	-	Buy back of Equity Shares*
November 16, 2007	466,584	10	121	Cash	Conversion of foreign currency convertible bonds
January 25, 2008	104,475	10	10	Cash	Allotment pursuant to ESOP scheme
June 30, 2009	107,125	10	10	Cash	Allotment pursuant to ESOP scheme
December 13, 2011	3,000,000	10	225	Cash	Allotment pursuant to qualified institutions placement
November 8, 2012	225,122	10	10	Cash	Allotment pursuant to ESOP scheme
November 29, 2013	1,700,000	10	638.40	Cash	Preferential allotment
December 16, 2014	161,775	10	1,200	Consideration other than cash	Preferential allotment

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

Note:

1. Pursuant to the special resolution of the Shareholders dated June 27, 2015, the Board has been accorded approval and consent to introduce, offer and implement an ESOP Scheme and to create, offer, issue and allot in one or more tranches to the present and future eligible employees of the Company such number of options as the Board may decide, which could give rise to the issue of Equity Shares of nominal face value not exceeding Rs.1,500,000 divided into 150,000 Equity Shares.
2. Pursuant to the resolution of the Board of Directors dated August 12, 2015 and subject to the approval of the Shareholders, the Board has accorded approval for sub-division of one Equity Share having face value of Rs. 10 each fully paid-up into five Equity Shares of face value of Rs. 2 each fully paid-up.

DIVIDEND POLICY

The declaration and payment of dividends by our Company is governed by the applicable provisions of the Companies Act, 2013 and our Memorandum and Articles of Association. 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:

Financial Year ended	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, 2015	5	166.17	34.02	200.19	50
March 31, 2014	5	165.37	28.10	193.47	50
March 31, 2013	4	125.49	20.36	145.85	40

** Includes payment of interim dividend, if any*

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 are dependent on a number of factors, including but not limited to the earnings, capital requirements, contractual obligations, applicable legal restrictions, results of operations, overall financial position of our Company and other factors that may be considered relevant by the Board. Our Company has no formal dividend policy. 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

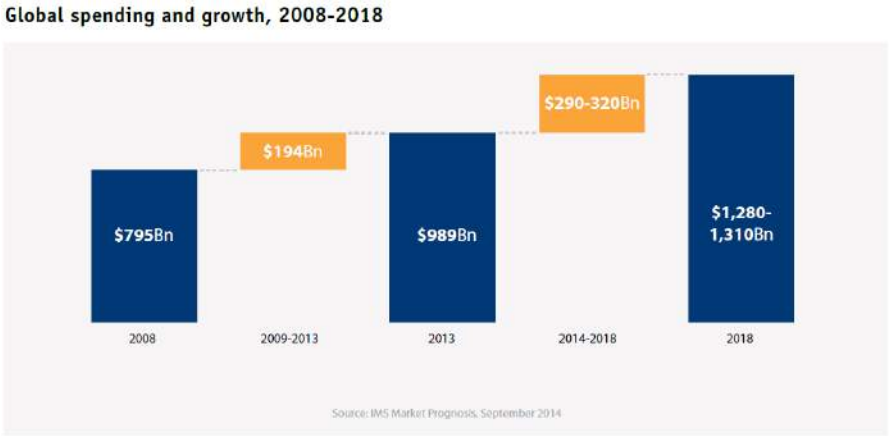
The information in this section has been extracted from certain publications prepared by third party sources as cited in this section. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. While we have exercised reasonable care in compiling and reproducing such official, industry, market and other data in this document, it has not been independently verified by us or any of our advisors, or any of the Book Running Lead Manager or any of their advisors, and should not be relied on as if it had been so verified.

(The below information has been extracted from (i) the report titled "Report on Pharmaceutical Industry" dated August 31, 2015 *published by Credit Analysis & Research Limited ("CARE") (the "**CARE Report**"), which is a commissioned report by CARE and (ii) "Global Outlook for Medicines Through 2018" dated November 2014 published by IMS Institute for Healthcare Informatics (the "**IMS Report**"))*

GLOBAL PHARMACEUTICAL INDUSTRY

The global pharmaceutical industry consists of businesses that are primarily engaged in manufacturing and processing medicinal substances into finished pharmaceutical products for human and veterinary use. Ethical brand name drugs, generic products and non-prescription or over-the-counter (OTC) medication constitute the pharmaceutical industry sub-sectors. Research and Development in pharmaceutical industry has helped companies to penetrate the market and increase their exposure across the world. (*Source: CARE Report*)

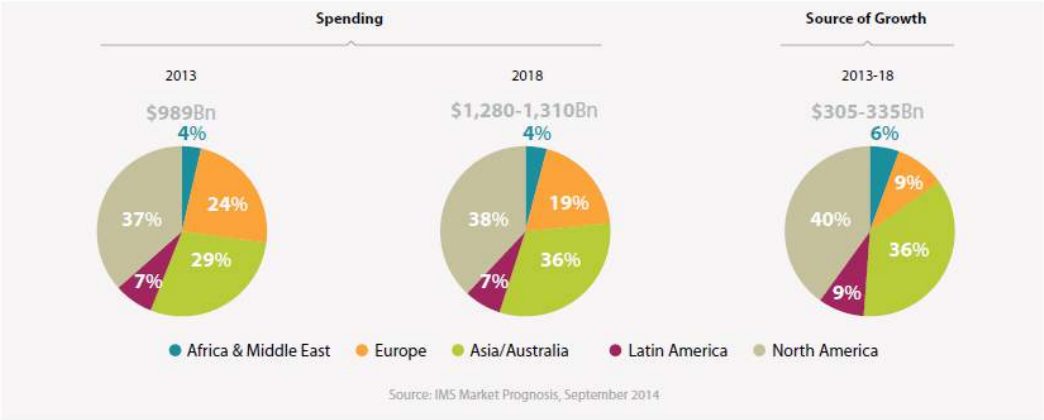
Total global spending on medicines will reach $1.3Tn in 2018, an increase of $290-320Bn from 2013, driven by population growth, an aging population, and improved access in pharmerging markets. This level of growth—a compound annual growth rate of 4-7% on a constant currency basis—will be slightly higher than the 5.2% recorded over the past five years, as the introduction of new specialty medicines and increased accessibility for patients coincides with lower impacts from patent expiries in developed markets. Demographic trends will act as a significant driver of global demand for pharmaceuticals during the next five years: increase in diagnosis and treatment of chronic conditions and an aging population will drive developed markets, while population growth coupled with improved access to healthcare will drive emerging market growth. (*Source: IMS Report*)



(*Source: IMS Report*)

The developed markets—led by the United States, the major five European markets and Japan—are the primary drivers of this increased growth, while the 21 pharmerging countries will increase their contribution to growth over the next five years and account for nearly 50% of absolute growth in 2018. (*Source: IMS Report*)

Geographic distribution of medicine spending



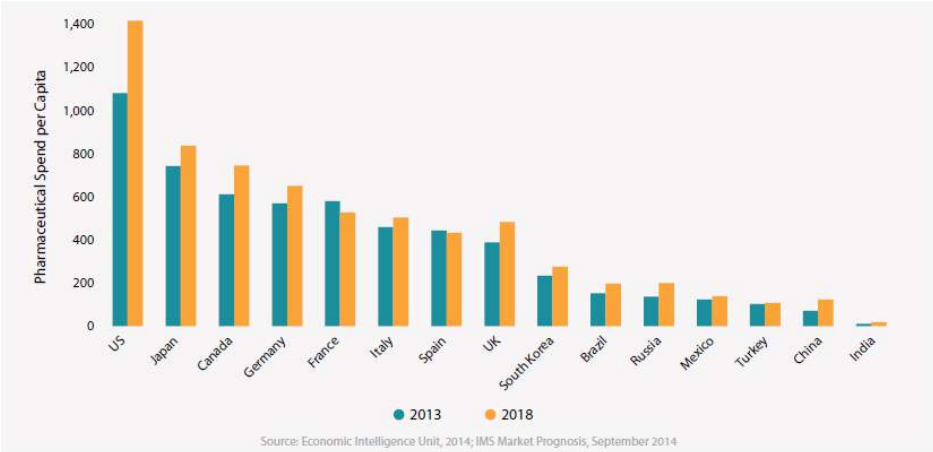
(*Source: IMS Report*)

Among the major markets, the United States remains the largest, representing over one-third of the global total, and is expected to grow at a compound annual growth rate of 5-8% through 2018. This is significantly higher than the 3.6% growth over the past five years. This is a reflection of a shift in the balance of the "innovation cycle"—the amount of new medicines being launched and utilized compared to the value of branded medicines that are facing new generic competition. (*Source: IMS Report*)

Across the major markets in Europe, economic austerity–led efforts to constrain growth in healthcare spending, and especially medicines, have resulted in spending declines or very low growth, which will continue through 2018. Japan, similarly, is forecast to see growth in the 1-4% range even as its population over the age of 65 exceeds 27%, 5% higher than other developed countries, and is expected to increase demand for medicines. (*Source: IMS Report*)

The pharmerging markets will expand at a compound annual growth rate of 8-11% through 2018, a slower pace than over the past five years, which averaged 13.6% growth. China, already the world's second largest pharmaceutical market, will reach spending levels of $155-185 billion in 2018. Implementation of health reforms are increasing demand for medicines, while pricing regulations are being used more frequently to manage overall growth levels. Over 80% of growth in pharmerging markets will be attributed to non-branded medicines. (*Source: IMS Report*)

Pharmaceutical spending per capita, 2013 versus 2018



(*Source: IMS Report*)

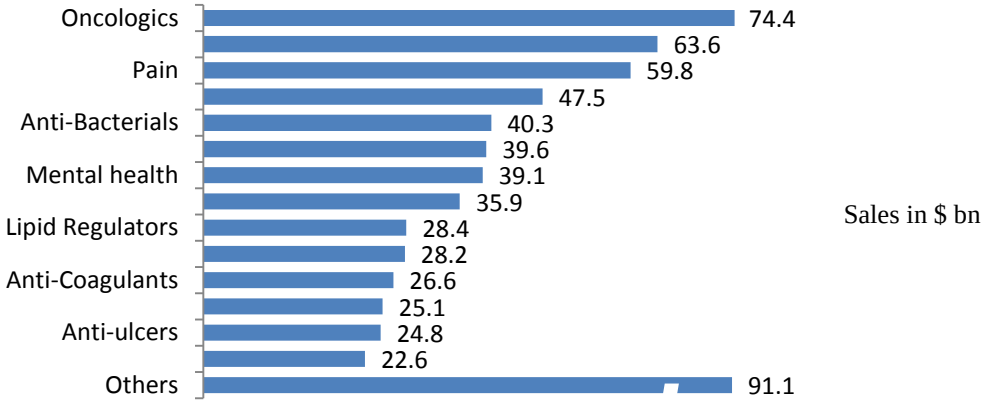
Higher spending can be expected on specialty medicines over the next five years, particularly in developed markets. About 40% of total global growth will come from these medicines, primarily in the oncology, autoimmune, respiratory, anti-virals and immunosuppressants therapy areas. Much of this growth is from medicines bringing new treatment options for patients, including breakthrough therapies or even cures, and often reduced complications or hospitalizations. (*Source: IMS Report*)

A growing number of these drugs are also available in oral form, which reduces the costs associated with delivering the drug to patients. The pipeline of innovative specialty drugs is also robust, especially in the area of oncology, and the number of new molecular entities that will be launched is expected to remain at levels higher than in the past decade, aided by an increasing number of applications subject to accelerated regulatory review. (*Source: IMS Report*)

Global Top Therapeutic Classes and Drugs

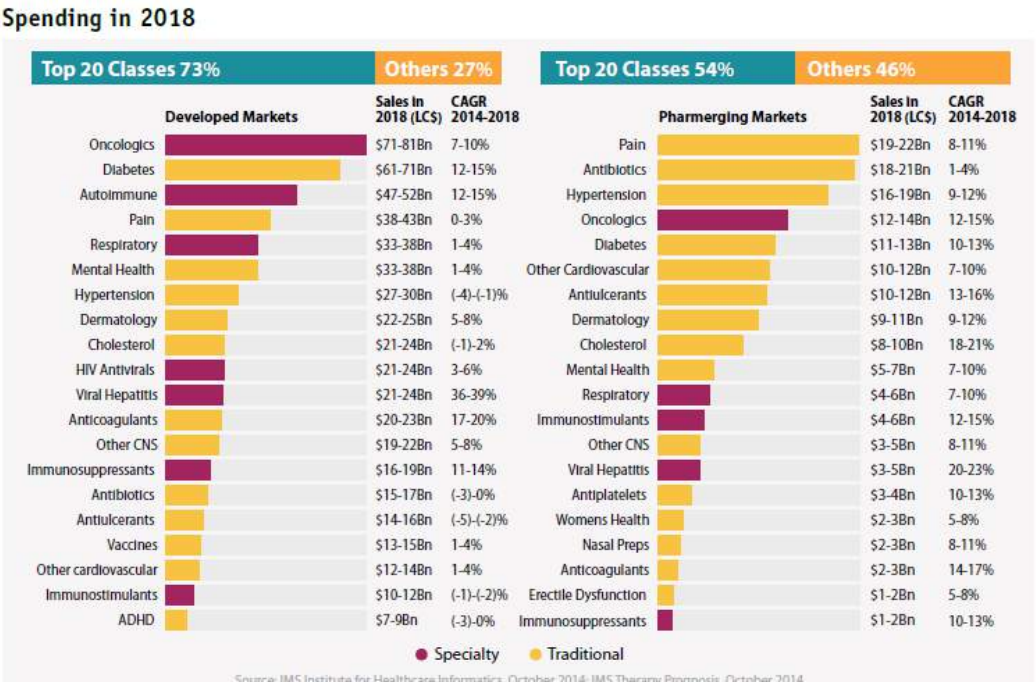
During 2014, therapeutic segments viz. Oncology (US $74.45 bn), Anti-diabetics (US $63.57 bn) and pain (US $59.79 bn) have remained the top contributors in generating revenue aggregating to ~15% of global pharmaceutical sales. In oncology segment, primarily drug development has happened for non-small cell lung cancer and breast cancer that has remained one of the leading diseases for the year 2014. Further, oncology is expected to remain the fastest and largest growing segment till 2020 backed by forecasted increase in demand from products in line, potential new entrants and compensate for a number of major patent that have expired over the period. (*Source: CARE Report*)

Following chart depicts the top therapeutic class by global pharmaceuticals sales in 2014



(*Source: CARE Report*)

Over the next five years, advances in the therapy areas of oncology, diabetes and hepatitis C will be of particular interest and importance. The surge in cancer drug innovation over recent years will continue and contribute to global spending on all oncology drugs, reaching about $100 billion in 2018, up from $65 billion last year. A number of new immunotherapies will become important parts of the cancer treatment arsenal, including PD-1 and CDK inhibitors. The introduction and uptake of potent new medicines for the de facto cure of hepatitis C are expected to result in about $100 billion in total spending over the five-year period ending 2018. A large number of individual and combination drugs are already available or in late-stage development, bringing remarkable clinical benefits to those patients able to access them. At the same time, payers struggle with the challenges of financing the upfront costs of these drugs, even though they can bring economic savings over the long term. (*Source: IMS Report*)



(*Source: IMS Report*)

PATENTED VS. 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. Typically, a large pharmaceutical company invests billions of dollars and more than a decade to develop and introduce a new molecule in the market after extensive R&D and clinical trials. In certain cases, pharma companies have also granted licenses to third parties for manufacturing and/or selling the patented product in an inaccessible market in return for a fixed royalty fee or some other profit-sharing arrangement. (*Source: CARE Report*)

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. Also, the costs for generic manufacturers to develop their products and obtain regulatory approval to market and sell such products are considerably lower than that for innovation and R&D by innovator drug companies. However, generic drugs cannot co-exist with patented product protected under Intellectual Property Rights (IPR) in the same market. (*Source: CARE Report*)

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

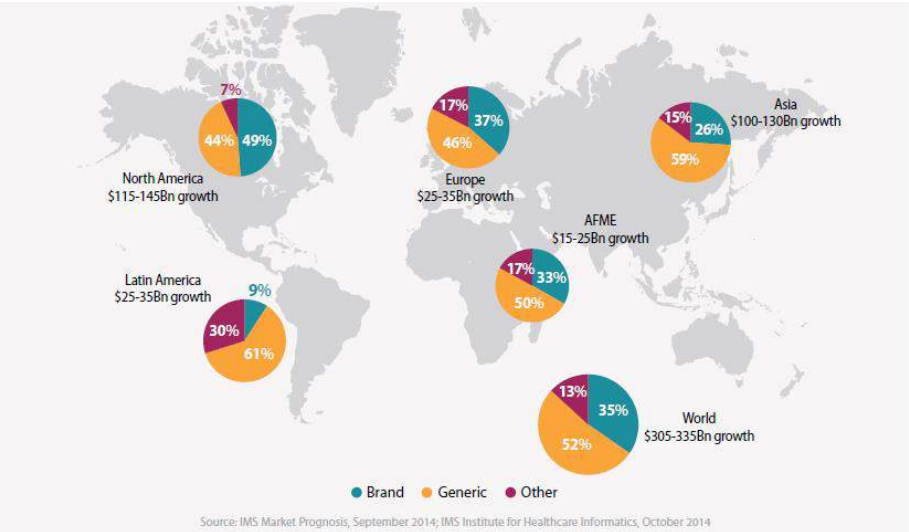
Branded Drug	Walmart Price for 30 tablets(US$)	Generic Version	Walmart Price for 30 tablets(US$)	Reduction %
Avapro (75 mg)	107	Irbesartan	14.14	87%
Caduet (10 mg)	305	Amlodipine	129	58%
Combivir (150 mg)	481.04	Lamivudine	275.14	43%
Geodon (60 mg)	418.3	Ziprasidone	71.14	83%
Levaquin (500 mg)	792.96	Levofloxacin	14.74	98%
Lipitor (20 mg)	235.34	Atorvastatin	15.8	93%

(*Source: CARE Report*)

On account of patent cliff and rise of generic drugs in the market coupled with increase in ANDA approvals and natural inclination of the general populace to choose low cost drugs without altering in quality has led to decrease in share of prescription for branded drugs. (*Source CARE Report*)

Global Generics Market

Generics are off-patented drugs. They are bioequivalent in terms of dosage, form, strength, quality, effect, intended use, side effects, and route of administration—to the branded drugs. (*Source: CARE Report*)



(*Source: IMS Report*)

Following are the two reasons on account of which the global generic market is expected to grow going forward:

- Support and encouragement from Government: In developing and emerging market, the primary concern has been the ability of general populace to afford the medication and high expensive treatment. Thus the government in such markets is promoting to increase the use of the generic drugs at affordable price. Similar to developed markets, cost is increasing spiraling due to aging population and rise in chronic diseases for which the government is trying to reduce their healthcare cost.

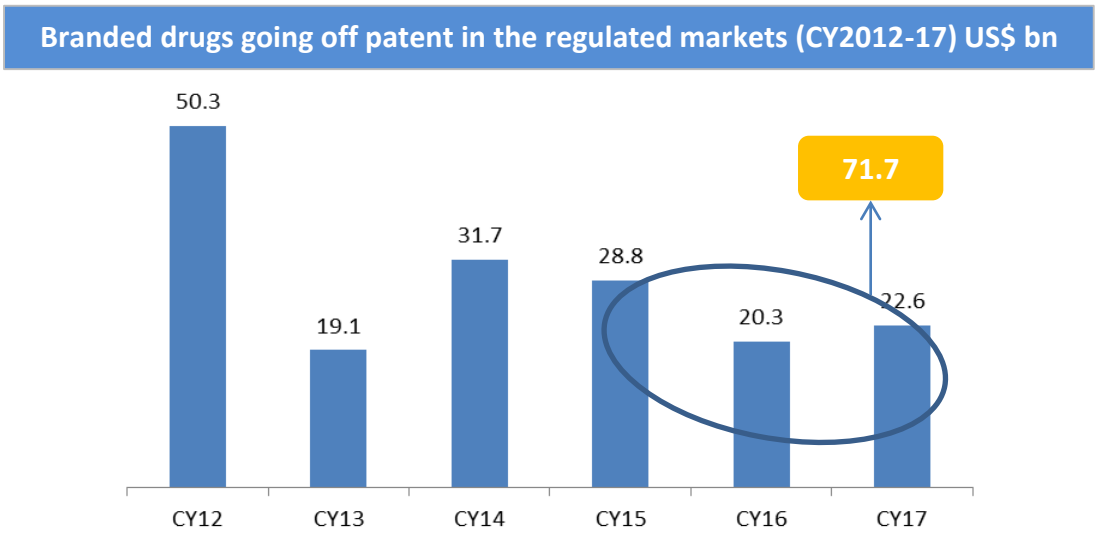
- Patent expiration of branded drugs: Pharmaceutical companies across the globe have the opportunity to capitalize on the patent cliff and gain a greater share of the growing generics market. During 2015-2017; about US$ 71.7 billion worth patented drugs are expected to go off patent in the USA. (*Source: CARE Report*)

PATENT CLIFF AND ITS PROSPECTS

'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. (*Source: CARE Report*)

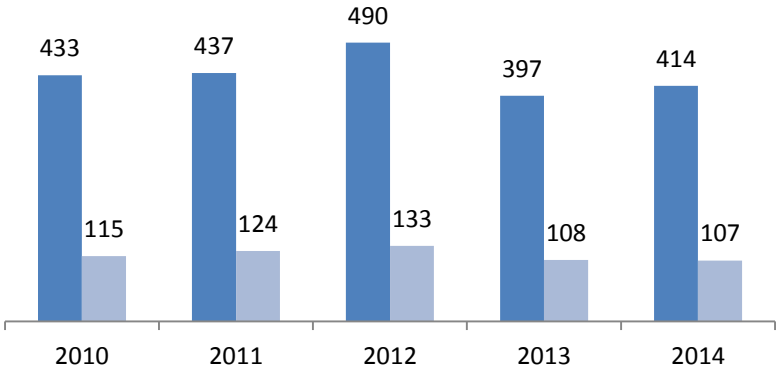
Impact of patent expiration on Global Pharmaceutical industry

Pharmaceutical companies across the globe have the opportunity to capitalize on the patent cliff and gain a greater share of the growing generics market. During 2015-2017; about US$ 71.7 billion worth patented drugs are expected to go off patent in the USA. (*Source: CARE Report*)



(*Source: CARE Report*)

The large number of patent expiration in US presents healthy prospects for all the generic products manufacturers throughout the globe. Following table illustrates the total number of approved ANDA approvals vis a vis ANDA approvals received by US companies:



(*Source: CARE Report*)

Following is the list of key molecules going off patent in 2014-16

Year	*Drug/Medicine*	*Manufacturer*
2014	Nexium (esomeprazole)	AstraZeneca.
	Cymbalta (duloxitine HCI)	Eli Lilly,
	Celebrex (celecoxib)	Pfizer,
	Symbicort	AstraZeneca
	Lunesta	Sunovion Pharmaceuticals Inc.,
	Restasis	Allergan
	Evista	Eli Lilly
	Sandostatin LAR	Novartis
	Actonel	Warner Chilcott.
2015	Abilify (aripiprazole)	Otsuka Pharmaceutical.
	Copaxone (glatiramer acetate injection)	Teva Pharmaceuticals.
	Gleevec (imatinib mesylate)	Novartis.
	Namenda (memantine HCI)	Forest Laboratories, Inc.
	Provigil (modofinil)	Teva Pharmaceuticals.
	Combivent (albuterol and ipratropium inhalation)	Boehringer Ingelheim
	Zyvox (linezolid)	Pfizer.

Year	*Drug/Medicine*	*Manufacturer*
	Prezista (darunavir)	Janssen Therapeutics
	Avodart (dutasteride)	GlaxoSmithKline
2016	Crestor (rosuvastatin calcium)	Astra Zeneca
	Benicar (olmesartan medoxomil)	Daiichi Sankyo, Inc.
	Cubicin (daptomycin)	Cubist Pharmaceuticals.

(*Source: CARE Report*)

- Copaxone 20mg has two key patents groups – one set of compound patents which expired in May-2014 and the other patent which expires in Sep-2015 and the market size for this drug is expected to about $ 1 bn. (*Source: CARE Report*)

- Orange book lists three patents on the drug expiry for Tamiflu during December 27, 2016, August 02, 2016 and February 27, 2015. NATCO has received the tentative approval for the drug and would most likely to be first to file the drug. (*Source: CARE Report*)

- Tracleer, a drug used for the treatment of certain types of Pulmonary Arterial Hypertension has patent expiry due in November 2015 and market size for this project is expected to be $ 170 mn. (*Source: CARE Report*)

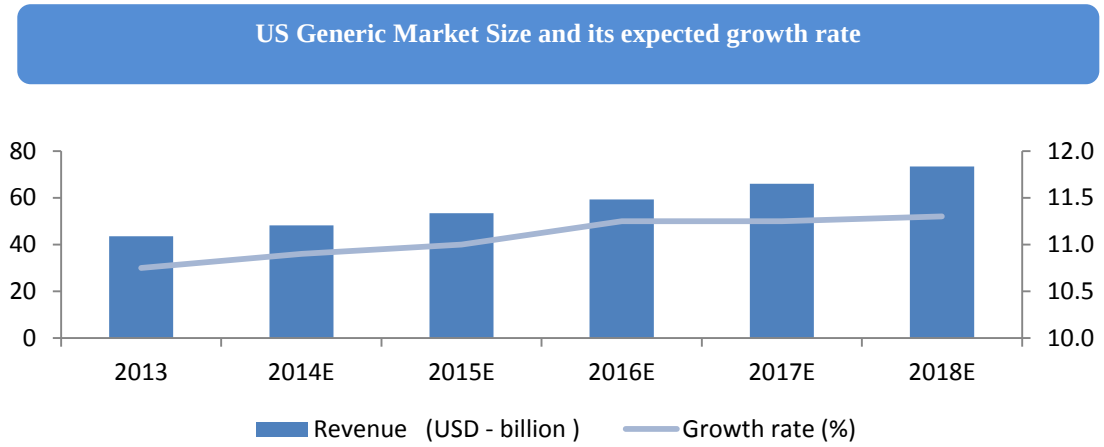
- Revlimid, a drug used for the treatment of treatment of multiple myeloma has patent expiry due in October 2019 and market size for this project is expected to be $ 2.9 bn. (*Source: CARE Report*)

US PHARMA MARKET SIZE AND GROWTH

United States of America (USA) is the world's largest pharmaceutical market, with a market size of US $ 368 bn in FY2014 and it is estimated to grow at a CAGR of 6% over FY14-17E period. (*Source: CARE Report*)

The US market provides the most striking opportunities for generic players due to a large patent cliff lasting till 2017, an ageing population, a rapid thrust towards specialty drugs targeting complex ailments and improved healthcare access reforms (especially Patients Protection and Affordable Care Act (PPACA) extending insurance to ~30mn uninsured US citizens). All the aforesaid aspects are expected to be the prime growth drivers of the industry providing favorable growth prospects for Pharmaceutical industry. Further, during FY14, USA remained the top export destination for India with a share of 26.73% amounting to US $ 4.02 bn and a growth of 7.9%. (*Source: CARE Report*)

USA's contribution to the global pharma spending pie is expected to decrease by 2017 on account of impact due to patent expiries and low cost generics' rampant penetration in the markets. The rate of Abbreviated New Drug Application (ANDA) approval has been fairly torpid over the past 7 years with a constant declining trend except in 2012 at the peak of patent cliff when the ANDA approvals touched a high of 490. U.S. Food and Drug Administration (USFDA) is in the process of implementing the 'Generic Drug User Fee Amendments of 2012 (GDUFA)' program, which is designed specifically to speed access to safe and effective generic drugs. (*Source: CARE Report)*



(*Source: CARE Report*)

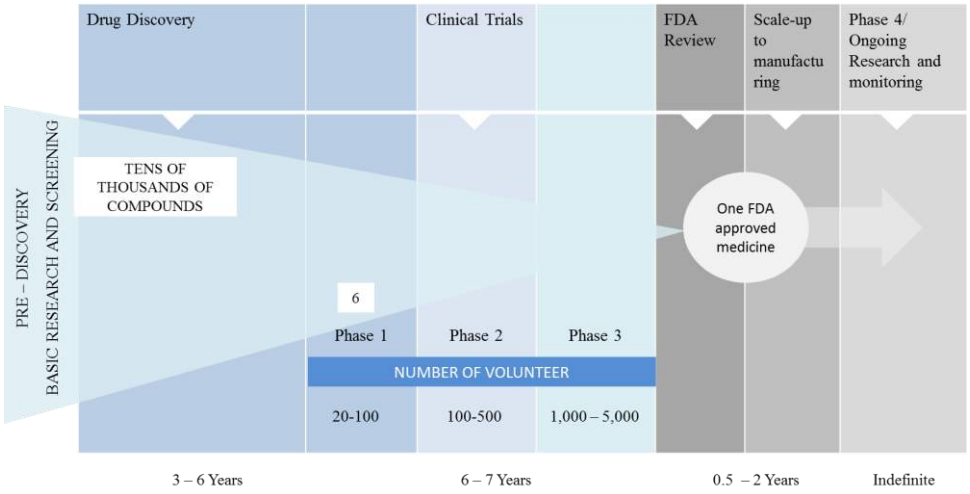
Drug Approval Process in US

The process for New Drug Discovery and approval is a very 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 commercialisation. Generally one drug out of tens of thousands only pass through as NCE. (*Source: CARE Report*)

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 bn to USD 5 bn in regulated markets depending on the complexity of the drug. (*Source: CARE Report*)

Even after the drug is developed, it has to pass through series of laboratory testing for about four years before filing an application to USFDA. Post the approval of application from USFDA, the drug has to pass three phases of clinical trials. (*Source: CARE Report*)

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 100-500 patient volunteers are employed to assess the drug's effectiveness and this phase lasts for about two to three years. Phase 3 involves 1000-5000 patients in clinics and hospitals who are monitored carefully to determine effectiveness and identify adverse reactions and this phase lasts for about 3 years. Post qualifying in Phase 3, the company has to submit its application to USFDA for approval which in turn would review a process that can take up to two years. After final approval, the drug becomes available for physicians to prescribe. (*Source: CARE Report*)



(*Source: CARE Report*)

Process of ANDA filing with USFDA

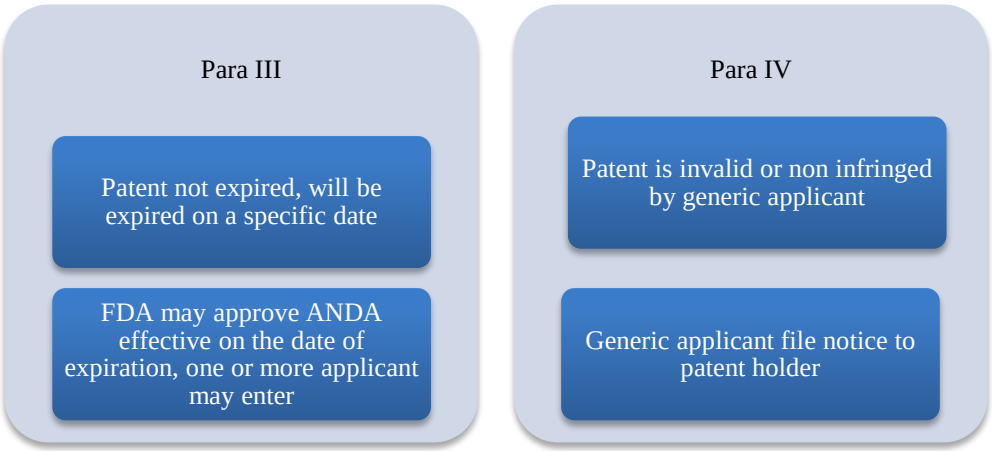
An Abbreviated New Drug Application (ANDA) contains data submitted to FDA's Center for Drug Evaluation and Research, Office of Generic Drugs, for review and ultimate approval of a generic drug product. Once ANDA is approved, an applicant may manufacture and market the generic drug product to provide 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 (i.e., performs in the same manner as the innovator drug). One of the ways that scientists use to demonstrate bioequivalence is to measure the time taken by the generic drug to reach the bloodstream in 24 to 36 healthy volunteers. This will give them the rate of absorption or bioavailability of the generic drug, which they can then compare to that of the innovator drug. The generic version must deliver the same amount of active ingredients into a patient's bloodstream in the same amount of time as the innovator drug. (*Source: CARE Report*)

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. (*Source: CARE Report*)

Para II: A Para II filing is made when the applicant plans to sell the generic drug once the patent has expired. (*Source: CARE Report*)

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. (*Source: CARE Report*)

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. (*Source: CARE Report*)



(*Source: CARE Report*)

A Para III filing is made when the ANDA applicant does not have any plans to sell the generic drug until the original drug is off patent. In case of Para III the application is processed for approval, however its approval status depends upon the product's patent expiry. ANDA approval under para III certification is made effective from the date of patent expiration. (*Source: CARE Report*)

An ANDA applicant filing a paragraph 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, if the court finds the listed drug's patent is infringed; or the date that is 30 months from the date the owner of the listed drug's patent received notice of the filing of a

Paragraph IV certification (Subject to modification by the court). This means that for 30 months from the date of receipt of notice of Para IV filing, no ANDA can be approved. In other words, 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. (*Source: CARE Report*)

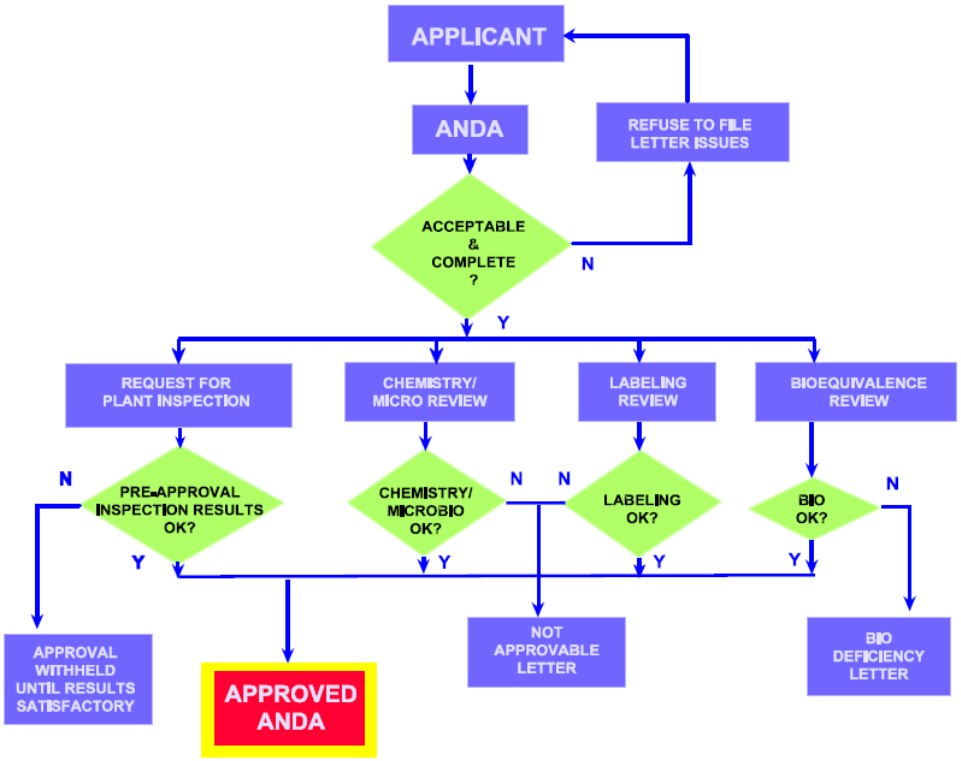
If a generic company is the first to file its Abbreviated New Drug Application (ANDA) with a Paragraph IV certification and prevails in the subsequent lawsuit, that generic company is granted a period of market exclusivity of 180 days. The 180-day exclusivity incentive can be significant for a generic 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. (*Source: CARE Report*)

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. (*Source: CARE Report*)

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 3 or 5 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. (*Source: CARE Report*)

To the extent that the Section 505(b)(2) applicant is relying on the FDA's findings for an already-approved product, the applicant is required to certify to the FDA concerning any patents listed for the approved product in the FDA's Orange Book publication. Specifically, the applicant must certify that: (1) the required patent information has not been filed; (2) the listed patent has expired; (3) the listed patent has not expired, but will expire on a particular date and approval is sought after patent expiration; or (4) the listed patent is invalid or will not be infringed by the manufacture, use or sale of the new product. (*Source: CARE Report*)

Following is the flow chart for generic drug review process:



(*Source: CARE Report*)

US Generic Market and its Growth Drivers

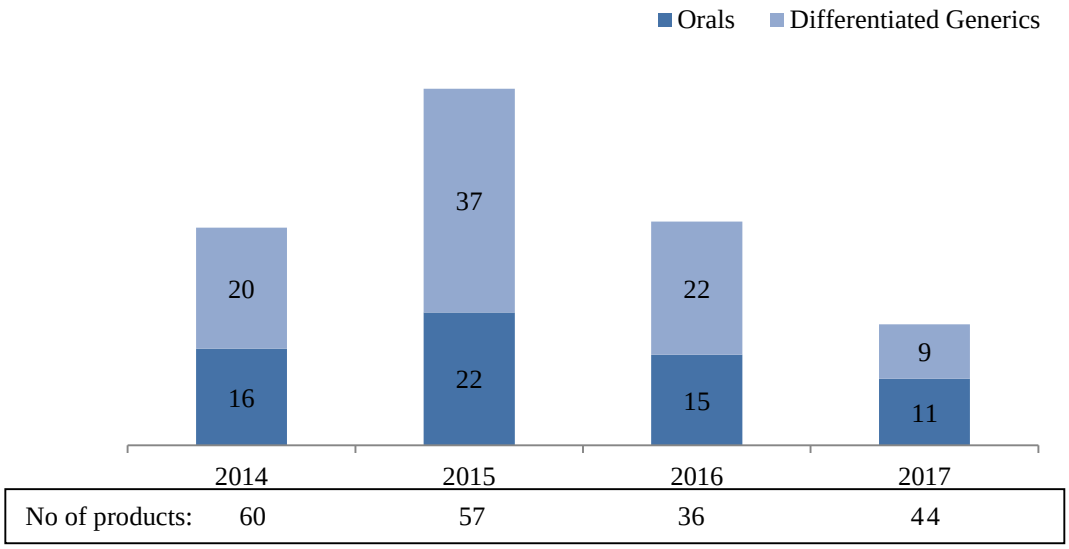
Driven by factors such as large healthcare spending, high per-capita income, and strong research & development investments, the pharmaceutical market in the US has witnessed an upward surge over the past few years. Additionally, the share of Generics has increased steadily in the pharmaceutical market, in terms of both revenue and prescriptions. (*Source: CARE Report*)

The US generic drugs market accounts for a share of around 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. (*Source: CARE Report*)

According to the report by RNCOS "US Generic Drug Market Outlook 2018", the US Generics market, which was US$ 43.5 Billion in 2013, is anticipated to grow at a CAGR of around 11% during 2013-2018. Currently, the market is witnessing significant developments in terms of new product categories that are attracting huge investments from both public and private players. The Generics market in the US is expected to showcase a healthy growth potential in various therapy segments, such as oncology, respiratory, thyroid, ulcers as well as cholesterol disorders in the coming years. Growth in the aforementioned segments will be the result of patent expirations of a number of the major drugs in the next few years. The support from the US government in the form of approvals and incentives, will also act as a catalyst for future growth in the generic domain. (*Source: CARE Report*)

About US $ 71.7 billion worth of originator products are expected to lose their patent protection during 2014-17, and they span the full range from oral solids, biologics, inhalers, and sterile injectables to over the counter (OTC) medicines. (*Source: CARE Report*)

Following table illustrates the estimated worldwide sales of all products losing US patent protection in the year before patent expiry (USD bn)



(*Source: CARE Report*)

EUROPEAN PHARMA MARKETS

European pharmaceutical industry serves as a major contributor to the EU's trading power. The EU was the world's major trader in medicinal and pharmaceutical products in 2014, with total trade amounting to € 156.9bn and the value of exports reaching more than € 107.4bn. Europe has traditionally been the biggest exporter of pharmaceuticals in the world. The research-based pharmaceutical industry is a key asset of the European economy. (*Source: CARE Report*)

5 of the 10 leading global R&D firms in 2013 were pharmaceutical companies. In 2014, R&D spending by the pharmaceuticals and biotechnology sector grew by 2.4%, strengthening its position as the top R&D investing sector.

The major factors that would influence this growth would be the steady increase in the incidence of autoimmune complications and increasing disease awareness. Extensive consolidations are taking place within pharmaceutical manufacturers in Europe, who are cutting down on their costs by outsourcing drug production to contract manufacturers, particularly within South Asian and Eastern European countries. The European Pharmaceuticals Industry represents one of Europe's best performing high-tech industries and is characterized by significant investment in R&D. The EU pharmaceutical industry accounts for around a fifth of global pharmaceutical R&D expenditure. (*Source: CARE Report*)

ASIAN PHARMA MARKETS

Rising healthcare spending has benefited the pharmaceutical sector. The pharmaceutical market has grown rapidly in Asia, with sales having more than doubled from US$97bn in 2001 to US$ 214.2bn in 2010. By 2016 it is expected to reach US$386bn, reflecting an annual average growth rate of more than 13%. The driving pharmaceutical segments of two of Asia's pharmaceutical giants, India and Japan, are expected to grow at rates of nearly 11% and 8% respectively through the year 2019, and China alone is expected to record a near 12% increase in this year 2019. Japan's overall pharmaceutical industry is expected to reach $79.8bn by 2020, a CAGR of only 1.8%. (*Source: CARE Report*)

The Asia Pacific generics market expanded at a CAGR of 13.5% between 2006 and 2010 to reach US$44.8bn in revenues. It is expected that the market to grow by 12% in 2010-2015 to reach US$79bn by the end of 2015. Continued economic growth in Asia has led to increased household incomes and spending on healthcare and pharmaceuticals. Asia has also gradually become a key source of production and R&D for the pharmaceutical sector. This trend is expected to continue, owing primarily to lower production costs and increasingly sophisticated R&D capabilities. (*Source: CARE Report*)

AUSTRALIAN PHARMA MARKET

Australia's pharmaceutical sector was valued at $22.7bn in 2013, and will increase at a CAGR of 5.1% to $32.1bn by 2020. (*Source: CARE Report*)

The major factors driving growth in Australia's pharmaceuticals market include the increasing elderly population and its associated disease burden, along with well-defined regulatory guidelines and the rising prevalence of non-communicable diseases due to an increasingly sedentary way of life. (*Source: CARE Report*)

NEW ZEALAND PHARMA MARKET

The New Zealand pharmaceuticals market had total revenues of $1.0bn in 2013, representing a compound annual growth rate (CAGR) of 2.9% between 2009 and 2013. (*Source: CARE Report*)

The performance of the market is forecast to decelerate, with an anticipated CAGR of 1.3% for the five-year period 2013 - 2018, which is expected to drive the market to a value of $1.1bn by the end of 2018. Despite the expected deceleration in the market, the expanding and ageing population in New Zealand, coupled with high government spending, is likely to help the market maintain positive growth in the long term. (*Source: CARE Report*)

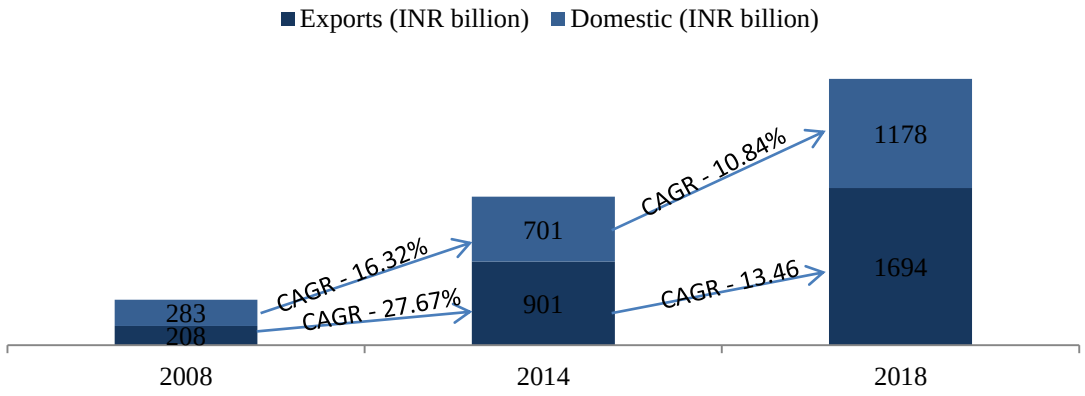
ROW MARKET SIZE AND GROWTH

Africa moves center stage as next emerging market in pharmaceuticals. South African pharmaceutical market was at $3.8bn in 2011, and expects it to reach $7bn in 2018 at a CAGR of 10.6%. Government reforms have encouraged the manufacture and use of generic drugs as a tool to limit drug expenditure and provide low-cost effective public healthcare. This expected fast growth will be driven by the government's healthcare reforms, which include improving access to healthcare services by expanding National Health Insurance (NIH) coverage to the entire South African population, and overhauling the nation's drug regulatory processes to be faster and more transparent. The spending on the Africa pharma market by 2016 is expected to reach US $30bn. South Africa, Egypt, Algeria, Morocco and Nigeria account for 70% of the value of pharmaceutical markets in Africa. The rest of the continent, without the Top 5 (50 markets) makes up 30% of the total value. South Africa pharma market is expected to growth by 6% in 2014-18. Overall healthcare spending across the African countries has been growing at 9.6% CAGR since 2000. Africa comes second only to the Asia pacific region (12.5%) but higher than Latin America (10.5%). (*Source: CARE Report*)

INDIAN PHARMACEUTICAL INDUSTRY

Overview of Indian Pharmaceutical Industry

The Indian Pharmaceutical Industry (IPI) is ranked third globally in terms of volume and thirteenth in terms of value. The lower market share in terms of value can be attributed to the predominance of generic medicines which command lower prices. As per estimates, the industry size is expected to grow at a CAGR of 12.38% from INR 1,602bn in 2014 to INR 2,872bn by 2018 given the huge export potential coupled with steady growth in the domestic formulation market. Growth in the domestic pharma market is expected to be driven by increase in the penetration of health insurance, improving access to healthcare facilities, rising prevalence of chronic diseases and rising per capita income. The export growth is expected to be led by increasing generic penetration in the regulated markets on the back of enhanced focus on the niche and complex product segments, patent expiries and growing demand from semi-regulated pharma markets. In the long term, growth in the exports market will be sustained by emerging markets such as Russia, Brazil, and South Africa etc. (*Source CARE Report*)



(*Source CARE Report*)

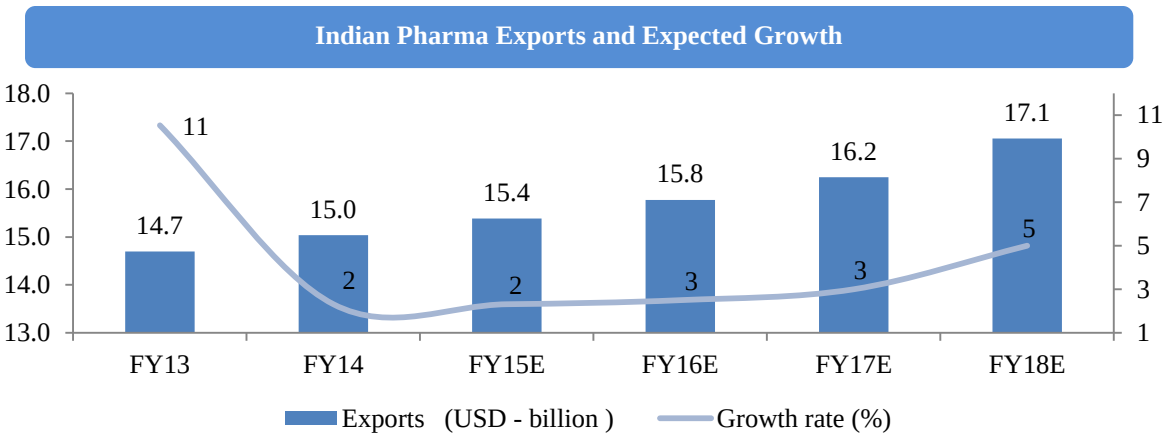
Domestic Market:

Domestic consumption accounted for about 44% of the total sales of Indian Pharmaceutical Industry in FY14. The domestic market has grown at a CAGR of about 16.32% in the past six years ended FY14 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 will 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. (*Source CARE Report*)

For the medium term period (i.e. FY14-FY18), the domestic pharmaceutical consumption is estimated to grow in a range of 11-12% 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. (*Source CARE Report*)

Export markets and its prospects

Being primarily an export oriented industry, India's drugs and pharmaceutical exports have more than doubled in the last six years and accounted for ~56% of the total industry sales during FY14 compared to around 39% during FY08. Export market has grown at a CAGR of about ~28% in the past six years ended FY14 this can be attributed to growing trend in outsourcing of pharmaceutical production by global pharmaceutical companies to low cost destinations like India and increasing penetration of generic drugs in the regulated markets on the back of patent expiries such as Lipitor (from Pfizer), Boniva (from Roche), Combivir (from GlaxoSmithKline), etc. in the regulated markets. India exports pharmaceutical products to about 180 nations and the United States of America (US) is the largest export market for India among all countries, being the world's largest generic drug market. Exports to US are primarily driven by increased Abbreviated New Drug Applications (ANDAs) approvals by United States Food & Drugs Administration (USFDA) and Indian Pharma companies' ability to produce high-quality medicines at competitive prices. (*Source CARE Report*)



(*Source CARE Report*)

IPI's exports aggregated US$ 15.04bn during FY14 as against US$ 14.7bn during FY13. US being the country's biggest market for pharma exports accounted for about 27 %, followed by Russia and United Kingdom (source: Ministry of Commerce). (*Source CARE Report*)

Indian exports are destined to more than 180 countries around the globe including highly regulated markets such as USA, Europe, Japan and Australia.

India has the second highest number (526 plants as on March 31, 2014) of USFDA approved plants outside the US that are capable of providing contract manufacturing services. Understanding the market dynamics majority of Indian companies have adopted backward integration to manufacture the ingredients for facilitating their formulation units. The setting up of units in vertical direction has relinquished the beneficiary companies to a great extent the pressure from bargaining power of suppliers, protecting them from tapering of profitability margins and fluctuating raw material prices. (*Source CARE Report*)

However, Indian companies have been issued various warnings/notices regarding non-compliance with the testing, hygiene and cGMP standards. At least 16 such instances have been reported during the period June 2013 to July 2014. (*Source CARE Report*)

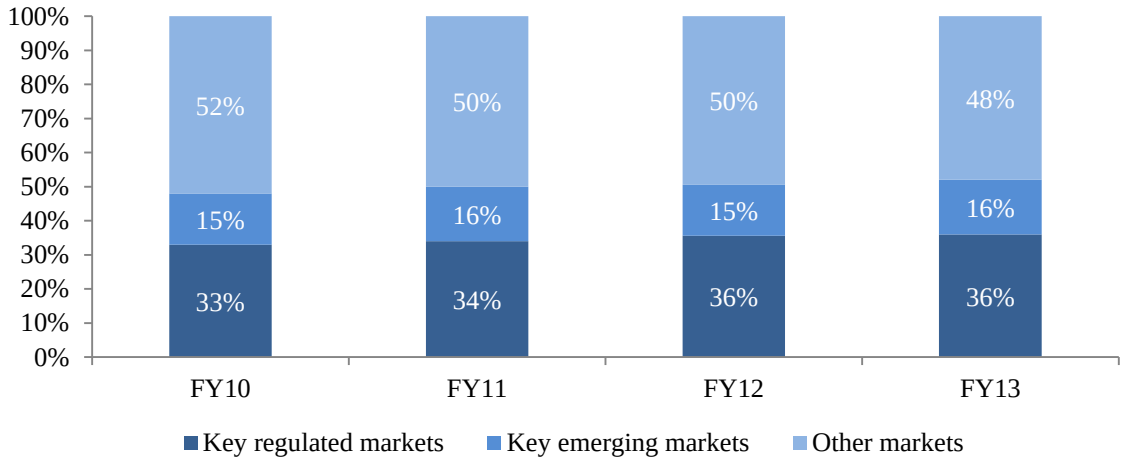
Country-wise import alerts			
Countries	**Total FDA approved manufacturing units**	**No of units with import alert**	**% of total sites under alert**
China	968	77	8.0%
India	526	47	8.9%
UK	147	42	28.6%
Canada	231	66	28.6%
Mexico	88	65	73.9%

(*Source CARE Report*)

Increasing growth prospects for the domestic pharmaceutical manufacturers in emerging markets like Russia, Brazil, South Africa etc. During the last six years (FY08-14), exports to these regions have increased at a CAGR of around 23%. The key regulated markets still command more than 35% of the industry exports and the same is expected to continue on account of increase in opportunities on account of branded drugs going off-patent. (*Source: CARE Report*)

The growth in Indian Pharma exports going forward would be primarily predominated by growth in exports towards regulated markets on account of branded drugs going off patent during FY16~FY17, thus providing an healthy opportunity of Indian Pharma companies. (*Source: CARE Report*)

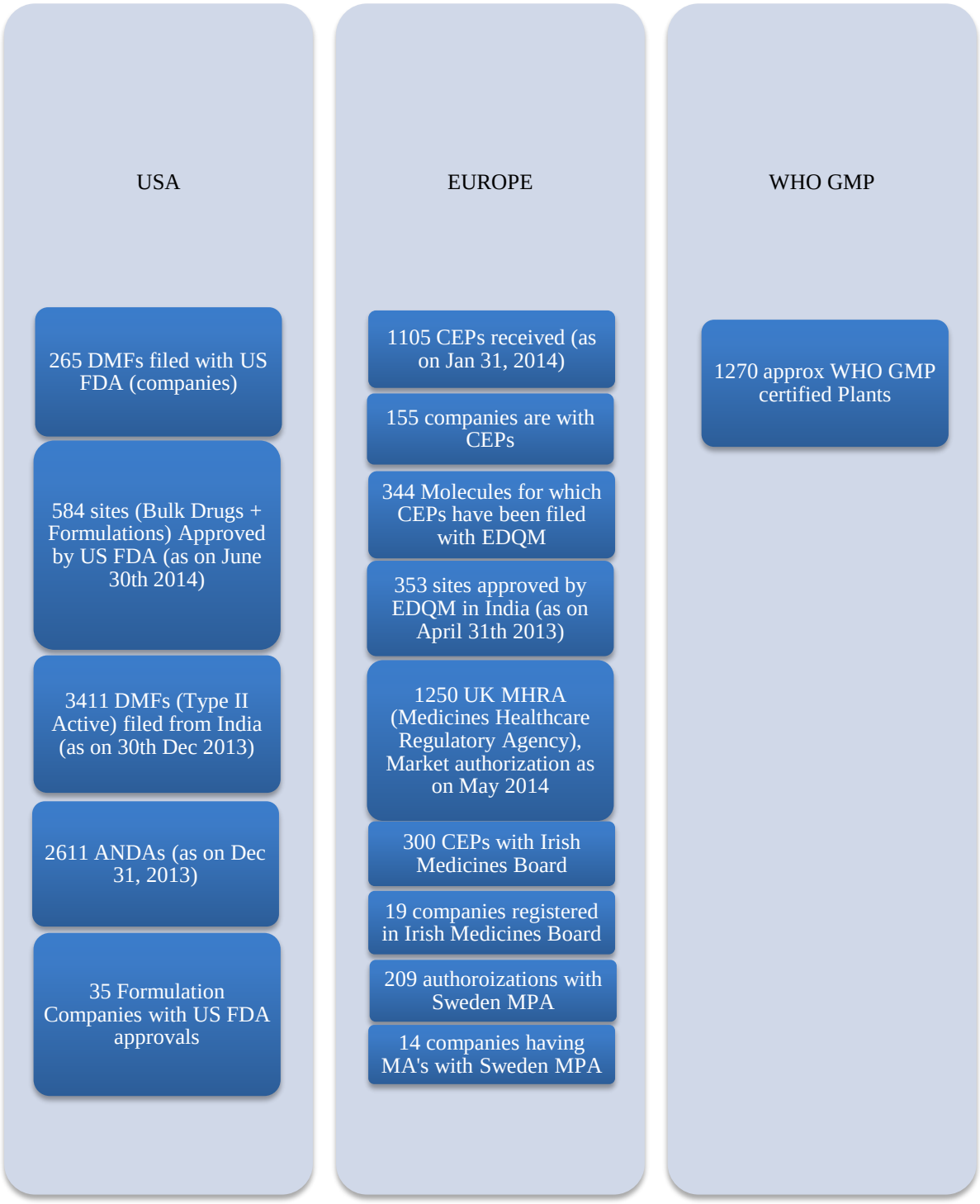
Export share of key markets



Note:
Key regulated markets include USA, Germany, UK and Canada
Key emerging markets include Brazil, Kenya, Nigeria, South Africa, Russia, Turkey and Vietnam
Other developed markets include Singapore and Australia

(*Source: CARE Report*)

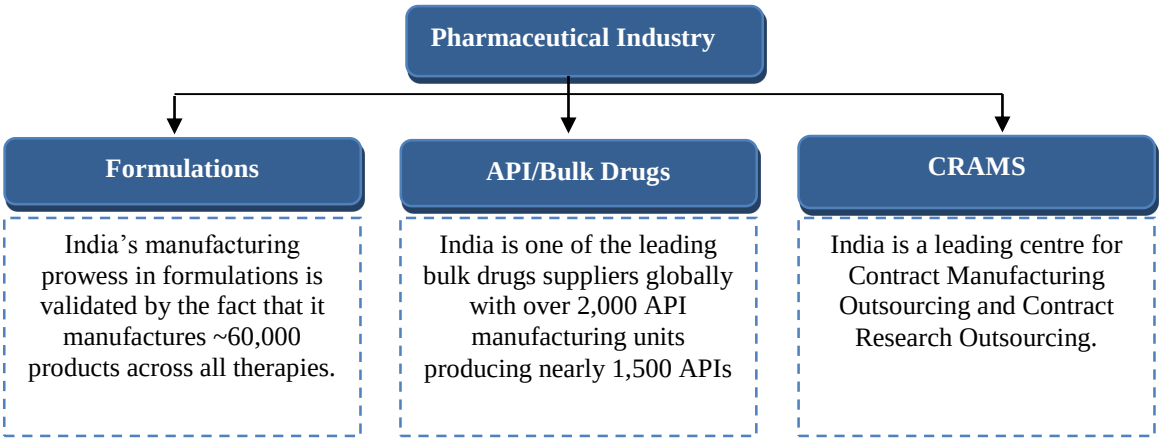
Given below accreditations India's exporters have received from various countries regulating authorities:



(*Source: CARE Report*)

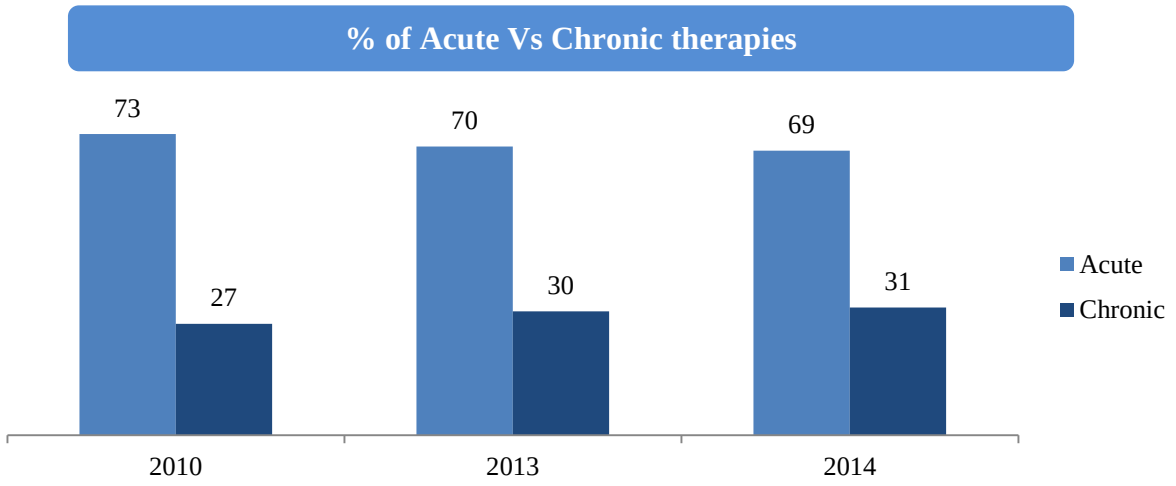
IPI Industry Structure

Over the years the structure of IPI has evolved, on account of changes in government regulations as well as innovation in product technology. On the basis of products, IPI can be classified into formulations, API (Active Pharmaceutical Ingredient)/bulk drugs and CRAMS (Contract Research & Manufacturing Services). 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. (*Source: CARE Report*)



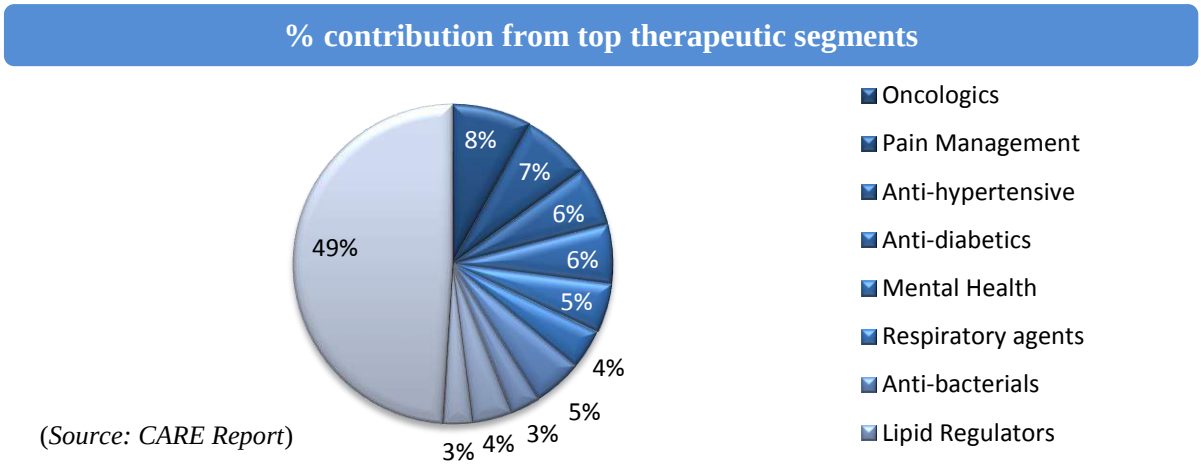
INDIAN PHARMACEUTICAL MARKET BY THERAPEUTIC SEGMENTS

Broadly, the therapeutic segments are classified into acute and chronic therapies. While acute therapy includes anti-infective, respiratory, pain, gyanec etc., chronic therapy includes cardio, gastro, central nervous system, anti-diabetic etc. the contribution from chronic therapies to Indian Pharmaceutical Industry has gone up from 27% in 2010 to 31% in 2014. (*Source CARE Report*)



(*Source: CARE Report*)

With respect to the therapeutic segments, Oncologics had the largest market share in 2014 of ~8% followed by pain management with ~7% and anti-hypertensive and anti-diabetics with ~6% market share each. The chart below depicts the percentage contribution of therapeutic segments to Indian Pharmaceutical Industry in 2014. (*Source: CARE Report*)



(*Source: CARE Report*)

Oncology Segment

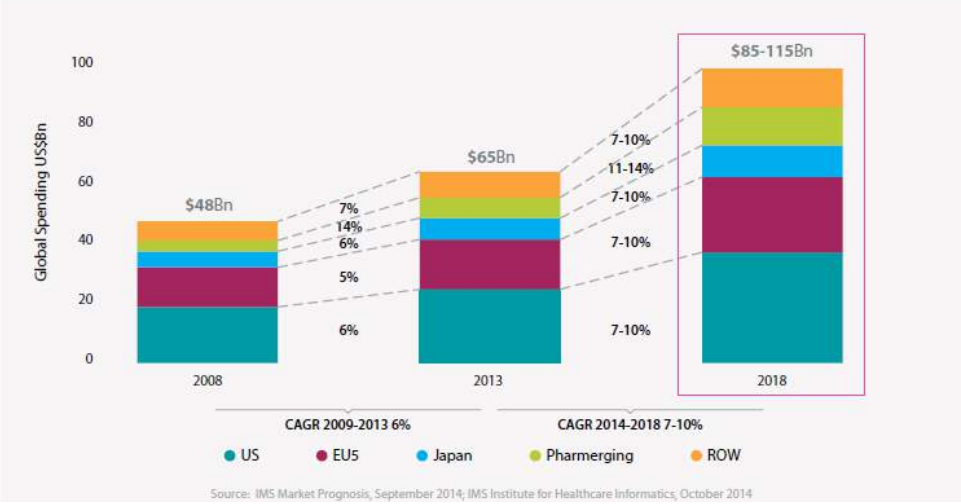
Oncology is the branch of medicine that deals with therapy related to cancer disease. The drugs used in various therapies include treatment options of the disease that comprise single or multiple therapies from amongst chemotherapy, immunotherapy, hormone therapy and radiation therapy. Except for radiation therapy, the other therapies are drug dependent and require superior quality formulations. Oncologic treatment varies from patient to patient, depending upon the exact location, extent of spread, stage of diagnosis and general health condition. (*Source CARE Report*)

Increasing number of cancer cases, changes in treatment scenario, development of alternative cancer therapies, increase in FDI are the major growth drivers for the Oncology market. However, it faces challenges such as increased competition, drug patents problem etc. This industry is highly fragmented with much number of players including public and private companies. (*Source CARE Report*)

Global Oncology segment – Market Dynamics

Spending on oncology medicines globally is expected to grow by over 50% to exceed $100Bn in 2018 driven by increases in cancer incidence of up to 31% by 2020, and rising rates of melanoma and kidney cancers. Absolute growth is expected to be $25-45Bn, compared to $17Bn in the prior five years. (*Source: IMS Report*)

Global spending and growth, 2008-2018



(*Source: IMS Report*)

In the major developed markets, a sharp increase in the volume of protected brands since 2011 and significant new product launches have been the primary drivers of spending growth, while the impact of patent expiries has moderated over the past few years. (*Source CARE Report*)

High numbers of global drug approvals and launches in 2012 and 2013 and a strong pipeline will drive higher growth in developed markets in the forecast period. Greater use of multi-targeted, or "stacked," treatments that demonstrate greater survival benefit will also increase spending levels in developed markets. (*Source: IMS Report*)

Oncology Market in India

The oncology market in India is expected to grow at 20% annually and is expected to touch about Rs. 4000 crore by 2017. Cancers of oral cavity and lungs in males and cervix and breast in females account for over 50% of all cancer related deaths in the country. (*Source CARE Report*)

There are around 28 lakh prevalent cases of all types of cancer with at least 8 lakh new cases being witnessed every year. Oncology will be key area of growth in India's healthcare sector and with increase in spending on coverage of medicine for oncology will see substantial growth in next 3-4 years. (*Source CARE Report*)

Although the pie of multinational companies is higher in this segment, the same is reducing on account of increase in penetration by domestic companies driven by the phenomena of relative affordability. (*Source CARE*

Report)

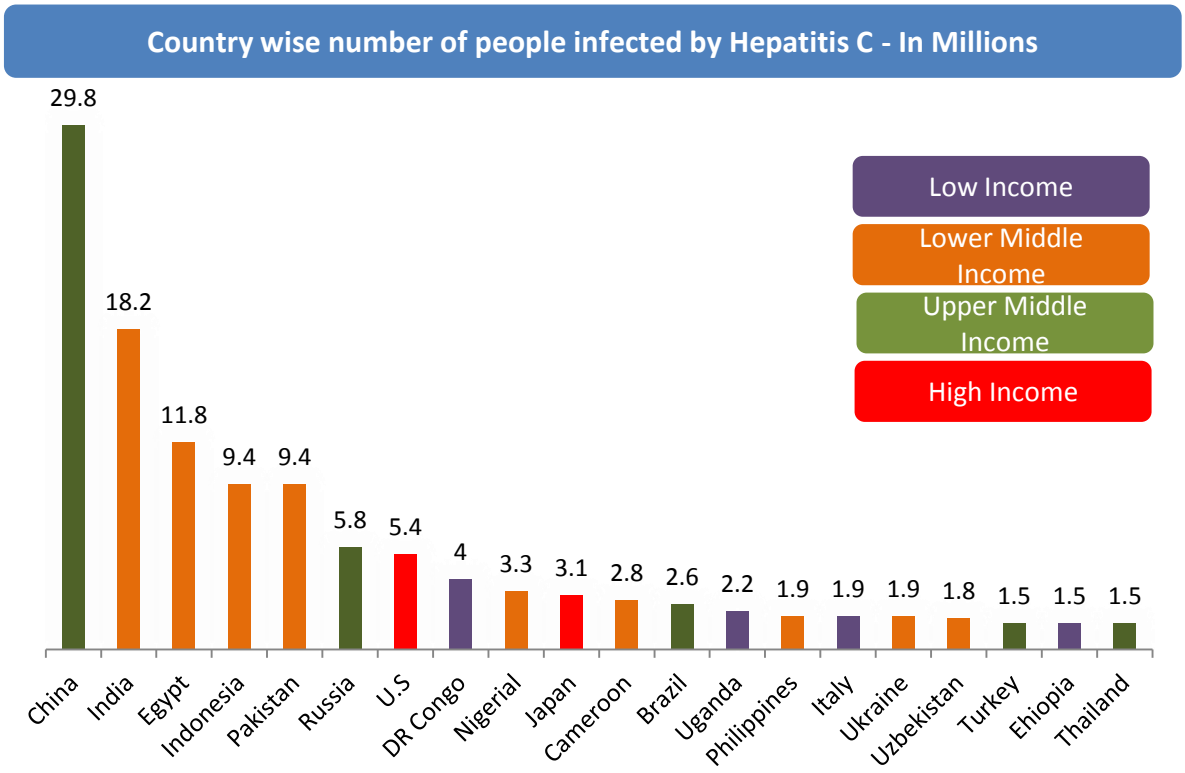
Due to low affordability and unorganized healthcare services, a large number of patients remain untapped making the expandability of the market difficult. The average life expectancy and the cancer detection rates have gone up in India over the past decade leading to increase in number of patients on cancer treatment. However, access to the quality oncology healthcare and availability of affordable medicines to large portion of rural population remains a key challenge for public health administrators and in turn could be a big opportunity for exploring the market. (*Source CARE Report*)

Major players in Oncology segment

The major players in India functioning in oncology segment are NATCO, Dr. Reddy's Lab, Piramal Healthcare, Biocon Limited, Cipla Ltd, Sanofi-Aventis, F. Hoffmann-La Roche Ltd, Genentech Inc., AstraZeneca, GlaxoSmithKline, Hetero labs Ltd etc,. Going forward on account of increase in patient affordability and incremental launches of the drugs, the oncology segment is expected to have good traction. The recent judgment for compulsory licensing can be considered a new avenue for more potential launches. (*Source CARE Report*)

Global Hepatitis Segment – Market Dynamics, Size and Growth

The World Health Organization (WHO) estimates that 150 million (about 3% of the world population) people globally are chronic HCV patients. The highest patient count is in China (29.7 million), India (18.2 million), Egypt (11.8 million) and Indonesia (9.43 million). Globally, HCV is implicated in 28% of cases of liver cirrhosis and 26% of cases of hepatocellular carcinoma, which accounts for almost 500,000 deaths per year. The burden of HCV is enormous in low- and middle-income countries from South Asia including India, East Asia, North Africa, the Middle East, and Southeast Asia, which accounts for more than 80% of the global HCV burden. Despite a low to moderate (1–1.5%) prevalence of HCV, India accounts for a significant share of global HCV infections due to the large population; approximately 18.2 million population is infected with HCV and 350,000 people die each year. (*Source CARE Report*)

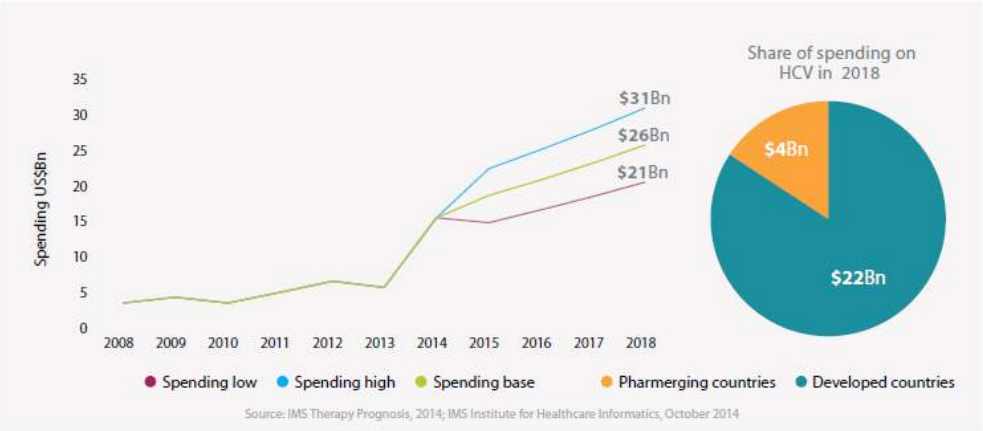


(*Source CARE Report*)

By 2018, the U.S. is expected to have treated approximately 500,000 HCV-infected patients with at least 450,000 patients cured, representing 9-14% of the U.S. HCV-infected patient population. The next five years will likely see pharmaceutical manufacturers introduce innovative strategies around affordability and cost

control as they seek to compete with other equally effective therapies. Manufacturers will compete for share in pharmerging markets as spending on viral hepatitis doubles by 2018. (*Source: IMS Report*)

Global spending on viral hepatitis through 2018[1]



(*Source: IMS Report*)

Government and public spending on HCV infection will be geared towards eradication, and while eradication will not be achieved in the next four years, governments may seek incentives for treatment of the disease in high-risk populations. The solutions to affordability and the public health concerns formed in the HCV market will be applied to adjacent therapeutic areas in the coming years. The Hepatitis C Virus (HCV) market has a wide scope of business prospects for about next decade. During the last two decades due to limited treatment options characterized by inconvenient dosing, frequently intolerable side effects and vilipend success rates have led to languid stand amongst the medical community. (*Source: IMS Report*)

The potential of the global hepatitis is expected to grow to a value of $18.6 billion by 2019, more than tripling the 2012 market value of $5.8 billion. The approved drugs that are used for treatment of Hepatitis C Virus are sofosbuvir & ledipasvir under the brand name Sovaldi and Harvoni by Gilead Sciences and Ombitasvir combined with paritaprevir, ritonavir and dasabuvir under the brand Viekira Pak by AbbVie. (*Source CARE Report*)

It is expected that Gilead's highly anticipated drug sofosbuvir will be the main contributor to market value as it has demonstrated promising results in clinical trials. Gilead's total revenues for the first 6 months of 2014 were up over 110% year-on-year, from $5.3 billion in H12013 to $11.5 billion in H12014. Its success with hepatitis C has more than doubled Gilead's overall revenues to $24.9 billion in 2014, compared to $11.2 billion in 2013. Global market for HCV therapeutics is projected to reach $ 9.1 billion by 2015 and to $ 32bn by 2018. (*Source CARE Report*)

Another drug, Ledipasvir, also manufactured by Gilead, is yet to release in the Indian market. The majorly reduced price will be especially beneficial to Egypt, which has one of the world's highest rates of hepatitis C infections. (*Source CARE Report*)

Key global players and their products

Gilead Science Inc. is one of the world's biggest pharmaceutical companies by sale due to the success of two Hepatitis C drugs, Sovaldi and Harvoni. The two liver-disease drugs saw combined total of $3.84 billion in sales revenue in the fourth quarter of 2014, totalling $12.4 billion for the full year, making their launches the best ever for new drugs. Harvoni drug has produced high cure rate at 94-99% in 3 separate trails, prompting projections of its total revenues to reach $10.27 billion by 2019, growing at a CAGR of 2.2% from 2015. The drug's manufacturing company, Gilead, once known for its HIV/AIDs treatments, more than doubled its total revenue in the previous quarter totalling $7.31 billion, contributing to the annual total of $24.9 billion. The total sales of Harvoni and Sovaldi contributed to half of this total figure, bringing in revenues of $12.4 billion over the year. (*Source CARE Report*)

AbbVie Inc's drug Viekira Pak**,** a combination regimen which was FDA approved to treat chronic HCV infection is the second leading drug which quoted 10% lesser price than the Gilead. The emergence of additional

players in the HCV market, like Bristol-Myers Squibb and Merck possibly in 2016 or 2017, would force Gilead and AbbVie to make room for more new entrants. **Achillion Pharmaceuticals** is a small player in HCV market with four HCV drugs in clinical development and is working on a combination regimen which is expected to get in market by 2018. (*Source CARE Report*)

Other players in the global HCV therapeutics market include Abbott Diagnostics, Achillion Pharmaceuticals, Anadys Pharmaceuticals, Boehringer Ingelheim GmbH, Bristol-Myers Squibb Company, F. Hoffmann-La Roche, GlaxoSmithKline, Hayashibara Biochemical Labs, Human Genome Sciences, Idenix Pharmaceuticals, Innogenetics NV, InterMune, Intarcia Therapeutics, Medivir AB, Merck, Novartis, Pfizer, Schering-Plough, Tibotec Pharmaceuticals, Tripep, Toray Industries, Valeant Pharmaceuticals International, and Vertex Pharmaceuticals, among others. (*Source CARE Report*)

Growth drivers favoring the Indian pharma companies for Sofosbuvir

India is expected to be the fastest growing hepatitis C virus antiviral markets in Asia-Pacific region. Some of the key driving forces for hepatitis C virus antiviral market in emerging countries are large pool of patients, increasing awareness programs and rising government funding. (*Source CARE Report*)

In recent times there is increased use of hepatitis C virus antiviral due to increasing incidence of chronic infection with hepatitis C virus. Increase in healthcare expenditure, changing lifestyle and increasing government initiatives are some of the key factors driving the growth for global hepatitis C virus antiviral market. However, stringent regulation for approval of hepatitis C antiviral is the major factors restraining the growth for the global hepatitis C virus antiviral market. Introduction of interferon-free oral therapies would develop opportunity for the global hepatitis C virus antiviral market. The trend for global hepatitis C virus antiviral market is rise in awareness programs and promoting partnerships by World Health Organization (WHO). (*Source CARE Report*)

Indian Key players functioning in this segment

During Q1FY15, USA drug maker Gilead Sciences Inc has entered into non-exclusive licensing arrangement with eight Indian firms which includes Biocon, Cadila Healthcare Ltd, Cipla Ltd, Hetero Labs Ltd, NATCO, Ranbaxy Laboratories 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. The above arrangement would help these companies to manufacture and distribute these medicines to about 101 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. (*Source CARE Report*)

GLOBAL ACTIVE PHARMACEUTICAL INGREDIENTS-SIZE AND GROWTH

The global active pharmaceutical market is expected to reach sales of about US $ 185.9 bn by 2020 registering a CAGR of around 6.5% during 2014 to 2020. According to report of World Health Organization (WHO), cancer has become the leading cause of morbidity and mortality worldwide with increasing number of new diagnosed cases and cancer related deaths y-o-y. Therefore, oncology segment is expected to be the fastest growing segment in the global API market. Further, most of the drugs in this segment contains High Potency Active Pharmaceutical Ingredients (HPAPIs) which itself is one of the fastest growing segment in API market. The market growth under this segment is expected to remain high compared to other segments owing to loss of patent protection for blockbuster drugs such as Herceptin (Roche), Arimidex (AstraZeneca), Xeloda (Roche), Abraxane (Celgene), Temodar (Merck & Co) and Vidaza (Celgene) between 2010 and 2014. (*Source CARE Report*)

Geographically API market is segmented into North America, Asia Pacific, Europe and Rest of World. While North America dominates the global API market, regions Asia Pacific is the fastest growing with a CAGR of more than 7.5% by 2020 due to patent expirations of drugs, low operations costs, services of contract Manufacturing Organizations (CMO) and high investments in medical research. API manufacturing has slowly been shifting from historical leaders in Western countries to newer firms in India and china due to high cost of skilled labor and energy. (*Source CARE Report*)

Indian Active Pharmaceutical Ingredients Market

Global Active Pharmaceutical Ingredients (API) market is expected to grow at 8% CAGR over 2012-2017 reaching USD 166 bn in 2017 majorly on account of patent expires, increase in outsourcing and demand for potent and bio-generic API's. Owing to stiff competition in global API markets, major portion of API production is outsourced to India and China being two of the largest API markets in the world. This provides the opportunity for the Indian Pharmaceutical Companies to vertically integrate generic firms and specialty API manufacturers. (*Source CARE Report*)

Indian API sector has been continuously growing and has established itself as largest bulk drug producers globally. The technological capability for manufacturing and supplying of generic drugs of the companies make them major players in the international generics market. The Indian API currently has over 3000 API factories. The Indian API industry has catered to domestic as well as export market. Majority of the Indian Pharmaceutical companies have started backward integration into bulk drug manufacturing to have a better control over the quality and control over the prices. (*Source CARE Report*)

Growth in Generic Industry resulting in increase in demand for API's

Generic drug growth has been majorly on account of patent expirations and cost issues. With around $ 71.7 bn drugs going off patent during CY2015-17 in the US, it presents the opportunity for Indian generic drug makers the opportunities ahead to build strong pipeline of products to be sold in the US and file for seeking ANDA approvals with USFDA for generic drugs. The generic drug companies in India have broad technological and diversified market capabilities. This helps the companies in increasing its sales with high rate of patent expiry. The technological capability for manufacturing and supplying of generic drugs of the companies make them major players in the international generics market. This apart, the worldwide demand for cost effective generic drugs is leading India to rise as a hub of generic drug manufacturing. India accounts for over 12% of global pharmaceutical production with over 60,000 generic brands across 60 therapeutic segments. (*Source CARE Report*)

BUSINESS

We are a vertically integrated and R&D focused pharmaceutical company engaged in developing, manufacturing and marketing of finished dosage formulations ("**FDF**") and active pharmaceutical ingredients ("**APIs**"). Our focus is primarily on niche therapeutic areas and complex products. We market and distribute our products in over 40 countries. We sell our FDF products in the United States, India, Europe and the rest of the world ("**RoW**"). In the United States, our FDF business is primarily focused on high-barrier-to-entry products that are either difficult to formulate and/or manufacture or face complex legal and regulatory challenges, typically resulting into limited competition in the market. We are one of the leading players in domestic oncology segment, in our portfolio of operated products. (*Source: Report on Pharmaceutical Industry (2015) published by Credit Analysis & Research Limited*). Our API products are primarily used for captive consumption in FDF products and are also sold to various international markets such as Brazil, Europe and USA.

In the USA, as of August 31, 2015, we have made 36 ANDA filings with USFDA of which (i) 12 are approved; (ii) two are tentatively approved; (iii) 21 are under review (including Paragraph III and Paragraph IV filings) and, one filing has been subsequently withdrawn. We typically make ANDA filings with the USFDA either on our own or in collaboration with global pharmaceutical companies such as Mylan, Actavis, Breckenridge and Lupin. Our Paragraph IV filings include generic versions of key brands such as Copaxone (20 mg and 40 mg), Gilenya, Tamiflu, Treanda and Revlimid, some of which, we believe, are first to file under Paragraph IV ANDA application ("**FTF**"). Currently, we sell our commercialised products in the USA through our partnerships with global pharmaceutical companies.

We are one of the leading players in domestic oncology segment, in our portfolio of operated products. (*Source: Report on Pharmaceutical Industry (2015) published by Credit Analysis & Research Limited*). As of August 31, 2015, we had a portfolio of 26 products catering to various oncology diseases including breast, brain, bone, lung and ovarian cancer. We have increased our product range, starting from six products in 2003-04 to 26 active products in 2014-15. We commenced selling our oncology products in 2003 by launching a generic version of Imatinib Mesylate under the name of Veenat which is used for the treatment of chronic myeloid leukaemia. Our oncology portfolio includes key brands like Veenat, Lenalid, Erlonat, Geftinat and Sorafenat, each of which had annual sales of more than Rs. 100 million in Fiscal 2015. We also won a compulsory non-exclusive license in India to manufacture the drug Sorafenib Tosylate which is used for the treatment of kidney and liver cancer and sold by Bayer under the brand Nexavar. This compulsory license is valid till the patent is held by Bayer. In the domestic market, we market our products through over 170 marketing personnel and over 350 distributors. We also have a portfolio of six products catering to therapeutic segments such as orthopaedics and gastroenterology, critical care and central nervous system (CNS). Our total FDF revenues from sale of products grew by 18.89% from Rs. 3,542.11 million in Fiscal 2014 to Rs. 4,211.25 million in Fiscal 2015. Our FDF revenues from sale of oncology products in India grew 25.86% from Rs. 1,546.92 million in Fiscal 2014 to Rs. 1,947.00 million in Fiscal 2015.

We have also entered into a non-exclusive licensing agreement with Gilead Sciences for manufacturing a generic version of Sofosbuvir and Ledipasvir and selling it in 101 countries including India. The drug made from Sofosbuvir is a medicine used for treating hepatitis C virus and sold globally by Gilead Sciences, under its brand 'Sovaldi'. Our Company has commenced manufacturing and selling of generic Sofosbuvir under its brand HEPCINAT in India. Further, we have recently launched the generic version of Sofosbuvir in Nepal.

We also manufacture API products which are primarily used for captive consumption in our FDF products and are also sold to customers for various international markets such as Brazil, Europe and USA. In the API segment, we have capabilities to develop and manufacture products with multi-step synthesis, semi synthetic fusion technologies, high-potency APIs and peptides. As of August 31, 2015, we have filed 31 DMFs with the USFDA, which includes therapeutic areas such as oncology, CNS, anti-asthmatic, anti-depressant, anti-migraine, anti-osteoporosis, anti emetic, renal disease, prostate disorder and gastrointestinal disorders. Our API revenue from sale of products grew by 29.52% from Rs. 1952.79 million in Fiscal 2014 to Rs. 2529.30 million in Fiscal 2015.

We are also engaged in contract manufacturing business, whereby we undertake selected contracts with pharmaceutical companies to manufacture and supply pharmaceutical products. We also operate a pharmacy under the name SaveMart Pharmacy, which is located at Lancaster, Pennsylvania, USA.

We have a strong focus on R&D initiatives which have enabled us to develop a strong portfolio of niche and

complex FDF and API products. We have a dedicated R&D facility housed at the Natco Research Centre, Hyderabad and a R&D unit in our Kothur facility, which comprises of over 240 personnel including scientists, chemists, research assistants, trainees and others, and have been accredited by the Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India ("**DSIR**"). Our R&D team has capabilities across synthetic chemistry, biotech and fermentation, nano pharmaceuticals and cell biology. We also have scientists with expertise in polymer based chemistry and peptides chemistry. Our R&D team is currently developing two New Chemical Entity (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 Chronic Myeloid Leukaemia (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 August 31, 2015, we have filed 76 patent applications in India, 127 patent applications internationally and we have been granted 179 patents in India and internationally. We spent approximately Rs. 406.59 million and Rs. 517.17 million on standalone basis on research and development activities during the years ended March 31, 2014 and March 31, 2015, respectively.

We operate seven manufacturing facilities which are located in Telangana, Uttarakhand and Assam, engaged in manufacturing of parenterals, APIs and FDFs. Our FDF products are manufactured from five manufacturing facilities, of which two are located in Dehradun, Uttarakand, two in Telangana (Kothur and Nagarjuna Sagar) and one in Guwahati, Assam. Our FDF manufacturing facility in Visakhapatnam, Andhra Pradesh is currently under construction in an SEZ location. Our API products are manufactured from two manufacturing facilities, of which one is located in Mekaguda, Telangana and the other at Manali, Chennai. Our manufacturing facilities have been approved by either one or more regulatory authorities such as USFDA, Public Health Service of the Netherlands (EU GMP), German Health Authority, PMDA Japan, Cofepris Mexico and ANVISA. In particular, our Kothur and Mekaguda facilities in Telangana are approved by USFDA. Our manufacturing facilities possess the ability to manufacture FDFs in oral solids, liquids and injectable dosage forms.

Our total revenue for the Fiscal 2015 stood at Rs. 8,401.83 million as against Rs. 7,556.00 million in Fiscal 2014 and Rs. 6729.32 million in Fiscal 2013, respectively. Our EBITDA for Fiscal 2015, 2014 and 2013 was Rs. 2,131.59 million, Rs. 1,960.39 million and Rs. 1,507.48 million, respectively.

Our Strengths

We believe that the following are our competitive strengths:

Strong R&D Capabilities

We are a R&D driven company. Our R&D capabilities enable us to manufacture niche pharmaceutical molecules which are technologically complex to formulate and manufacture. 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. We believe that our strong abilities in product development and commercialization will help us to capitalise on growth opportunities in some of the world's biggest regulated pharmaceutical markets such as the United States. Over the years we have filed 15 Paragraph IV ANDAs with USFDA, some of which we believe are FTFs. We spent approximately Rs. 406.59 million and Rs. 517.17 million on standalone basis on research and development activities during the years ended March 31, 2014 and March 31, 2015, respectively.

Our R&D team is also 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. We believe that focused R&D activities are a prerequisite for long-term growth and hence we have steadily increased our R&D expenditure.

As a part of our business strategy in USA, we seek to launch generic pharmaceutical products based on our R&D abilities in assessing validity of patent or other regulatory exclusivity of such branded products. Over a period of time, we have been able to file 15 Paragraph IV ANDAs with the help of our R&D abilities, two of which are tentatively approved. Some of our Paragraph IV filings may have exclusivity period in USA market, once approved by the USFDA.

With 26 products in the domestic oncology segment, including key brands such as Veenat, Lenalid, Erlonat, Geftinat and Sorafenat, each of which had annual sales of more than Rs. 100 million in Fiscal 2015, our R&D

abilities have contributed towards our leading market share in India in our operated portfolio of products in oncology segment.

Focused approach to product selection targeting high-barrier-to-entry products

Our US FDF products pipeline portfolio is predominantly focused 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. As of August 31, 2015, our portfolio includes 15 Paragraph IV filings, some of which we believe are FTFs, made in collaboration with global pharmaceutical companies such as Mylan, Actavis, Breckenridge and Lupin. Some of our key Paragraph IV filings for generic products include:

- Copaxone (20mg and 40mg), the preferred drug for multiple sclerosis which has a market opportunity of USD 3,870.17 million[*] in the United States;
- Revlimid, a multiple myeloma drug which has a market opportunity of USD 974.16 million[*] in the United States;
- Tamiflu, an oral antiviral, for the treatment variants of influenza A and B, which has a market opportunity of USD 519.24 million[*] in the United States;

[*](*Source: IMS; Based on annual sales of products for calendar year 2014, as on September 8, 2015*)

As a part of our de-risking strategy, we enter into product specific partnerships with global generic pharmaceutical companies in USA which enable us to effectively challenge lengthy and complex legal and regulatory issues in order to secure the ANDA approvals. Further, such global generic pharmaceutical companies have significant insight into global legal procedures and protocols enabling us to draw on their experience to successfully obtain the necessary regulatory approvals and effectively commercialise our products.

Further, some of our products under Paragraph IV filings are difficult to manufacture, such as Glatiramer Acetate, which involves technology such as peptide chemistry, leading to entry-barriers for competitors. We have also demonstrated our ability to handle complex manufacturing processes, such as lyophilization and complete isolation technology to manufacture cytotoxic products. We also manufacture products that require a specialized environment with, among other things, controlled release pharmaceutical products.

Well established presence in the oncology segment in India

We are one of the leading players in domestic oncology segment, in our portfolio of operated products. (*Source: Report on Pharmaceutical Industry (2015) published by Credit Analysis & Research Limited*). As of August 31, 2015, we had a portfolio of 26 products catering to various oncology diseases including breast, brain, bone, lung and ovarian cancer. Our oncology portfolio includes key brands like Veenat, Lenalid, Erlonat, Geftinat and Sorafenat, each of which have annual sales of more than Rs. 100 million. We also won a compulsory non-exclusive license in India to manufacture the drug Sorafenib Tosylate which is used for the treatment of kidney and liver cancer and sold by Bayer under the brand Nexavar.

There are around 2.80 million prevalent cases of all types of cancer with at least 0.80 million new cases being witnessed every year. Oncology will be key area of growth in India's healthcare sector and with increase in spending on coverage of medicine for oncology, India will see substantial growth in next three to four years (*Source: Report on Pharmaceutical Industry (2015) published by Credit Analysis & Research Limited*). We enjoy considerable market presence in the oncology segment which we believe enables us to grow further and generate sustainable revenues. We continually evaluate our product basket and focus on introducing newer formulations in the oncology segment. As a result of this, we have increased our product range, starting from six products in 2003-04 to 26 active products in 2014-15 and our product portfolio currently caters to treatment for breast, brain, bone, lung and ovarian cancer.

We also have strong marketing and distribution capabilities in India. Our marketing and distribution network in India is anchored by a specialised field force of more than 170 marketing personnel and over 350 distributors as of August 30, 2015, which expands our reach for our oncology products in the Indian market.

Vertically integrated business model

We are a vertically integrated company. Our backward integration of FDF business ensures steady supply of

APIs. In the US FDF pipeline portfolio, around 60% of our products are backward integrated, with the ability to meet all API requirements in-house. Our vertical integration model of business helps us to have sustainable business. 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.

Core Competency in Manufacturing

We operate seven manufacturing facilities which are located in Telangana, Uttarakhand and Assam, engaged in manufacturing of parenterals, APIs and FDFs Our FDF products are manufactured from five manufacturing facilities, of which two are located in Dehradun, Uttarakand, two in Telangana (Kothur and Nagarjuna Sagar) and one in Guwahati, Assam. Our API products are manufactured from two manufacturing facilities, of which one is located in Mekaguda, Telangana and the other at Manali, Chennai. Our manufacturing facilities have been approved by either one or more regulatory authorities such as USFDA, Public Health Service of the Netherlands (EU GMP), German Health Authority, PMDA Japan, Cofepris Mexico and ANVISA. In particular, our facility at Kothur and Mekaguda in Telangana are approved by USFDA. For further details, see "*Our Business - Manufacturing*" on page [●].

Through our various FDF manufacturing facilities, we are capable of manufacturing vide range of dosage forms including oral solids, liquids and injectables. In order to enhance our sales, we have in the past leveraged our R&D and manufacturing capabilities to develop niche and complex products which have high entry barriers due to difficulties to formulate and manufacture such products. We also manufacture products that require a specialized environment with, among other things, controlled release pharmaceutical products.

Our API manufacturing ability has enabled us to achieve significant backward integration ensuring steady supply of APIs at an equitable cost, avoiding any market fluctuations. In the US FDF portfolio, around 60% of our products are backward integrated, with the ability to meet all API requirements in-house.

Experienced management team

Our Promoter Directors have played a key role in developing our business and we benefit from their significant experience in the pharmaceuticals business. We also have a qualified senior management team with experience in the domestic and international pharmaceutical industries. We believe that our domain knowledge and experience of our Promoter Directors and our 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

Expand our portfolio of FDF products which have high barriers to entry

Our strategy 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. Our portfolio includes 15 Paragraph IV filings with USFDA, which includes products that are difficult to formulate and difficult to manufacture, such as Glatiramer Acetate, which involves technology such as peptide chemistry. We also handle complex manufacturing processes, such as lyophilization and complete isolation technology to manufacture cytotoxic products and, manufacture products that require a specialized environment with, among other things, controlled release pharmaceutical products.

We have expanded our development portfolio over the years across various products and various geographies. We have also grown our ANDAs pending with the FDA from 29 products at March 31, 2014 to 36 products at August 31, 2015, some of which we believe are FTFs. We expect to continue to grow our R&D efforts to strengthen and grow our product portfolio and make new ANDA filings. We have entered into several agreements with global pharmaceutical companies to develop and file ANDA applications with the USFDA. As of August 31, 2015, we have made 36 ANDA filings with USFDA of which 21 are under review.

In order to achieve this strategy, we also intend to continue to focus on our R&D and drug discovery capabilities, enhance our manufacturing capabilities and focus on backward integration for better control over our quality, supply chain and costs, by predominantly using in-house APIs.

Maintain leadership position in the oncology segment in India

We are one of the leading players in domestic oncology segment, in our portfolio of operated products. *(Source: Report on Pharmaceutical Industry (2015) published by Credit Analysis & Research Limited)*. We intend to continue to consolidate our position in oncology segment in India where we believe we have significant growth potential. There are around 2.80 million prevalent cases of all types of cancer with at least 0.80 million new cases being witnessed every year. Oncology will be key area of growth in India's healthcare sector and with increase in spending on coverage of medicine for oncology, India will see substantial growth in next three to four years *(Source: Report on Pharmaceutical Industry (2015) published by Credit Analysis & Research Limited)*. We will continue to increase our presence across oncology market in India through our strong R&D and drug discovery capabilities, resulting in increased product portfolio, and with an increased market outreach. Our marketing and distribution network in India is anchored by a specialised field force of more than 170 marketing personnel and over 350 distributors as of August 30, 2015, which expands our reach for our oncology products in the Indian market.

Broaden and deepen our European and Rest of World presence

We intend to continue to grow our sales in existing jurisdictions such as Europe, Canada, Brazil and tap newer markets such as Singapore and Australia by aggressively registering our products in these markets. Our growth strategy will vary from country to country depending on country specific regulatory requirements. In Europe, we primarily sell our products in United Kingdom and Germany through our business partners. We are in the process of marketing and distributing our FDF products in Singapore through our subsidiary in Singapore. We intend to market and distribute our FDF products in Australia through our subsidiary in Australia as well as through third party business partners. We market and distribute our FDF products in Brazil and Canada through our respective Subsidiaries. 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 RoW. We would also explore opportunities for acquisitions of companies which have a distribution presence in certain countries.

Natco Canada received its drug establishment license as a distributor and importer in Canada on June 5, 2015 from Health Canada. We have obtained approval for six products in Canada from Health Canada and are in the process for distribution and marketing. We have also filed applications for five products with Health Canada, which are pending approval. Further, have made 10 filings for approval of products for sale in Brazil, which are under review by ANVISA. We have made filing for approval of our one FDF product, which is under review by the Therapeutic Goods Administration, Department of Health, Australian Government. We have obtained one approval for our FDF product. We have also made six filings for approval of our FDF products in Singapore, which are currently under review by Health Sciences Authority. We have obtained four approvals for our FDF products from authorities in Germany, United Kingdom and Denmark, either in our name or through our business partners.

We have also entered into a non-exclusive licensing agreement with Gilead Sciences for manufacturing a generic version of Sofosbuvir and Ledipasvir and selling it in 101 countries including India. The drug made from Sofosbuvir is a medicine used for treating hepatitis C virus and sold globally by Gilead Sciences, under its brand 'Sovaldi'. Our Company has commenced manufacturing and selling of generic Sofosbuvir under its brand HEPCINAT in India. Further, we have recently launched the generic version of Sofosbuvir in Nepal.

The hepatitis C virus market has a wide scope of business prospects for about next decade. The World Health Organization estimates that 150 million (about 3% of the world population) people globally are chronic hepatitis C virus patients. Globally, hepatitis C virus is implicated in 28% of cases of liver cirrhosis and 26% of cases of hepatocellular carcinoma, which accounts for almost 500,000 deaths per year. Despite a low to moderate (1–1.5%) prevalence of hepatitis C virus, India accounts for a significant share of global hepatitis C virus infections due to the large population; approximately 18.2 million population is infected with hepatitis C virus and 350,000 people die each year. The potential of the global hepatitis is expected to grow to a value of $18.6 billion by 2019, more than tripling the 2012 market value of $5.8 billion. *(Source: Report on Pharmaceutical Industry (2015) published by Credit Analysis & Research Limited)*

Our non-exclusive licensing agreement with Gilead Sciences, Inc has enabled us to enter new markets with generic version of Sofosbuvir and subsequently, an opportunity grow in these markets with introduction of our other existing products.

Expand our formulations manufacturing capabilities

We already operate seven manufacturing facilities which are located in Telangana, Uttarakhand and Assam, engaged in manufacturing of parenterals, APIs and FDFs. Our FDF products are manufactured from five manufacturing facilities, of which two are located in Dehradun, Uttarakand, two in Telangana (Kothur and Nagarjuna Sagar) and one in Guwahati, Assam. We plan to increase our formulation manufacturing capabilities and towards this strategy, we have already commenced construction of another FDF facility in Visakhapatnam, which is in a SEZ location. We expect the completion of construction of the Visakhapatnam facility by Fiscal 2016 - 2017. We intend to apply for USFDA approval for the facility at Visakhapatnam, which shall enable us to expand our outreach to international markets. We also believe that expanding our FDF manufacturing facilities capabilities will enable us to increase our production by undertaking new supply arrangements and shall also support our existing FDF infrastructure in times of high demand.

Our History

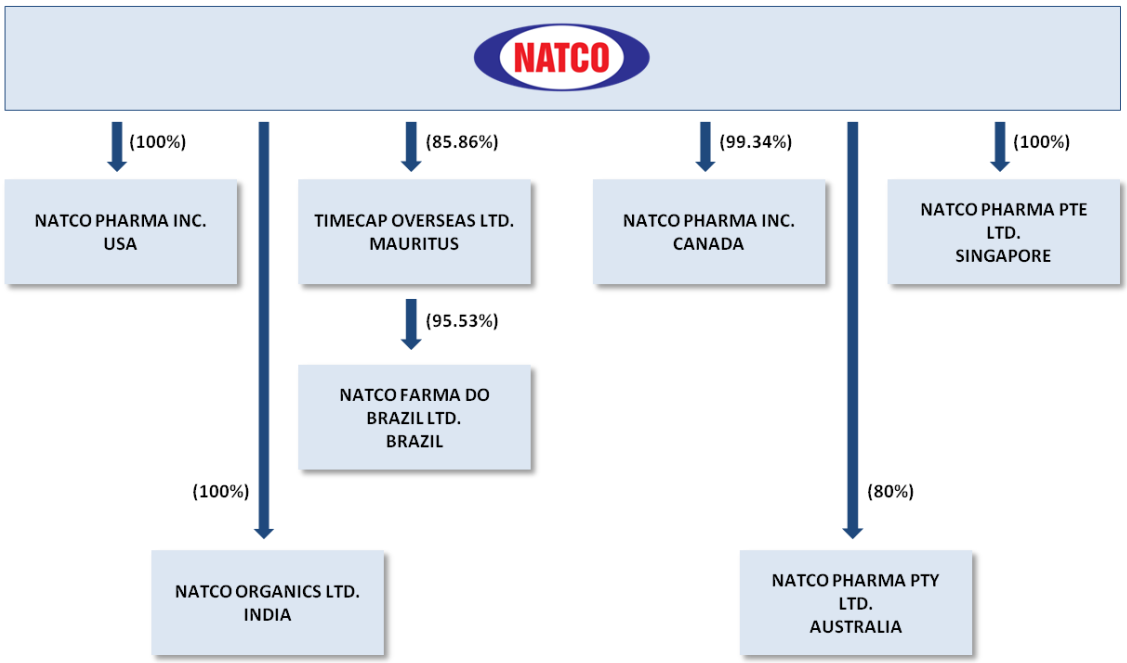
Our Company was incorporated on September 19, 1981 as private limited company under the name of Natco Fine Pharmaceuticals Private Limited. We became a deemed public company with effect from July 1, 1992 and the word 'private' was deleted from the name of our Company pursuant to Company's intimation 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
1986	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
2006	Inaugurated facility at Dehradun, Uttarakhand
2008	• Approval of first ANDA in the United States • First Paragraph IV Certification application in the United States
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

Pursuant to a resolution of the Shareholders at the extraordinary general meeting dated June 27, 2015 and subject to applicable laws and approval of the creditors of the Company and Madras High Court, Shareholders have approved amalgamation of Natco Organics Limited with our Company with effect from April 1, 2015 or such date as approved by the Madras High Court.

Corporate Structure



Description of our Business

We categorise our business in the following segments, namely (a) FDF; (b) APIs; (c) contract manufacturing; and (d) pharmacy. The total revenue (net of other operating income and inter-segment revenue) from each business segment for the last three fiscal years is listed below:

(Rs. in million)

Segment*	Fiscal 2015	Fiscal 2014	Fiscal 2013
FDF	4211.25	3542.11	2787.82
API (ex-inter segment)	2529.30	1952.79	2200.32
Contract Manufacturing	85.43	119.33	94.36
Pharmacy	947.95	1163.02	1036.58

**Note: certain revenue is earned from other operating income and sale of dossiers. The same including inter-segment revenue has not been included in the table above*

FDF Business

We manufacture generic formulation products. We sell our FDF products in (a) the United States; (b) India; (c) Europe, and (d) RoW. Our focus is primarily on niche therapeutic areas and complex products. Our core strength lies in developing and manufacturing pharmaceutical products in-house, which we primarily commercialize either through our relationships with multi-national pharmaceutical companies or through our distribution network.

US FDF Business

In the United States, our FDF business is primarily focused on high-barrier-to-entry products that are either difficult to formulate and/or manufacture or face complex legal and regulatory challenges. As of August 31, 2015, we have made 36 ANDA filings with USFDA of which (i) 12 are approved; (ii) two are tentatively approved; (iii) 21 are under review (including Paragraph III and Paragraph IV filings) and, one filing has been subsequently withdrawn. We typically make ANDA filings with the USFDA either on our own or in collaboration with global pharmaceutical companies such as Mylan, Actavis, Breckenridge and Lupin. Our Paragraph IV ANDA filings include generic versions of key brands such as Copaxone (20 mg and 40 mg), Gilenya, Tamiflu, Treanda and Revlimid, some of which we believe are FTFs.

(a) The table below lists out our key ANDA filings which are pending approval from the USFDA:

Key Brand	Molecule	Therapeutic Segment	Dosage	Market Opportunity (*In USD, in million*)*
Copaxone 20mg	Glatiramer 20mg	Multiple sclerosis	Pre-filled syringe	2353.91
Copaxone 40mg	Glatiramer 40mg	Multiple sclerosis	Pre-filled syringe	1516.26
Gilenya	Fingolimod	Multiple sclerosis	Capsules	1321.66
Tamiflu	Oseltamivir Capsules	Influenza infection	Capsules	519.24
Treanda	Bendamustine	Leukemia	Injection	675.11
Revlimid	Lenalidomide	Multiple myloma	Capsules	974.16
Entocort	Budesonide	Crohn disease	Capsules	494.38
Nuvugil	Armodafinil	Antidepressants	Tablets	448.60
Vidaza	Azacitidine	Myelodysplastic syndrome	Injection	279.68
Jevtana	Cabazitaxel	Prostate cancer	Injection	117.60
Fosrenol	Lanthanum Carbonate	End stage renal disease	Tablets	114.43
Tykerb	Lapatinib Ditosylate	Anti-cancer	Tablets	87.33
Tracleer	Bosentan	Hypertension	Tablets	46.65
Nexavar	Sorafenib	Anti-cancer	Tablets	42.17

*(*Source: IMS; Based on annual sales of products for calendar year 2014, as on September 8, 2015*)

(b) The table below lists our ANDA Filings which have been approved by the USFDA:

Key Brand	Molecule	Therapeutic Segment	Dosage
Zofran	Ondansetron HCL	Antiemetic	Tablet
Kytril	Granisetron Hydrochloride	Antiemetic	Tablet
Femara	Letrozole	Antineoplastic	Tablet
Arimidex	Anastrozole	Antineoplastic	Tablet
Maxalt	Rizatriptan Benzoate	Antimigraine	Tablet
Maxalt ODT	Rizatriptan	Antimigraine	Orally disintegrating tablet
Artane	Trihexyphenidyl	Anticholinergic	Tablet
Aralen	Chloroquine Phosphate	Antimalarial	Tablet
Prevacid	Lansoprazole DR	Antiulcerative	Capsule
Rela	Carisoprodol	Muscle Relaxant	Tablet
Xanax; Niravam	Alprazolam	Anxiolytic (anxiety relief)	Tablet
Celexa	Citalopram	Antidepressant	Tablet

Our revenues from the US FDF business from sale of products was Rs. 533.58 million, Rs. 802.27 million and Rs. 735.45 million for Fiscal 2013, Fiscal 2014 and Fiscal 2015 respectively.

Indian FDF business

In India, our products are primarily focused on the oncology segment. We also develop, market and sell products in therapeutic segments such as orthopaedics, gastroenterology, critical care and CNS.

Oncology segment

We are one of the leading players in domestic oncology segment, in our portfolio of operated products. *(Source: Report on Pharmaceutical Industry (2015) published by Credit Analysis & Research Limited)*. As of August 31, 2015, we had a portfolio of 26 products catering to various oncology diseases including breast, brain, bone, lung and ovarian cancer. Our oncology portfolio includes key brands like Veenat, Lenalid, Erlonat, Geftinat and

Sorafenat, each of which have annual sales of more than Rs. 100 million. We have increased our product range, starting from six products in 2003-04 to 26 active products in 2014-15. We commenced selling our oncology products in 2003 by launching a generic version of Imatinib Mesylate under the name of Veenat which is used from the treatment of chronic myeloid leukaemia after crossing major legal hurdles. Prior to our entry in the oncology segment, a month's dosage of Imatinib Mesylate would cost substantially higher than the reduced price at which we could offer our product through our manufacturing processes. We also won a compulsory non-exclusive license in India to manufacture the drug Sorafenib Tosylate which is used for the treatment of kidney and liver cancer and sold by Bayer under the brand Nexavar. The compulsory license is valid till the patent is held by Bayer.

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

	Brand	Molecule	Therapeutic segment (Oncology)	Dosage form
		Haematology		
1.	Alphalan	Melphalan	Multiple myeloma	Tablet
2.	Veenat	Imatinib	Myeloid leukaemia	Capsule
3.	Bendit	Bendamustine	Chronic Lymphocytic Leukaemia	Injection
4.	Clokeran	Chlorambucil	Chronic Lymphocytic Leukaemia	Tablet
5.	Bortenat	Bortezomib	Myeloma	Injection
6.	Xpreza	Azacitidine	Myelodysplastic syndrome	Injection
7.	Desifer	Deferasirox	Anaemia	Tablet
8.	Lenalid	Lenalidomide	Multiple myeloma	Capsule
9.	Rasburnat	Rasburicase	Tumour lysis syndrome	Injection
10.	Vorizol	Voriconazole	Supportive cancer care	Tablet
		Solid Tumours		
1.	Erlonat	Erlotinib	Lung cancer	Tablet
2.	Geftinat	Geftinib	Lung cancer	Tablet
3.	Pemnat	Pemetrexed	Lung cancer	Injection
4.	Sorafenat	Sorafenib	Renal cell cancer and hepato cell cancer	Tablet
5.	X-trant	Estramustine	Prostate cancer	Capsule
6.	Zoldonat	Zoledronic Acid	Supportive cancer care	Injection
7.	Natdox -LP	Natdox-LP	Ovarian cancer	Injection
8.	Anastronat	Anastrozole	Breast cancer	Tablet
9.	Bandrone	Ibandronate	Supportive cancer care	Tablet/injection
10.	Xtane	Exemestane	Breast Cancer	Tablet
11.	Fulvenat	Fulvestrant	Breast Cancer	Injection
12.	Letronat	Letrozole	Breast Cancer	Tablet
13.	PT-Max	Piperacillin & Tazobactam	Supportive Cancer Care	Injection
14.	Temonat	Temozolomide	Glioma	Capsule
15.	Tigi	Tigecycline	Supportive Cancer Care	Injection
16.	Trabec	Trabectedin	Soft Tissue Sarcoma	Injection

Other therapeutic segments

We also have a portfolio of six products which are either in oral or injectable dosage form, catering to therapeutic segments such as orthopaedics and gastroenterology, critical care and CNS.

The table below lists out our products which are sold in therapeutic areas other than oncology:

	Brand	Molecule	Therapeutic segment	Dosage form
		Speciality Pharma		
1.	HEPCINAT	Sofosbuvir	Hepatitis C	Tablet
2.	X-Vir	Entecavir	Hepatitis B	Tablet

	Brand	Molecule	Therapeutic segment	Dosage form
3.	Glatimer	Glatiramer Acetate	Multiple sclerosis	Injection
4.	Natclovir	Ganciclovir	Antiviral	Injection/capsule
5.	T-Score Kit	Alendronate Sodium and Calcium Carbonate and Colecalciferol	Osteoporosis	Tablet
6.	Teravir	Tenofovir	Hepatitis B	Tablet

Third Party Manufacturing

We undertake third party manufacturing business which involves manufacturing and supply of FDFs to other pharmaceutical companies. Typically, in third party manufacturing arrangements, we are responsible for sourcing raw materials ourselves for the manufacturing. At present, we manufacture products such as Azacitidine, Entecavir, Lenalidomide, Bortezomib, Erlotinib and Sofosbuvir for third parties.

FDF business in other 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 FDF products from authorities in Germany, United Kingdom and Denmark, either in our name or through our business partners. We distribute and market our FDF products in Europe through distribution arrangements with our business partners.

Rest of the World

Venezuela

In Venezuela, we primarily sell our FDF products (oncology) to State authorities and third parties.

Singapore

We operate in Singapore through our subsidiary Natco Singapore. We have obtained one approval for our FDF product. We have also made six filings for approval of our FDF products in Singapore, which are currently under review by Health Sciences Authority. We are in the process of marketing and distributing our FDF products in Singapore through our subsidiary in Singapore.

Australia

We operate in Australia through our subsidiary Natco Australia. We have made filing for approval of our one FDF product, which is under review by the Therapeutic Goods Administration, Department of Health, Australian Government. We intend to market and distribute our FDF products in Australia through our subsidiary in Australia as well as through third party business partners.

Canada

Our operations in Canada are primarily conducted through our subsidiary Natco Canada. Natco Canda received its drug establishment license as a distributor and importer in Canada on June 5, 2015 from Health Products and Food branch, Health Canada. We have obtained approval for six products in Canada from Health Canada and are in the process for distribution and marketing. We have also filed applications for five products with Health Canada, which are pending approval. We market and distribute our FDF products in Canada through our subsidiary in Canada.

Brazil

We operate in Brazil through our step-down subsidiary Natco Brazil. Our facility at Kothur, Telangana is approved by ANVISA, which is valid till September 10, 2015. We have made 10 filings for approval of products for sale in Brazil, which are under review by ANVISA. We intend to continue to increase the number of filings for our products in Brazil. We market and distribute our FDF products in Brazil through our subsidiary

in Brazil.

API Business

We also manufacture API products which are primarily used for captive consumption in FDF products and are also sold to customers for various international markets such as Brazil, Europe and USA. In the API segment, we have capabilities to develop and manufacture products with multi-step synthesis, semi synthetic fusion technologies, high-potency APIs and peptides. As of August 31, 2015, we have filed 31 DMFs with the USFDA, which includes therapeutic areas such as oncology, CNS, anti-asthmatic, anti-depressant, anti-migraine, anti-osteoporosis, anti emetic, renal disease, prostate disorder and gastrointestinal disorders. For Fiscal 2013, 2014 and 2015, our API business from sale of products accounted for Rs. 2200.32 million, Rs. 1952.79 million and Rs. 2529.30 million, respectively.

We export our APIs to countries such as Brazil, Europe and USA. In Fiscal 2013, 2014 and 2015, our API export business contributed approximately 28.33%, 20.57% and 19.00% of our total revenues.

Our API business helps us reduce cost and increase revenue margin and timely delivery of raw materials of desired quality and quantity for our FDF business. Our backward integration of FDF business ensures steady supply of APIs at an equitable cost, avoiding any market fluctuations. In the US FDF portfolio, around 60% of our products are backward integrated, with the ability to meet all API requirements in-house. 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 FDF 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 240 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.

The table below set forth the different functions undertaken by our R&D team along with infrastructure details:

Function	Number of laboratories	Number of personnel
Process research	12	80
Discovery - NCEs (anti-cancer segment)	4	15
Analytical development	5	45
Therapeutic peptides	3	15
New formulation / cell biology / animal house toxicology / molecular modelling and respiratory drug delivery	4	30
Biotechnology and fermentation	3	20
Containment labs for high potency products	2	10
Bio-analytical lab	1	10
NDDS and nano-pharmaceuticals	2	15

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 August 31, 2015, we have filed 76 patent applications in India, 127 patent applications internationally and we have been granted 179 patents in India and internationally.

As a part of our business strategy, we seek to launch generic pharmaceutical products based on our belief that patent protection or other regulatory exclusivity of equivalent branded products are invalid. We rely on our R&D abilities in assessing validity of patent or other regulatory exclusivity of such branded products. Over a period of time, we have been able to file 15 Paragraph IV with the help of our R&D abilities, two of which are

tentatively approved. Some of our Paragraph IV filings may have exclusivity period in USA market, once approved by the USFDA.

Manufacturing

The table below set forth various details in relation to our manufacturing facilities which are in operation:

Location	Division	Capability	Major Approvals
Kothur, Telangana	Formulations	Tablets, capsules, pellets	USFDA, GMP (DCA), German Health Authority, ANVISA
Nagarjuna Sagar, Telangana	Parenterals/FDF	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	API	-	USFDA, GMP (DCA), German Health Authority, PMDA Japan, Cofepris Mexico
Manali, Chennai	API	-	GMP (Director of Drugs Control)
Guwahati, Assam	Formulations	Tablet, capsules	-

We also manufacture APIs that for our FDF products, which has helped us to attain a significant degree of vertical integration, allowing us to source APIs in a cost effective manner, ensure quality and security of availability of an essential raw material.

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. Our Company's manufacturing infrastructure often enables us to undertake outsourced manufacturing activities on behalf of other pharmaceutical companies at lower cost. Typically, in contract manufacturing arrangements, raw materials for manufacturing is provided by the party for whom the manufacturing is undertaken. In Fiscal 2013, 2014 and 2015, our contract manufacturing business contributed approximately 1.40%, 1.58% and 1.02% of our total revenues.

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 out raw materials from multiple suppliers. However, in certain cases, we enter into long term supply contracts with certain suppliers for certain raw materials. We have executed an API supply agreement with Laurus Lab Private Limited ("**Laurus**"), pursuant to which Laurus supplies certain key APIs for manufacturing generic Sofosbuvir and its combinations. We source around 21% of our raw materials requirement through imports, either directly or indirectly. To date, we have experienced no significant difficulties in obtaining raw materials and expect that raw materials will generally continue to be available in the future. Further, a substantive part of our raw material requirements for our FDF business is sourced from APIs manufactured in-house.

Quality Control

We believe that maintaining high standard of quality of our products is critical to our brand and continued growth. 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 to ensure consistent quality, efficacy and safety of 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 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. We also monitor in-market product quality through annual product quality review mechanism. 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 40 countries including jurisdictions such as the United States, Canada, Brazil, Europe, Mexico, Myanmar, Japan, Nepal and Australia, in addition to India. In certain cases, we directly sell our products to our customers like hospitals and clinics. We typically enter into distribution arrangements with our business partners in different jurisdictions to market and distribute our products in foreign markets. We also distribute our products through our subsidiaries in Brazil, Canada, Australia and Singapore in foreign markets where such subsidiaries are located. 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 more than 170 marketing personnel and over 350 distributors as on August 31, 2015. Our nationwide sales force is comprised of representatives that typically have significant pharmaceutical sales experience in their respective geographic regions.

Pharmacy

We are also present in the retail segment and operate a pharmacy store in Lancaster, Pennsylvania, USA. We operate our retail store in the name of 'SaveMart Pharmacy'. SaveMart Pharmacy operates in a departmental store format and sell products like cosmetics, fragrances and processed food, in addition to pharmaceutical products. In Fiscal 2013, 2014 and 2015, our retail pharmacy business in the USA generated revenue of Rs. 926.88 million, Rs. 967.17 million and Rs. 947.95 million, respectively.

Competition

The pharmaceutical industry is highly competitive. Our competition varies by market, therapeutic areas and type of product. Our principal competitors within India include leading Indian generics players such as Sun Pharmaceuticals, Intas, Glenmark and Cipla as well as leading multi-national pharmaceutical companies such as Novartis, Bayer and Pfizer who operate in the Indian pharmaceutical market, in similar therapeutic areas.

In foreign markets, we compete with regional players and multinationals. In the United States generics market, our competitors are primarily Sun Pharmaceuticals, Sandoz and Mylan. Our strategy focuses on high-value, FTF opportunities.

The global pharmaceutical market can broadly be divided into regulated and emerging markets. The emerging markets have minimal entry barriers in terms of regulatory requirements, including with respect to the qualification process and intellectual property rights. The regulated markets such as the United States and Europe have stricter regulatory entry barriers. As a result, there is a premium for quality and regulatory compliance along with greater stability for both volume and prices in the regulated markets.

By specializing in high-barrier-to-entry products that are either difficult to manufacture or require complex legal challenges, we endeavour to market more profitable and longer-lived products relative to our competitors. We believe that the key competitive factors that will affect the development and commercial success of our current products and any future products that we may develop are price, reliability of supply, quality and enhanced product features.

Many of our competitors are larger than us and have greater financial, manufacturing, R&D and other resources. For additional information, see "*Risk Factors – We face intense competition in the pharmaceutical industry from both brand and generic companies, which could significantly limit our growth and materially adversely affect our financial results."* on page [●].

Patent and Trademarks

Our Company has filed 127 patents internationally and 100 patents have been granted internationally. Our Company has also filed 76 patent applications in India, which includes both products and process patents for various generic FDFs and APIs. We have been granted 79 patents in India.

Our Company has applied for nine trademarks application for its products with various Registrar of Trademarks. In addition, our Company has 92 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 30 of the Trademarks Act, 1999 with the Registrar of Trademarks.

Insurance

We have industrial all risk policy for our manufacturing facilities 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 have a standard fire and special perils 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 officers liability insurance and product liability insurance for the products that we manufacture and sell. We also maintain medical insurance policies and personal accident 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 is limited; if we experience uninsured losses, it could adversely affect our financial condition and results of operations"* on page [●].

Employees

As on August 31, 2015, we employ more than 3,300 employees across different business segments in our Company. The breakdown of the number of our employees is set out below:

Function	Number of employees
Production and stores	1348
Engineering and environment health safety	572
Quality control, quality assurance and regulatory affairs	506
Administration, human resource, information technology and corporate social responsibility	339
R&D, clinical trial, intellectual property rights, NDDS and project management	260
Sales and marketing and international business development	221
Finance and accounts and legal	34
Supply chain	17
Management	8
Total	**3305**

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. 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 on a SEZ and has been taken on leasehold basis by us. The land on which our Chennai facility is located is owned by our subsidiary Natco Organics Limited.

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*" on page [●], none of the proceedings in which we are involved are likely to 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 in involved in education, healthcare and livelihood sectors. Educational projects of Natco Trust includes establishment of Natco High school and Natco Government High School, after school tuitions at government primary and high schools, junior schools and mid-day meals. Healthcare projects of Natco Trust includes providing clean drinking water, mobile health camps and hospital support. In the livelihood segment, Natco Trust is involved in activities like vocational training and career counselling. In the Fiscal 2015, our Company's expenditure for corporate social responsibility activities accounted for Rs. 25.54 million.

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

The following discussion and analysis of our financial condition and results of operations is based on, and should be read in conjunction with, our Audited Consolidated Financial Statements and the related notes, schedules and annexures thereto and the Unaudited Limited Reviewed Financial Statements included elsewhere in this Preliminary Placement Document. The consolidated financial statements reflect applicable statutory requirements and regulatory guidelines and accounting practices in India. Indian GAAP and Indian accounting standards may differ in certain material respects from generally accepted accounting principles and accounting standards in other countries, IFRS.

Our Company's fiscal year ends on March 31 of each year. Accordingly, all references to a particular fiscal year are to the twelve-month period ended March 31 of that year.

This discussion contains 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 "Risk Factors" beginning on page [●] of this Preliminary Placement Document.

Overview

We are a vertically integrated and R&D focused pharmaceutical company engaged in developing, manufacturing and marketing of finished dosage formulations ("**FDF**") and active pharmaceutical ingredients ("**APIs**"). Our focus is primarily on niche therapeutic areas and complex products. We market and distribute our products in over 40 countries. We sell our FDF products in the United States, India, Europe and the rest of the world ("**RoW**"). In the United States, our FDF business is primarily focused on high-barrier-to-entry products that are either difficult to formulate and/or manufacture or face complex legal and regulatory challenges, typically resulting into limited competition in the market. We are one of the leading players in domestic oncology segment, in our portfolio of operated products. (*Source: Report on Pharmaceutical Industry (2015) published by Credit Analysis & Research Limited*). Our API products are primarily used for captive consumption in FDF products and are also sold to various international markets such as Brazil, Europe and USA.

In the USA, as of August 31, 2015, we have made 36 ANDA filings with USFDA of which (i) 12 are approved; (ii) two are tentatively approved; (iii) 21 are under review (including Paragraph III and Paragraph IV filings) and, one filing has been subsequently withdrawn. We typically make ANDA filings with the USFDA either on our own or in collaboration with global pharmaceutical companies such as Mylan, Actavis, Breckenridge and Lupin. Our Paragraph IV filings include generic versions of key brands such as Copaxone (20 mg and 40 mg), Gilenya, Tamiflu, Treanda and Revlimid, some of which, we believe, are first to file under Paragraph IV ANDA application ("**FTF**"). Currently, we sell our commercialised products in the USA through our partnerships with global pharmaceutical companies.

We are one of the leading players in domestic oncology segment, in our portfolio of operated products. (*Source: Report on Pharmaceutical Industry (2015) published by Credit Analysis & Research Limited*). As of August 31, 2015, we had a portfolio of 26 products catering to various oncology diseases including breast, brain, bone, lung and ovarian cancer. We have increased our product range, starting from six products in 2003-04 to 26 active products in 2014-15. We commenced selling our oncology products in 2003 by launching a generic version of Imatinib Mesylate under the name of Veenat which is used for the treatment of chronic myeloid leukaemia. Our oncology portfolio includes key brands like Veenat, Lenalid, Erlonat, Geftinat and Sorafenat, each of which had annual sales of more than Rs. 100 million in Fiscal 2015. We also won a compulsory non-exclusive license in India to manufacture the drug Sorafenib Tosylate which is used for the treatment of kidney and liver cancer and sold by Bayer under the brand Nexavar. This compulsory license is valid till the patent is held by Bayer. In the domestic market, we market our products through over 170 marketing personnel and over 350 distributors. We also have a portfolio of six products catering to therapeutic segments such as orthopaedics and gastroenterology, critical care and central nervous system (CNS). Our total FDF revenues from sale of products grew by 18.89% from Rs. 3,542.11 million in Fiscal 2014 to Rs. 4,211.25 million in Fiscal 2015. Our FDF revenues from sale of oncology products in India grew 25.86% from Rs. 1,546.92 million in Fiscal 2014 to Rs. 1,947.00 million in Fiscal 2015.

We have also entered into a non-exclusive licensing agreement with Gilead Sciences for manufacturing a generic version of Sofosbuvir and Ledipasvir and selling it in 101 countries including India. The drug made

from Sofosbuvir is a medicine used for treating hepatitis C virus and sold globally by Gilead Sciences, under its brand 'Sovaldi'. Our Company has commenced manufacturing and selling of generic Sofosbuvir under its brand HEPCINAT in India. Further, we have recently launched the generic version of Sofosbuvir in Nepal.

We also manufacture API products which are primarily used for captive consumption in our FDF products and are also sold to customers for various international markets such as Brazil, Europe and USA. In the API segment, we have capabilities to develop and manufacture products with multi-step synthesis, semi synthetic fusion technologies, high-potency APIs and peptides. As of August 31, 2015, we have filed 31 DMFs with the USFDA, which includes therapeutic areas such as oncology, CNS, anti-asthmatic, anti-depressant, anti-migraine, anti-osteoporosis, anti emetic, renal disease, prostate disorder and gastrointestinal disorders. Our API revenue from sale of products grew by 29.52% from Rs. 1952.79 million in Fiscal 2014 to Rs. 2529.30 million in Fiscal 2015.

We are also engaged in contract manufacturing business, whereby we undertake selected contracts with pharmaceutical companies to manufacture and supply pharmaceutical products. We also operate a pharmacy under the name SaveMart Pharmacy, which is located at Lancaster, Pennsylvania, USA.

We have a strong focus on R&D initiatives which have enabled us to develop a strong portfolio of niche and complex FDF and API products. We have a dedicated R&D facility housed at the Natco Research Centre, Hyderabad and a R&D unit in our Kothur facility, which comprises of over 240 personnel including scientists, chemists, research assistants, trainees and others, and have been accredited by the Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India ("**DSIR**"). Our R&D team has capabilities across synthetic chemistry, biotech and fermentation, nano pharmaceuticals and cell biology. We also have scientists with expertise in polymer based chemistry and peptides chemistry. Our R&D team is currently developing two New Chemical Entity (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 Chronic Myeloid Leukaemia (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 August 31, 2015, we have filed 76 patent applications in India, 127 patent applications internationally and we have been granted 179 patents in India and internationally. We spent approximately Rs. 406.59 million and Rs. 517.17 million on standalone basis on research and development activities during the years ended March 31, 2014 and March 31, 2015, respectively.

We operate seven manufacturing facilities which are located in Telangana, Uttarakhand and Assam, engaged in manufacturing of parenterals, APIs and FDFs. Our FDF products are manufactured from five manufacturing facilities, of which two are located in Dehradun, Uttarakand, two in Telangana (Kothur and Nagarjuna Sagar) and one in Guwahati, Assam. Our FDF manufacturing facility in Visakhapatnam, Andhra Pradesh is currently under construction in an SEZ location. Our API products are manufactured from two manufacturing facilities, of which one is located in Mekaguda, Telangana and the other at Manali, Chennai. Our manufacturing facilities have been approved by either one or more regulatory authorities such as USFDA, Public Health Service of the Netherlands (EU GMP), German Health Authority, PMDA Japan, Cofepris Mexico and ANVISA. In particular, our Kothur and Mekaguda facilities in Telangana are approved by USFDA. Our manufacturing facilities possess the ability to manufacture FDFs in oral solids, liquids and injectable dosage forms.

Our total revenue for the Fiscal 2015 stood at Rs. 8,401.83 million as against Rs. 7,556.00 million in Fiscal 2014 and Rs. 6729.32 million in Fiscal 2013, respectively. Our EBITDA for Fiscal 2015, 2014 and 2013 was Rs. 2,131.59 million, Rs. 1,960.39 million and Rs. 1,507.48 million, respectively.

Significant Factors Affecting Our Results of Operations and Financial Condition

Our financial condition and results of operations have been affected and will be continue to be affected by various factors including the following factors of particular importance:

Commercialization of Existing Products and New Product Launches in the United States

As of August 31, 2015, we have made 36 ANDA filings of which 12 are approved, two are tentatively approved, 21 are under review (including Paragraph III and Paragraph IV filings and one filing has been subsequently withdrawn. We typically make ANDA filings with the USFDA either on our own or in collaboration with global pharmaceutical companies such as Mylan, Actavis, Breckenridge and Lupin. Our Paragraph IV filings include generic version of key brands such as Copaxone (20 mg and 40 mg), Gilenya, Tamiflu, Treanda and Revlimid,

some of which, we believe, are first to file under Paragraph IV ANDA application ("**FTF**"). Currently, we sell our commercialised products in the USA through our partnerships with global pharmaceutical companies

The specific timing of our new product launches is subject to a variety of factors, some of which are beyond our control, including the timing of USFDA approval for ANDAs currently under review or that we file with respect to new products with the USFDA or other regulators. The timing of these and other new product launches will have a significant impact on our results of operations.

Expiring Patents

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, subject to approval from concerned regulatory authority. Certain regulatory authorities such as the USFDA 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 generic versions of pharmaceutical formulation going "off-patent" in a cost-effective, efficient and timely manner, and to protect such generic versions from legal challenges, will affect our results of operations.

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 adversely affect our margins and, as a result, our results of operations. Any unavailability of these raw materials would impact our production. 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 adverse 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, equipments and processes. Attaining and maintaining this level of quality requires considerable expense and planning. If we are unable to achieve and preserve the necessary level of quality in our manufacturing processes and facilities in the future, our financial condition and results of operations may be adversely affected.

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 existing products 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 obsolete. The cost of implementing new technologies, upgrading our manufacturing facilities and retaining our research staff could be significant and could adversely affect our profitability.

Government and Other Regulatory Approvals

We have focused on broadening our revenue base to cover India as well as several other countries. As a result, our products are subject to regulation by numerous Indian and foreign regulatory agencies and similar agencies in other jurisdictions. Each of these agencies requires us to comply with laws and regulations governing the development, testing, manufacturing, labelling, marketing and distribution of our products and we are required to maintain various approvals, licenses, registrations and permissions for our business activities.

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 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. We must also ensure that government and other regulatory agencies do not withdraw approvals for sales of our existing products.

Industry Competition and Consolidation

Our products face intense competition from products commercialized or under development by competitors in all our therapeutic areas. Our business, prospects, results of operations and financial condition could be adversely affected if our competitors gain significant market share in areas in which we are focused. Many of 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. Our generics business faces competition from brand (innovator drugs) manufacturers who do not face any significant regulatory approvals or barriers to entry into the generics market. We also operate in a rapidly consolidating industry. Our competitors are consolidating, and the strength of the combined companies could affect our competitive position in all of our business areas.

Accordingly, our results of operations depend significantly on various factors such as the demand for our products in the markets we operate in, our ability to manage our growth strategy and expansion plans, including our ability to grow our exports and our ability to grow and manage our distribution network in India.

Currency Exchange Fluctuations

Our products are typically priced in Indian Rupees for our sales in India, in U.S. Dollars for sales in the United States and in Euros for sales in the European Union. Similarly, for other jurisdictions where we sell our products, we price the products in other freely convertible currencies in accordance with local convention. A portion of our costs, including labour, raw materials, packing materials, transportation costs and capital expenditures are incurred in currencies other than Indian Rupees. Additionally, we also procure a portion of our inventory and incur capital expenditures from outside India and, as a result, incur such costs in currencies other than Indian Rupees. As a consequence, we are exposed to currency rate fluctuations between the Indian Rupee and U.S. dollars and other foreign currencies.

Significant Accounting Policies

For a description of our significant accounting policies adopted in the preparation of the consolidated financial statements, see "*Financial Information*" on page [●].

Results of Operations

The following table sets forth the break-down of our results of operations for the periods indicated:

(*In Rs. million*)

	Three Month Period ended	Fiscal		
	June 30, 2015	**2015**	**2014**	**2013**
Revenue				
Revenue from operations (gross)	2,290.13	8,382.25	7,447.18	6,681.01
Less: Excise Duty	53.08	129.49	58.26	75.75
Revenue from operations (net)	2,237.05	8,252.76	7,388.93	6,605.26
Other income	18.32	149.07	167.08	124.06
Total Revenue	**2,255.37**	**8,401.83**	**7,556.00**	**6,729.32**
Expenses				
Cost of raw materials consumed (including packing material consumed)	574.44	1,672.62	1600.97	1,775.66
Cost of raw materials consumed as a % of total revenue (including packing material consumed)	*25.47%*	*19.91%*	*21.19%*	*26.39%*

	Three Month Period ended	Fiscal		
	June 30, 2015	**2015**	**2014**	**2013**
Purchases of stock – in – trade	238.79	842.78	888.98	871.41
Purchases of stock-in-trade as a % of total revenue	*10.59%*	*10.03%*	*11.77%*	*12.95%*
Changes in inventories of finished goods and work-in-progress and stock in trade	(114.83)	(91.68)	(157.71)	(219.09)
Changes in inventories of finished goods and work-in-progress and stock-in-trade as a % of total revenue	*(5.09%)*	*(1.09%)*	*(2.09%)*	*(3.26%)*
Employee benefits expense	402.58	1,369.16	1127.73	1,022.89
Employee benefits expense, as a % of total revenue	*17.85%*	*16.30%*	*14.92%*	*15.20%*
Finance costs	80.76	316.76	366.19	263.07
Finance costs, as a % of total revenue	*3.58%*	*3.77%*	*4.85%*	*3.91%*
Depreciation and amortisation expense	126.41	472.66	304.43	221.22
Depreciation and amortisation expense, as a % of total revenue	*5.60%*	*5.63%*	*4.03%*	*3.29%*
Other expenses	561.51	2,325.37	2,135.15	1,654.28
Other expenses, as a % of total revenue	*24.90%*	*27.68%*	*28.26%*	*24.58%*
Prior period item	-	0.70	0.49	0.85
Total expenses	**1,869.66**	**6,908.38**	**6,266.24**	**5,590.29**
Total expenses, as a % of total revenue	*82.90%*	*82.22%*	*82.93%*	*83.07%*
Profit before exceptional items and tax	385.71	1,493.45	1,289.77	1,139.03
Exceptional item	-	151.27	-	115.84
Profit before tax	385.71	1,342.17	1,289.77	1,023.19
Current tax	101.71	351.17	322.64	230.42
Deferred tax expense /(benefit)	8.58	(311.67)	(13.94)	133.94
Profit after tax	**275.42**	**1,302.67**	**981.07**	**658.83**

Components of Revenue and Expenses

Components of our revenue and expenses are set forth below:

Revenue from Operations

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 income comprises primarily of job work charges, export incentives, trading sales, scrap sales and income from profit sharing arrangements.

Other Income: Our other income comprises of interest income from fixed deposits and income tax refund, dividend income, profit on sale of current investments, profit on sale of fixed assets, gains on foreign currency

transactions and translations, provisions no longer required to be written back and other non-operating income.

Expenses

Our expenses primarily consists of cost of raw materials consumed (including packing materials 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 amortisation expenses and other expenses.

Cost of raw materials consumed: Cost of raw materials consumed include raw materials used for manufacturing our products as well as packing material.

Purchase of stock-in-trade: Purchase of stock-in trade primarily includes APIs and FDFs procured from other manufacturers/traders.

Changes in inventories of finished goods and work-in-progress and stock-in-trade: Changes in inventories of finished goods and work-in-progress and stock-in-trade comprises of net increases or decreases in inventory levels of: finished goods, work-in-progress and stock in trade.

Employee benefit expenses: Employee benefits expense comprise salaries and wages, contributions to provident fund and other funds, gratuity expenses and staff welfare expenses.

Finance Costs: Our finance costs primarily comprise 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 amortisation expenses: Depreciation and amortisation expenses include depreciation on tangible assets and amortisation of intangible assets.

Other expenses: Other expenses include consumption of stores and spare parts, power and fuel, rent, repairs and maintenance of building, plants and equipment and others, insurance, rates and taxes, factory maintenance, analysis charges, carriage and freight outwards, donations, CSR expenditure, communication expenses, office maintenance and other expenses, travelling and conveyance, legal and professional fees, payment to auditors, inventory written off, bad debts, directors sitting fee, sales promotion including sales commission, research and development expenses, printing and stationery and miscellaneous expenses.

Our Results of Operations

Three months ended June 30, 2015

Our consolidated results from operations for the three month period ended June 30, 2015 is set forth below:

Revenue

Total revenue: Our total revenue was Rs. 2,255.37 million for the three months ended June 30, 2015.

Revenue from operations (net): Our revenue from operations (*net)* was Rs. 2,237.05 million for the three months ended June 30, 2015 and consisted of sale of products of Rs. 2,134.39 million, sale of services of Rs. 22.46 million and other operating revenues of Rs. 80.20 million.

Other income: Our other income was Rs. 18.32 million for the three months ended June 30, 2015.

Expenses

Total Expenses: Our total expense was Rs.1,869.66 million for the three months ended June 30, 2015. Our total expenses as a percentage of total revenue was 82.90% for the three months ended June 30, 2015.

Cost of raw material consumed (including packaging material): Our expense in relation to cost of raw material consumed (including packaging material) was Rs.574.44 million for the three months ended June 30, 2015. Our expenses on cost of raw materials consumed (including packaging material) as a percentage of total revenue was 25.47% for the three months ended June 30, 2015.

Purchases of stock-in-trade: Our expense in relation to purchases of stock in trade was Rs.238.79 million for the three months ended June 30, 2015. Our expenses in relation to purchases of stock in trade as a percentage of total revenue was 10.59% for the three months ended June 30, 2015.

Changes in inventories of finished goods, work-in-progress and stock-in-trade: Changes in inventories of finished goods, work in progress and stock in trade was (Rs.114.83) million for the three months ended June 30, 2015. Changes in inventories of finished goods, work-in progress and stock in trade as a percentage of total revenue was (5.09%) for the three months ended June 30, 2015

Employee benefits expense: Our expense in relation to employee benefits was Rs.402.58 million for the three months ended June 30, 2015. Our expenses in relation to employee benefits as a percentage of total revenue was 17.85% for the three months ended June 30, 2015.

Finance costs: Our finance costs was Rs. 80.76 million for the three months ended June 30, 2015. Our expenses in relation to finance costs as a percentage of total revenue was 3.58% for the three months ended June 30, 2015.

Depreciation and amortization expense: Our depreciation and amortization expense was Rs. 126.41 million for the three months ended June 30, 2015. Our expenses in relation to depreciation and amortization as a percentage of total revenue was 5.60% for the three months ended June 30, 2015.

Other expenses: Our other expenses were Rs. 561.51 million for the three months ended June 30, 2015. Our other expenses as a percentage of total revenue was 24.90% for the three months ended June 30, 2015.

Profit before tax: Profit before tax was Rs. 385.72 million for the three months ended June 30, 2015.

Tax expense: Our current tax expense was Rs. 101.71 million for the three months ended June 30, 2015. Our deferred tax expense was Rs. 8.58 million for the three months ended June 30, 2015.

Profit after tax. Our profit after tax and before minority interest was Rs. 275.42 million for the three months ended June 30, 2015.

Fiscal 2015 compared to Fiscal 2014

Revenue

Total revenue: Our total revenue increased by Rs.845.83 million, or 11.19%, from Rs. 7,556.00 million in Fiscal 2014 to Rs. 8,401.83 million in Fiscal 2015. This was primarily due to increase in sales of API, finished dosage formulations and retail pharmacy.

Revenue from operations (net): Our revenue from operations (net) increased by Rs.863.83 million, or 11.69%, from Rs.7,388.93 million in Fiscal 2014 to Rs. 8,252.76 million in Fiscal 2015. Revenue from operations consisted of (a) sale of products (gross), which increased by 15.78% to Rs. 7,776.27 million for the Fiscal 2015 from Rs. 6,716.16 million for the Fiscal 2014 primarily due to an increase in sales of API particularly Glatimer and sales of Geftinat, Erlonat, Imatinib, Sorafinat and HEPCINAT in the branded finished dosage formulations segment; (b) sale of services which decreased by 49.96% to Rs. 112.88 million for Fiscal 2015 from Rs. 225.59 million for Fiscal 2014 primarily due to lower revenues from milestone payments; and (c) other operating revenue which decreased by 2.44% to Rs. 493.11 million for Fiscal 2015 from Rs. 505.43 million for Fiscal 2014 primarily due to decrease in income from profit sharing arrangements and job work charges.

Other income: Our other income decreased by Rs. 18.01 million, or 10.78%, from Rs. 167.08 million in Fiscal 2014 to Rs. 149.07 million in Fiscal 2015. This decrease was principally due to interest on income tax refund.

Revenue contributed by geographic segments:

- *Revenue from India*: Revenue attributable to sales from India increased by 14.01% from Rs. 3,417.85 million for Fiscal 2014 to Rs. 3,896.83 million for Fiscal 2015, primarily as a result of launch of the drug Sofosbuvir. Revenue attributable to sales from India represented 45.23% and 46.38% of our total revenues for Fiscal 2014 and Fiscal 2015, respectively.

- *Revenue from the United States of America*: Revenue attributable to sales from the United States of

America decreased by 25.71% from Rs. 1,278.63 million for Fiscal 2014 to Rs. 949.89 million for Fiscal 2015. Revenue attributable to sales from United States of America represented 16.92% and 11.31% of our total revenue for Fiscal 2014 and Fiscal 2015, respectively.

- *Revenue from Europe*: Revenue attributable to sales from Europe increased by 25.61% from Rs. 1,109.57 million for Fiscal 2014 to Rs. 1,393.71 million for Fiscal 2015. Revenue attributable to sales from Europe represented 14.68% and 16.59% of our total revenues for Fiscal 2014 and Fiscal 2015, respectively.

- *Revenue from rest of the world*: Revenue attributable to sales from the rest of the world increased by 23.51% from Rs. 1,749.95 million for Fiscal 2014 to Rs.2,161.40 million for Fiscal 2015. Revenue attributable to sales from rest of the world represented 23.16% and 25.73% of our total revenue for Fiscal 2014 and Fiscal 2015, respectively.

Expenses

Total expenses: Our total expenses increased by Rs. 642.14 million, or 10.25%, from Rs. 6,266.24 million in Fiscal 2014 to Rs. 6,908.38 million in Fiscal 2015. This was principally due to an increase in cost of raw materials consumed (including packing material consumed), employee benefits expenses and other expenses. As a percentage of total revenue, our total expenditure decreased from 82.93% in Fiscal 2014 to 82.22% in Fiscal 2015.

Cost of raw materials consumed (including packing material consumed): Our expenses in relation to cost of raw materials consumed (including packing material consumed) increased by Rs. 71.65 million, or 4.48%, from Rs. 1,600.97 million in Fiscal 2014 to Rs. 1,672.62 million in Fiscal 2015. This increase was primarily on account of an increase in consumption of materials for production of APIs particularly Sertraline, Bendamustine HCL and Imatinib Mesylate and for Sofusbuvir in finished dosage formulations. As a percentage of total revenue, expenses in relation to cost of raw materials, consumed decreased from 21.19% in Fiscal 2014 to 19.91% in Fiscal 2015.

Purchase of stock-in-trade: Our expenses in relation to purchase of stock-in trade decreased by Rs. 46.2 million, or 5.20%, from Rs. 888.98 million in Fiscal 2014 to Rs. 842.78 million in Fiscal 2015. This deccrease was primarily due to decrease in purchase of stock in trade by our subsidiaries. Purchase of stock-in trade represented 10.03% and 11.77% of our total revenue for the Fiscal 2015 and 2014, respectively.

Changes in inventories of finished goods and work-in-progress and stock-in-trade: Our closing inventories of finished goods, work-in-progress and stock-in-trade were higher by Rs. 66.03 million compared to our opening inventories for the Fiscal 2015 which was primarily due to an increase in direct sales and inter-segment sales which lowered stock keeping levels.

Employee benefits expense: Employee benefits expense increased by Rs. 241.43 million, or 21.41%, from Rs. 1127.73 million in Fiscal 2014 to Rs. 1,369.16 million in Fiscal 2015. The overall increase in employee benefits expense was primarily due to increase in increments to employees and addition of new employees. As a percentage of total revenue, employee benefits expense increased from 14.92% in Fiscal 2014 to 16.30% in Fiscal 2015.

Finance costs: Our finance costs decreased by Rs. 49.43 million, or 13.50%, from Rs. 366.19 million in Fiscal 2014 to Rs. 316.76 million in Fiscal 2015. This decrease was mainly attributable to re-payment towards certain term loans and availing new term loans at lower interest rates towards the end of the financial year. In Fiscal 2015, our loan portfolio comprised primarily long term and short term loans.

Depreciation and Amortisation expense: Depreciation and amortisation expenses increased by 55.26% from Rs. 304.43 million for Fiscal 2014 to Rs. 472.66 million for Fiscal 2015. This was primarily on account of change in determination of useful life of asset as required under Companies Act, 2013 as well addition of new assets. Depreciation and amortisation charges represented 4.03% and 5.63% of our total revenue for Fiscal 2014 and 2015, respectively.

Other expenses: Our other expenses increased by Rs. 190.22 million, or 8.91%, from Rs. 2,135.15 million in Fiscal 2014 to Rs. 2,325.37 million in Fiscal 2015. The overall increase was principally due to an increase in promotional, travelling and other miscellaneous expenses. As a percentage of total revenue, our other expenses decreased from 28.26% in Fiscal 2014 to 27.68% in Fiscal 2015.

Exceptional items: Exceptional item of Rs. 151.27 million paid in Fiscal 2015 represents amount paid on settlement of pending legal disputes with SMS Pharmaceuticals Limited. There were no exceptional items for Fiscal 2014.

Profit before tax: Our profit before tax increased by Rs. 52.4 million, or 4.06%, from Rs. 1,289.77 million in Fiscal 2014 to Rs. 1,342.17 million in Fiscal 2015 primarily for the reasons mentioned above.

Tax expense (current tax less deferred tax benefit): Our tax expense for Fiscal 2014 was Rs. 308.70 million and Rs. 39.50 million for Fiscal 2015. The decrease in tax expenses was due to reversal of deferred tax in Fiscal 2015.

Profit after tax: Our profit after tax increased by Rs. 321.60 million, or 32.78%, from Rs. 981.07 million in Fiscal 2014 to Rs. 1,302.67 million in Fiscal 2015 primarily for the reasons mentioned above

Fiscal 2014 compared with Fiscal 2013

Revenue

Total revenue: Our total revenue increased by Rs. 826.68 million, or 12.28%, from Rs. 6,729.32 million in Fiscal 2013 to Rs. 7,556.00 million in Fiscal 2014. This was principally due to an 11.86% increase in revenue from operations (net) from Rs. 6,605.26 million in Fiscal 2013 to Rs. 7,388.93 million in Fiscal 2014.

Revenue from operations (net): Our revenue from operations (net) increased by Rs. 783.67 million, or 11.86%, from Rs. 6,605.26 million in Fiscal 2013 to Rs. 7,388.93 million in Fiscal 2014. Revenue from operations consisted of sale of products, which increased by 10.09% from Rs. 6,100.47 million for Fiscal 2013 to Rs. 6,716.16 million for Fiscal 2014 due to increase in sales of finished dosage formulations and retail pharmacy, sale of services which increased by 52.07% from Rs. 148.35 million for Fiscal 2013 to Rs. 225.59 million for Fiscal 2014 primarily due to increase in export of services and other operating revenue which increased by 16.95% from Rs. 432.19 million for Fiscal 2013 to Rs. 505.43 million for Fiscal 2014 due to increase in service income.

Other income: Our other income increased by Rs. 43.02 million, or 34.68%, from Rs. 124.06 million in Fiscal 2013 to Rs. 167.08 million in Fiscal 2014. This increase was primarily due to an increase in net gain on foreign currency transaction and translation and income tax refund.

Revenue contributed by geographic segments

- *Revenue from India*: Revenue attributable to sales from India increased by 22.76% from Rs. 2,784.06 million for Fiscal 2013 to Rs. 3,417.85 million for Fiscal 2014, primarily as a result of increase in API sales and oncology sales. Revenue attributable to sales from India represented 41.37% and 45.23% of our total revenue for Fiscals 2013 and 2014, respectively

- *Revenue from United States of America*: Revenue attributable to sales from United States of America increased by 61.09% from Rs. 793.74 million for Fiscal 2013 to Rs. 1,278.63million for Fiscal 2014. Revenue attributable to sales from the United States of America represented 11.80% and 16.92% of our total revenues for Fiscal 2013 and Fiscal 2014, respectively.

- *Revenue from Europe*: Revenue attributable to sales from Europe decreased by 9.52% from Rs. 1,226.32 million for Fiscal 2013 to Rs. 1,109.57 million for Fiscal 2014. Revenue attributable to sales from Europe represented 18.22% and 14.68% of our total revenues for Fiscals 2013 and 2014, respectively.

- *Revenue from rest of the world*: Revenue attributable to sales from the rest of the world decreased by 9.10% from Rs.1925.20 million for Fiscal 2013 to Rs. 1,749.95 million for Fiscal 2014. Revenue attributable to sales from rest of the world represented 28.61% and 23.16% of our total revenue for Fiscals 2013 and 2014, respectively.

Total expenses: Our total expenses increased by Rs. 675.95 million, or 12.09%, from Rs. 5,590.29 million in Fiscal 2013 to Rs. 6,266.24 million in Fiscal 2014. This was principally due to employee benefits expenses, finance costs, depreciation and amortisation charges and other expenses. As a percentage of total revenue, our

total expenditure decreased from 83.07% in Fiscal 2013 to 82.93% in Fiscal 2014.

Cost of raw materials consumed (including packing material): Our expenses in relation to cost of raw materials (including packing material) consumed decreased by Rs. 174.69 million, or 9.84%, from Rs. 1,775.66 million in Fiscal 2013 to Rs. 1,600.97 million in Fiscal 2014. This decrease was primarily due to a decrease in consumption of materials for production of APIs and finished dosage formulation. As a percentage of total revenue, expenses in relation to cost of raw materials, consumed decreased from 26.39% in Fiscal 2013 to 21.19% in Fiscal 2014.

Purchase of stock-in-trade: Our expenses in relation to purchase of stock-in trade increased by Rs. 17.57 million, or 2.02%, from Rs. 871.41 million in Fiscal 2013 to Rs. 888.98 million in Fiscal 2014. This was primarily due to purchase of stock-in-trade by our subsidiaries. Purchase of stock-in trade represented 12.95% and 11.77% of our total revenue for Fiscal 2013 and 2014, respectively.

Changes in inventories of finished goods, work-in-progress and stock in trade: Changes in inventories of finished goods, work-in-progress and stock in trade traded goods in Fiscal 2014 were lower by Rs. 61.38 million compared to Fiscal 2013 primarily due to higher sales.

Employee benefits expense: Employee benefits expense increased by Rs. 104.84 million, or 10.25%, from Rs. 1,022.89 million in Fiscal 2013 to Rs. 1,127.73 million in Fiscal 2014. The overall increase in employee benefits expense was primarily due to increment paid to employees and addition of new employees. However, as a percentage of total revenue, employee benefits expense decreased from 15.20% in Fiscal 2013 to 14.92% in Fiscal 2014.

Finance costs: Our finance costs increased by Rs. 103.12 million, or 39.20%, from Rs. 263.07 million in Fiscal 2013 to Rs. 366.19 million in Fiscal 2014. This increase was mainly attributable to interest on term loans, working capital loans and repayment of term loans at the end of the year. As a percentage of total revenue, finance costs increased from 3.91% in Fiscal 2013 to 4.85% in Fiscal 2014.

Depreciation and Amortisation Expense: Depreciation and amortisation expense increased by Rs. 83.21 million, or 37.61% from Rs. 221.22 million for Fiscal 2013 to Rs. 304.43 million for Fiscal 2014. This increase was mainly attributable to addition of new assets. Depreciation and amortisation expense represented 3.29% and 4.03% of our total revenue for Fiscal 2013 and 2014, respectively.

Other expenses: Our other expenses increased by Rs. 480.87 million, or 29.07%, from Rs. 1,654.28 million in Fiscal 2013 to Rs. 2,135.15 million in Fiscal 2014. As a percentage of total revenue, our other expenses increased from 24.58% in Fiscal 2013 to 28.26% in Fiscal 2014. The overall increase was principally due to increase in power and fuel consumption and sales promotion expenses including sales commission.

Exceptional items: We had exceptional items of Rs. 115.84 million in Fiscal 2013 on account of write-off of amounts deposited with the Andhra Pradesh High Court for a pending dispute with SMS Pharmaceuticals Limited. During Fiscal 2014, we had no exceptional items.

Profit before tax: Our profit before tax increased by Rs. 266.58 million, or 26.05%, from Rs. 1,023.19 million in Fiscal 2013 to Rs. 1,289.77 million in Fiscal 2014 due to the reasons mentioned above.

Tax expense (current tax and deferred tax expense): Our Company has a tax expense of Rs. 364.36 million for Fiscal 2013 as compared to expenses of Rs. 308.70 million in Fiscal 2014 primarily due to deferred tax adjustment.

Cash Flows

The table below sets forth the Group's cash flows for the periods indicated:

(*In Rs. million*)

Particulars	**Fiscal 2015**	**Fiscal 2014**	**Fiscal 2013**
Net cash flow generated /(used in) operating activities	926.66	1,440.34	611.95
Net cash flow received from/(used in) investing activities	(1,147.50)	(1,089.23)	(1,070.73)
Net cash flow from / (used in) financing activities	290.75	(352.66)	263.10
Net increase / (decrease) in cash and cash equivalents	22.26	2.64	(246.93)

Cash flow from operating activities

Net cash flows from operating activities for Fiscal 2015 consisted of net profit before tax of Rs. 1,342.17 million as adjusted primarily for depreciation and amortisation expenses of Rs. 472.66 million, net gain on sale of current investments of Rs. 23.63 million, inventory write-off of Rs. 7.02 million, decrease in provision for employee benefits of Rs. 8.94 million, write-back of provisions no longer required of Rs. 38.77 million, interest income of Rs. 5.53 million, gain on sale of asset of Rs. 6.58 million, interest expense of Rs. 302.93 million and unrealised foreign exchange gain of Rs. 17.76 million and as a result our operating profits before working capital changes was Rs. 2,023.62 million for Fiscal 2015. This was further adjusted for changes in working capital and, as a result, cash generated from operations before adjusting for income taxes was Rs. 1,164.05 million for Fiscal 2015. Changes in working capital were primarily on account of increase in other current liabilities of Rs. 101.33 million, increase in trade payables of Rs. 193.92 million, increase in inventories of Rs. 395.78 million, increase in trade receivables of Rs. 718.59 million and increase in short-term loans and advances of Rs. 8.24 million and increase in long term advances of Rs. 36.18 million. Cash generated from operations was Rs. 1,164.05 million for Fiscal 2015 which was adjusted for income taxes paid of Rs. 237.39 million, as a result, net cash generated in operating activities was Rs. 926.66 million for Fiscal 2015.

Net cash flows from operating activities for Fiscal 2014 consisted of net profit before tax of Rs. 1,289.77 million as adjusted primarily depreciation and amortisation expenses of Rs. 304.43 million, net gain on sale of current investments of Rs. 10.06 million, inventory write-off of Rs. 7.81 million, provision for employee benefits amounting to Rs. 25.51 million, write-back of provisions no longer required of Rs. 6.75 million, interest income of Rs. 5.61 million, interest expenses of Rs. 345. 87 million and unrealised foreign exchange gain of Rs. 5.71 million and as a result our operating profits before working capital changes was Rs. 1,946.98 million for Fiscal 2014. This was further adjusted for changes in working capital and, as a result, cash generated from operations before adjusting income taxes paid was Rs. 1,785.85 million for Fiscal 2014. Changes in working capital were primarily on account of increase in other current liabilities of Rs. 116.97 million, increase in trade payables of Rs. 39.35 million, increase in inventories of Rs. 358.82 million, decrease in trade receivables of Rs. 112.92 million, increase in short-term loans and advances of Rs. 109.91 million and decrease in long term loans and advances of Rs. 48.80 million. Cash generated from operations was Rs. 1,785.85 million for Fiscal 2014 which was adjusted for income taxes paid of Rs. 345.50 million, as a result, net cash generated in operating activities was Rs. 1,440.34 million for Fiscal 2014.

Net cash flows from operating activities for Fiscal 2013 consisted of net profit before tax of Rs. 1,023.19 million as adjusted primarily for depreciation and amortisation expenses of Rs. 221.22 million, inventory write-off of Rs. 8.40 million, net gain on sale of current investments of Rs. 11.77 million, provision for employee benefits of Rs. 17.89 million, employee stock compensation of Rs. 57.11 million, write-back of provisions no longer required of Rs. 31.88 million, interest income of Rs. 23.51 million and interest expenses amounting to Rs. 249.46 million and as a result our operating profit before working capital changes was Rs. 1,511.94 million for Fiscal 2013. This was further adjusted for changes in working capital and, as a result, cash generated from operations before adjusting income taxes paid was Rs. 83.80 million for Fiscal 2013. Changes in working capital were primarily on account of decrease in other current liabilities of Rs. 79.22 million, increase in trade payables of Rs. 201.61 million, decrease in long term liabilities and provisions of Rs. 9.20 million, increase in inventories of Rs. 343.86 million, increase in trade receivables of Rs. 349.72 million, increase in short-term loans and advances of Rs. 72.90 million and increase in long term loans and advances of Rs. 20.31 million. Cash generated from operations was Rs. 838.00 million for Fiscal 2013 which was adjusted for direct taxes paid of Rs. 226.06 million and, as a result, net cash generated in operating activities was Rs. 611.95 million for Fiscal 2013.

Cash flow from investing activities

Net cash flows from investing activities for Fiscal 2015 primarily consisted of outflows in the form of purchase of tangible assets of Rs. 1,167.14 million and purchases of intangible assets of Rs. 24.96 million. Inflows from investing activities primarily included proceeds from sale of current investments of Rs. 25.63 million, sale of tangible assets of Rs.17.36 million and interest received of Rs. 3.59 million. The net cash used in investing activities amounted to Rs. 1,147.50 million for Fiscal 2015.

Net cash flows from investing activities for Fiscal 2014 primarily consisted of outflows in the form of purchase of tangible assets of Rs. 1,060.40 million and purchases of intangible assets amounting to Rs. 43.26 million. Inflows from investing activities primarily included proceeds from sale of current investments of Rs. 15.00 million and interest received of Rs. 5.86 million. The net cash used in investing activities amounted to Rs. 1,089.23 million for Fiscal 2014.

Net cash flows from investing activities for Fiscal 2013 primarily consisted of outflows in the form of purchase of tangible assets of Rs. 1,078.25 million, purchase of intangible assets amounting to Rs. 38.56 million, purchase of current investments of Rs. 9.13 million. Inflows from investing activities primarily included proceeds from dissolution of partnership firm of Rs. 18.85 million, proceeds from sale of current investments of Rs. 11.79 million and interest received of Rs. 28.73 million. The net cash used in investing activities amounted to Rs. 1,070.73 million for Fiscal 2014.

Cash flow from financing activities

Net cash flows from financing activities for Fiscal 2015 consisted of outflows in the form of interest paid of Rs. 299.15 million and dividends paid (including tax on distributed profits) amounting to Rs. 199.33 million Inflows from financing activities primarily included proceeds from long term borrowings (net) of Rs. 14.81 million and proceeds from short-term borrowings (net) of Rs. 699.12 million. The net cash from financing activities amounted to Rs. 290.75 million in Fiscal 2015.

Net cash flows from financing activities for Fiscal 2014 consisted of outflows in the form of repayment of long-term borrowings (net) amounting to Rs. 419.90 million, repayment of short-term borrowings amounting (net) to Rs. 491.12 million, interest paid on borrowings of Rs. 343.13 million and dividends paid (including tax on distributed profits) of Rs. 193.49 million. Inflows from financing activities primarily included proceeds from issue of shares of Rs. 1,085.28 million. The net cash used in financing activities amounted to Rs. 352.66 million in Fiscal 2014.

Net cash flows from financing activities for Fiscal 2013 consisted of outflows in the form of interest paid on borrowings of Rs. 320.55 million and dividends paid (including tax on distributed profits) of Rs. 143.58 million. Inflows from financing activities included primarily proceeds from short term borrowings (net) of Rs. 661.01 million. The net cash from financing activities amounted to Rs. 263.10 million in Fiscal 2013.

Borrowings

The details of our borrowings as at March 31, 2015 are set forth below:

(*In Rs. million*)

Particulars	**Fiscal 2015**
Short term debt:	
- Secured	1,375.20
- Unsecured	310.24
Long-term debt (including current maturities)	
- Secured	1,403.10
- Unsecured	29.85
Total	3,118.39

Contingent liabilities and commitments

As at March 31, 2015 we had the following contingent liabilities and commitments:

(*In Rs. million*)

Particulars	**Fiscal 2015**
Commitments:	
- Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	191.53
Contingent liabilities:	
- Disputed sales tax liabilities	8.69
- Disputed service tax liabilities	1.75
- Disputed customs liability	2.00
- Disputed income tax liabilities	0.66

Off-balance sheet arrangements

Except as set forth above, we do not have any other off-balance sheet arrangements or relationships with unconsolidated entities that have been established for the purpose of facilitating off-balance sheet arrangements.

Interest coverage ratio

Our interest coverage ratio as of March 31, 2015, March 31, 2014 and March 31, 2013 was 5.09, 4.53 and 4.10 respectively.

Interest coverage ratio shall mean earnings before interest and tax divided by interest cost. Interest cost includes processing fees, other borrowing costs and any interest costs that has been capitalized.

Quantitative and qualitative disclosure about market risk

Market risk is the risk of loss related to adverse changes in market prices, including interest rate risk, foreign exchange risk, inflation and commodity risk. We are exposed to different degrees of these risks in the normal course of our business.

Foreign exchange risk

Although our Company's reporting currency is in Indian Rupees, we transact a significant portion of our business in several other currencies. Substantially all of our non-Indian sales are denominated in foreign currencies including U.S. Dollars and Euros. We also have imports which are denominated in foreign currencies. In addition, a portion of our other operating expenses are denominated in foreign currencies. Accordingly, we may be affected by significant fluctuations in the exchange rates between the Indian rupee and other currencies.

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. If the interest rates for our existing or future borrowings increase significantly, our cost of servicing such debt will increase.

Commodity risk

We are exposed to market risk with respect to commodity prices from the purchase and sale of pharmaceutical formulations and APIs, as well as raw material components for such pharmaceutical formulations. Prices for these raw material components can fluctuate sharply over short periods of time. We evaluate and manage our commodity price risk exposure through our operating procedures and sourcing policies. In the normal course of business, we purchase our raw materials based on prevailing market conditions. We do not use any derivative financial instruments or futures contracts to hedge our remaining exposure to fluctuations in commodity prices. We do not apply hedging techniques with respect to changes in the purchase and sale prices of our APIs. Accordingly, significant increases in the prices of our raw materials could affect our results of operations.

Equity price risk

Equity price risk arises when we are exposed to changes in the fair value of any traded equity instruments that we may hold due to changes in the equity markets. Our exposure to changes in equity prices is not material to our financial position, results of operations or cash flows.

Seasonality of Business

Our results of operations have not, and are not expected to, generally exhibit seasonality.

Unusual or Infrequent Events or Transactions

Except as described in this Preliminary Placement Document, there have been no other events or transactions to the best of our knowledge which may be described as "unusual" or "infrequent".

Known Trends or Uncertainties

Except as described in "*Risk Factors*" on page [●], this section and elsewhere in this Preliminary Placement Document, to the best of our knowledge there are no known trends or uncertainties that have or had or expected to have any material adverse impact on our revenues or income from continuing operations.

Future Relationship between Cost and Income

Except as described in the sections titled "*Risk Factors*", "*Business*" and this section, to the best of our knowledge there are no known factors that will have a material adverse impact on our operations and finances.

Material developments after March 31, 2015 which could affect future results of operations

1. Pursuant to the special resolution of the Shareholders dated June 27, 2015, the Board has been accorded approval and consent to introduce, offer and implement an ESOP Scheme and to create, offer, issue and allot in one or more tranches to the present and future eligible employees of the Company such number of options as the Board may decide, which could give rise to the issue of Equity Shares of nominal face value not exceeding Rs.1,500,000 divided into 150,000 Equity Shares.

2. Pursuant to the resolution of the Board of Directors dated August 12, 2015 and subject to the approval of the Shareholders, the Board has accorded approval for sub-division of one Equity Share having face value of Rs. 10 each fully paid-up into five Equity Shares of face value of Rs. 2 each fully paid-up.

3. Our Company has received an approval from the FIPB dated August 18, 2015 for foreign equity participation up to 37.22% of the issued and paid-up capital which comprises of an increase in the aggregate FII/FPI investment limit to 31.5% and allotment of eligible securities to QIBs pursuant to Chapter VIII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended for an approximate foreign investment amount of Rs. 4,500 million. The FIPB approval is subject to certain conditions. For further details, see "General Information" on Page [●].

4. The RBI has, pursuant to its press release dated September 4, 2015, notified that FIIs/registered FPIs can invest up to 31.50% of the paid up capital of our Company under the portfolio investment scheme.

5. Pursuant to a resolution of the Shareholders at the extraordinary general meeting dated June 27, 2015 and subject to applicable laws and approval of the creditors of the Company and Madras High Court, Shareholders have approved amalgamation of Natco Organics Limited with our Company with effect from April 1, 2015 or such date as approved by the Madras High Court.

Changes in accounting policies during last three years and their effect on the profits and reserves of the Company

There are no changes in accounting policies during last three years.

REGULATIONS AND POLICIES

The following description is a summary of certain sector specific laws and regulations in India that are applicable to our business. The information detailed below has been obtained from various legislations, including rules, regulations and bylaws that are available in the public domain. The regulations set out below may not be exhaustive and are merely intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice. The statements below are based on the current provisions of Indian law, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

Drugs and Cosmetics Act, 1940

The Drugs and Cosmetics Act, 1940 ("**Drugs and Cosmetics Act**") regulates the import, manufacture, distribution and sale of drugs and cosmetics. In view of the provisions of the Drugs and Cosmetics Act, no person can import, manufacture, distribute, stock and sell any drug, except under the licence granted for respective operations by the authority notified under the Drugs and Cosmetics Act. The main functionaries under the Drugs and Cosmetics Act are the Licensing Authority and the Drug Inspector. While the Director of Food and Drugs Administration is empowered and notified as Licensing Authority to issue licences for different categories of business in drugs, the Assistant Drugs Controller acts as Supervisory officers and assists the Director in implementation of the Drugs and Cosmetics Act and rules thereunder. The Drugs and Cosmetics Act prescribes the standards for purity, identity and strength of drugs and cosmetics.

The Drugs and Cosmetics Rules, 1945 (the "**DCA Rules**") have been enacted to give effect to the provisions of the Drugs and Cosmetics Act to regulate the manufacture, distribution and sale of drugs and cosmetics in India. The DCA Rules prescribe the procedure for submission of report to the Central Drugs Laboratory, of samples of drugs for analysis or test, the forms of Central Drugs Laboratory's reports thereon and the fees payable in respect of such reports. The DCA Rules also prescribe the drugs or classes of drugs or cosmetics or classes of cosmetics for the import of which a licence is required, and prescribe the form and conditions of such licences, the authority empowered to issue the same and the fees payable therefor. The DCA Rules provide for the cancellation or suspension of such licence in any case where any provisions or rule applicable to the import of drugs and cosmetic is contravened or any of the conditions subject to which the licence is issued is not complied with. The DCA Rules further prescribe the manner of labelling and packaging of drugs.

Clinical trial

The DC Rules lay down the process mechanics and guidelines for clinical trial, including procedure for approval for clinical trials. Clinical trials require obtaining of free, informed and written consent from each study subject. The DC Rules also provide for compensation in case of injury or death caused during clinical trials. The Central Drugs Standard Control Organization has issued the Guidance for industry for submission of clinical trial application for evaluating safety and efficacy, for the purpose of submission of clinical trial application as required under the DC Rules. The Indian Council of Medical Research has issued the Ethical Guidelines for Biomedical Research on Human Participants, 2006 which envisages that medical and related research using human beings as research participants must, necessarily, *inter alia*, ensure that the research is conducted in a manner conducive to, and consistent with, their dignity, well-being and under conditions of professional fair treatment and transparency. Further such research is subjected to evaluation at all stages of the same.

Narcotic Drugs and Psychotropic Substances Act, 1985

The Narcotic Drugs and Psychotropic Substances Act, 1985 ("**NDPS**") makes stringent provisions for the control and regulation of operations relating to narcotic drugs and psychotropic substances, to provide for the forfeiture of property derived from, or used in, illicit traffic of narcotic drugs and psychotropic substances and to implement the provisions of the International Convention on Narcotic Drugs and Psychotropic Substances. The NDPS authorises the Central Government to take all such measures as it deems necessary or expedient for the purpose of preventing and combating abuse of narcotic drugs and psychotropic substances. The NDPS prohibits the production, manufacture, possession, sale, purchase, transportation, warehousing, usage, consumption, import or export of any narcotic drug or psychotropic substance, except for medical or scientific purposes as provided.

The Narcotic Drugs and Psychotropic Substances (Amendment) Act, 2014 (the "**NDPS Amendment**") broaden the object of the NDPS from containing illicit use to also promoting the medical and scientific use of narcotic drugs and psychotropic substances. Further, they allow for management of drug dependence, thereby legitimising opioid substitution, maintenance and other harm reduction services. The NDPS Amendment allows for instituting evidence based and human rights compliant standards for drug treatment facilities, whether public or private, significantly impacting the health and rights of people who use drugs.

The Essential Commodities Act, 1955 (the "ECA")

The ECA gives powers to the Central Government, to control production, supply and distribution of, trade and commerce in certain essential commodities for maintaining or increasing supplies and for securing their equitable distribution and availability at fair prices or for securing any essential commodity for the defence of India or the efficient conduct of military operations. Using the powers under it, various ministries/departments of the Central Government have issued control orders for regulating production, distribution, quality aspects, movement and prices pertaining to the commodities which are essential and administered by them. The State Governments have also issued various control orders to regulate various aspects of trading in essential commodities such as food grains, edible oils, pulses kerosene, sugar and drugs. Penalties in terms of fine and imprisonment are prescribed under the ECA for contravention of its provisions.

National Pharmaceuticals Pricing Policy, 2012 (the "2012 Policy")

The 2012 Policy replaces the drug policy of 1994 and presently seeks to lay down the principles for pricing of essential drugs specified in the National List of Essential Medicines – 2011 ("**NLEM**") declared by the Ministry of Health and Family Welfare, Government of India and modified from time to time, so as to ensure the availability of such medicines at reasonable price, while providing sufficient opportunity for innovation and competition to support the growth of the Industry. The prices would be regulated based on the essential nature of the drugs rather than the economic criteria/market share principle adopted in the drug policy of 1994. Further, the 2012 Policy will regulate the price of formulations only, through market based pricing which is different from the earlier principle of cost based pricing. Accordingly, the formulations will be priced by fixing a ceiling price and the manufacturers of such drugs will be free to fix any price equal to or below the ceiling price.

Drugs (Price Control) Order, 2013

The Drugs (Price Control) Order, 2013 (the "**DPCO**") was issued by the Central Government under section 3 of the ECA. The DPCO, *inter alia*, provides that the Central Government may issue directions to the manufacturers of active pharmaceutical ingredients or bulk drugs and formulations to increase production or sell such active pharmaceutical ingredient or bulk drug to such manufacturer of formulations and direct the formulators to sell the formulations to institutions, hospitals or any agency, procedures for fixing the ceiling price of scheduled formulations of specified strengths or dosages, retail price of new drug for existing manufacturers of scheduled formulations, method of implementation of prices fixed by Government and penalties for contravention of its provisions. The Government has the power under the DPCO to recover amounts charged in excess of the notified price from the manufacturer, importer or distributor and the said amounts are to be deposited in the Drugs Prices Equalisation Account. These provisions are applicable to all scheduled formulations irrespective of whether they are imported or patented, unless they are exempted. However, the prices of other drugs can be regulated, if warranted in public interest.

Poisons Act, 1919

The Poisons Act, 1919 regulates the import, possession and sale of poisons. It empowers the Central Government to prohibit the importation into India across any customs frontier defined by the Central Government of any specified poison and regulates the grant of licenses.

Intellectual Property Legislations

Intellectual property in India enjoys protection under both common law and statutes.

Under statute, India provides for the patent protection under the Patents Act, 1970 (the "**Patents Act**"). The Patents Act governs the patent regime in India and recognises process patents as well as product patents. The Patents Act provides for grant of compulsory license on patents after expiry of three years of its grant in certain

circumstances such as reasonable requirements of the public, non-availability of patented invention to public at affordable price or failure to work the patented invention.

Further, trademark protection is provided under the Trade Marks Act, 1999 (the "**Trade Marks Act**"). The purpose of the Trademarks Act is to grant exclusive rights to marks such as a brand, label, heading and to obtain relief in case of infringement for commercial purposes as a trade description. It prohibits registration of deceptively similar trademarks and provides for penalties for infringement, falsifying and falsely applying trademarks.

In addition to the domestic laws, India is a party to several international intellectual property related instruments including the Patent Co-operation Treaty, 1970, the Paris Convention for the Protection of Industrial Property, 1883, and as a member of the World Trade Organisation, India is a signatory to the Agreement on Trade Related aspects of Intellectual Property Rights, 1995.

Environmental Regulations

The three major statutes in India, which seek to regulate and protect the environment against pollution in India are The Environment Protection Act, 1986, The Water (Prevention and Control of Pollution) Act 1974 and The Air (Prevention and Control of Pollution) Act, 1981. With the objective to control, abate and prevent pollution, the Pollution Control Boards ("**PCBs**"), vested with diverse powers to deal with water and air pollution, have been established at the Central level and in each State. The PCBs are responsible for setting the standards for maintenance of clean air and water, directing the installation of pollution control devices in industries and undertaking investigations to ensure that industries are functioning in compliance with the standards prescribed. All industries and factories are required to obtain consent orders (renewed annually) from the PCBs, which are indicative of the fact that the factory or industry in question is functioning in compliance with the pollution control norms laid down. Further, the Hazardous Wastes (Management Handling and Transboundary Movement) Rules, 2008 (the "**Hazardous Wastes Rules**") aim to regulate the proper collection, reception, treatment, storage and disposal of hazardous waste. The Hazardous Wastes Rules impose an obligation on every occupier and operator of a facility generating hazardous waste to dispose of such waste without adverse effect on the environment, including through the proper collection, treatment, storage and disposal of such waste.

Foreign Investment and import/export

The Consolidated FDI Policy allows for FDI up to 100%, under the automatic route for greenfield investments in the pharmaceuticals sector and FDI up to 100%, for brownfield investments (investments in existing companies) under the government approval route.

The Pharmaceutical Export Promotion Council has been set up under the Ministry of Commerce and Industry in 2004. It is the sole issuer of registration-cum-membership certificates to exporters of pharmaceutical products in India. Also, the Importer Exporter Code along with the Foreign Trade (Development & Regulation) Act, 1992 governs imports into India, and the code is mandatory.

Other laws

In addition to the above, our Company is also required to comply at all times with the provisions of various other laws, rules and regulations including The Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008, The Manufacture, Storage and Import of Hazardous Chemicals Rules, 1989, The Chemical Accidents (Emergency Planning Preparedness and Response) Rules, 1996, The Bio-Medical Waste (Management and Handling) Rules, 1998, The Public Liability Insurance Act, 1991, The Explosives Act, 1884 The Factories Act, 1948, The Boilers Act, 1923, various labour laws, legislations relating to shops and commercial establishments, electricity and other revenue and tax legislations.

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 Clause 49 of the Equity Listing Agreement. As on date our Company has 12 Directors. Out of the 12 Directors, five are Executive Directors, one is Non-Executive Director, and six are Independent Directors, including one woman Director.

The following table sets forth details regarding the Board at the date of this Preliminary Placement Document:

Name, Occupation, Term and Nationality	Age	Position	Director Identification Number	Address
V. C. Nannapaneni Occupation: Business Term: Not liable to retire by rotation Nationality: Indian	70	Chairman and Managing Director	00183315	Plot No. 529, Road No. 26, Jubilee Hills, Hyderabad 500 033
Rajeev Nannapaneni Occupation: Business Term: Liable to retire by rotation Nationality: USA	38	Executive Director	00183872	Plot No. 529, Road No. 26, Jubilee Hills, Hyderabad 500 033
Dr. A. K. S. Bhujanga Rao Occupation: Service Term: Liable to retire by rotation Nationality: Indian	63	Executive Director	02742637	House No.8-2-362/A/7, Flat No.401, 3rd Floor, Sunrise Apartments, Road No.3, Banjara Hills, Hyderabad 500 034
P. S. R. K. Prasad Occupation: Service Term: From November 12, 2014 till the ensuing annual general meeting of the Company Nationality: Indian	57	Additional and Executive Director	07011140	8-1-405/A/12, QQ Tombs Dream Valley, Shaikpet, Hyderabad 500 008
Dr. D. Lingarao Occupation: Service	63	Additional and Executive Director	07088404	Flat No. 207, Mount Meru Apartments, Road No. 5, Banjara Hills, Hyderabad

Name, Occupation, Term and Nationality	Age	Position	Director Identification Number	Address
Term: From February 11, 2015 till the ensuing annual general meeting of the Company Nationality: Indian				500 034
Vivek Chhachhi Occupation: Service Term: Liable to retire by rotation Nationality: Indian	44	Non-Executive and Non-Independent Director	00496620	409, Magnolias, Golf Course Road, DLF Phase V, Gurgaon 122 009
T. V. Rao Occupation: Retired Term: Five years from September 27, 2014 Nationality: Indian	63	Independent Director	05273533	Flat No.405, Block A, Mahaveer Sanctum Apts., 7th Cross, L. B. Sastrynagar Vibhutipura, Old Airport Road, Hal Post Office, Bangalore 560 017
G. S. Murthy Occupation: Retired Term: Five years from September 27, 2014 Nationality: Indian	78	Independent Director	00122454	Flat no. 304, Sarada Aparts No. II, 6-3-596/77/12, Road No. 1, Naveen Nagar, Banajra Hills, Hyderabad 500034
Dr. B. S. Bajaj Occupation: Retired Term: Five years from September 27, 2014 Nationality: Indian	88	Independent Director	00122305	C-303, Hidden Treasure Apartments, 6-3-1102/1, Raj Bhawan Road, Somajiguda, Hyderabad 500082
D. G. Prasad Occupation: Professional Term: Five years from September 27, 2014 Nationality: Indian	67	Independent Director	00160408	A-8, Madhura Nagar, Ameerpet, Hyderabad 500 038
Dr. Leela Digumarti Occupation: Service Term: Five years effective from September 27, 2014	55	Independent Director	06980440	Plot no. 7 55 43 6 Padmalaya, Doctors Colony, Seetammadhara, Visakhapatnam 530 013

Name, Occupation, Term and Nationality	Age	Position	Director Identification Number	Address
Nationality: Indian				
Dr. M. U. R. Naidu Occupation: Service Term: From February 11, 2015 till the ensuing annual general meeting of the Company Nationality: Indian	66	Additional and Independent Director	05111014	13-1-241, Mothi Nagar, Bala Nagar, Hyderabad 500 018

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 Director 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 45 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 around 15 years of experience in the pharmaceutical industry.

P. S. R. K. Prasad

P. S. R. K. Prasad is an Additional and 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 Bacherlor's degree in Mechanical Engineering from Andhra University. He has over 30 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 Industries Research Association, Ahmedabad.

Dr. A. K. S. Bhujanga Rao

Dr. A. K. S. Bhujanga Rao is an Executive Director of our Company. He is also the President (R&D and Technical) of our Company. He was inducted on the Board in 2009. He has a Bachelor's degree in Science from Maharajah's College, Vizianagaram. He also has a Masters' degree in Science from Andhra University and a Ph.D from the Indian Institute of Science, Bangalore. He has more than 35 years of experience in the pharmaceutical industry. Prior to joining our Company, he has worked with Reckitt & Colman of India Limited and Vera laboratories Limited.

Dr. D. Lingarao

Dr. D. Lingarao is an Additional and 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 more than 39 years of 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 works as a partner with CX Advisors LLP. He has over 20 years of 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.

Dr. B. S. Bajaj

Dr. B. S. Bajaj is an Independent Director of our Company. He has more than 60 years of experience in various pharmaceuticals, biotechnology and antibiotics lines of activities. He is currently retired.

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 is 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 Gynaecology 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 Additional and 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) paid to the existing Directors for the last three Financial Years:

(*in Rs. million*)

Name	From April 1, 2015 to August 31, 2015	Fiscal 2015	Fiscal 2014	Fiscal 2013
V. C. Nannapaneni	6.25	28.20	13.94	13.38
Rajeev Nannapaneni	5.20	13.63	11.15	10.69
Dr. A. K .S. Bhujanga Rao	3.60	9.87	3.35	2.95
P. S. R. K. Prasad*	4.15	3.70	-	-
Dr. D. Lingarao**	4.15	1.48	-	-
Vivek Chhachhi	-	-	-	-
T. V. Rao	0.05	0.10	0.06	0.02
G. S. Murthy	0.07	0.11	0.09	0.06
Dr. B. S. Bajaj	0.07	0.11	0.08	0.05
D. G. Prasad	0.05	0.10	0.03	-
Dr. Leela Digumarti	0.02	0.02	-	-
Dr. M. U. R. Naidu	0.02	0.02	-	-

****** P. S. R. K. Prasad was appointed as an Additional Director on November 12, 2014, prior to which he received remuneration as an employee of the Company, which has not been considered in the above table.*

*** Dr. D. Lingarao was appointed as an Additional Director on February 11, 2015, prior to which he received remuneration as an employee of the Company, which has not been considered in the above table.*

Terms and Conditions of employment of Executive Directors

V. C. Nannapaneni

Pursuant to the resolution of the Shareholders' dated September 27, 2014, the remuneration payable to V. C. Nannapaneni from April 1, 2014 to March 31, 2016 is as mentioned below:

Sr. No.	Category	Remuneration
1.	Salary	Rs. 15 million per annum
2.	Perquisites	Provident fund, reimbursement of medical expenses for major ailments not exceeding 50% of the salary, superannuation fund, gratuity and leave encashment

Pursuant to the resolution of the Board of Directors dated August 12, 2015 and subject to the approval of the Shareholders, V. C. Nannapaneni has been reappointed as the Chairman and Managing Director of our Company for a period of two year from April 1, 2015 to March 31, 2017. Further, the remuneration payable to him from April 1, 2015 to March 31, 2017 has been increased to Rs. 16.00 million per annum and, he is additionally entitled to managerial commission at the rate not exceeding 1% of the net profit of the Company.

Rajeev Nannapaneni

Pursuant to the resolution of the Shareholders' dated September 27, 2014, the remuneration payable to Rajeev Nannapaneni from April 1, 2014 to March 31, 2016 is as mentioned below:

Sr. No.	Category	Remuneration
1.	Salary	Rs. 12.50 million per annum
2.	Perquisites	Provident fund, reimbursement of medical expenses for major aliments not exceeding 50% of the salary, superannuation fund, gratuity and leave encashment

Pursuant to the resolution of the Board of Directors dated August 12, 2015 and subject to the approval of the Shareholders, Rajeev Nannapaneni has been reappointed as the Vice Chairman and Chief Executive Officer of our Company for a period of two year from April 1, 2015 to March 31, 2017. Further, the remuneration payable to him from April 1, 2015 to March 31, 2017 has been increased to Rs. 14.00 million per annum.

Dr. A. K .S. Bhujanga Rao

Pursuant to the resolution of the Shareholders' dated September 27, 2014, the remuneration payable to Dr. A. K. S. Bhujanga Rao from April 1, 2014 to March 31, 2016 is as mentioned below:

Sr. No.	Category	Remuneration
1.	Salary	Rs. 10 million per annum
2.	Perquisites	Provident fund, reimbursement of medical expenses for major ailments not exceeding 50% of the salary, superannuation fund, gratuity and leave encashment

Pursuant to the resolution of the Board of Directors dated August 12, 2015 and subject to the approval of the Shareholders, has been remuneration payable to Dr. A. K. S. Bhujanga Rao from April 1, 2015 to March 31, 2016 has been increased to Rs. 11.00 million per annum.

P. S. R. K. Prasad

The remuneration payable to P. S. R. K. Prasad as an executive director shall be decided by the Shareholders' in the ensuing annual general meeting of the Company. Pursuant to the resolution of the Board of Directors dated August 12, 2015 and subject to the approval of the Shareholders, remuneration payable to him from April 1, 2015 to March 31, 2016 shall be Rs. 11.00 million per annum along with provident fund, reimbursement of medical expenses for major ailments not exceeding 50% of the salary, superannuation fund, gratuity and leave encashment.

Dr. D. Lingarao

The remuneration payable to Dr. D. Lingarao as an executive director shall be decided by the Shareholders' in the ensuing annual general meeting of the Company. Pursuant to the resolution of the Board of Directors dated August 12, 2015 and subject to the approval of the Shareholders, remuneration payable to him from April 1, 2015 to March 31, 2016 shall be Rs. 11.00 million per annum along with provident fund, reimbursement of medical expenses for major ailments not exceeding 50% of the salary, superannuation fund, gratuity and leave encashment.

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 27, 2014, passed under section 180(1)(c) of Companies Act, 2013, authorised the Board of Directors to such sum of money from banks/financial institutions 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. 6,000 million. Pursuant to the resolution of the Board of Directors dated August 12, 2015, the Board has recommended the Shareholders to give their consent for the Board to borrow such sum of money from banks/financial institutions 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 him 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 Preliminary Placement Document, 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 [●].

Shareholding of Directors

As at June 30, 2015, our Directors held the following number of the Equity Shares:

Names of Directors	Number of Equity Shares held
V. C. Nannapaneni*	8,147,363
Rajeev Nannapaneni	357,235
Dr. D. Lingarao	11,331
Dr. A. K .S. Bhujanga Rao	8,700
P. S. R. K. Prasad	8,290
Dr. M. U. R. Naidu	3,000

* *Including V. C. Nannapaneni HUF (held in the name of Karta – V. C. Nannapaneni)*

As of June 30, 2015, 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 Preliminary Placement Document, our Company has not entered into any contract, agreement or arrangement during the preceding two years from the date of this Preliminary 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 June 30, 2015, no Director has taken any loans from our Company.

Corporate Governance

Our Company has in place processes and systems whereby it complies with the requirements to the corporate governance provided in Clause 49 of the Equity Listing Agreement. 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 Equity Listing Agreement which are currently in force. The Board functions either as a full Board or through various committees constituted to oversee specific operational areas.

Committees of Board of Directors

1. Audit Committee

Audit Committee was last reconstituted on February 13, 2014. The terms of reference of this committee were last amended on August 12, 2015. The Audit Committee comprises of six members: G. S. Murthy, Vivek Chhachhi, Dr. B. S. Bajaj, V. C. Nannapaneni, T. V. Rao and D. G. Prasad. G. S. Murthy is the Chairman of the Audit Committee.

2. Stakeholders Relationship Committee ("SRC")

Stakeholders Relationship Committee was last reconstituted on November 12, 2014. The terms of reference of this committee were last amended on November 12, 2014. The Stakeholders Relationship Committee comprises of three members: G. S. Murthy, V. C. Nannapaneni and Rajeev Nannapaneni.

3. Nomination and Remuneration Committee ("NRC")

NRC was last reconstituted on August 12, 2014. The terms of reference of this committee were last amended on August 12, 2015. NRC comprises of four members: G. S. Murthy, Dr. B. S. Bajaj, Vivek Chhachhi and V. C. Nannapaneni.

4. Committee of Directors ("CoD")

CoD was constituted on August 12, 2015 to issue and allot equity shares pursuant to the Issue. CoD comprises of G. S. Murthy, V. C. Nannapaneni, Rajeev Nannapaneni, D. G. Prasad and Dr. M. U. R. Naidu.

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, in terms of the Companies Act:

S.V.V.N. Apparao, Interim Chief Financial Officer

S.V.V.N. Apparao is the Interim Chief Financial Officer of our Company. He joined our Company in 1994. He is a graduate in commerce from Andhra University. He has more than 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 June 30, 2015, the key managerial personnel of the Company are holding 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	6,100
2.	S.V.V.N. Apparao	350

In addition to our Executive Directors and our key managerial personnel in terms of the Companies Act, Rajesh Chebiyam, Vice President (Business Development and Corporate Support), forms part of our senior management team. He joined the Company in 2014. He hold a Master's degree in Chemical Engineering from University of Rhode Island. He also hold a Master's degree Business Administration from Babson College, USA.

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, as per the requirements under "Accounting Standard 18 – Related Party Transactions" specified under the Companies Act, 2013, see "*Financial Information*" on page [●].

Employee Stock Option Schemes

Our Company presently has no employee stock option schemes. Pursuant to the special resolution of the Shareholders dated June 27, 2015, the Board has been accorded approval and consent to introduce, offer and implement an ESOP Scheme and to create, offer, issue and allot in one or more tranches to the present and future eligible employees of the Company such number of options as the Board may decide, which could give rise to the issue of Equity Shares of nominal face value not exceeding Rs. 1,500,000 divided into 150,000 Equity Shares.

PRINCIPAL SHAREHOLDERS AND OTHER INFORMATION

The following table presents information regarding the ownership of Equity Shares by the Shareholders as of June 30, 2015:

Category of Shareholder	No. of Shareholders	Total No. of Equity Shares	Total No. of Equity Shares held in Dematerialized Form	Total Shareholding as a % of Total No. of Equity Shares		Equity Shares pledged or otherwise encumbered	
				As a % of (A+B)	As a % of (A+B+C)	Number of shares	As a % of Total No. of Equity Shares
(A) Shareholding of Promoter and Promoter Group							
(1) Indian							
Individuals / Hindu Undivided Family	25	9,961,262	9,961,262	29.97	29.97	0	0.00
Bodies Corporate	6	7,416,894	7,416,894	22.32	22.32	0	0.00
Sub Total	**31**	**17,378,156**	**17,378,156**	**52.29**	**52.29**	**0**	**0.00**
(2) Foreign							
Individuals (Non-Residents Individuals/ Foreign Individuals	2	487,708	487,708	1.47	1.47	0	0.00
Sub-Total	**2**	**487,708**	**487,708**	**1.47**	**1.47**	**0**	**0.00**
Total shareholding of Promoter and Promoter Group (A)	33	17,865,864	17,865,864	53.76	53.76	0	0.00
(B) Public Shareholding							
(1) Institutions							
Mutual Funds / UTI	33	1,875,903	1,875,103	5.64	5.64	0	0.00
Financial Institutions / Banks	3	17,438	17,238	0.05	0.05	0	0.00
Foreign Institutional Investors	66	3,097,842	3,097,842	9.32	9.32	0	0.00
Sub Total	**102**	**4,991,183**	**4,990,183**	**15.02**	**15.02**	**0**	**0.00**
(2) Non-Institutions							
Bodies Corporate	547	913,743	908,123	2.75	2.75	0	0.00
Individuals							
Individual shareholders holding	29,839	3,529,823	3,116,443	10.62	10.62	0	0.00

Category of Shareholder	No. of Shareholders	Total No. of Equity Shares	Total No. of Equity Shares held in Dematerialized Form	Total Shareholding as a % of Total No. of Equity Shares		Equity Shares pledged or otherwise encumbered	
				As a % of (A+B)	As a % of (A+B+C)	Number of shares	As a % of Total No. of Equity Shares
nominal share capital up to Rs. 0.1 million							
Individual shareholders holding nominal share capital in excess of Rs. 0.1 million	51	2,917,896	2,901,236	8.78	8.78	0	0.00
Any Others (Specify)	**842**	**3,016,340**	**2,951,440**	**9.08**	**9.08**	**0**	**0.00**
Non Resident Indians	462	196,258	131,358	0.59	0.59	0	0.00
Trusts	4	24,233	24,233	0.07	0.07	0	0.00
Clearing Members	357	116,006	116,006	0.35	0.35	0	0.00
Foreign Port Folio Investments Corporation	19	2,679,843	2,679,843	8.06	8.06	0	0.00
Sub Total	**31,279**	**10,377,802**	**9,877,242**	**31.23**	**31.23**	**0**	**0.00**
Total Public shareholding (B)	**31,381**	**15,368,985**	**14,867,425**	**46.24**	**46.24**	**0**	**0.00**
Total (A)+(B)	**31,414**	**33,234,849**	**32,733,289**	**100.00**	**100.00**	**0**	**0.00**
(C) Shares held by Custodians and against which Depository Receipts have been issued	**0**	**0**	**0**	**0.00**	**0.00**	**0**	**0.00**
(1) Promoter and Promoter Group	**0**	**0**	**0**	**0.00**	**0.00**	**0**	**0.00**
(2) Public	**0**	**0**	**0**	**0.00**	**0.00**	**0**	**0.00**
Sub Total	**0**	**0**	**0**	**0.00**	**0.00**	**0**	**0.00**
Total (A)+(B)+(C)	**31,414**	**33,234,849**	**32,733,289**	**100.00**	**100.00**	**0**	**0.00**

The table below gives details of shareholdings of the Promoters as at June 30, 2015:

(I)(b) Statement showing holding of securities (including shares, warrants, convertible securities) of persons belonging to the category "Promoter and Promoter Group"

Sl. No.	Name of the Shareholder	Details of Shares held		Encumbered shares (*)		Details of warrants			Details of convertible securities		Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted share capital
		No. of Equity Shares held	As a % of grand total (A)+(B)+(C)	No	As a percentage	As a % of grand total (A)+(B)+(C) of sub-clause (I)(a)	Number of warrants held	As a % total number of warrants of the same class	Number of convertible securities held	As a % total number of convertible securities of the same class	
1	V. C. Nannapaneni	7,059,354	21.24	0	0.00	0.00	0	0.00	0	0.00	21.24
2	Time Cap Pharma Labs Ltd	3,431,444	10.32	0	0.00	0.00	0	0.00	0	0.00	10.32
3	Natsoft Information Systems Pvt. Ltd.	3,153,500	9.49	0	0.00	0.00	0	0.00	0	0.00	9.49
4	Venkaiah Chowdary Nannapaneni HUF	1,088,009	3.27	0	0.00	0.00	0	0.00	0	0.00	3.27
5	Rajeev Nannapaneni	3,57,235	1.07	0	0.00	0.00	0	0.00	0	0.00	1.07
6	Neelima Sita Nannapaneni	36,592	0.11	0	0.00	0.00	0	0.00	0	0.00	0.11
7	Durga Devi Nannapaneni	827,820	2.49	0	0.00	0.00	0	0.00	0	0.00	2.49
8	N. Ramakrishna Rao	141,282	0.43	0	0.00	0.00	0	0.00	0	0.00	0.43
9	T. Anila	125,984	0.38	0	0.00	0.00	0	0.00	0	0.00	0.38
10	T. Ananda Babu	94,641	0.28	0	0.00	0.00	0	0.00	0	0.00	0.28
11	Vidyadhari Tummala	80,440	0.24	0	0.00	0.00	0	0.00	0	0.00	0.24
12	Sita Ravamma Nannapaneni	37,900	0.11	0	0.00	0.00	0	0.00	0	0.00	0.11
13	Jhansi Tummala	36,420	0.11	0	0.00	0.00	0	0.00	0	0.00	0.11
14	Alapati Bapanna	3,660	0.01	0	0.00	0.00	0	0.00	0	0.00	0.01
15	Devendranth Alapati	3,000	0.01	0	0.00	0.00	0	0.00	0	0.00	0.01
16	Venkta Satya Swathi Kantamani	550,000	1.65	0	0.00	0.00	0	0.00	0	0.00	1.65
17	IL & FS Trust Company Ltd/ A/c Neelima Nannapaneni Trust	816,550	2.46	0	0.00	0.00	0	0.00	0	0.00	2.46
18	Natco Aqua Ltd	3,200	0.01	0	0.00	0.00	0	0.00	0	0.00	0.01
19	NDL Infra Tech Pvt. Ltd.	18,750	0.06	0	0.00	0.00	0	0.00	0	0.00	0.06
20	T. Bapineedu	83	0.00	0	0.00	0.00	0	0.00	0	0.00	0.00
	Total	**17,865,864**	**53.76**	**0**	**0.00**	**0.00**	**0**	**0.00**	**0**	**0.00**	**53.76**

(*) The term "encumbrance" has the same meaning as assigned to it in regulation 28(3) of the SAST Regulations, 2011.

The table below is a list of the Shareholders in the public category holding more than 1% of the paid-up share capital of our Company as at June 30, 2015:

(I)(c)(i) Statement showing holding of securities (including shares, warrants, convertible securities) of persons belonging to the category "Public" and holding more than 1% of the total number of shares

Sl. No.	Name of the Shareholder	No. of Shares held	Shares as % of Total No. of Shares	Details of warrants		Details of convertible securities		Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted share capital
				Number of warrants held	As a % total number of warrants of the same class	Number of convertible securities held	% w.r.t total number of convertible securities of the same class	
1	CX Securities Ltd.	1,198,995	3.61	0	0.00	0	0.00	3.61
2	Dilip S Shanghvi	1,150,000	3.46	0	0.00	0	0.00	3.46
3	ICICI Prudential Value Discovery Fund	479,913	1.44	0	0.00	0	0.00	1.44
4	Hypnos Fund Ltd.	507,500	1.53	0	0.00	0	0.00	1.53
5	HSBC Bank (Mauritius) Ltd.	357,500	1.08	0	0.00	0	0.00	1.08
7	Orange Mauritius Investments Ltd.	361,960	1.09	0	0.00	0	0.00	1.09
	Total	**4,055,868**	**12.20**	**0**	**0.00**	**0**	**0.00**	**12.20**

The table below is a list of the Shareholders in the public category holding more than 5% of the paid-up share capital of our Company as at June 30, 2015:

(I)(c)(ii) Statement showing holding of securities (including shares, warrants, convertible securities) of persons (together with Persons Acting in Concert ("PAC")) belonging to the category "Public" and holding more than 5% of the total number of shares of the Company

Sl. No.	Name(s) of the shareholder(s) and the Persons Acting in Concert (PAC) with them	No. of Shares	Shares as % of Total No. of Shares	Details of warrants		Details of convertible securities		Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted share capital
				Number of warrants	As a % total number of warrants of the same class	Number of convertible securities held	% w.r.t total number of convertible securities of the same class	
1	NIL	0	0.00	0	0.00	0	0.00	0.00
	Total	**0**	**0.00**	**0**	**0.00**	**0**	**0.00**	**0.00**

The table below is a list of the locked-in shares of our Company as at June 30, 2015:

(I)(d) Statement showing details of locked-in shares

Sl. No.	Name of the Shareholder	No. of Shares	Locked-in Shares as % of Total No. of Shares
1	V C Nannapaneni*	8,147,363	24.51
2	Time Cap Pharma Labs Ltd	3,431,444	10.32
3	Rajeev Nannapaneni	357,235	1.07
4	NDL Infratech Pvt Ltd	18,750	0.06
5	T Bapineedu	83	0.00

Sl. No.	Name of the Shareholder	No. of Shares	Locked-in Shares as % of Total No. of Shares
6	T Parvathi	42	0.00
	Total	**1,19,54,917**	35.97

[*] *Including* V. *C. Nannapaneni HUF (held in the name of Karta –* V. *C. Nannapaneni)*

The table below is a list of depository receipts issued by our Company as at June 30, 2015:

(II)(a) Statement showing details of depository receipts

The table below is a list of the holding of depository receipts, where underlying shares held by "Promoter/Promoter group" are in excess of 1% of the total number shares as at June 30, 2015:

Sl. No.	Type of Outstanding DR (ADRs, GDRs, SDRs, etc.)	No. of Outstanding DRs	No. of Shares Underlying Outstanding DRs	Shares Underlying Outstanding DRs as % of Total No. of Shares
1	Nil			**0.00**
	Total			**0.00**

(II)(b) Statement showing holding of Depository Receipts (DRs), where underlying shares held by "Promoter/Promoter group" are in excess of 1% of the total number shares.

Sl. No.	Name of the DR Holder	Type of Outstanding DR (ADRs, GDRs, SDRs, etc.)	No. of Shares Underlying Outstanding DRs	Shares Underlying Outstanding DRs as a % of Total No. of Shares
1	Nil	0	0	0.00
	Total	**0**	**0**	**0.00**

(III) Details of disclosure made by the Trading Members holding 1% or more of the total number 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

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 Book Running Lead Managers. 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 Book Running Lead Managers 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 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 Restrictions" and "Transfer Restrictions" on page [●].

Qualified Institutions Placement

The Issue is being made to Eligible QIBs in reliance upon Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013, through the mechanism of a QIP. Under Chapter VIII of the 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, a listed company may issue equity shares to Eligible QIBs provided that certain conditions are met by the company. Certain of these conditions are set out below:

- the shareholders of the issuer have passed a special resolution approving such QIP. Such special resolution must specify (a) that the allotment of securities is proposed to be made pursuant to the QIP; and (b) the Relevant Date as defined in the SEBI ICDR Regulations;

- equity shares of the same class of such issuer, which are proposed to be allotted through the QIP, are 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 year 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 by the issuer and has not withdrawn or abandoned any invitation or offer previously made by the issuer;

- the issuer shall offer to each Allottee such number of the securities in the issue which would aggregate to at least Rs. 20,000 calculated at the face value of the securities;

- the explanatory statement to the postal ballot 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 offer must be made through a private placement offer letter and an application form serially numbered and addressed specifically to the Eligible QIB to whom the offer is made and is sent within 30 days of recording the names of such Eligible QIBs;

- Prior to circulating the private placement offer letter, the issuer must prepare and record a list of Eligible 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 offering of securities by issue of public advertisements or utilization of any media, marketing or distribution channels or agents to inform the public about the issue is prohibited.

At least 10% of the Equity Shares issued to Eligible 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 Eligible QIBs.

Bidders are not allowed to withdraw their Bids after the Bid/Issue Closing Date.

Additionally, there is a minimum pricing requirement under the SEBI ICDR Regulations. The Floor Price 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. However, a discount of up to 5% of the Floor Price is permitted in accordance with the provisions of the SEBI ICDR Regulations.

The "Relevant Date" referred to above, for Allotment, will be the date of the meeting in which the Board or committee of Directors duly authorised by the Board decides to open the Issue and "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 shares has been recorded during the two weeks immediately preceding the Relevant Date.

Our Company has applied for and received the in-principle approval of the Stock Exchanges under Clause 24 (a) of its Listing Agreements for the listing of the Equity Shares on the Stock Exchanges. Our Company has also delivered a copy of this Preliminary Placement Document to the Stock Exchanges.

Our Company shall also make the requisite filings with the RoC and SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

The Issue has been authorized by (i) the Board pursuant to a resolution passed on May 22, 2015 and (ii) the shareholders' resolution dated June 27, 2015.

The Equity Shares will be Allotted within 12 months from the date of the shareholders' resolution approving the QIP and within 60 days from the date of receipt of subscription money from the successful Bidders. For details of refund of application money, see the section "*Issue Procedure – Pricing and Allocation – Designated Date and Allotment of Equity Shares*".

The Equity Shares issued pursuant to the QIP must be issued on the basis of this Preliminary Placement Document and the Placement Document that shall contain all material information including the information specified in Schedule XVIII of the SEBI ICDR Regulations and the requirements prescribed under Form PAS-4. The Preliminary Placement Document and the Placement Document are private documents provided to only select investors through serially numbered copies and are required to be placed on the website of the concerned Stock Exchanges and of our Company with a disclaimer to the effect that it is in connection with an issue to Eligible QIBs and no offer is being made to the public or to any other category of investors.

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.

Eligible QIBs that belong to the same group or that are under common control shall be deemed to be a single allottee. For details of what constitutes "same group" or "common control", see the section "*Issue Procedure—Application Process—Application Form*".

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Securities allotted to Eligible QIBs pursuant to the Issue shall not be sold for a period of one year from the date of Allotment except on the floor of a recognised stock exchange in India.

Issue Procedure

1. Our Company and the Book Running Lead Managers shall circulate serially numbered copies of this Preliminary Placement Document and the serially numbered Application Form, either in electronic or physical form, to the Eligible QIBs and the Application Form will be specifically addressed to such Eligible QIBs. In terms of Section 42(7) of the Companies Act, 2013 our Company shall maintain complete records 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 SEBI within the time period as stipulated under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

2. The list of Eligible QIBs to whom the Application Form is delivered shall be determined by the BRLMs at their sole discretion. **Unless a serially numbered Preliminary Placement Document along with the serially numbered Application Form is addressed to a particular Eligible QIB, no invitation** to **subscribe shall be deemed to have been made to such Eligible 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 person and any application that does not comply with this requirement shall be treated as invalid.

3. Eligible QIBs may submit the duly filled Application Form, including any revisions thereof, during the Bidding Period to the Book Running Lead Managers.

4. Bidders will be required to indicate the following in the Application Form:

   - full official name of the Eligible QIB to whom Equity Shares are to be Allotted;
   - number of Equity Shares Bid for;
   - price at which they are agreeable to subscribe 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 Book Running Lead Managers at a price not more than 5% discount on the floor price in terms of Regulation 85 of the SEBI ICDR Regulations, such price assuming a maximum 5% discount is Rs. [●] per Equity Share;
   - details of the depository participant account to which the Equity Shares should be credited; and
   - a representation that it is either (i) outside the United States, or (ii) an institutional investor meeting the requirements of a "qualified institutional buyer" as defined in Rule 144A, and (iii) it has agreed to certain other representations set forth in the Application Form.

Note: Each sub-account of an FII other than a sub-account which is a foreign corporate or a foreign individual will be considered as an individual Eligible QIB and separate Application Forms would be required from each such sub-account for submitting Bids. FIIs or sub-accounts of FIIs are required to indicate SEBI FII/ sub-account registration number in the Application Form.

5. Once a duly filled Application Form is submitted by an Eligible QIB, such Application Form constitutes an irrevocable offer and 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 receipt of the Application Form.

6. 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.

7. Upon receipt of the duly filled Application Form, after the Bid/Issue Closing Date, our Company shall determine the final terms, including the Issue Price of the Equity Shares to be issued pursuant to the Issue in consultation with the Book Running Lead Managers. Upon determination of the final terms of the Equity Shares, the Book Running Lead Managers will send the serially numbered CAN along with

the serially numbered Placement Document to the Eligible QIBs who have been Allocated the Equity Shares. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Eligible QIB 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 and 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 QIB. Please note that the Allocation will be at the absolute discretion of our Company and will be based on the recommendation of the Book Running Lead Managers.

8. Pursuant to receiving a CAN, each Eligible QIB shall be required to make the payment of the entire application monies for the Equity Shares indicated in the CAN at the Issue Price, only through electronic transfer to our Company's Escrow Account by the Pay-In Date as specified in the CAN sent to the respective Eligible QIBs. No payment shall be made by Eligible QIBs in cash. Please note that any payment of application money 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 i.e. the Escrow Account. See the section "*Issue Procedure-Bank Account for Payment of Application Money*".

9. Upon receipt of the application monies from the Eligible QIBs, our Company shall Allot Equity Shares as per the details in the CANs sent to the Eligible QIBs.

10. After passing the Board or committee (as the case maybe) resolution for Allotment and prior to crediting the Equity Shares into the depository participant accounts of the successful Bidders, our Company shall apply to the Stock Exchanges for listing approvals. 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.

11. After receipt of the listing approvals of the Stock Exchanges, our Company shall credit the Equity Shares Allotted pursuant to this Issue into the Depository Participant accounts of the respective Allottees.

12. Our Company will then apply for the final trading approvals from the Stock Exchanges.

13. The Equity Shares that would 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 trading and listing approvals from the Stock Exchanges.

14. Upon receipt of intimation of final trading and listing approval from the Stock Exchanges, our Company shall inform the Allottees of the receipt of such approval. Our Company and the Book Running Lead Managers shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non- receipt. Final listing and trading approvals granted by the Stock Exchanges are also placed on their respective websites. Eligible QIBs are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or our Company.

Eligible 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. Under Regulation 86(1)(b) of the SEBI ICDR Regulations, no Allotment shall be made, either directly or indirectly, to any 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 army, navy or air force of the Union of India;
- insurance funds set up and managed by the Department of Posts, India;
- Mutual Funds registered with SEBI;
- Multilateral and bilateral development financial institutions;
- 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 4A of the Companies Act, 1956 (Section 2(72) of the Companies Act, 2013);
- scheduled commercial banks;
- state industrial development corporations;
- the National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government published in the Gazette of India; and
- venture capital funds registered with SEBI;

FIIs (other than a sub-account which is a foreign corporate or a foreign individual) and Eligible FPIs are permitted to participate through the foreign portfolio investment scheme under Schedule 2 and Schedule 2A of FEMA 20 respectively. In the Issue, FIIs and Eligible FPIs are permitted to participate in the Issue subject to compliance with all applicable laws and such that the shareholding of the FPIs do not exceed specified limits as prescribed under applicable laws in this regard.

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) must be below 10% of our post-Issue Equity Share capital. Further, in terms of the FEMA 20, 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 the paid-up Equity Share capital of our Company. 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. Pursuant to the FIPB approval dated August 18, 2015 issued to our Company, the existing investment limit for FPIs (including FIIs) in our Company is 31.5% of the paid up capital of our Company. The RBI has, pursuant to its press release dated September 4, 2015, notified that FIIs/registered FPIs can invest up to 31.50% of the paid up capital of our Company under the portfolio investment scheme.

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.

An FII who holds a valid certificate of registration from SEBI shall be deemed to be an FPI until the expiry of the block of three years for which fees have been paid as per the SEBI FII Regulations. An FII or sub-account (other than a sub-account which is a foreign corporate or a foreign individual) may participate in the Issue, until the expiry of its registration as a FII or sub-account, or until it obtains a certificate of registration as FPI, whichever is earlier. If the registration of an FII or sub-account has expired or is about to expire, such FII or sub-account may, subject to payment of conversion fees under the SEBI FPI Regulations, participate in the Issue. An FII or sub-account shall not be eligible to invest as an FII after registering as an FPI under the SEBI FPI Regulations.

In terms of the FEMA 20, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs as well as holding of FIIs (being deemed 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, or any person related to, the Promoters. Eligible QIBs which have all or any of the following rights shall be deemed to be persons related to the Promoters:

- rights under a shareholders' agreement or voting agreement entered into with the Promoters or persons related to the Promoters;
- veto rights; or
- a right to appoint any nominee director on the Board.

Provided, however, that an Eligible QIB which does not hold any shares in our Company and which has acquired the aforesaid rights in the capacity of a lender shall not be deemed to be related to the Promoters.

Our Company and the Book Running Lead Managers and any of their respective shareholders directors, officers, counsel, advisors, representatives, agents or affiliates are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Preliminary 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 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 this Preliminary Placement Document. Further, Eligible QIBs are required to satisfy themselves that their Bids would not eventually result in triggering a tender offer under the Takeover Code.

Note: Affiliates or associates of the Book Running Lead Managers who are Eligible QIBs may participate in the Issue in compliance with applicable laws.

Application Process

Application Form

Eligible QIBs shall only use the serially numbered Application Forms (which are addressed to them) supplied by our Company and the Book Running Lead Managers in either electronic form or by physical delivery for the purpose of making a Bid (including revision of a Bid) in terms of this Preliminary Placement Document.

By making a Bid (including the revision thereof) for Equity Shares through Application Forms and pursuant to the terms of this Preliminary Placement Document, the Eligible QIB will be deemed to have made the following representations and warranties and the representations, warranties and agreements made under the sections "*Notice to Investors*", "*Representations by Investors*", "*Selling Restrictions and Transfer Restrictions*":

1. The Bidder confirms that it is an Eligible QIB;

2. The Eligible QIB confirms that it is not a Promoter and is not a person related to the Promoters, either directly or indirectly and its Application Form does not directly or indirectly represent the Promoters or Promoter Group or persons related to the Promoters;

3. The Eligible QIB confirms that it has no rights under a shareholders' agreement or voting agreement with the Promoters or persons related to the Promoters, no veto rights or right to appoint any nominee director on the Board other than those acquired in the capacity of a lender 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 through the Issue, it shall not, for a period of one year from Allotment, sell such Equity Shares otherwise than on the Stock Exchanges;

6. The Eligible QIB confirms that the Eligible QIB is eligible to Bid and hold Equity Shares so Allotted. The Eligible QIB further confirms that the holding of the Eligible QIB, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the Eligible QIB;

7. The Eligible QIB confirms that its Bids would not eventually result in triggering a tender offer under the Takeover Code;

8. The Eligible QIB confirms that to the best of its knowledge and belief, the number of Equity Shares Allotted to it pursuant to the Issue, together with other Allottees that belong to the same group or are under common control, shall not exceed 50% of the Issue. For the purposes of this representation:

   (i) The expression 'belong 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, 2013; and

   (ii) 'Control' shall have the same meaning as is assigned to it by Regulation 2(1)(e) of the Takeover Code;

9. The Eligible QIBs shall not undertake any trade in the Equity Shares credited to its beneficiary account maintained with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges.

ELIGIBLE QIBS MUST PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, PAN, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER, EMAIL ID 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. FOR THIS PURPOSE, ELIGIBLE SUB ACCOUNTS OF AN FII WOULD BE CONSIDERED AS AN INDEPENDENT ELIGIBLE QIB.

IF SO REQUIRED BY THE BRLMs, THE ELIGIBLE QIB SUBMITTING A BID, ALONG WITH THE BID CUM APPLICATION FORM, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO THE BRLMs TO EVIDENCE THEIR STATUS AS AN "ELIGIBLE QIB" AS DEFINED HEREINABOVE.

IF SO REQUIRED BY THE BRLMs, ESCROW BANK(S) OR ANY STATUTORY OR REGULATORY AUTHORITY IN THIS REGARD, INCLUDING AFTER PLACEMENT CLOSURE, THE ELIGIBLE QIB SUBMITTING A BID AND/OR BEING ALLOTTED EQUITY SHARES IN THE PLACEMENT, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO FULFILL THE KNOW YOUR CUSTOMER (KYC) NORMS.

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details given above.

The submission of an Application Form by an Eligible QIB shall be deemed a valid, binding and irrevocable offer for the Eligible QIB to pay the entire Issue Price for the Equity Shares (as indicated by the CAN) and becomes a binding contract on the Eligible QIB upon issuance of the CAN by our Company in favour of the Eligible QIB.

Submission of Application Form

All Application Forms must be duly completed with information including the number of Equity Shares applied for. All Application Forms duly completed along with payment and a copy of the PAN card or PAN allotment letter shall be submitted to the Book Running Lead Managers as per the details provided in the respective CAN. The Application Forms may also be submitted to the Book Running Lead Managers either through electronic form or through physical delivery at the following address:

Name of the BRLM	Address	Contact Person	Email	Phone
IDFC Securities Limited	Naman Chambers C – 32, G Block Bandra Kurla Complex Bandra (East) Mumbai 400 051	Akshay Bhandari	natcopharma.qip@idfc.com	Tel: (91 22) 6622 2600 Fax: (91 22) 6622 2501
Inga Capital Private Limited	Naman Midtown 21st Floor, 'A' Wing Senapati Bapat Marg Elphinstone (West) Mumbai 400 013	S. Karthikeyan	project.calico@ingacapital.com	Tel: (91 22) 4031 3489 Fax: (91 22) 4031 3379
Jefferies India Private Limited	42/43, 2 North Avenue Maker Maxity Bandra-Kurla Complex Bandra (East) Mumbai 400 051	Rohit Pareek	India.CM@jefferies.com	Tel: (91 22) 4356 6000 Fax: (91 22) 6645 9659

The Book Running Lead Managers shall not be required to provide any written acknowledgement of the receipt of the Application Form.

Permanent Account Number or PAN

Each Eligible QIB should mention its PAN allotted under the IT Act in the Application Form. Applications without this information will be considered incomplete and are liable to be rejected. Eligible QIBs 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 QIBs shall submit their Bids (including the revision of bids) within the Bidding Period to the Book Running Lead Managers. Such Bids cannot be withdrawn after the Bid/Issue Closing Date. The book shall be maintained by the Book Running Lead Managers.

Price Discovery and Allocation

Our Company, in consultation with the Book Running Lead Managers, shall determine the Issue Price, which shall be at or above the Floor Price. However, 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 shall update this Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as the Placement Document.

Method of Allocation

Our Company shall determine the Allocation, in consultation with the Book Running Lead Managers, 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 Bids being received at or above the Issue Price.

THE DECISION OF OUR COMPANY IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS 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 BOOK RUNNING LEAD MANAGERS 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 BOOK RUNNING LEAD MANAGERS ARE OBLIGED TO ASSIGN ANY REASON FOR ANY NON-ALLOCATION.
CAN

Based on the Application Forms received, our Company, in consultation with the Book Running Lead Managers, in their sole and absolute discretion, shall decide the Eligible QIBs to whom the serially numbered CAN shall be sent, pursuant to which the details of the Equity Shares Allocated to each of them and the details of the amounts payable for Allotment of such Equity Shares in their respective names shall be notified to such Eligible QIBs. Additionally, a CAN will include details of the relevant Escrow Bank Account into which such payments would need to be made, address where the application money needs to be sent, Pay-In Date as well as the probable designated date, being the date of credit of the Equity Shares to the respective Eligible QIB's account.
The Eligible QIBs 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 serially numbered CAN to the Eligible QIBs shall be deemed a valid, binding and irrevocable contract for the Eligible QIB to furnish all details that may be required by the Book Running Lead Managers and the Company and to pay the entire Issue Price for all the Equity Shares Allocated to such Eligible QIB.

Eligible QIBs are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them pursuant to the Issue.

Bank Account for Payment of Application Money

Our Company has opened the "Natco Pharma – QIP 2015 Escrow Account" with the Escrow Bank in terms of the arrangement among our Company, the Book Running Lead Managers and Yes Bank Limited as Escrow Bank. The Eligible QIB will be required to deposit the entire amount payable for the Equity Shares Allocated to it by the Pay-In Date as mentioned in, and in accordance with, the respective CAN.

Payments are to be made only through electronic fund transfer.

Note: Payments other than electronic transfer funds including through cheques are liable to be rejected at the sole discretion of the BRLMs.

If the payment is not made favouring the "Natco Pharma – QIP Escrow Account" within the time stipulated in the CAN, the Application Form and the CAN of the Eligible QIB are liable to be cancelled.

Our Company undertakes to utilise the amount deposited in Natco Pharma – QIP Escrow Account only for the purposes of (i) adjustment 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.

In case of cancellations or default by the Eligible QIBs, our Company and the Book Running Lead Managers have the right to reallocate 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.

Designated Date and Allotment of Equity Shares

The Equity Shares will not be Allotted unless the Eligible QIBs pay the Issue Price to the "Natco Pharma – QIP Escrow Account" as stated above.

The Equity Shares in the Issue will be issued and Allotment shall be made only in 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.

Our Company, at its sole discretion, reserves the right to cancel the Issue at any time up to Allotment without assigning any reason whatsoever.

Following the Allotment and credit of Equity Shares into the Eligible QIBs' Depository Participant accounts, our Company will apply for final trading and listing approvals from the Stock Exchanges.

In the 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 the Stock Exchanges and the Stock Exchanges will make the same available on their website.

The Escrow Bank shall release the monies lying to the credit of the Escrow Bank Account to our Company after Allotment of Equity Shares to Eligible QIBs and receipt of necessary trading and listing approvals from the Stock Exchanges.

In the event that our Company is unable to issue and Allot the Equity Shares offered in the Issue or on cancellation of the Issue, within 60 days from the date of receipt of application money, 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 sixtieth day. The application money to be refunded by our Company shall be refunded to the same bank account from which application money was remitted by the Eligible QIBs.

Other Instructions

Right to Reject Applications

Our Company, in consultation with the Book Running Lead Managers, may reject Bids, in part or in full, without assigning any reason whatsoever. The decision of our Company and the Book Running Lead Managers in relation to the rejection of Bids shall be final and binding.

Equity Shares in Dematerialised form with NSDL or CDSL

The Allotment of the Equity Shares in the Issue shall be only in dematerialised form (i.e., not in physical certificates but be fungible and be represented by the statement issued through the electronic mode).

An Eligible QIB applying for Equity Shares to be issued pursuant to the Issue must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the Bid. Allotment to a successful Eligible QIB will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Eligible QIB.

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.

The trading of the Equity Shares to be issued pursuant to the Issue would be in dematerialised form only for all Eligible QIBs in the demat segment of the respective Stock Exchanges.

Our Company and the Book Running Lead Managers will not be responsible or liable for the delay in the credit of Equity Shares to be issued pursuant to the Issue due to errors in the Application Form or otherwise on part of the Eligible QIBs.

PLACEMENT AGREEMENT

Placement Agreement

The Book Running Lead Managers have entered into a placement agreement dated September 10, 2015 with our Company (the "**Placement Agreement**"), pursuant to which the Book Running Lead Managers 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 Book Running Lead Managers, 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 Preliminary Placement Document 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.

From time to time, the Book Running Lead Managers 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.

Lock-up

Our Company undertakes that it will not for a period of 90 days from the date of Allotment under the Placement, without the prior written consent of the Book Running 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, or (d) publicly announce any intention to enter into any transaction falling within (a) to (c) 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 (c) above. Provided that the foregoing restriction shall not apply to an issuance of Equity Shares or options pursuant to any employee stock option scheme formulated by the Company.

Each of our Promoters severally agree that they shall not without the prior written consent of the Book Running Lead Managers, during the period commencing on the date hereof and ending 90 days after 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 Lock-up Shares, or any securities convertible into or exercisable or exchangeable for Lock-up Shares 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 Equity Shares, or such other securities, in cash or otherwise. We hereby agree that any Equity Shares acquired by the undersigned during the Lock-up Period, either from the open market or inter-se transfer or through conversion of any warrants, shall constitute Lock-up Shares, and shall be subject to the restrictions contained herein.

SELLING RESTRICTIONS

The distribution of this Preliminary 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 this Preliminary 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. This Preliminary Placement Document may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorized.

General

No action has been taken or will be taken that would permit a public offering of the Equity Shares to occur in any jurisdiction other than India, or the possession, circulation or distribution of this Preliminary Placement Document or any other material relating to the Company or the Equity Shares in any jurisdiction where action for such purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any offering materials or advertisements 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 Issue will be made in compliance with the applicable SEBI ICDR Regulations. Each purchaser of the Equity Shares in this Issue will be deemed to have made acknowledgments and agreements as described under "Representations by Investors", "Selling Restrictions" and "Transfer Restrictions".

Australia

This Preliminary Placement Document is not a disclosure document under Chapter 6D of the Corporations Act 2001 (Cth) (the "**Australian Corporations Act**"), has not been lodged with the Australian Securities and Investments Commission and does not purport to include the information required of a disclosure document under Chapter 6D of the Australian Corporations Act. Accordingly, (i) the offer of the Equity Shares under this Preliminary Placement Document is only made to "Sophisticated investors" within the meaning of Section 708(8) of the Australian Corporations Act or "Professional Investors" within the meaning of Section 708(11) of the Australian Corporations Act, who in each case are also "wholesale clients" for the purposes of Chapter 7 of the Australian Corporations Act, (ii) this Preliminary Placement Document is made available in Australia only to persons as set forth in clause (i) above; and (iii) by accepting this offer, the offeree represents that the offeree is such a person as set forth in clause (i) above, and agrees not to sell or offer for sale within Australia any Equity Share sold to the offeree within 12 months after their issue or transfer to the offeree under this Preliminary Placement Document.

The Company is not licensed to provide financial product advice in Australia in relation to the Equity Shares. This Preliminary Placement Document is intended to provide general information only and has been prepared without taking into account any particular person's objectives, financial situation or needs. Investors should, before acting on this information, consider the appropriateness of this information having regard to their personal objectives, financial situation or needs. No cooling off period applies in relation to this offer under the Australian Corporations Act.

Bahrain

The Issue is a private placement. It is not subject to the regulations of the Central Bank of Bahrain that apply to public offerings of securities, and the extensive disclosure requirements and other protections that these regulations contain. This Preliminary Placement Document is therefore intended only for accredited investors. The financial instruments offered by way of private placement may only be offered in minimum subscriptions of $100,000 (or equivalent in other currencies). The Central Bank of Bahrain assumes no responsibility for the accuracy and completeness of the statements and information contained in this document and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the contents of this document. The board of directors and the management of the Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the board of directors and the management, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the reliability of such information.

Canada

Equity Shares have not been sold in Canada or to residents of Canada other than in compliance with Canadian securities laws. Without limiting the foregoing, offers and sales of the Equity Shares included in the Issue in Canada

or to residents of Canada will be made only through an appropriately registered securities dealer or in accordance with an available exemption from the applicable registered securities dealer requirements under the Canadian securities laws and pursuant to an exemption from the prospectus requirements under Canadian securities laws.

Cayman Islands

This Preliminary Placement Document does not constitute an invitation or offer to the public in the Cayman Islands of the Equity Shares, whether by way of sale or subscription. The Underwriters have not offered or sold, and will not offer or sell, directly or indirectly, any Equity Shares to the public in the Cayman Islands.

Notice to Prospective Investors in the Dubai International Financial Centre

This Preliminary Placement Document relates to an exempt offer (an "**Exempt Offer**") in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the "**DFSA**"). This Preliminary Placement Document is intended for distribution only to persons of a type specified in those rules. 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 Preliminary Placement Document nor taken steps to verify the information set out in it, and has no responsibility for it. The Equity Shares to which this Preliminary Placement Document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Equity Shares offered should conduct their own due diligence on the Equity Shares. If you do not understand the contents of this Preliminary Placement Document, you should consult an authorized financial adviser. For the avoidance of doubt, the Equity Shares are not interests in a ''fund'' or a ''collective investment scheme'' within the meaning of either the Collective Investment Law (DIFC Law No. 2 of 2010) or the Collective Investment Rules Module of the Dubai Financial Services Authority Rulebook.

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 or was implemented in that Relevant Member State (the "**Relevant Implementation Date**"), the Equity Shares may not be offered or sold to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Equity Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and the 2010 Amending Directive, except that the Equity Shares, with effect from and including the Relevant Implementation Date, may be offered to the public in that Relevant Member State at any time:

- to persons or entities that are "qualified investors" as defined in the Prospectus Directive or, if that Relevant Member State has implemented the 2010 Amending Directive, as defined in the 2010 Amending Directive;

- to (i) fewer than 100 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive); or (ii) if that Relevant Member State has implemented the 2010 Amending Directive, fewer than 150 natural or legal persons (other than "qualified investors" as defined in the 2010 Amending Directive), in each case subject to obtaining the prior consent of the Underwriters; or

- in any circumstances falling within Article 3(2) of the Prospectus Directive as amended (to the extent implemented in that Relevant Member State) by Article 1(3) of the 2010 Amending Directive,

provided that no such offering of Equity Shares shall result in a requirement for the publication by the Company or the Underwriters of a prospectus pursuant to Article 3 of the Prospectus Directive as amended (to the extent implemented in that Relevant Member State) by Article 1(3) of the 2010 Amending Directive.

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 any 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 or subscribe for the 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 and includes any relevant implementing measure in each Relevant Member State and the expression "2010 Amending Directive" means Directive 2010/73/EU and includes any relevant implementing measure in each Relevant Member State.

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, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Equity Shares acquired by it in the Issue 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" within the meaning of Article 2(1)(e) of the Prospectus Directive (as amended, to the extent implemented in a Relevant Member State, by the 2010 Amending Directive) or in circumstances in which the prior consent of the Underwriters has been obtained to each such proposed offer or resale. The Company, the Underwriters and their respective affiliates will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a "qualified investor" as so defined and who has notified the Underwriters of such fact in writing may, with the consent of the Underwriters, be permitted to subscribe for or purchase Equity Shares in the Issue subject to compliance at all times by the Company and the Underwriters with the provisions of Article 3(2) of the Prospectus Directive as amended (to the extent implemented) by Article 1(3) of the 2010 Amending Directive.

Hong Kong

No Equity Shares have been offered or sold, and no Equity Shares may be offered or sold, in Hong Kong, by means of any document, other than to "professional investors" as defined in the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("**Securities and Futures Ordinance**") and any rules made under that Ordinance; or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance, Chapter 622 of the laws of Hong Kong ("**Companies Ordinance**"); or which do not constitute an offer to the public within the meaning of the Companies Ordinance. No document, invitation or advertisement relating to the Equity Shares has been issued or may be issued, 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 under the securities laws of Hong Kong) other than with respect to Equity Shares which 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. This Preliminary Placement Document and the Equity Shares have not been and will not be registered with the Securities and Futures Commission of Hong Kong and/or the Stock Exchange of Hong Kong. There are no public markets or platforms in Hong Kong for the purchase or disposal of the Equity Shares. If you are in doubt as to the contents of this Preliminary Placement Document, you must immediately seek legal and investment advice from your solicitor, accountant and/or professional advisors.

Japan

The Equity Shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law. No. 25 of 1948 as amended) (the "**FIEL**"). The Equity Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan. As used in this paragraph, a "resident of Japan" means any natural person residing in Japan and business offices located in Japan, including any corporation or other entity organised under the laws of Japan.

Jordan

This Preliminary Placement Document does not constitute a public offering prospectus under the laws of Jordan. This Preliminary Placement Document is intended solely for use on a confidential basis by those persons to whom it is transmitted in connection with the contemplated private placement of Equity Shares in the Company. It will be transmitted to a limited number of institutional/sophisticated potential investors in Jordan: (a) upon their request and confirmation that they understand that the Company and the Equity Shares have not been approved, filed or licensed by or registered with Jordan Securities Commission or any other relevant licensing authorities or governmental agencies in Jordan; and (b) on the condition that it will not be provided to any person other than the original recipient, is not for general circulation in Jordan and may not be reproduced or used for any other purpose.

Korea

This Preliminary Placement Document is not, and under no circumstances is to be considered as, a public offering of securities in Korea for the purposes of the Financial Investment Services and Capital Market Act of Korea (the "**FSCMA**"). Neither the Company nor any Underwriter may make any representation with respect to the eligibility of any recipients of this Preliminary Placement Document to acquire the Equity Shares offered hereby under the laws of Korea, including but without limitation the Foreign Exchange Transaction Act of Korea and the regulations thereunder (the "**FETA**"). The Equity Shares offered hereby have not been registered under the FSCMA and the Equity Shares may

not 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 (as defined in the FETA), except otherwise permitted by applicable laws and regulations of Korea, including, without limitation, the FSCMA and the FETA.

Luxembourg

The Equity Shares offered in this Preliminary Placement Document may not be offered, sold or delivered to the public within the Grand Duchy of Luxembourg. This Preliminary Placement Document is only intended for institutional investors. It is personal to each offeree and does not constitute an offer to any other person or to the public generally in Luxembourg to subscribe for or otherwise acquire the Equity Shares. Distribution of this Preliminary Placement Document to any person other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorized and any disclosure of any of its contents, without prior written consent of the Company, is prohibited.

Kuwait

The Issue has not been approved by the Kuwait Central Bank or the Kuwait Ministry of Commerce and Industry, nor has the Company received authorization or licensing from the Kuwait Central Bank or the Kuwait Ministry of Commerce and Industry to market or sell the Equity Shares within Kuwait. Therefore, no services relating to the offering, including the receipt of applications and/or the allotment of Equity Shares, may be rendered within Kuwait by the Company or persons representing the Company.

Malaysia

No approval has been or will be obtained from the Securities Commission for the offering of the Equity Shares in Malaysia. The Equity Shares shall not be offered or sold to any person in Malaysia except to persons falling within Schedules 5, 6 and 7 of the Capital Markets and Services Act, 2007.

No prospectus has been or will be registered under the Capital Markets and Services Act, 2007 in respect of the Equity Shares and the Equity Shares shall not be issued, offered for subscription or be the subject matter of an invitation to subscribe, to any person in Malaysia except to persons falling within Schedules 5, 6 and 7 of the Capital Markets and Services Act, 2007.

Consequently, this Preliminary Placement Document and any other offering document or material relating to the Equity Shares shall not be distributed or published and will not be distributed or published, and the Equity Shares shall not been offered, sold or made the subject matter of an invitation to subscribe or purchase and will not be offered, sold or made the subject matter of an invitation to subscribe or purchase, whether directly or indirectly, to any person in Malaysia except to persons falling within Schedules 5, 6 and 7 of the Capital Markets and Services Act, 2007.

Mauritius

Our Equity Shares may not be offered, distributed or sold, directly or indirectly, to the public in Mauritius. Neither this Preliminary 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. This Preliminary Placement Document does not constitute an offer to sell Equity Shares to the public in Mauritius. This Preliminary Placement Document is not a prospectus.

New Zealand

This Preliminary 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**"). This Preliminary Placement Document is being 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 Preliminary Placement Document, you represent and warrant that if you receive this Preliminary Placement Document in New Zealand you are a Habitual Investor and you will not disclose this Preliminary Placement Document to any person who is not also a Habitual Investor.

Qatar

This Preliminary Placement Document does not, and is not intended to, constitute an invitation or an offer of securities in the State of Qatar (including the Qatar Financial Centre) and accordingly should not be construed as such. The Equity Shares have not been, and shall not be, offered, sold or delivered at any time, directly or indirectly, in the State of Qatar. Any offering of the Equity Shares shall not constitute a public offer of securities in the State of Qatar.

By receiving this Preliminary Placement Document, the person or entity to whom it has been provided to understands, acknowledges and agrees that: (a) neither this Preliminary Placement Document nor the Equity Shares have been registered, considered, authorized or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other authority or agency in the State of Qatar; (b) neither the Company nor persons representing the Company are authorized or licensed by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, or any other authority or agency in the State of Qatar, to market or sell the Equity Shares within the State of Qatar; (c) this Preliminary Placement Document may not be provided to any person other than the original recipient and is not for general circulation in the State of Qatar; and (d) no agreement relating to the sale of the Equity Shares shall be consummated within the State of Qatar.

No marketing of the Equity Shares has been or will be made from within the State of Qatar and no subscription to the Equity Shares may or will be consummated within the State of Qatar. Any applications to invest in the Equity Shares shall be received from outside of Qatar. This Preliminary Placement Document shall not form the basis of, or be relied on in connection with, any contract in Qatar. Neither the Company nor persons representing the Company are, by distributing this document, advising individuals resident in the State of Qatar as to the appropriateness of investing in or purchasing or selling securities or other financial products. Nothing contained in this document is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the State of Qatar.

Saudi Arabia

This Preliminary 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 issued by the Capital Market Authority in the Kingdom of Saudi Arabia.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this Preliminary Placement Document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers 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 Preliminary Placement Document you should consult an authorized financial adviser.

Singapore

This Preliminary Placement Document has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Preliminary 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 Singapore other than (i) to an institutional investor pursuant to Section 274 of the Securities and Future Act (Chapter 289) of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A) of the SFA, 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.

Unless otherwise permitted under the SFA, where the Equity Shares are acquired by a person pursuant to Section 274 or 275 of the SFA, such Equity Shares shall not be transferable for six months after that person has acquired the Equity Shares, except (i) to another person who is an institutional investor or a relevant person, or (ii) pursuant to Section 275(1A) of the SFA.

Unless otherwise permitted under the SFA, where the Equity Shares are subscribed or purchased pursuant to Section 275 of the SFA by a relevant person who is:

- 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

- a trust (where the trustee is not an accredited investor) the sole purpose of which is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 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 pursuant to an offer that is made on the terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, in accordance with the conditions, specified in Section 275 of the SFA as applicable; (ii) where no consideration is given for the transfer; or (iii) by operation of law.

Switzerland

Neither this Preliminary Placement Document nor any documents related to the Equity Shares constitute a prospectus within the meaning of Articles 652a and 1156 of the Swiss Federal Code of Obligations. The Equity Shares will not be listed on the SIX Swiss Exchange or any other regulated securities market in Switzerland, and consequently, the information presented in this Preliminary Placement Document does not necessarily comply with the information standards set out in the listing rules of the SIX Swiss Exchange. Accordingly, the Equity Shares have not been and may not be publicly offered or sold in Switzerland, as such term is defined or interpreted under the Swiss Federal Code of Obligations, and neither this Preliminary Placement Document nor any other offering or marketing material relating to the Equity Shares may be publicly distributed or otherwise made available in Switzerland. In addition, the Equity Shares do not constitute a participation in a collective investment scheme in the meaning of the Swiss Collective Investment Schemes Act ("**CISA**") and are neither subject to approval nor supervision by the Swiss Federal Banking Commission. Therefore, investors in the Equity Shares do not benefit from protection under CISA or supervision by the Swiss Federal Banking Commission or any other regulatory authority in Switzerland.

United Arab Emirates

This Preliminary Placement Document does not, and shall not, constitute an invitation, offer, sale or delivery of shares or other securities under the laws of the United Arab Emirates (the "**UAE**") (including the laws of the Dubai International Financial Centre (the "**DIFC**")) and accordingly shall not be construed as such. Neither the Equity Shares nor interests therein offered nor the Issue are regulated under the laws of the UAE (including the laws of the DIFC) relating to securities, investments or otherwise. Neither the Issue nor this Preliminary Placement Document is approved or licensed by, or registered with, the UAE Central Bank, the Dubai Financial Services Authority ("**DFSA**"), or any other relevant licensing or regulatory authorities or governmental agencies in the UAE (including in the DIFC). The Equity Shares have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities market or with any other UAE or DIFC exchange.

The Issue, the Equity Shares and interests therein do not constitute a public offer of securities or an advertisement or solicitation to the general public in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise, or an offer of securities in the DIFC in accordance with the Markets Law, DIFC Law No. 12 of 2004. This Preliminary Placement Document is strictly private and confidential and is being distributed to a limited number of selected institutional and/or sophisticated 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 Equity Shares may not be offered or sold directly or indirectly to retail investors or the public in the UAE (including in the DIFC) and no sale of securities or other investment products is intended to be consummated within the UAE or the DIFC. The Underwriters are not licensed brokers, dealers, financial advisors or investment advisors under the laws applicable in UAE and the DIFC, and do not advise individuals resident in the UAE or the DIFC as to the appropriateness of investing in or purchasing or selling securities or other financial products. Nothing contained in this Preliminary Placement Document is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the UAE or the DIFC. This document is confidential and for your information only and nothing in this Preliminary Placement Document is intended to endorse or recommend a particular course of action. Prospective investors should conduct their own due diligence on the Issue and the Equity Shares. You should consult an appropriate professional for specific advice rendered on the basis of your situation.

United Kingdom

The Equity Shares cannot be promoted in the United Kingdom to the general public. The contents of this Preliminary Placement Document have not been approved by an authorized person within the meaning of FSMA (hereinafter defined). The Underwriters (a) may only communicate or cause to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**"), to persons who (i) are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"), or (ii) fall within any of the categories of persons described in article 49(2)(a) to (d) of the Financial Promotion Order or otherwise in circumstances in which section 21(1) of the FSMA does not apply to the Company; and (b) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) in connection with, or relating to, the sale or purchase of any Equity Shares, may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply. It is the responsibility of all persons under whose control or into whose possession this document comes to inform themselves about and to ensure observance of all applicable provisions of FSMA in respect of anything done in relation to an investment in Equity Shares in, from or otherwise involving, the United Kingdom.

TRANSFER RESTRICTIONS

Allottees are not permitted to sell the Equity Shares for a period of one year from the date of Allotment except through the Stock Exchanges. In addition to the above, allotments made to QIBs, including FVCIs, VCFs and AIFs in the Issue, may be subject to lock-in requirements, if any, under the rules and regulations that are applicable to them. Accordingly, purchasers are advised to consult their own legal counsel prior to making any offer, re-sale, pledge or transfer of the Equity Shares.

Each purchaser of the Equity Shares, by accepting delivery of this Preliminary Placement Document will be deemed to have represented, agreed and acknowledged that:

- it is authorized to consummate the purchase of the Equity Shares in compliance with all applicable laws and regulations;

- it acknowledges and agrees (or if it is a broker-dealer acting as an agent on behalf of a customer, its customer has confirmed to it that such customer acknowledges and agrees) that such Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States;

- it certifies that either (A) it is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares and is located outside the United States (within the meaning of Regulation S) or (B) it is a broker-dealer acting as an agent on behalf of its customer and its customer has confirmed to it that (i) such customer is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares, and (ii) such customer is located outside the United States (within the meaning of Regulation S);

- it agrees that it will not offer, sell, pledge or otherwise transfer such Equity Shares except in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or pursuant to any other available exemption from the registration requirements of the U.S. Securities Act and in accordance with all applicable securities laws of the states of the United States and any other jurisdiction, including India;

- it is relying on this document and not on any other information or the representation concerning the Company or the Equity Shares and neither the Company nor any other person responsible for this Preliminary Placement Document or any part of it nor the BRLMs will have any liability for any such other information or representation; and

- the Company, the BRLMs and their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and it agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of the Equity Shares are no longer accurate, it will promptly notify us. Any resale or other transfer, or attempted resale or other transfer, made other than in compliance with the above-stated restrictions will not be recognized by us.

THE SECURITIES MARKET OF INDIA

The information in this section has been extracted from documents available on the website of SEBI and the Stock Exchange and has not been prepared or independently verified by our Company or the BRLMs or any of their respective affiliates or advisors.

The Indian securities market

India has a long history of organized securities trading. In 1875, the first stock exchange was established in Mumbai.

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, FIIs, 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 recognized Indian stock exchange is regulated by the applicable Indian laws including the Companies Act, 2013, the SCRA, the SCRR, the SEBI Act and various guidelines and regulations issued by SEBI and the listing agreements of the respective stock exchanges. The SCRA empowers the governing body of each recognized 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 company's obligations under such listing agreement 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 such equity listing agreements and bye-laws of the stock exchanges in India, to overrule a stock exchange's governing body and withdraw recognition of a recognized stock exchange.

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.

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%. 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 the BSE or the S&P CNX NIFTY of the 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, the 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

The 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. The NSE was recognized 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. The NSE launched the NSE 50 Index, now known as S&P CNX NIFTY, on April 22, 1996 and the Mid-cap Index on January 1, 1996. The securities in the NSE 50 Index are highly liquid.

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. The 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 the NSE. The 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 the NSE.

Trading Hours

Trading on both the NSE and the 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.). The BSE and the NSE are closed on public holidays. The recognized 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, the 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.

The 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 Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended ("**Takeover Regulations**"), which provides specific regulations in relation to substantial acquisition of shares and takeover. The Takeover Regulations came into effect on October 22, 2011 and replaced the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("**Takeover Code 1997**"). 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.

The key changes from the Takeover Code 1997 under the Takeover Code include:

- the trigger for making a public offer upon acquisition of shares or voting rights has been increased from 15% to 25%;
- every public offer has to be made for at least 26% of all the shares held by other shareholders;
- creeping acquisition of up to 5% is permitted up to a limit of 75% of the shares or voting rights of a company;
- acquisition of control in a target company triggers the requirement to make a public offer regardless of the level of shareholding and the acquisition of shares; and
- if the indirect acquisition of a target company is a predominant part of the business or entity being acquired, it would be treated as a direct acquisition.

Insider Trading Regulations

The Insider Trading Regulations 1992 have been notified by SEBI to prohibit and penalize 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 when in possession of unpublished price sensitive information. The Insider Trading Regulations also provide disclosure obligations for shareholders holding more than a pre-defined percentage, and directors and officers, with respect to their shareholding in the company, and the changes therein.

The Insider Trading Regulations 2015 came into force on May 15, 2015. Under the Insider Trading Regulations 2015 any person who is a connected person or is in possession of or having access to unpublished price sensitive information is not permitted to (i) communicate, provide, or allow access to any unpublished price sensitive information, relating to a company or securities listed or proposed to be listed, to any person including other insiders except where such communication is in furtherance of legitimate purposes, performance of duties or discharge of legal obligations; (ii) trade in securities that are listed or proposed to be listed on a stock exchange when in possession of unpublished price sensitive information subject to certain exceptions.

The Insider Trading Regulations 2015 has also mandated disclosures, both initial and continual disclosures, with regard to the holdings in securities and trades carried out by the Promoter, employee, director and their immediate relatives. The Company at its discretion may also require any other connected person or class of connected persons to make similar disclosures.

Further, the Insider Trading Regulations 2015 has envisaged a mechanism of trading window to monitor the trades carried out by employees of the Company, who pursuant to their role and function have access to

unpublished price sensitive information (designated person). The trading window shall remain closed when the compliance officer of the company determines that a designated person can reasonably be expected to have possession of unpublished price sensitive information and no trading can be carried out during this period. The Insider Trading Regulations 2015, has also mandated preclearance of trades executed by designated persons and the immediate relatives exceeding a certain value as prescribed by the Company in its code of conduct to regulate, monitor and report trading.

Further, under Section 195 of the Companies Act, 2013, no person, including any director or key managerial personnel of a company shall enter into insider trading.

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 at June 30, 2015, our Company's authorized Share Capital is Rs. 40,00,00,000 divided into 4,00,00,000 Equity Shares of Rs.10 each and the issued subscribed and paid up share capital is Rs. 33,23,48,490 divided into 3,32,34,849 Equity Shares of Rs. 10 each. For further details on our Company's share capital, see "*Capital Structure*" on page [●].

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 capitalize 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 Act;

(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 Act.

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 notes thereto and the Unaudited Limited Reviewed Financial Statements have been included in this Preliminary Placement Document. Our Financial Statements are prepared in accordance with Indian GAAP as applicable to us.

Walker Chandiok & Co LLP, our statutory auditors, have audited our Audited Consolidated Financial Statements and have reviewed the Unaudited Limited Reviewed Financial Statements which have been included in this Preliminary Placement Document.

STATEMENT OF TAX BENEFITS

To
The Board of Directors
NATCO Pharma Limited
8-2-12/112/A/32, NATCO House
Road No. 2, Banjara Hills
Hyderabad – 500 034

Dear Sirs

Subject: Statement of Possible Tax Benefits

We hereby certify that the enclosed annexure states the possible tax benefits available to NATCO Pharma Limited ("the Company") and to the shareholders of the Company under the provisions of the Income-tax Act, 1961 (referred to as "the Act"), presently in force in India for the Financial Year ("FY") 2015-16 – Assessment year (AY) 2016-17. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant Tax Laws. Hence, the ability of the Company or its shareholders to derive tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The enclosed statement discusses key tax benefits including potential benefits. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for a professional tax advice. A prospective shareholder is advised to consult their own tax consultant with respect to the tax implications arising out of the proposed Qualified Institutional Placement ("QIP") of equity shares of the Company particularly in view of ever changing Tax Laws in India.

We do not express any opinion or provide any assurance as to whether:

- The Company or its shareholders will continue to obtain these benefits in future; or
- The conditions prescribed for availing the benefits have been / would be met.

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the provisions of the Act. The same shall be subject to notes to this annexure.

This report is intended solely for your information and for the inclusion in the Offer Document in connection with the proposed QIP of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

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

per **Sanjay Kumar Jain**
Partner
Membership No. 207660

Place: Hyderabad
Date: September 9, 2015

TAXATION

The information provided below sets out the possible tax benefits available to the shareholders in a summary manner only and is not a complete analysis or listing of all potential tax consequences of purchase, ownership and disposal of equity shares, under the Act presently in force in India. It is not exhaustive or comprehensive analysis and is not intended to be a substitute for professional advice.

YOU SHOULD CONSULT YOUR OWN TAX ADVISORS CONCERNING THE INDIAN TAX IMPLICATIONS AND CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN YOUR PARTICULAR SITUATION.

The following is based on the provisions of the Income-tax Act, 1961 ("the Act") as of the date hereof. The Act is amended every fiscal year.

1. Levy of Income Tax

Tax implications under the Act are dependent on the residential status of the tax payer. We summarize herein below the provisions relevant for determination of residential status of a tax payer.

1.1. Residential status of an Individual

As per the provisions of the Act, an individual is considered to be a resident in India during any FY if he or she is present in India for:

a) a period or periods aggregating to 182 days or more in that FY; or

b) a period or periods aggregating to 60 days or more in that FY and for a period or periods aggregating to 365 days or more within the four preceding years; or

In the case of a citizen of India or a person of Indian origin living outside India who comes on a visit to India in any previous year, the limit of 60 days under point (b) above shall be read as 182 days.

In the case of a citizen of India who leaves India as member of the crew of an Indian ship or for the purposes of employment outside India in any previous year, the limit of 60 days under point (b) above, shall be read as 182 days.

Further if an individual fulfills the conditions prescribed under Section 6(6) of the Act, he/she shall be regarded as 'Resident but not ordinarily resident'.

1.2. Residential status of a company

A company is resident in India if it is formed and incorporated under the Companies Act, 1956/2013 or the place of effective management is situated in India.

For this purpose, the place of effective management means a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are in substance made. For this purpose, the Board (for the benefit of the taxpayers as well as tax administration) may issue a set of guiding principles to be followed in determination of POEM.

1.3. Residential status of a Hindu undivided family ('HUF') firm or AOP –

A HUF, firm or other association of persons or every other person is resident in India except when the control and management of its affairs is situated wholly outside India.

A person who is not a resident in India would be regarded as 'Non-Resident'.

1.4. Residential status of every other person

Every other person is resident in India in a FY in every case except when the control and management of his affairs is situated wholly outside India.

1.5. Scope of taxation

In general, a person who is "resident" in India in a FY is subject to tax in India on its global income. In the case of a person who is "non-resident" in India, only the income that is received or deemed to be received or that accrues or is deemed to accrue or arise to such person in India is subject to tax in India.

In the instant case, the income from the equity shares of the Company would be considered to accrue or arise in India, and would be taxable in the hands of all categories of tax payers irrespective of their residential status unless specifically exempt (e.g. Dividend). However, a relief may be available under applicable Double Taxation Avoidance Agreement ('DTAA') to certain non-residents/ investors.

1.6. Tax Considerations

As per the taxation laws in force, the tax benefits / consequences as applicable, to the Company and its shareholders are stated as under. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the Act. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions.

2. Benefits available to the Company - Under the Act

2.1 Special Tax Benefits

2.1.1. As per the Section 35(2AB) of the Act, a company engaged in the business of manufacture or production of any article or thing, not being an article or thing specified in the list of the Eleventh Schedule, incurring any expenditure on scientific research (not being expenditure in the nature of cost of any land or building) on in-house research and development facility as approved by the Department of Scientific and Industrial Research ('DSIR'), is entitled to a deduction of two times of the expenditure so incurred.

The In-house R & D unit of NATCO is registered and approved by DSIR authorities and the said approval is valid till 31 March 2017. In view of above, the said unit is entitled to claim weighted deduction on the expenditure on scientific research, subject to fulfillment of others conditions laid down u/s. 35(2AB) of the Act and guidelines issued by DSIR authorities.

As per the said Section, it is mentioned that, weighted deduction is allowed in respect of eligible expenditure incurred upto 31 March 2017 (i.e. only upto Assessment Year 2017-18)

2.1.2. As per Section 35(2)(ia) of the Act where the assessee incurs any capital expenditure on scientific research related to his business, the whole of such expenditure incurred in any previous year is allowable as deduction for that previous year.

2.1.3. As per Section 80-IC of the Act, an assessee who begins manufacture or production of any 'article or thing' during the period 7 January 2003 and 31 March 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, 25% (30% if Company) for the next 5 years from the business/ services shall be deductible. The said deduction is available on fulfillment of certain prescribed conditions.

2.1.4. 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)) (NATCO has set-up an undertaking in Assam in January 2015) or undertakes substantial expansion during the period 1 April 2007 and 31 March 2017, the 100% of profits from the business/ services shall be deductible for 10 years beginning with the 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).

2.1.5. As per Section 10AA of the Act, a newly established unit in a Special Economic Zone (SEZ) can claim deduction. The quantum of deduction depends upon profit derived from export of articles or things or services (including computer software). Deduction is calculated as under-

$$\text{Profits of the business of the undertaking} \times \frac{\text{Export Turnover of the Undertaking}}{\text{Total turnover of the business carried on by the "undertaking"}}$$

The aforesaid deduction is available on fulfillment of certain conditions mentioned in Section 10AA of the Act and is available for 15 years beginning with the year in which the unit begins to manufacture the eligible product and is limited to

a) 100% for the first 5 years; and
b) 50% for the next 5 years; 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 article or things or services.

In order to claim this deduction the tax payer is also required to get their book of accounts audited and submit an audit report electronically in Form 56F along with its return of income.

2.2 General Tax Benefits

2.2.1. As per Section 10(15) of the Act, any interest received by the Company from any public sector company in respect of bonds or debentures is exempt from tax. The exemption is subject to such conditions including the condition that the holder of such bonds or debentures registers his name and the holding with that company, as the Central Government may specify in this behalf by notification in the Official Gazette.

2.2.2. As per Section 10(34) of the Act, any income received by the Company by way of dividends on which Dividend Distribution Tax ('DDT') has been paid shall not form part of the total income of the Company and accordingly would be exempt from tax in its hands.

Under Section 14A of the Act, no deduction is permitted in respect of expenditure incurred in relation to earning of income which is not chargeable to tax including dividends exempt under Section 10(34) of the Act. The expenditure relatable to 'exempt income' needs to be determined in accordance with the provisions specified in Section 14A of the Act read with Rule 8D of the Income-tax Rules, 1962 ('the Rules').

However, the Company would be liable to pay DDT at 15% (plus applicable surcharge and education cess and secondary & higher education cess) on the grossed up amount declared, distributed or paid by it as dividends.

Thus, where the amount of dividend paid or distributed by a company is Rs. 85, then DDT under the amended provision would be calculated as follows:
Dividend amount distributed = Rs. 85
Increase by Rs. 15 [i.e. (85*0.15)/ (1-0.15)] Increased amount = Rs. 100
DDT @ 15% of Rs. 100 = Rs. 15
Tax payable u/s 115-O is Rs. 15
Dividend distributed to shareholders = Rs. 85

In calculating the amount of dividend on which DDT is payable, dividends (if any, received by the Company during the tax year and subject to fulfillment of the conditions), shall be reduced by:

- dividends received by the domestic company from a subsidiary of the Company (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 company); and

- where such subsidiary is a domestic company, it has paid tax payable under Section 115-O of the Act (DDT) or where such subsidiary is a foreign company, the tax is payable under Section 115BBD of the Act by the domestic company.

As per the proviso to this Section, the same amount of dividend would not be taken into account for reduction more than once.

2.2.3. Dividend received by an Indian company from a Specified foreign company (in which it has shareholding of 26% or more) would be taxable at a concessional rate of 15% on gross basis (excluding surcharge and education cess) as per Section 115BBD of the Act.

2.2.4. As per Section 10(35) of the Act, the following income shall be exempt in the hands of the Company:

i) Income received in respect of the units of a Mutual Fund specified under clause (23D) of Section 10 of the Act; or
ii) Income received in respect of the units from the Administrator of the Specified undertaking; or
iii) Income received in respect of units from the specified company.

However, as per the proviso to Section 10(35) of the Act, the above provisions are not applicable to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified company or of a mutual fund.

2.3 Computation of capital gains

2.3.1 Capital assets may be categorized into short-term capital assets and long-term capital assets based on the period for which they are held by a tax payer.

A security (other than a unit) listed in a recognized stock exchange in India or units of the Unit Trust of India established under the Unit Trust of India Act, 1963 or a unit of an equity oriented fund or a zero coupon bonds are considered as long-term capital assets if they are held for a period more than 12 months immediately preceding date of their transfer. Consequently, capital gains arising on sale of these assets are considered as 'long-term capital gains'.

Capital gains arising on sale of these assets held for a period of 12 months or less are considered as 'short-term capital gains'.

2.3.2 As per Section 10(38) of the Act, capital gains arising from transfer of a long-term capital asset being an equity share in the Company or a unit of an equity oriented fund, where the transaction of sale is chargeable to Securities Transaction Tax ('STT'), shall be exempt from tax in the hands of the Company.

For this purpose 'Equity oriented fund' means a fund –

i) Where the investible funds are invested by way of equity shares in the domestic companies to the extent of more than 65% of the total proceeds of such funds; and
ii) Which has been set up under a scheme of a Mutual fund specified under Section 10(23D) of the Act.

However, the long-term capital gains arising on sale of share or units referred above shall not be reduced while calculating the book profit under the provisions of Section 115JB of the Act. In other words, such book profit shall include the long-term capital gain as referred to in Section 10(38) of the Act and the Company will be required to pay MAT @ 18.5% (plus applicable surcharge, education cess and secondary & higher education cess) on such book profit.

2.3.3 Section 48 of the Act, (which prescribes the mode of computation of capital gains) provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset from the sale consideration to arrive at the amount of capital gains.

However, in respect of long-term capital gains (as defined in para 2.3.1 above), a deduction of indexed cost of acquisition/improvement is available.

Indexed cost of acquisition means an amount which bears to the cost of acquisition the same proportion as Cost Inflation Index (CII) for the year in which the asset is transferred bears to the CII for the first year in which the asset was held by the taxpayer or for the year beginning on April 1, 1981, whichever is later. In other words indexed cost of acquisition is computed as under:

Cost of acquisition X CII of the FY in which the asset is transferred / CII of the FY in which the asset was first held by the tax payer or for the year beginning on April 1, 1981 whichever is later.

2.3.4 As per the provisions of Section 112 of the Act, long-term capital gains (as defined in para 2.3.1 above) to the extent not exempt under Section 10(38) of the Act would be subject to tax in the hands of the Company at the rate of 20% (plus applicable surcharge, education cess and secondary & higher education cess).

However, as per the proviso to Section 112(1) of the Act, if the tax on long-term capital gains resulting from transfer of listed securities (other than a unit) to the extent not exempt under Section 10(38) of the Act, calculated at the rate of 20% (with indexation benefit) exceeds the tax on long-term gains computed at the rate of 10% (without indexation benefit), then such gains are chargeable to tax at the concessional rate of 10% (without indexation benefit) (plus applicable surcharge, education cess and secondary & higher education cess).

2.3.5 As per the provisions of Section 111A of the Act, short-term capital gains (as defined in para 2.3.1 above) on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15% (plus applicable surcharge, education cess and secondary & higher education cess). Short-term capital gains arising from transfer of shares, other than those covered by Section 111A of the Act, would be subject to tax at the rate as applicable to the Company i.e 30% (plus applicable surcharge, education cess and secondary & higher education cess).

2.3.6 Under Section 54EC of the Act and subject to the conditions specified therein, long-term capital gains arising to the Company would be exempt from tax if such capital gains are invested within 6 months after the date of such transfer in long term specified assets, being bonds issued by:

a) National Highway Authority of India constituted under Section 3 of The National Highway Authority of India Act, 1988; or
b) Rural Electrification Corporation Limited, the Company formed and registered under the Companies Act, 1956.

The investment made in such bonds during any FY cannot exceed Rs.5,000,000.

However, with effect from AY 2015-16, it is provided that the investment made by an assesse in the long-term specified asset, out of capital gains arising from transfer of one or more original asset, during the financial year in which the original asset is transferred and in the subsequent financial year does not exceed Rs. 5,000,000.

If only a part of the capital gains is invested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified assets are transferred or converted into money within 3 years from the date of its acquisition, the amount of capital gains so exempt shall be chargeable to tax during the year of such transfer or conversion.

As long term capital gains covered under Section 10(38) of the Act are exempt from tax, there is no requirement to invest under Section 54EC of the Act in such cases.

2.3.7 Set off and carry forward of capital loss

Under Section 70(2) of the Act, the Company can set off short term capital loss against other short term capital gain or long term capital gain. Under Section 70(3) of the Act, the Company can set off long term capital loss against other long term capital gain.

Under Section 74 of the Act, the unabsorbed short term capital loss can be carried forward and set off against capital gains (whether short term or long term) of subsequent years (upto 8 years). Unabsorbed long term capital loss can be carried forward and set off against long term capital gains only in of subsequent years (upto 8 years). However, as per Section 80 of the Act, the unabsorbed capital loss can be carried forward only when the return of income has been filed within the time prescribed under Section 139(1) of the Act.

2.4 Computation of business income

2.4.1. Depreciation allowance

2.4.1.1. Under Section 32(1) of the Act, the Company can claim depreciation allowance at the prescribed rates in respect of the following assets:

- Tangible assets being building, machinery, plant or furniture;
- Intangible assets being know-how, patents, copyrights, trademarks, licences, franchises or any other business or commercial rights of similar nature acquired on or after April 1, 1998

2.4.1.2. As per provision of Section 32(1)(iia) of the Act, the Company is entitled to claim additional depreciation at the rate of 20% of the actual cost of any new machinery or plant acquired and installed after 31 March 2005. However, no deduction is allowed in respect of:

a) Ships and Aircraft;
b) Any machinery or plant which, before its installation by the company, was used either within or outside India by any other person;
c) Any machinery or plant installed in any office premises or any residential accommodation, including accommodation in the nature of a guest-house;
d) Any office appliances or road transport vehicles; or
e) 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.

Further in case the assets are put to use for less than 180 days in the year of acquisition, then additional deprecation would be 10% of the cost of acquisition in the first year and the balance 10% would be available in the immediately succeeding previous year.

2.5. Carry forward of unabsorbed depreciation, unabsorbed business losses

2.5.1. Under Section 32(2) of the Act, the Company can carry forward and set off unabsorbed depreciation of one FY and adjusted against income of subsequent years.

2.5.2. Under Section 72 of the Act, unabsorbed business loss, if any can be carried forward and set off against business profits of subsequent years (upto 8 years) subject to prescribed conditions. However, as per Section 80 of the Act, the unabsorbed business loss can be carried forward only when the return of income has been filed within the time prescribed under Section 139(1) of the Act.

2.6. Investment in new plant and machinery

As per Section 32AC(1A) of the Act, the Company is entitled to a deduction of 15% of actual cost of 'new assets' acquired and installed in a 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 Act

would be available from FY 2017-18 onwards.

Further in case the new asset acquired or 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 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.

2.7. Additional investment allowance under Section 32AD of the Act

Under Section 32AD of the Act, the Company is eligible for an additional investment allowance of an amount equal to 15% of the cost of the new asset acquired and installed if,

- The assessee sets up an undertaking or enterprise for manufacture or production of any article or thing on or after 1st April, 2015 in any backward area notified by the Central Government, in the State of Andhra Pradesh or in the State of Bihar or in the State of Telangana or in the State of West Bengal; and
- the new assets are acquired and installed for the purposes of the said undertaking or enterprise during the period beginning from the 1st April, 2015 to 31st March, 2020.

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.

The assessee sets up an undertaking or enterprise for manufacture or production of any article or thing on or after 1st April, 2015 in any backward area notified by the Central Government, in the State of Andhra Pradesh or in the State of Bihar or in the State of Telangana or in the State of West Bengal; and the new assets are acquired and installed for the purposes of the said undertaking or enterprise during the period beginning from the 1st April, 2015 to 31st March, 2020 would get additional depreciation of 35% instead of 20%, as per proviso to Section 32(1)(iia) of the Act.

2.8. Deduction of expenditure on scientific research

2.8.1. Under Section 35(1)(i) and Section 35(1)(iv) of the Act, the Company is eligible for deduction in respect of any revenue or capital expenditure (other than expenditure on the acquisition of any land) incurred on scientific research related to its business.

2.8.2. Under Section 35(1)(ii) of the Act, the Company can claim weighted deduction of one and three fourth times (175%) of any sum paid to an approved research association (which has as its object, the undertaking of scientific research) or to a university, college or other institution to be used for scientific research.

2.8.3. Under Section 35(1)(iia) of the Act any sum paid to a company registered in India (which has as its main object the conduct of scientific research and development) and is approved by the prescribed authority can be claimed as deduction to the extent of one and one fourth times(125%) of the amount so paid.

2.8.4. Under Section 35(1)(iii) of the Act the Company is eligible for a deduction of one and one fourth times (125%) of the sum paid to a research association, university, college or other institution to be used for research in social science or statistical research. This weighted deduction is available to amounts paid to approved research association, university, college or institution.

2.8.5. The company is eligible for weighted deduction of 200% under Section 35(2AA) of the Act in respect of payments to a National Laboratory, university or Indian Institute of Technology in respect of approved programs of scientific research. The weighted deduction is available provided the sum is paid with specific direction that it is used for approved programs of scientific research.

2.9. Deduction of expenditure on eligible projects or scheme

As per the provisions of Section 35AC of the Act, the Company is eligible for deduction of any expenditure incurred towards payment of any sum to a public sector company or local authority or an association or institution approved by the National Committee for carrying out any eligible project or scheme, subject to prescribed conditions.

2.10. Amortisation of certain expenditure

2.10.1. Under Section 35D of the 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.

2.10.2. Under Section 35DDA of the Act, the company is eligible for deduction in respect of payments made to its employees in connection with his voluntary retirement for an amount equal to 1/5th of such expenses over 5 successive AYs subject to conditions specified in that Section.

2.11. Expenditure on skill development project

As per Section 35CCD of the Act, the Company would be entitled to a deduction of one and a half times of an amount of expenditure (not being expenditure in the nature of cost of any land or building) incurred on any skill development project notified by the Central Board of Direct Taxes ('CBDT') in accordance with the guidelines as may be prescribed.

2.12. Deduction of STT while computing business income

STT paid by the tax payer in respect of the taxable securities transactions entered into in the course of business during the FY will be allowable as deduction under Section 36(1)(xv) of the Act, if the income arising from such taxable securities transactions is included in the income computed under the head 'Profits and gains of business or profession'.

2.13. MAT credit

Under Section 115JAA of the Act, tax credit is allowed in respect of MAT paid under Section 115JB of the Act for any AY commencing on April 1, 2006 and any subsequent AY.

The credit eligible for carry forward is the difference between MAT paid and the amount of tax payable computed as per the normal provisions of the Act.

The credit is available for set off only when tax becomes payable under the normal provisions of the Act. The brought forward tax credit can be utilized to the extent of difference between the tax payable under the normal provisions of the Act and tax payable under MAT for that year. Credit in respect of MAT paid is available for set-off up to 10 AYs immediately succeeding the AY for which the MAT credit initially arose.

2.14. Deduction for donations

2.14.1. The Company is entitled to a deduction under Section 80G of the Act in respect of amounts contributed as donations to various charitable institutions and funds covered under that Section, subject to the fulfillment of conditions prescribed therein. Please note that no deduction shall be allowed under Section 80G of the Act for any sum exceeding Rs. 10,000 unless such sum is paid by any mode other than cash.

2.14.2. A company is entitled to claim deduction under Section 80GGB of the Act for an amount of 100% of any sum contributed to any political party or an electoral trust.

2.15. Benefit of double taxation avoidance agreement (DTAA)

Under the provisions of Section 90 of the Act, the Company shall be eligible for claiming credit of taxes paid by it on incomes in the foreign countries with which the Government of India has entered into DTAA. The tax credit shall be available as per the provisions of relevant DTAA.

Section 91 of the Act provides for unilateral relief in respect of taxes paid on incomes in the foreign countries with which no DTAA exists. Under the provisions of said Section, the Company shall be entitled to deduction from the income tax of sum calculated on such doubly taxed income at the Indian rate of tax or rate of tax in the foreign country whichever is lower.

3. Benefits available to resident shareholders under the Act

3.1. Dividend income

Under Section 10(34) of the Act, any income earned by way of dividends from the Company would be exempt from tax in the hands of the shareholders, if such dividends are subject to DDT under Section 115-O of the Act.

However, as per the provisions of Section 94(7) of the 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

As per the provisions of Section 14A of the Act, no deduction would be allowed in respect of expenditure incurred in relation to earning of dividend income which is exempt from tax.

3.2. Computation of capital gains

3.2.1. As per the provisions of Section 2(42A) of the Act, the shares held in a company or any other security listed on a recognized stock exchange will be considered as short term capital asset if they are held for a period of 12 months or less immediately preceding date of their transfer. If the period of holding of shares is more than 12 months immediately preceding date of transfer, they will be treated as long term capital asset.

The capital gain/loss on sale of short term capital assets is regarded as short term capital loss. The capital gain/loss on sale of long term capital assets is regarded as long term capital loss.

3.2.2. According to Section 10(38) of the Act, long-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be exempt from tax.

However, in case of a shareholder being a company, gains arising from transfer of above referred long-term capital asset shall be taken into account for computing the book profit for the purposes of computation of MAT under Section 115JB of the Act.

3.2.3. Section 48 of the Act, (which prescribes the mode of computation of capital gains) provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset from the sale consideration to arrive at the amount of capital gains.

However, in respect of long-term capital gains, a deduction of indexed cost of acquisition/improvement is available.

Indexed cost of acquisition means the means an amount which bears to the cost of acquisition the same proportion as Cost Inflation Index (CII) for the year in which the asset is transferred bears to the CII for the first year in which the asset was held by the taxpayer. In other words indexed cost of acquisition is computed as under:

Cost of acquisition X CII of the FY in which the asset is transferred / CII of the FY in which the asset was first held by the tax payer.

3.2.4. As per the provisions of Section 112 of the Act, long-term capital gains (to the extent not exempt under Section 10(38) of the Act) would be subject to tax in the hands of the shareholders at the rate of 20% (plus applicable surcharge, education cess and secondary & higher education cess).

As per the proviso to Section 112(1) of the Act, if the tax on long-term capital gains resulting from transfer of listed securities (other than a unit) to the extent not exempt under Section 10(38) of the Act, calculated at the rate of 20% (with indexation benefit) exceeds the tax on long-term gains computed at the rate of 10% (without indexation benefit), then such gains are chargeable to tax at the concessional rate of 10% (without indexation benefit) (plus applicable surcharge, education cess and secondary & higher education cess).

3.2.5. As per the provisions of Section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15% (plus applicable surcharge, education cess and secondary & higher education cess).

Short-term capital gains arising from transfer of shares of the Company, other than those covered by Section 111A of the Act, would be subject to tax as calculated under the normal provisions of the Act.

3.2.6. Under Section 54EC of the Act and subject to the conditions specified therein, long-term capital gains arising on the transfer of equity shares of the Company (other than those covered by Section 10(38) of the

Act) would be exempt from tax if such capital gains are invested within 6 months after the date of such transfer in specified assets, being bonds issued by:

a) National Highway Authority of India constituted under Section 3 of The National Highway Authority of India Act, 1988;
b) Rural Electrification Corporation Limited, the Company formed and registered under the Companies Act, 1956.

The investment made in such bonds during any FY cannot exceed Rs.5,000,000.

However, with effect from AY 2015-16, it is provided that the investment made by an assesse in the long-term specified asset, out of capital gains arising from transfer of one or more original asset, during the financial year in which the original asset is transferred and in the subsequent financial year does not exceed Rs. 5,000,000.

If only a part of the capital gains is invested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified assets are transferred or converted into money within 3 years from the date of its acquisition, the amount of capital gains so exempt shall be chargeable to tax during the year of such transfer or conversion.

3.2.7. As per the provisions of Section 54F of the Act, long term capital gains which are not covered under Section 10(38) of Act arising from the transfer of any capital asset (not being residential house property) held by an Individual or Hindu Undivided Family ('HUF') will be exempt from tax, if net consideration is utilised, within a period of one year before or two year after the date of transfer, for purchase of a residential house, or for construction of a residential house within three years. The exemption is available subject to fulfillment of prescribed conditions.

With effect from AY 2015-16, Section 54F of the Act provides that the exemption is available if the investment is made in purchase or construction of **one residential house situated in India**.

3.2.8. Under Section 70(2) of the Act, the short term capital loss can be set off against other short term capital gain or long term capital gain. Under Section 70(3) of the Act, the long term capital loss can be set off against other long term capital gain.

3.2.9. Under Section 74 of the Act, the unabsorbed short term capital loss can be carried forward and set off against capital gains (whether short term or long term) of subsequent years (upto 8 years). Unabsorbed long term capital loss can be carried forward and set off against long term capital gains only in of subsequent years (upto 8 years). However, the unabsorbed capital loss can be carried forward only when the return of income has been filed within the time prescribed under Section 139(1) of the Act.

3.3. Deduction of STT while computing business income

As per Section 36(1)(xv) of the Act, the STT paid by the tax payer in respect of the taxable securities transactions entered into in the course of business during the FY will be allowable as deduction, if the income arising from such taxable securities transactions is included in the income computed under the head 'Profits and gains of business or profession'.

3.4. Income from other sources

As per the provisions of Section 56(2)(vii) of the Act, where any property, other than immovable property (including shares) is received by an individual/ HUF: -

i) without consideration and the aggregate fair market value of such property exceeds Rs. 50,000, or
ii) for a consideration which is less than the aggregate fair market value of such property by at least Rs.50,000, then the difference between fair market value and consideration paid will be taxable as income from other sources.

This provision is applicable only if shares are held by the shareholders as a capital asset.

This provision is not applicable where shares are received in any of the following modes, namely –

1) From any relative;
2) On the occasion of marriage of the individual;
3) Under a will or by way of inheritance;
4) In contemplation of death of the payer or donor;
5) From any local authority as defined in Explanation to Section 10(20) of the Act;
6) From any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in Section 10(23C) of the Act; or
7) From any trust or institution registered under Section 12AA of the Act.

4. Benefits available to Non-resident shareholders (Other than Foreign Institutional Investors) under the Act

4.1. Dividends exempt under Section 10(34) of the Act

Under Section 10(34) of the Act, any income earned by way of dividends from the Company would be exempt from tax in the hands of the shareholders, if such dividends are subject to DDT under Section 115-O of the Act.

However, as per the provisions of Section 94(7) of the 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.

As per the provisions of Section 14A of the Act, no deduction would be allowed in respect of expenditure incurred in relation to earning of dividend income which is exempt from tax.

4.2. Computation of capital gains

4.2.1. As per the provisions of Section 2(42A) of the Act, the shares held in a company or any other security listed on a recognized stock exchange will be considered as short term capital asset if they are held for a period of 12 months of less immediately preceding date of their transfer. If the period of holding of shares is more than 12 months immediately preceding date of transfer, they will be treated as long term capital asset.

The capital gain/loss on sale of short term capital assets is regarded as short term capital loss. The capital gain/loss on sale of long term capital assets is regarded as long term capital loss.

4.2.2. According to Section 10(38) of the Act, long-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be exempt from tax.

4.2.3. First proviso to Section 48 of the Act contains special provisions relating to computation of capital gains, in the hands of non-residents arising from transfer of shares of an Indian company which were purchased in foreign currency.

In such a case, the capital gains are computed by converting the cost of acquisition, expenditure incurred wholly and exclusively in connection with transfer and the full value of consideration into the same foreign currency that was initially used to purchase of such shares. The capital gain so computed in the original foreign currency is reconverted into Indian Rupees at the prescribed exchange rate. The said manner of computing capital gains is used in respect of capital gains accruing or arising from every reinvestment thereafter in and sale of shares of an Indian company.

The non-resident shareholders are not entitled to indexation benefit as provided under second proviso to Section 48 of the Act.

4.2.4. As per the provisions of Section 112 of the Act, long-term capital gains (to the extent not exempt under Section 10(38) of the Act) would be subject to tax in the hands of the shareholders at the rate of 20% (plus applicable surcharge, education cess and secondary & higher education cess).

As per the proviso to Section 112(1) of the Act, if the tax on long-term capital gains resulting from transfer of listed securities to the extent not exempt under Section 10(38) of the Act, calculated at the rate of 20% (with indexation benefit) exceeds the tax on long-term gains computed at the rate of 10% (without indexation benefit), then such gains are chargeable to tax at the concessional rate of 10% (without indexation benefit) (plus applicable surcharge, education cess and secondary & higher education cess).

4.2.5. As per the provisions of Section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15% (plus applicable surcharge, education cess and secondary & higher education cess).

Short-term capital gains arising from transfer of shares of the Company, other than those covered by Section 111A of the Act, would be subject to tax as calculated under the normal provisions of the Act.

4.2.6. Under Section 54EC of the Act and subject to the conditions specified therein, long-term capital gains arising on the transfer of equity shares of the Company (other than those covered by Section 10(38) of the Act) would be exempt from tax if such capital gains are invested within 6 months after the date of such transfer in specified assets, being bonds issued by:

a) National Highway Authority of India constituted under Section 3 of The National Highway Authority of India Act, 1988;
b) Rural Electrification Corporation Limited, the Company formed and registered under the Companies Act, 1956.

The investment made in such bonds during any FY cannot exceed Rs.5,000,000.

However, with effect from AY 2015-16, it is provided that the investment made by an assessee in the long-term specified asset, out of capital gains arising from transfer of one or more original asset, during the financial year in which the original asset is transferred and in the subsequent financial year does not exceed Rs. 5,000,000.

If only a part of the capital gains is invested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified assets are transferred or converted into money within 3 years from the date of its acquisition, the amount of capital gains so exempt shall be chargeable to tax during the year of such transfer or conversion.

4.2.7. As per the provisions of Section 54F of the Act, long term capital gains which are not covered under Section 10(38) of the Act arising from the transfer of any capital asset (not being residential house property) held by an Individual or Hindu Undivided Family ('HUF') will be exempt from tax, if net consideration is utilised, within a period of one year before or two year after the date of transfer, for purchase of a residential house, or for construction of a residential house within three years. The exemption is available subject to fulfillment of prescribed conditions.

With effect from AY 2015-16, Section 54F of the Act provides that the exemption is available if the investment is made in purchase or construction of **one residential house situated in India**.

4.2.8. Under Section 70(2) of the Act, the short term capital loss can be set off against other short term capital gain or long term capital gain. Under Section 70(3) of the Act, the long term capital loss can be set off against other long term capital gain.

Under Section 74 of the Act, the unabsorbed short term capital loss can be carried forward and set off against capital gains (whether short term or long term) of subsequent years (upto 8 years). Unabsorbed long term capital loss can be carried forward and set off against long term capital gains only in of subsequent years (upto 8 years). However, the unabsorbed capital loss can be carried forward only when the return of income has been filed within the time prescribed under Section 139(1) of the Act.

4.3. Deduction of STT while computing business income

As per Section 36(1)(xv) of the Act, the STT paid by the tax payer in respect of the taxable securities transactions entered into in the course of business during the FY will be allowable as deduction, if the income arising from such taxable securities transactions is included in the income computed under the head 'Profits and gains of business or profession'.

4.4. Special benefit available to Non-resident Indian shareholders

4.4.1. In addition to some of the general benefits available to non-resident shareholders, where 'specified assets' (as defined in Section 115C(f) of the Act, which includes equity shares in the Company) have been subscribed or acquired or purchased by Non-Resident Indians, they have the option of being governed by the provisions of Chapter XII-A of the Act, which *inter alia* entitles them to the benefits mentioned below.

As per Section 115C(e) of the Act, a 'Non-resident Indian' (NRI) has been defined to mean an individual being citizen of India or person of Indian origin who is not a resident.

4.4.2. As per the provisions of Section 115E of the Act, investment income (income derived from specified assets other than dividends referred to in Section 115O of the Act) or income from long- term capital gains on transfer of assets other than specified asset shall be taxable at the rate of 20% in the hands of a NRI. Income by way of long term capital gains in respect of a specified asset, shall be chargeable to income tax at the rate of 10%. The rates would be increased by the applicable rate of surcharge education cess and secondary & higher education cess.

4.4.3. Under provisions of Section 115F of the Act, any long term capital gains arising from the transfer of shares of the Company acquired in convertible foreign exchange shall be exempt from tax if the whole or any part of the net consideration (consideration less expenditure incurred wholly and exclusively on transfer) is reinvested within six months of the date of the transfer in any 'specified assets' or savings certificates referred to in clause (4B) of Section 10 of the Act.

If only a part of the net consideration is reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax as "capital gains" subsequently, if the specified assets or savings certificate are transferred or converted into money within three years from the date of their acquisition. The taxability shall arise in the year in which the transfer or conversion, as the case may be, takes place.

4.4.4. As per the provisions of Section 115D of the Act, no deduction is allowed for any expenditure or allowance under any provision of the Act in computing the investment income of the NRI. Further no deduction is allowed to NRI under chapter VIA against investment income or income by way of long term capital gains. The benefit of indexation is also not available.

4.4.5. As per the provisions of Section 115G of the Act, NRIs are not required to furnish a return of income under Section 139(1) of the Act, if:

- Their income chargeable under the Act consists of only investment income or long term capital gains arising from the transfer of specified asset or both and;
- Tax deductible at source has been deducted as per the provisions of Chapter XVII-B of the Act from the income.

4.4.6. As per the provision of Section 115H of the Act, where a person who is NRI in any FY, becomes assessable as resident in India in respect of total income of any subsequent year, the provisions of Chapter XII-A shall continue to apply to him in relation to the investment income derived from any foreign exchange asset being an assets specified in sub clause (ii), (iii), (iv) or (v) of Section 115(C)(f) of the Act for that AY and for every subsequent AY until there is transfer or conversion into money of such asset. For this provision to apply, NRI is required to file a declaration along with his return of income for the AY in which he becomes assessable as resident in India.

4.4.7. In accordance with Section 115-I of the Act, where a NRI opts not to be governed by the provisions of Chapter XII-A for any AY, his total income for that AY (including income arising from investment in the company) will be computed and tax will be charged according to the other provisions of the Act.

4.5. Taxability as per DTAA

4.5.1. The tax rates and consequent taxation mentioned above will be further subject to any benefits available under the DTAA, if any, between India and the country or any specified territory in which the non-resident has fiscal domicile.

As per the provisions of Section 90(2) of the Act, where the Central Government has entered into an agreement with the Government of any country outside India or specified territory outside India, as the case may be, under sub-Section (1) of Section 90 of the Act for granting relief of tax ,or as the case may be, avoidance of double taxation, then, in relation to the assessee to whom such agreement applies, the provisions of the Act shall apply to the extent they are more beneficial to the assessee.

4.5.2. As per provisions of Section 90(4) of the Act, a non-resident, shall not be entitled to claim any relief under DTAA, unless a certificate of his being a resident in any country outside India or specified territory outside India, as the case may be has been obtained by him from the government of that country or specified territory. In other words, the non-resident tax payers shall be entitled to be governed by the provisions of the DTAA only when they obtain a tax residency certificate from the government of their country of residence.

In addition, as per the provisions of Section 90(5) of the Act, a non-resident shall also provide prescribed documents to claim beneficial provisions of the DTAA.

4.6. No capital gain tax under MAT

In case of shareholder being a foreign company and liable to MAT in India, any capital gains arising from transaction of shares, on which Income-tax payable as per the provisions of the Act is at a rate less than the rate specified for MAT (currently at 18.5%), shall be excluded from computation of "book profit" for the purposes of computation of MAT under Section 115JB of the Act

5. Benefits available to Foreign Institutional Investors ('FIIs') under the Act

5.1. Dividends exempt under Section 10(34) of the Act

Under Section 10(34) of the Act, any income earned by way of dividends from the Company would be exempt from tax in the hands of the shareholders, if such dividends are subject to DDT under Section 115-O of the Act.

However, as per the provisions of Section 94(7) of the 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.

As per the provisions of Section 14A of the Act, no deduction would be allowed in respect of expenditure incurred in relation to earning of dividend income which is exempt from tax.

5.2. Taxability of capital gains

5.2.1. As per the provisions of Section 115AD of the Act, FIIs will be taxed on the capital gains that are not exempt under Section 10(38) of the Act at the rates as follows:

Nature of income	*Rate of tax (%)*
Long term capital gain other than the long term capital gain covered by the provisions of Section 10(38) of the Act	10
Short term capital gain on sale of equity shares subjected to STT under Section 111A of the Act	15
Short term capital gain other than short term capital gain covered under Section 111A of the Act	30

The above tax rates would be increased by the applicable rate of surcharge education cess and secondary & higher education cess.

The benefits of indexation and foreign currency fluctuation protection are not available to an FII.

The above mentioned capital gains are not subject to tax deduction at source as per the provisions of Section 196D (2) of the Act.

5.3. Capital gains- not subject to Income- tax

5.3.1. According to Section 10(38) of the Act, long-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be exempt from tax.

5.3.2. Under Section 54EC of the Act and subject to the conditions specified therein, long-term capital gains arising on the transfer of equity shares of the Company (other than the long term capital gain covered by the provisions of Section 10(38) of the Act) would be exempt from tax if such capital gains is invested within 6 months after the date of such transfer in specified assets, being bonds issued by:

a) National Highway Authority of India constituted under Section 3 of The National Highway Authority of India Act, 1988;
b) Rural Electrification Corporation Limited, the Company formed and registered under the Companies Act, 1956.

The investment made in such bonds during any FY cannot exceed Rs.5,000,000. However, with effect from AY 2015-16, it is provided that the investment made by an assessee in the long-term specified asset, out of capital gains arising from transfer of one or more original asset, during the financial year in which the original asset is transferred and in the subsequent financial year does not exceed Rs. 5,000,000.

If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, 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.

5.3.3. Under Section 70(2) of the Act, the short term capital loss can be set off against other short term capital gain or long term capital gain. Under Section 70(3) of the Act, the long term capital loss can be set off against other long term capital gain.

Under Section 74 of the Act, the unabsorbed short term capital loss can be carried forward and set off against capital gains (whether short term or long term) of subsequent years (upto 8 years). Unabsorbed long

term capital loss can be carried forward and set off against long term capital gains only in of subsequent years (upto 8 years). However, the unabsorbed capital loss can be carried forward only when the return of income has been filed within the time prescribed under Section 139(1) of the Act.

5.4. Income from Business Profits

As per Section 36(1) (xv) of the Act, the STT paid by the tax payer in respect of the taxable securities transactions entered into in the course of business during the FY will be allowable as deduction, if the income arising from such taxable securities transactions is included in the income computed under the head 'Profits and gains of business or profession'.

5.5. Taxability as per DTAA

5.6.1. The tax rates and consequent taxation mentioned above will be further subject to any benefits available under the DTAA, if any, between India and the country or any specified territory in which the non-resident has fiscal domicile.

As per the provisions of Section 90(2) of the Act, where the Central Government has entered into an agreement with the Government of any country outside India or specified territory outside India, as the case may be, under sub-Section (1) of Section 90 of the Act for granting relief of tax ,or as the case may be, avoidance of double taxation, then, in relation to the assessee to whom such agreement applies, the provisions of the Act shall apply to the extent they are more beneficial to the assessee.

5.6.2. As per provisions of Section 90(4) of the Act, a non-resident, shall not be entitled to claim any relief under DTAA, unless a certificate of his being a resident in any country outside India or specified territory outside India, as the case may be has been obtained by him from the government of that country or specified territory. In other words, the non-resident tax payers shall be entitled to be governed by the provisions of the DTAA only when they obtain a tax residency certificate from the government of their country of residence.

In addition, as per the provisions of Section 90(5) of the Act, a non-resident shall also provide prescribed documents.

5.6. No capital gain tax under MAT

In case of FII being a foreign company and liable to MAT in India, any capital gains arising from transaction of shares, on which Income-tax payable as per the provisions of the Act is at a rate less than the rate specified for MAT (currently at 18.5%), shall be excluded from the computation of "book profit" for the purposes of computation of MAT under Section 115JB of the Act.

6. Benefits available to Mutual Funds under the Act

As per the provisions of Section 10(23D) of the Act, any income of:

- A mutual fund registered under the Securities and Exchange Board of India Act, 1992 or regulations made there under;
- Mutual Funds set up by public sector banks or public financial institutions or Authorised by the Reserve Bank of India

would be exempt from income-tax, subject to the 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 Act.

7. Benefits available to Venture Capital Companies/Funds

7.1. Under Section 10(23FB) of the Act, any income of Venture Capital Companies or 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 conditions specified therein. 'Venture capital undertaking' means:

- A venture capital undertaking as defined in clause (n) of the regulation 2 of Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 or
- A venture capital undertaking as defined in clause (aa) of sub regulation (1) of regulation 2 of Alternate Investment Fund Regulations.

7.2 According to Section 115U of the Act, any income accruing or arising to or received by a person from his investment in venture capital companies/ funds would be taxable in his hands in the same manner as if it were the income accruing/ arising/ received by such person had the investments been made directly in the venture capital undertaking.

7.3 Further, as per Section 115U(5) of the Act, the income accruing or arising to or received by the Venture Capital Company/ Funds from investments made in a Venture Capital Undertaking if not paid or credited to a person (who has made investments in a Venture Capital Company/ Fund) shall be deemed to have been credited to the account of the said person on the last day of the previous year in the same proportion in which such person would have been entitled to receive the income had it been paid in the previous year.

8. Benefits available to Investment Funds

8.1. Under Section 10(23FBA) of the Act, any income except for income under the head "Profits and Gains of Business/ Profession" of Investment fund, 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.

8.2. According to Section 115UB of the 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 the investments been made directly in the company.

8.3. Further, as per Section 115UB(6) of the Act, the income accruing or arising to or received by the Investment Fund if not paid or credited to a person (who has made investments in an Investment Fund) shall be deemed to have been credited to the account of the said person on the last day of the previous year in the same proportion in which such person would have been entitled to receive the income had it been paid in the previous year.

9. Loss under the head 'Capital Gains'

In general terms, loss arising from transfer of a capital asset in India can only be set off against capital gains. Long term capital loss arising on sale of equity shares not subjected to STT during a year is allowed to be set-off only against long term capital gains. A short term capital loss can be set off against capital gains whether short term or long term. To the extent that the loss is not absorbed in the year of transfer, it may be carried forward for a period of 8 years immediately succeeding the year for which the loss was first determined and may be set off against the capital gains assessable for such subsequent years. In order to set off a capital loss as above, the investor (resident/ non- resident) is required to file appropriate and timely income-tax returns in India.

Notes:

1) 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;

2) The above Statement of Possible Direct Tax Benefits sets out the possible tax benefits available to the Company and its shareholders under the current Tax Laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant Tax Laws;

3) 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;

4) In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any, between India and the country/specified territory (outside India) in which the non-resident has fiscal domicile; and

5) The stated benefits will be available only to the sole/first named holder in case the shares are held by joint shareholders.

6) The tax rates (including rates for tax deduction at source) mentioned in this Statement are applicable for FY 2015-16 (AY 2016-17) and are exclusive of surcharge, education cess and higher education cess.

   Surcharge @ 12% of income tax is applicable in case of individuals where total income under the Act exceeds Rs. 1 crore.

   Surcharge @ 7% is applicable in case of resident companies where total income under the Act exceeds Rs. 1 crore and is upto Rs. 10 crore. If the total income of the resident companies exceeds Rs. 10 crore, surcharge would be leviable @ 12%.

   In case of foreign companies, surcharge @ 2% is applicable in case of where total income under the Act exceeds Rs. 1 crore and is upto Rs. 10 crore. If the total income exceeds Rs. 10 crore, surcharge would be leviable @ 5%.

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

per **Sanjay Kumar Jain**
Partner
Membership No. 207660

Place: Hyderabad
Date: September 9, 2015

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, civil proceedings including tax related disputes, intellectual property rights disputes and land related disputes. The 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. Except as stated below, our Company is not involved in any legal proceedings: (i) which are above the value of Rs. 50 million; or (ii) which our Company believes could have a material adverse effect on our Company on a consolidated basis or may have significant effect on the performance of our Company. All terms defined in a particular litigation are for that particular litigation only.

Litigation against our Company

Intellectual property rights cases

1. 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 Erlotinat, along with damages of Rs. 5 million and costs. Our Company has a 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 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 ("**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 a 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 it order dated August 16, 2011 has consolidated the First Suit and the Second Suit.

2. Bristol-Myers Squibb Company and another ("**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 registered patent for the product Dasatinib, 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. The matter is pending.

3. 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 for lack of cause of action. The matter is pending.

4. 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. 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 26, 2014 directed the Union of India and customs authority to ensure that consignment from India containing Sorafenat is not exported. Our Company filed applications before the Delhi High Court seeking permission to export API – Sorafenib for clinical studies and trials, which was allowed by the Delhi High Court by its orders dated May 23, 2014 and November 5, 2014. Bayer Corporation has filed a letters patent appeal before the Delhi High Court against the order dated November 5, 2014 which allowed our Company to export 1 kilo gram of API – Sorafenib for clinical studies and trials. 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.

5. Millennium Pharmaceuticals Inc. ("**MPI**") has filed a writ petition before the Delhi High Court against our Company and others seeking, inter alia, a review of the orders of the Intellectual Property Appellate Board ("**IPAB**") dated June 6, 2014 and May 25, 2011 (the "**IPAB Orders**") pursuant to which grant of patent for a process for preparing Boronic Ester compounds (the "**Process Patent**") was rejected. Our Company had filed a pre-grant opposition before the Assistant Controller of Patents and Designs, Delhi ("**ACPD**"). Pursuant to the order of the ACPD dated July 24, 2009, the Process Patent was rejected (the "**ACPD Order**"). MPI had filed an appeal before the IPAB against the ACPD Order, which the IPAB had dismissed. The matter is currently pending.

6. Shire Canada and others ("**Shire and Others**") have filed a suit before the US District Court for the Southern District of New York against our Company for alleged infringement of two patents held by Shire for the drug Fosrenol. Our Company has applied for ANDA (Para IV Certification) with the USFDA for approval to sell and market generic versions of Fosrenol in the United States prior to the expiration of the patents held by Shire. Shire and Others have sought for, inter alia, a permanent injunction against our Company from, directly or indirectly, manufacturing, selling, offering or importing into USA any product that infringes on the patents for Fosrenol as held by Shire, along with costs. The matter is pending.

7. Teva Pharmaceutical Industries Limited, Yeda Research and Development Co. Ltd. and another (the "**Plaintiffs**") have filed a suit before the Single Judge of the Delhi High Court against our Company and another for alleged infringement of process patent of Co-polymer I Fraction (the "**Patent**"), by manufacturing Glatiramer Acetate. The Plaintiffs have sought for a permanent injunction against our

Company from directly or indirectly manufacturing, selling, offering or exporting Glatiramer Acetate, along with damages of Rs. 2.5 million. [Pursuant to its order dated February 28, 2014, the Delhi High Court had dismissed the suit filed by the Plaintiffs (the "**February 2014 Order**"). The Plaintiffs filed an appeal before the Division Bench of the Delhi High Court against the February 2014 Order and pursuant to its order dated May 30, 2014, the Division Bench of the Delhi High Court set aside the February 2014 Order. Consequently, the matter has been restored to the Single Judge of the Delhi High Court. The matter is currently pending.

In this regard, our Company has filed a writ petition before the Delhi High Court against Union of India, the Controller of Patents, New Delhi and Yeda Research and Development Co. Ltd. for inter alia, declaration that the Patent is 'non-est' not operable beyond statutory period of seven years, along with costs.

Further, Teva Pharmaceutical Industries Limited, Yeda Research and Development Co. Ltd. and others ("**Teva and Others**") had filed a suit before the United States District Court, Southern District of New York against Mylan Phamaceuticals Inc., our Company and other (the "**Defendant**") for alleged infringement of patent of the drug Copaxone (branded Glaitmer Acetate) by the Defendants (the "**US Suit**"). The US Suit went on appeal to the United States Court of Appeals for the Federal Circuit, which pursuant to its order dated June 18, 2015 held that the patent held by Teva and Others to be invalid.

Land related cases

Our Company is involved in certain land related disputes. Our Company had purchased certain lands in and around Mekaguda and Nadnigam in Telangana ("**Land Bank**"). Our Mekaguda facility is situated on a part of the Land Bank ("**Factory Land**"). Certain litigations have been filed against our Company in relation to the Mekaguda Land, but not pertaining to the Factory Land (the "**Disputed Land**"), by various parties claiming interest of title in relation to the Disputed Land. These matters are currently 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 Preliminary 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, 2015 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	8.69	2.50	Financial Year 1997-98	High Court of Andhra Pradesh
The Customs Act, 1962	Customs duty	2.00	-	July 2006 to June 2010	CESTAT, Bengaluru
The Finance Act, 1994	Service tax	1.75	1.07	Financial Year 2011-12	CESTAT, Bengaluru

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 Income Tax Act, 1961	Income tax	0.66	0.66	Assessment Year 1989-90 to 1998-99	High Court of Andhra Pradesh

Summary of reservations or qualifications or adverse remarks of auditors in the last five financial years immediately preceding the year of circulation of this Preliminary 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 2015

Reproduction of auditors remark from the audit report and CARO report	Management's response
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.
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.
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.
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 (Rs.)	Amount Paid Under Protest (Rs.)	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.

Fiscal 2014

Reproduction of auditors remark from the audit report and CARO report	Management's response
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.
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.
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 management believes that the terms and conditions of such loan was not prima facie prejudicial to the interest of the Company.
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*	

Reproduction of auditors remark from the audit report and CARO report	Management's response
conditions are prejudicial to the interest of the Company. In respect of interest free loan given, the principal amount is repayable on demand and since the repayment of such loan has not been demanded, in our opinion, receipt of the principal amount is regular. 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.
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.
The dues outstanding in respect of income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess on account of any dispute, are as follows:	

Name of the statute	Nature of dues	Amount (Rs.)	Amount Paid Under Protest (Rs.)	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	Financial year 1997-98	Honorable High Court of Andhra Pradesh
The Income Tax Act, 1961	Income tax	7,437,529	-	AY: 2006-07	Commissioner of Income Tax (Appeals), Hyderabad
		3,923,802	-	AY: 2011-12	
		6,924,266	6,924,266	AY: 2009-10	Income Tax Appellate Tribunal, Hyderabad
		18,447,645	18,447,645	AY: 1989-90 to 1998-99	Honorable High Court of Andhra Pradesh.
		656,957	656,957		

Fiscal 2013

Reproduction of auditors remark from the audit report and CARO report	Management's response
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.
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.
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 unable to comment as to whether the rate of interest or other terms and conditions are prejudicial to the interest of the Company.* In respect of interest free loan given, the principal amount is repayable on demand and since the repayment of such loan has not been demanded, in our opinion, receipt of the principal amount is regular.	The management believes that the terms and conditions of such loan was not prima facie prejudicial to the interest of the Company.
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.
In our opinion, the particulars of all contracts or arrangements that need to	

Reproduction of auditors remark from the audit report and CARO report	Management's response
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.
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.
The dues outstanding in respect of income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess on account of any dispute, are as follows:	

Name of the statute	Nature of dues	Amount (Rs.)	Amount Paid Under Protest (Rs.)	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	Financial year 1997-98	Honorable High Court of Andhra Pradesh
The Income Tax Act, 1961	Income tax	6,924,266	6,924,266	AY: 2009-10	Income Tax Appellate Tribunal, Hyderabad
		18,447,645	18,447,645	AY: 1989-90 to 1998-99	Honorable High Court of Andhra Pradesh.
		656,957	656,957		

Fiscal 2012

Reproduction of auditors remark from the audit report and CARO report	Management's response
As discussed in note 2 to the accompanying financial statements, we report that the Company has not recognized Minimum Alternative Tax (MAT) credit entitlement in accordance with the Guidance Note on Accounting for Credit Available in Respect of Minimum Alternative Tax under the	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

Reproduction of auditors remark from the audit report and CARO report	Management's response
Income-tax Act, 1961. Consequently, the consolidated profit for the year ended 31 March 2012 is understated by Rs. 112,767,579 (2011: Rs. 131,527,145) and the balance in loans and advances and reserves and surplus as at 31 March 2012 is understated by Rs. 404,902,653 (2011: Rs.292,135,074). This had caused us to qualify our audit opinion on the consolidated financial statements for the year ended and as at 31 March 2011.	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.
	Further improvements were done.
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 on purchase of Fixed Assets and CWIP.
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 including capital work-in-progress 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 and capital work-in-progress.	The scope was further enhanced.
The Company has an internal audit system, the scope and coverage of which, in our opinion, requires to be further enhanced to be commensurate with its size and the nature of its business.	Transactions were conducted at arm's length.
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 prevailing market prices at the relevant time.	To optimise the cash flows the monies were temporarily deployed.
In our opinion, the term loans were applied for the purpose for which the loans were obtained, though idle/surplus funds which were not required for immediate utilization have been invested in liquid investments, payable on	The Company noted the same and

Reproduction of auditors remark from the audit report and CARO report	Management's response
demand. 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 some cases in respect of value added tax *and works contract tax.* 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 become payable. The dues outstanding in respect of sales-tax, income-tax, custom duty, wealth-tax, excise duty, cess on account of any dispute, are as follows:	took steps to avoid such delays.

Name of the statute	Nature of dues	Amount (Rs.)	Amount deposited under protest / adjusted against refund (Rs.)	Period to which the amount relates	Forum where dispute is pending
The Central Sales Tax Act	Central sales tax	8,690,000	2,500,000	A.Y. 1997-98	Honorable High Court of Andhra Pradesh
The Income Tax Act, 1961	Income tax	36,948,311	36,948,311	A.Y. 2005-06	Income Tax Appellate Tribunal, Hyderabad
		65,054,901	65,054,901	A.Y. 2006-07	
		74,055,385	74,055,385	A.Y. 2008-09	
		6,924,266	6,924,266	A.Y. 2009-10	Commissioner of Income Tax (Appeals), Hyderabad
		18,447,645	18,447,645	A.Y. 1989-90 to 1998-99	Honorable High Court of Andhra Pradesh
		17,205,680	17,205,680	A.Y. 1989-90 to 1998-99	Income Tax Appellate Tribunal, Hyderabad

Fiscal 2011

Reproduction of auditors remark from the audit report and CARO report	Management's response
As discussed in note 4 to Schedule 23 to the financial statements, we report that the Company has not recognized Minimum Alternative Tax (MAT) credit entitlement in accordance with the Guidance Note on Accounting for Credit Available in Respect of Minimum Alternative Tax under the Income-tax Act, 1961. Consequently, the Profit for the year ended 31 March 2011 and 2010 is understated by Rs. 131,527,145 and Rs. 160,607,929 respectively and the balance in loans and advances and reserves and surplus is understated by Rs.292,135,074 and Rs. 160,607,929	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

Reproduction of auditors remark from the audit report and CARO report	Management's response
as at 31 March 2011 and 2010 respectively. This has caused us to qualify our audit opinion on the consolidated financial statements for the year ended and as at 31 March 2010.	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.
The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets, except for certain plant and machinery assets, where the records are maintained for a group of similar assets and not for each individual asset.	The Company noted the same and initiated steps on improvements on the same.
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 including capital work-in-progress 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 and capital work-in-progress.	The Company noted the same and initiated steps on improvements on the same.
The Company has an internal audit system, the scope and coverage of which, in our opinion, requires to be further enhanced to be commensurate with its size and the nature of its business.	The Company noted the same and scope was enhanced.
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 prevailing market prices at the relevant time.	Transactions were conducted at arm's length.
In our opinion, the term loans were applied for the purpose for which the loans were obtained, though idle/surplus funds which were not required for immediate utilization have been invested in liquid investments, payable on demand.	To optimise the cash flows the monies were temporarily deployed.
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 have slight delays,except in the case of tax deducted at source on payments to contractors. 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 become payable.	The Company noted the same and took steps to avoid such delays.
There are no amounts in respect of sales-tax, income-tax, custom duty, wealth-tax, service tax , excise duty and cess that have not been deposited with the appropriate authorities on account of dispute, other than those referred below :	

Name of the statute	Nature of dues	Amount (Rs.)	Amount deposited under protest (Rs.)	Period to which the amount relates	Forum where dispute is pending
The Central Sales Tax Act	Central sales tax	8,690,000	2,500,000	Financial Year 1997-98	Honorable High Court of Andhra Pradesh
The Income Tax Act, 1961	Income tax	6,245,659	-	Assessment year 2005-06	Income Tax Appellate Tribunal, Hyderabad
		9,346,393	9,000,000	Assessment year 2006-07	
		23,261,351	-	Assessment year 2007-08	
		25,808,520	15,485,112	Assessment years 1989-90 to 1998-99	Commissioner of Income Tax (Appeals), Hyderabad
		74,055,385	34,500,000	Assessment year 2008-09	

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 this Preliminary Placement Document.

GENERAL INFORMATION

1. 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 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, please see "*Business*" on page [●].

2. The Equity Shares were listed on the BSE and on the NSE since 1995. The Issue was approved by the Board on May 22, 2015. The Shareholders of our Company have authorized the Issue pursuant to a special resolution dated June 27, 2015, authorised raising of funds up to Rs. 4500 million by way of issue of securities including Equity Shares pursuant to the Issue.

3. Our Company has received in-principle approvals under Clause 24(a) of the Listing Agreement to list the Equity Shares to be issued pursuant to the Issue, both on the BSE and the NSE on [●].We will apply for final listing and trading approvals of such Equity Shares on Stock Exchanges.

4. Our Company has received an approval from the FIPB dated August 18, 2015 for foreign equity participation up to 37.22% of the issued and paid-up capital which comprises of an increase in the aggregate FII/FPI investment limit to 31.5% and allotment of eligible securities to QIBs pursuant to Chapter VIII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended for an approximate foreign investment amount of Rs. 4,500 million. This approval is subject to the following conditions:

   (i) The production level of consumables and National List of Essential Medicine drugs and their supply to domestic market at the time of induction of FDI, be maintained over the next five years at an absolute quantitative level. The benchmark for this level would be decided with reference to the level of production of consumables and/or National List of Essential Medicine drugs in the immediately preceding three financial years to the year of induction of FDI. Of these, the highest level of production in any of these three years would be taken as the level. Our Company does not currently manufacture consumables on National List of Essential Medicine drugs;

   (ii) Research and development expenses be maintained in value terms for 5 years at an absolute quantitative level at the time of induction of FDI. The benchmark for this level would be decided with reference to the highest level of R&D expenses which has been incurred in any of the three financial years immediately preceding to the year of induction of FDI;

   (iii) Individual FII holding would continue to be limited up to 10%;

   (iv) The administrative ministries concerned and the FIPB secretariat will be provided complete information pertaining to the transfer of technology, if any, along with induction of foreign investment into the investee company;

   (v) Other conditions as stipulated in the FDI policy issued by DIPP and regulatory guidelines issued by the RBI and any other regulatory bodies; and

   (vi) No non-compete clause.

   The RBI has, pursuant to its press release dated September 4, 2015, notified that FIIs/registered FPIs can invest up to 31.50% of the paid up capital of our Company under the portfolio investment scheme.

5. 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 Office.

6. Except as disclosed in this Preliminary Placement Document, our Company has obtained necessary consents, approvals and authorisations required in connection with the Issue.

7. There has been no material change in the financial or trading position of our Company since March 31, 2015, the date of the Consolidated Financial Statements prepared in accordance with Indian GAAP included in this Preliminary Placement Document, except as disclosed herein.

8. Except as disclosed in this Preliminary 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. For further details, see "Legal Proceedings" on page [●].

9. Our Company's statutory auditors, Walker Chandiok & Co LLP, Chartered Accountants, Firm registration no. 001076N/N500013, who have audited the Consolidated Financial Statements as of and for the financial year ended 2015, 2014 and 2013 which have been included in this Preliminary Placement Document. Further, consolidated statement of profit and loss of the Company and its subsidiaries for the three months period ended 30 June 2015 and a summary of selected significant accounting policies and other explanatory information, reviewed by Walker Chandiok & Co LLP, our statutory auditors, have been included in this Preliminary Placement Document

10. Our Company confirms that it is in compliance with the minimum public shareholding requirements as required under the terms of the Listing Agreements.

11. The Floor Price for the Equity Shares under the Issue is Rs. [●] per Equity Share which has been calculated in accordance with Chapter VIII of the SEBI ICDR Regulations.

12. Our Company may offer a discount of not more than 5% on the Floor Price of Rs. [●] per Equity Share in terms of Regulation 85 of the SEBI ICDR Regulations.

13. Details of the Compliance Officer:

    M. Adinarayana
    Company Secretary 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: man@natcopharma.co.in

FINANCIAL INFORMATION

Financial Statements	Page No
Auditors Report and the audited consolidated financial statements for the Financial Year ended March 31, 2013	F1 – F33
Auditors Report and the audited consolidated financial statements for the Financial Year ended March 31, 2014	F34 – F66
Auditors Report and the audited consolidated financial statements for the Financial Year ended March 31, 2015	F67 – F103
Auditor's Report and the unaudited limited reviewed consolidated statement of profit and loss of the Company for the three months period ended June 30, 2015	F104 – 106

Walker, Chandiok & Co

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Independent Auditors' Report

To the Board of Directors of NATCO Pharma Limited

1. We have audited the accompanying consolidated financial statements of NATCO Pharma Limited ("the Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which comprise the Consolidated Balance Sheet as at 31 March 2013, and the Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. Management is responsible for the preparation of these consolidated financial statements 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 accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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.

4. 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 auditors' 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 control relevant to the 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 management, as well as evaluating the overall presentation of the consolidated financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

6. *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 outflow pertaining to the said subsidiary amounting to ₹12,598,216 (31 March 2012: ₹47,355,832); ₹Nil (31 March 2012: ₹Nil) and ₹172,555 (31 March 2012: ₹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.*

7. *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 ₹623,262,102 (31 March 2012: ₹404,902,653). This matter had caused us to qualify our audit report for the year ended 31 March 2012.*

Qualified 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, *except for the effects of the matters described in the Basis for Qualified Opinion paragraph*, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   i) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2013;

   ii) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and

   iii) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matter

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 ₹1,635,246,215 as at 31 March 2013; total revenues (after eliminating intra-group transactions) of ₹1,047,572,397 and net cash outflow aggregating to ₹519,176 for the year then ended. These financial statements (other than those mentioned in paragraph 6 above), have been audited by other auditors whose audit reports have been furnished to us by the management, and our audit opinion on the consolidated financial statements of the Group for the year then ended to the extent they relate to the financial statements not audited by us as stated in this paragraph is based solely on the audit reports of the other auditors. Our opinion is not qualified in respect of this matter.

For **Walker, Chandiok & Co**
Chartered Accountants
Firm Registration No.: 001076N

per **Sanjay Kumar Jain**
Partner
Membership No.: 207660

Hyderabad
6 June 2013

NATCO Pharma Limited
Consolidated Balance Sheet as at 31 March 2013
(All amounts in ₹ unless otherwise stated)

	Notes	31 March 2013	31 March 2012
Equity and liabilities			
Shareholders' funds			
Share capital	2	**313,730,740**	311,479,520
Reserves and surplus	3	**5 021,698,073**	4,424,852,126
		5,335,428,813	4,736.331,646
Minority interest		**105,366,852**	8,838,771
Non-current liabilities			
Long-term borrowings	4	**1,378,255,285**	1,340,986,565
Deferred tax liabilities (net)	5	**443,254,232**	293,016,824
Other long term liabilities	6	**6,910,411**	13,536,275
Long-term provisions	7	**86,207,117**	65,905,727
		1 914,627,045	1 713,445,391
Current liabilities			
Short-term borrowings	8	**1,477,434,832**	816,422,437
Trade payables	9	**1,142,900,672**	923,563,734
Other current liabilities	10	**817,687,553**	819,092,811
Short-term provisions	11	**10,678,217**	34,403,492
		3,448,701,274	2,593,482,474
Total		**10 804,123,984**	9,052,098,282
Assets			
Non-current assets			
Fixed assets			
Tangible assets	12	**5,539,060,318**	3,009,078,577
Intangible assets	13	**288,415,671**	186,516,103
Capital work-in-progress		**1,058,418,250**	1,644,271,788
Non-current investments	14	**15,422,910**	617,882,808
Long-term loans and advances	15	**571,986,883**	662,205,720
Other non-current assets	16	**1,264,844**	4,220,803
		7,474,548,876	6,124,175,799
Current assets			
Current investments	17	**8,121,526**	7,374,966
Inventories	18	**1,460,240,041**	1,103,892,807
Trade receivables	19	**1,297,129,607**	946,902,353
Cash and bank balances	20	**126,507,920**	366,311,982
Short-term loans and advances	15	**404,084,824**	465,060,227
Other current assets	21	**33,493,190**	38,380,148
		3,329,577,108	2 927,922,483
Total		**10,804,123,984**	9,052,098,282

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**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 6 June 2013

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

V C Nannapaneni
Chairman & Managing Director

Rajeev Nannapaneni
Vice Chairman & CEO

P Bhaskara Narayana
Director & Chief Financial Officer

M. Adinarayana
Company Secretary

Place: Hyderabad
Date: 6 June 2013

NATCO Pharma Limited
Consolidated Statement of Profit and Loss for the year ended 31 March 2013
(All amounts in ₹ unless otherwise stated)

	Notes	31 March 2013	31 March 2012
Revenue			
Revenue from operations (gross)	22	**6,681,010,091**	5,306,366,660
Less : Excise duty		**75,750,421**	69,137,773
Revenue from operations (net)		**6,605,259,670**	5,237,228,887
Other income	23	**124,063,709**	91,438,422
Total revenue		**6,729,323,379**	5,328,667,309
Expenses			
Cost of materials consumed (including packing material consumed)	24	**1,775,661,952**	1,176,723,270
Purchases of stock-in-trade		**871,409,142**	868,254,127
Changes in inventories of finished goods, work-in-progress and traded goods	25	**(219,089,484)**	(14,186,837)
Employee benefit expenses	26	**1,022,892,190**	800,473,507
Finance costs	27	**263,068,187**	230,359,380
Depreciation and amortisation charge	12 and 13	**221,222,590**	159,078,916
Other expenses	28	**1,654,278,380**	1,305,423,068
Prior period item		**,846,869**	7,123,512
Total expenses		**5,590,289,826**	4,533,248,943
Profit before exceptional items and tax		**1,139,033,553**	795,418,366
Exceptional item	29	**115,840,728**	-
Profit before tax		**1,023,192,825**	795,418,366
Tax expense			
Current tax		**230,422,777**	172,677,639
Deferred tax expense		**133,940,800**	38,070,613
Profit after tax but before minority interest		**658,829,248**	584,670,114
Minority interest		**(59,861,536)**	(11,413,344)
Profit after minority interest		**718,690,784**	596,083,458
Earnings per equity share [EPES]	35		
Face value ₹10 per share			
Basic		**23.01**	20.53
Diluted		**22.91**	20.53

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**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Walker, Chandiok & Co ★ Hyderabad ★

Place: Hyderabad
Date: 6 June 2013

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

V C Nannapaneni
Chairman & Managing Director

Rajeev Nannapaneni
Vice Chairman & CEO

P Bhaskara Narayana
Director & Chief Financial Officer

M. Adinarayana
Company Secretary

Place: Hyderabad
Date: 6 June 2013

NATCO Pharma Limited
Consolidated Cash Flow Statement for the year ended 31 March 2013
(All amounts in ₹ unless otherwise stated)

		31 March 2013	31 March 2012
Cash flows from operating activities			
Profit before tax		**1,023,192,825**	795,418,366
Adjustments :			
Depreciation and amortisation expense		**221,222,590**	159,078,916
Net gain on sale of investments		**(11,766,528)**	(747,897)
Diminution in the value of investments		**-**	3,265,855
Inventory written-off		**8,401,436**	3,751,630
Bad and doubtful trade receivables written off		**(140,529)**	6,039,770
Provision for employee benefits		**17,894,295**	12,235,610
Employee stock option compensation		**57,112,791**	-
Provision no longer required, written back		**(31,875,000)**	-
Interest income		**(23,509,704)**	(24,874,055)
Dividend income		**(4,808)**	(220,720)
Loss on sale of asset		**1,544,179**	-
Interest expenses		**249,458,783**	211,796,315
Unrealised foreign exchange loss / (gain), net		**407,951**	(636,322)
Operating profit before working capital changes		**1,511,938,281**	1,165,107,468
Increase / (decrease) in other current liabilities		**(79,222,132)**	114,867,541
Increase in trade payables		**201,608,082**	156,867,303
Increase / (decrease) in long-term liabilities and provisions		**(9,196,714)**	1,050,000
Increase in inventories		**(343,856,313)**	(85,320,303)
Increase in trade receivables		**(349,721,779)**	(241,792,730)
Increase in other current assets		**(335,451)**	(3,357,689)
Increase in short-term loans and advances		**(72,899,699)**	(233,371,645)
(Increase) / decrease in long-term loans and advances		**(20,310,929)**	11,343,852
Cash generated from operating activities		**838,003,346**	885,393,797
Income taxes paid		**(228,056,560)**	(235,986,387)
Net cash generated from operating activities	**A**	**811,946,786**	649,407,410
Cash flows from investing activities			
Purchase of tangible assets		**(1,078,253,763)**	(1,279,918,029)
Purchase of intangible assets		**(38,558,338)**	(5,301,609)
Acquisition of a subsidiary (see note 2 below)		**-**	-
Proceeds from dissolution of partnership firm		**18,848,513**	-
Purchase of current investments		**(9,129,970)**	(5,353,123)
Proceeds from sale of current investments		**11,789,933**	3,616,569
Interest received		**28,732,113**	22,139,715
Receipt of capital subsidy		**-**	3,000,000
Dividends received		**4,808**	220,720
Increase in other bank balances		**(4,167,009)**	(7,772,195)
Net cash used in investing activities	**B**	**(1,070,733,713)**	(1,269,367,952)

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Walker, Chandiok & Co * Hyderabad *

NATCO Pharma Limited
Consolidated Cash Flow Statement for the year ended 31 March 2013
(All amounts in ₹ unless otherwise stated)

		31 March 2013	31 March 2012
Cash flows from financing activities			
Proceeds from issuance of equity shares		**2,251,220**	675,000,000
Proceeds from long term borrowings		**550,000,000**	508,740,250
Repayment of long term borrowings		**(509,673,095)**	(270,278,046)
Proceeds from short term borrowings, net		**661,012,395**	96,196,971
Minority interest contribution received		**23,642,558**	9,662,186
Interest paid		**(320,554,001)**	(284,847,957)
Dividends paid (including tax on distributed profits)		**(143,578,316)**	(106,721,038)
Net cash from financing activities	**C**	**263,100,761**	627,752,366
Effect of currency translation adjustment	**D**	**(51,240,864)**	21,686,195
Net decreese in cash and cash equivalents (A+B+C+D)		**(246,927,030)**	29,478,019
Cash and cash equivalents as at the beginning of the year		**346,444,889**	316,966,870
Cash and cash equivalents as at the end of the year [Refer Note 1]		**99,517,859**	346,444,889
Note 1:			
Cash and bank balances as per note 20		**126,507,920**	366,311,982
Less: Other bank balances		**26,990,061**	19,867,093
Cash and cash equivalents considered for cash flow statement		**99,517,859**	346,444,889

Note 2:
Acquisition of a subsidiary by way of conversion of share application money into equity share capital of the acquired subsidiary is considered as a non-cash item for the purposes of consolidated cash flow statement.

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

For **Walker, Chandiok & Co**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 6 June 2013

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

V C Nannapaneni
Chairman & Managing Director

Rajeev Nannepaneni
Vice Chairman & CEO

P Bhaskara Narayana
Director & Chief Financial Officer

M. Adinareyana
Company Secretary

Place: Hyderabad
Date: 6 June 2013

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') prescribed in the Companies (Accounting Standard) Rules, 2006 ('the Rules'), as amended. 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 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	
		2013	2012
NATCO Pharma Inc.	United States of America	100.00	100.00
K&C Pharmacy, Partnership Firm	United States of America	-	75.00
Time Cap Overseas Limited	Mauritius	73.00	75.00
NATCO Farma Do Brazil (See note below)	Brazil	66.40	67.50
NATCO Organics Limited ("NOL") (effective 30 June 2012)	India	51.00	-
NATCO Pharma (Canada), Inc (effective 7 November 2012)	Canada	90.00	-

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

b. Use of estimates

The preparation of the 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 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, and the useful lives of fixed 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. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready 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.

Walker, Chandiok & Co. Hyderabad

d. Depreciation

Depreciation is provided on Straight Line Method based on useful lives of the assets as estimated by management which coincides with the rates prescribed under Schedule XIV 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. Individual assets acquired for ₹5,000 or less are entirely depreciated in the year of acquisition.

e. 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.

Product research and development costs
Expenditure incurred on research and development activity is expensed as and when incurred.

f. 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.

g. 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.

h. 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.

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i. **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.

- 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.

- Service income is recognized as per the terms of contracts with customers when the related services are performed, or the agreed milestones are achieved.

- Dividend income is recognized when the right to receive the payment is established. Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate methods taking into account the amount outstanding and the rate applicable.

- Export entitlements are recognized as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

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

- Revenue from licensing and long term supply arrangements, including facility charges is recognized in the period in which the Company completes all its performance obligations.

j. **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 maybe, 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.

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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. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

k. 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.

l. 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 expenses in the year in which they arise.

m. 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'.

n. 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.

o. 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.

p. Leases
Leases that do not transfer substantially all of the risks and rewards of ownership are classified as operating leases and recorded as expenses as and when payments are made over the lease term.

q. 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 astimates. 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.

r. 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.

s. 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.

t. Segment reporting
The Company's management has identified five business segments viz. bulk chemicals, 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 seme 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. **Share capital**

	31 March 2013		31 March 2012	
	Number	Amount	Number	Amount
Authorised share capital				
Equity shares of ₹10 each	32,000,000	320,000,000	32,000,000	320,000,000
Preference shares of ₹10 each	3,000,000	30,000,000	3,000,000	30,000,000
Issued, subscribed and fully paid up				
Equity shares of ₹10 each	31,373,074	313,730,740	31,147,952	311,479,520
	31,373,074	313,730,740	31,147,952	311,479,520

(a) Reconciliation of shares

	31 March 2013		31 March 2012	
	Number	Amount	Number	Amount
Equity shares of ₹10 each				
Balance at the beginning of the year	31,147,952	311,479,520	28,147,952	281,479,520
Add: Issued during the year	-	-	3,000,000	30,000,000
Add: Shares issued under the employee stock option plan ("ESOP")	225,122	2,251,220	-	-
Balance at the end of the year	31,373,074	313,730,740	31,147,952	311,479,520

(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, if any, 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 2013		31 March 2012	
	Number	%	Number	%
Equity share of ₹10 each				
V C Nannapaneni **	8,023,838	25.58%	8,023,838	25.76%
Time Cap Pharma Labs Ltd	3,409,694	10.87%	3,409,694	10.95%
Natsoft Information Systems Private Limited	3,153,500	10.05%	3,153,500	10.12%

** Including shares held in the capacity of Karta of HUF of 1,088,009 (31 March 2012:1,088,009)

(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. This Scheme has been 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 Act. 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.

As at 31 March 2013 the stock option outstanding comprises of Nil (31 March 2012: 225,122) equity shares of ₹10 each, fully paid-up at an exercise price of ₹10 each to eligible employees, subject to vesting over a period of twelve months from the date of the grant. Shares granted under ESOP 2010 are accounted at intrinsic value of ₹253.70 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.

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(ii) During the year ended 31 March 2013 the Company has amortized stock compensation expenses amounting to ₹57,112,791 including ₹36,202,643 (31 March 2012: ₹Nil) pertaining to prior period.

(iii) Changes in number of shares representing stock options outstanding as at the year ended on 31 March 2012 were as follows:

	ESOP 2010
Outstanding as at 1 April 2011	-
Granted during the year	**236,551**
Exercised and vested	-
Forfeited	**11,429**
Outstanding as at 31 March 2012	**225,122**
Exercised and vested	**225,122**
Forfeited	-
Outstanding as at 31 March 2013	-

(iv) Proforma disclosures:
Earnings per equity share (EPES) calculated using cost computed under the black and scholes model method is higher than the EPES reported after considering the cost computed using the Intrinsic value method, hence no proforma disclosures are presented.

(e) Details of shares issued pursuant to contract without payment being received in cash and brought back during the last 5 years, immediately preceeding the balance sheet date:

	31 March 2013	31 March 2012
Equity shares of ₹10 each allotted as fully paid-up pursuant to contracts without payment being received in cash.*	**332,247**	211,600
Equity shares bought back by the Company	-	458,465

* The Company has issued these shares on exercise of the options granted under the employee stock option plan (ESOP) wherein part consideration was received in form of employee services.

(f) In the prior year, NATCO Group Employees Welfare Trust ("Trust") acquired certain equity shares of the Company from the open market for the purposes of further allotment to the employees of the Company. Pursuant to the Circular No. CIR/CFD/DIL/7/2013 dated 13 May 2013 issued by SEBI and as required thereunder, the Trust is in the process of disposing off such shares in compliance with the provisions of the said circular.

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NATCO Pharma Limited
Summary of significant accounting policies and other explanatory information
(All amounts in ₹ unless otherwise stated)

3. **Reserves and surplus**

	31 March 2013	31 March 2012
Capital reserve		
Balance at the beginning of the year	**207,272,762**	204,272,762
Add : Additions during the year	**-**	3,000,000
Balance at the end of the year	**207,272,762**	207,272,762
Capital redemption reserve - as per last balance sheet	**4,928,810**	4,928,810
Securities premium reserve		
Balance at the beginning of the year	**1,464,328,761**	819,328,761
Add : Additions during the year [Refer note 2(d)]	**57,112,791**	645,000,000
Balance at the end of the year	**1,521,441,552**	1,464,328,761
General reserve		
Balance at the beginning of the year	**247,161,000**	177,161,000
Add : Additions during the year	**80,000,000**	70,000,000
Balance at the end of the year	**327,161,000**	247,161,000
Foreign currency translation reserve		
Balance at the beginning of the year	**79,839,895**	33,319,593
Add : Adjustments during the year	**(33,107,343)**	46,520,302
Balance at the end of the year	**48,732,552**	79,839,895
Surplus in the statement of profit and loss		
Balance at the beginning of the year	**2,421,320,898**	2,003,840,226
	-	-
Add : Profit for the year	**718,690,783**	596,083,458
Less: Interim dividend - ₹4 (31 March 2012: ₹3) per share	**125,492,298**	93,443,856
Less: Tax on distributed profits	**20,357,988**	15,158,930
Less: Transferred to general reserve	**80,000,000**	70,000,000
Balance at the end of the year	**2,914,161,397**	2,421,320,898
	5,021,698,073	4,424,852,126

4. **Long-term borrowings**

	31 March 2013	31 March 2012
Secured		
Term loans from		
Banks	**1,268,412,628**	964,195,612
Other parties	**609,176,471**	803,647,059
	1,877,589,099	1,767,842,671
Unsecured		
Deferred payment liabilities	**542,698**	2,193,184
From other parties	**21,511,225**	-
	1,899,643,022	1,770,035,855
Less: Current maturities of long-term borrowings (note 10)	**521,387,737**	429,049,290
	1,378,255,285	1,340,986,565

(a) **Deferred payment liabilities**
Represents interest free sales tax deferment, availed under the 'TARGET 2000' Scheme of the Government of Andhra Pradesh, India.

(b) **Terms and conditions of loans and nature of security**

(i) Term loans amounting to ₹696,676,471 (31 March 2012: ₹941,147,059) 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 ₹327,559,559 (31 March 2012: ₹410,814,800) 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 loan amounting to ₹853,353,069 (31 March 2012: ₹415,880,812) 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 2012: 3.53% per annum to 14% per annum).

(c) **Details of repayment of long term borrowings**

	31 March 2013	31 March 2012
Up to 1 year	**521,387,737**	429,049,290
From 1 to 3 years	**861,171,952**	1,030,006,183
3 years and above	**517,083,333**	310,980,382
	1,899,643,022	1,770,035,855

5. **Deferred tax liability, net**

	31 March 2013	31 March 2012
On account of depreciation	**472,357,542**	313,976,066
On account of employee benefits and others	**(29,103,310)**	(20,959,242)
Net deferred tax liability	**443,254,232**	293,016,824

6. **Other long-term liabilities**

	31 March 2013	31 March 2012
Deposits	**6,910,411**	13,536,275
	6,910,411	13,536,275

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7. **Long-term provisions**

	31 March 2013	31 March 2012
Provision for gratuity	**55,565,507**	45,868,185
Provision for leave benefits	**30,641,610**	20,037,542
	86,207,117	65,905,727

In respect of NOL, provision for gratuity aggregating to ₹1,046,105 has been made based on management estimate, as against the group accounting policy as mentioned in note 1(n)

(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 2013	31 March 2012
Projected benefit obligation at the beginning of the year	**73,162,037**	58,231,217
Service cost	**5,420,329**	4,282,414
Interest cost	**5,852,963**	4,658,497
Actuarial (gain) / loss	**13,154,950**	7,133,657
Benefits paid	**(3,127,649)**	(1,143,748)
Projected benefit obligation at the end of the year	**94,462,630**	73,162,037

(ii) **Change in plan assets**

	31 March 2013	31 March 2012
Fair value of plan assets at the beginning of the year	**27,293,852**	26,078,468
Expected return on plan assets	**3,190,969**	2,359,132
Employer contributions	**12,586,056**	-
Benefits paid	**(3,127,849)**	(1,143,748)
Fair value of plan assets at the end of the year	**39,943,228**	27,293,852

(iii) **Reconciliation of present value of obligation on the fair value of plan assets**

	31 March 2013	31 March 2012
Present value of projected benefit obligation at the end of the year	**94,462,630**	73,162,037
Funded status of the plans	**39 943,228**	27,293,852
Net liability recognised in the balance sheet	**54,519,402**	45,868,185

(iv) **Expense recognized in the statement of profit and loss**

	31 March 2013	31 March 2012
Service cost	**5,420,329**	4,282,414
Interest cost	**5,852,983**	4,658,497
Expected returns on plan assets	**(3,190,969)**	(2,359,132)
Recognized net actuarial (gain)/ loss	**13,154,950**	7,133,657
Net gratuity costs	**21,237,273**	13,715,436

(v) **Key acturial assumptions**

	31 March 2013	31 March 2012
Discount rate	**8.00%**	8.00%
Expected retum on plan assets	**9.25%**	9.25%
Salary escalation rate	**4.00%**	4.00%

B. **Short-term borrowings**

	31 March 2013	31 March 2012
Loans repayable on demand		
Secured		
From Banks	**947,559,690**	717,089,070
Unsecured		
From Banks	**529,875,142**	99,333,367
	1,477,434,832	816,422,437

(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 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 and (a) Ms. Durga Devi Nannapaneni, promoter and (b) Dr. N. Ramakrishna Rao, relative of Chairman and Managing Director, in case of working capital limits availed from SBI, Corporation Bank, Oriental Bank of Commerce and Allahabad Bank.

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

9. **Trade payables**

	31 March 2013	31 March 2012
Creditors for purchases and expenses	**1,022,570,504**	766,413,492
Employee and other payables	**120,330,168**	157,150,242
	1,142,900,872	923,563,734

10. **Other current liabilities**

	31 March 2013	31 March 2012
Current maturities of long-term borrowings	**521,387,737**	429,049,290
Interest accrued but not due on long-term borrowings	**7,241,672**	11,093,108
Creditors for capital assets	**194,748,273**	210,171,583
Book overdraft	**46,993,831**	31,000,614
Advance from customers	**11,323,209**	106,307,670
Unpaid dividends	**8,303,908**	6,031,940
Statutory liabilities	**27,888,923**	25,438,606
	817,687,553	819,092,811

11. **Short-term provisions**

	31 March 2013	31 March 2012
Provision for contingencies	**-**	31,875,000
Provision for taxation [net of advance tax]	**7,372,237**	155,776
Provision for leave benefits	**3,305,980**	2,372,716
	10,678,217	34,403,492

(a) Provision for contigencies represents, possible obligations that may arise in view of uncertainities associated with certain revenue transactions entered into by the Company. In the current year, as the terms associated with such revenue transactions has been satisfied, accordingly the Company has reversed such provision.

12. Tangible assets

	Freehold land	Leasehold land	Buildings	Plant and equipment	Office equipment	Furniture	Vehicles	Computers	Total
Gross block									
Balance as at 1 April 2011	259,814,100	16,725,782	1,068,849,687	1,988,335,799	34,976,664	28,090,301	70,820,785	71,977,301	3,539,590,439
Additions	69,823,025	-	200,203,695	335,477,601	2,051,229	11,300,565	6,685,026	4,548,236	630,069,377
Foreign exchange adjustments	-	-	-	-	1,844,478	640,840	162,630	559,690	3,207,839
Balance as at 31 March 2012	329,637,125	16,725,762	1,269,053,362	2,323,613,400	38,872,391	40,031,706	77,668,441	77,085,427	4,172,667,655
On acquisition of a subsidiary	195,959,000	-	163,749,970	153,435,651	1,742,677	1,149,294	2,540,043	2,562,394	521,139,429
Additions	115,703,075	-	533,867,152	1,496,208,770	2,627,046	15,868,528	16,404,634	20,606,311	2,203,505,517
Disposals / adjustments	-	-	-	12,000	6,757,553	-	2,720,744	-	9,490,297
Foreign exchange adjustments	-	-	14,032,917	25,127,140	911,572	(28,521)	67,121	106,761	40,217,011
Balance as at 31 March 2013	641,299,200	16,725,782	1,980,703,421	3,996,573,161	37,396,332	57,041,006	95,959,496	100,560,913	6,928,259,315
Accumulated depreciation									
Up to 1 April 2011	-	1,060,706	213,436,663	661,623,719	15,738,172	15,958,107	33,047,803	65,917,351	1,006,782,521
Depreciation charge	-	188,536	36,638,885	103,133,452	3,711,867	4,119,975	4,963,216	2,135,801	154,891,733
Foreign exchange adjustments	-	-	-	-	1,408,264	299,610	64,926	342,025	2,134,824
Up to 31 March 2012	-	1,249,242	250,075,548	764,757,171	20,858,303	20,377,692	38,095,945	66,395,177	1,163,809,078
On acquisition of a subsidiary	-	-	6,791,805	9,829,323	466,949	202,340	294,772	524,633	18,129,822
Depreciation charge	-	188,536	49,639,956	147,439,793	2,144,094	3,784,329	6,156,296	4,796,190	214,149,194
Reversal on disposal	-	-	-	893	6,169,585	-	1,775,640	-	7,946,118
Foreign exchange adjustments	-	-	-	-	736,751	147,242	60,047	112,982	1,057,021
Up to 31 March 2013	-	1,437,778	306,507,309	922,025,394	16,056,511	24,511,603	42,631,420	73,828,982	1,389,198,997
Net block									
Balance as at 31 March 2012	329,637,125	15,476,540	1,018,977,634	1,559,056,229	18,014,086	19,654,014	39,572,496	8,690,250	3,009,078,577
Balance as at 31 March 2013	641,299,200	15,288,004	1,674,196,112	3,076,547,767	19,339,821	32,529,405	53,126,076	26,731,931	5,539,060,316

(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.

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NATCO Pharma Limited
Summary of significant accounting policies and other explanatory information
(All amounts in ₹ unless otherwise stated)

13. **Intangible assets**

	Computer Software	Goodwill	Total
Gross block			
Balance as at 1 April 2011	22,377,238	181,703,040	204,080,278
Additions	5,301,609	-	5,301,609
Deletions/Adjustments	-	7,123,512	7,123,512
Foreign exchange adjustments	, 17,416	28,110,749	28,128,166
Balance as at 31 March 2012	**27,696,263**	**202,690,277**	**230,386,541**
On acquisition of a subsidiary	**40,500**	**-**	**40,500**
Additions	**38,558,338**	**64,252,394**	**102,810,732**
Foreign exchange adjustments	**(91,080)**	**8,250,271**	**8,159,192**
Balance as at 31 March 2013	**66,204,021**	**275,192 942**	**341,396,985**
Accumulated amortisation			
Up to 1 April 2011	5,381,569	-	5,381,569
Amortization charge	4,187,183	-	4,187,183
Foreign exchange adjustments	4,936	-	4,936
Up to 31 March 2012	**9,573,687**	**-**	**9,573,688**
On acquisition of a subsidiary	**6,565**	**-**	**6,565**
Amortization charge	**7,073,396**	-	**7,073,396**
Foreign exchange adjustments	**(136,465)**	-	**(136,465)**
Up to 31 March 2013	**16,517,183**	**-**	**16,517,184**
Impairment loss			
Up to 1 April 2011	**-**	29,934,610	29,934,610
Foreign exchange adjustments	**-**	4,362,140	4,362,140
Up to 31 March 2012	**-**	**34,296,750**	**34,296,750**
Impairment charge for the year		-	-
Foreign exchange adjustments		2,167,360	**2,167,360**
Up to 31 March 2013	**-**	**36,464,110**	**36,464,110**
Net block			
Balance as at 31 March 2012	18,122,576	168,393,527	186,516,103
Balance as at 31 March 2013	**49,686,838**	**238,728,832**	**268,415,671**

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14. **Non-current investments**

	31 March 2013	31 March 2012
Investments in equity instruments, Trade, Unquoted		
Others		
750 (2011: 750) equity shares of ₹ 100 each, fully paid-up, in Jeedimetla Effluent Treatment Limited	**75,000**	75,000
34,400 (2011: 34,400)equity shares of ₹10 each, fully paid-up, in Pattancheru Enviro-Tech Limited	**344,000**	344,000
Share application money in NATCO Organics Limited	**-**	602,459,898
Total investments in equity instruments, Trade (A)	**419,000**	602,878,898
Investments in equity instruments, Others, Quoted		
27,000 (31 March 2012: 27,000) equity shares of ₹10 each, fully paid-up in Jayalakshi Spinning Mills Limited	**270,000**	270,000
Totsl 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 2012: 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)	**15,692,910**	618,152,808
Less: provision for diminution in value of investments	**270,000**	270,000
	15,422,910	617,882,808
Quoted investments	**270,000**	270,000
Market value of quoted investments	**-**	-
Unquoted investments [including share application money]	**15,422,910**	617,882,808
Provision for diminution in value of investments	**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 2013.

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15. **Loans and advances**
(Unsecured, considered good)

	31 March 2013	31 March 2012
Long-term		
Capital advances	**310,647,055**	177,290,805
Security deposits	**29,464,415**	20,655,957
Advance tax, net	**143,367,501**	140,517,257
Loans and advances to related parties	**-**	255,566,941
Balances with government authorities	**88,487,912**	68,174,760
	571,966,883	662,205,720
Short-term		
Loans and advances to related parties	**12,743,400**	170,000,000
Prepaid expenses	**15,556,316**	17,440,864
Balances with government authorities	**293,597,772**	141,964,952
Notes receivable	**-**	29,203,505
Advances for purchases and expenses	**49,301,944**	69,377,065
Other advances	**32,885,392**	37,073,841
	404,084,824	465,060,227

16. **Other non-current assets**
(Unsecured, considered good)

	31 March 2013	31 March 2012
Margin money deposit with banks*	**1,264,844**	4,220,803
	1,264,844	4,220,803

*Bank deposits held with banks as margin money with a maturity period of more than 12 months.

17. **Current investments**

	31 March 2013	31 March 2012
Investments in equity instruments, Quoted, Non trade		
140,000 (31 March 2012: 93,365) equity shares of ₹10 each, fully paid-up in Neuland Laboratories Limited	**7,613,556**	6,866,996
1,000 (31 March 2012: 1,000) equity shares of ₹10 each, fully paid-up in Sun Pharmaceuticals Industries Limited	**507,970**	507,970
	8,121,526	7,374,966
Aggregate amount of		
Quoted investments	**8,121,526**	7,374,966
Market value of quoted investments	**13,845,950**	7,436,946
Unquoted investments	**-**	7,374,966
Provision for diminution in value of investments	**-**	3,265,855

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18. **Inventories**

	31 March 2013	31 March 2012
Raw materials [including goods-in-transit of ₹4,833,327 (31 March 2012: ₹25,975,063)]	**406,389,009**	328,601,728
Work-in-progress	**544,128,311**	368,403,712
Finished goods	**155,069,614**	86,729,795
Stores and spares [including goods-in-transit of ₹4,083,462 (31 March 2012: ₹7,432,065)]	**128,379,870**	101,949,782
Packing materials [including goods-in-transit of ₹87,384 (31 March 2012: ₹307,012)]	**83,465,474**	56,461,910
Stock-in-trade [including goods-in-transit of ₹Nil (31 March 2012: ₹404,705)]	**142,807,763**	161,745,880
	1,460,240,041	1,103,892,807

19. **Trade receivables**

	31 March 2013	31 March 2012
Due for a period exceeding six months		
Unsecured, considered good	**70,661,175**	24,349,617
Unsecured, considered doubtful	**15,309,640**	15,450,169
	85,970,815	39,799,786
Less: Provision for doubtful receivables	**15,309,640**	15,450,169
	70,661,175	24,349,617
Other debts		
Unsecured, considered good	**1,226,468,432**	922,552,736
	1,297,129,607	946,902,353

20. **Cash and bank balances**

	31 March 2013	31 March 2012
Cash and cash equivalents		
Balances with banks		
- on current accounts	**66,507,265**	58,736,632
- on deposit accounts	**2,500,000**	275,895,797
Cash on hand	**30,510,594**	11,812,460
	99,517,859	346,444,889
Other bank balances		
Unpaid dividend account	**8,303,908**	6,031,940
Bank deposits held with banks as margin money	**18,686,153**	13,835,153
	28,990,061	19,867,093
	128,507,920	366,311,982

21. **Other current assets**
(Unsecured, considered good)

	31 March 2013	31 March 2012
Interest accrued on fixed deposits	**6,128,018**	11,350,425
Export incentives receivable	**27,365,174**	27,029,723
	33,493,190	38,380,148

22. **Revenue from operations**

	31 March 2013	31 March 2012
Sale of products	**6,100,469,454**	5,078,367,817
Sale of services, net of service tax	**148,348,214**	38,483,783
Other operating revenues		
Job work charges	**94,360,434**	89,549,686
Export incentives	**44,549,118**	30,907,494
Scrap sales	**60,130,615**	32,292,603
Income from leasing of facility	**112,125,000**	-
Others	**121,027,256**	36,765,277
	432,192,423	189,515,060
Total revenue from operations	**6,681,010,091**	5,306,366,660

23. **Other income**

	31 March 2013	31 March 2012
Interest income	**23,509,704**	24,874,055
Dividend income	**4,808**	220,720
Net gain on sale of investments	**11,766,528**	747,897
Foreign exchange gain, net	**52,065,143**	61,343,675
Provision no longer required, written back	**31,875,000**	-
Other non-operating income	**4,842,526**	4,252,075
	124,063,709	91,438,422

24. **Cost of raw materials consumed (including packing materials consumed) #**

	31 March 2013	31 March 2012
Opening stock	**385,063,638**	304,754,481
Add: On acquisition of a subsidiary	**4,653,252**	-
Add: Purchases during the year	**1,875,799,545**	1,257,032,427
Less: Closing stock	**489,854,483**	385,063,638
	1,775,661,952	1,176,723,270

Disclosed based on derived figures, rather than actual records of issue.

25. **Changes in inventories of finished goods, work-in-progress and stock-in-trade**

	31 March 2013	31 March 2012
Opening stock		
- Finished goods	**86,729,795**	115,616,979
- Work-in-progress	**368,403,712**	348,374,790
- Stock-in-trade	**161,745,880**	124,787,723
	616,879,387	588,779,492
On acquisition of a subsidiary		
- Work-in-progress	**119,932**	-
Closing stock		
- Finished goods	**155,069,614**	86,729,795
- Work-in-progress	**544,128,311**	368,403,712
- Stock-in-trade	**142,807,763**	161,745,881
	842,005,688	616,879,388
Currency translation adjustment	**(5,916,885)**	(13,913,059)
	(219,089,484)	(14,186,837)

26. **Employee benefit expense**

	31 March 2013	31 March 2012
Salaries and wages	**824,778,673**	650,520,355
Contribution to provident and other funds	**72,933,854**	62,838,845
Employee stock option compensation	**57,112,791**	-
Staff welfare expenses	**68,066,872**	87,114,307
	1,022,892,190	800,473,507

27. **Finance costs**

	31 March 2013	31 March 2012
Interest expense	**249,458,783**	211,796,315
Other borrowing costs	**13,609,404**	18,563,065
	263,068,187	230,359,380

Interest expenses is after capitalization of ₹67,243,782 (31 March 2012: ₹82,659,494) to fixed assets.

28. **Other expenses**

	31 March 2013	31 March 2012
Consumption of stores and spare parts	**160,077,786**	89,829,648
Power and fuel	**387,471,609**	268,813,296
Rent	**20,454,391**	24,445,071
Repairs and maintenance		
- Buildings	**48,650,938**	33,649,113
- Plant and equipment	**104,917,854**	84,107,172
- Others	**22,972,608**	11,782,095
Insurance	**28,690,897**	24,365,923
Rates and taxes	**96,535,615**	58,064,943
Factory maintenance expenses	**121,744,104**	84,671,336
Analysis charges	**46,252,799**	44,927,149
Carriage and freight outwards	**66,109,115**	42,796,289
Donations	**30,556,433**	25,842,325
Communication expenses	**19,721,674**	16,474,740
Office maintenance and other expenses	**35,943,911**	29,883,064
Travelling and conveyance	**88,547,263**	81,617,511
Legal and professional fees	**83,750,005**	68,328,911
Payment to auditors		
- As auditor	**1,450,000**	1,050,000
- For other services	**-**	900,000
- For reimbursement of expenses	**14,321**	4,236
Adjustments to the carrying amount of current investments	**-**	3,265,855
Inventory written-off	**8,401,436**	3,751,630
Bad debts	**33,203**	6,039,770
Directors sitting fee	**150,000**	180,000
Sales promotion expenses including sales commssion	**82,097,507**	147,442,852
Research and development expenses	**146,336,413**	84,270,985
Printing and stationery	**19,635,270**	18,368,924
Miscellaneous expenses	**33,763,228**	50,550,230
	1,654,278,380	1,305,423,068

29. **Exceptional item**

Exceptional item represents written-off of amount deposited with the Hon'ble High Court of Andhra Pradesh against the pending legal dispute with M/s. SMS Pharmaceuticals Limited.

30. **Related party disclosures**

(a) **Names of the realted parties and nature of relationship**

Names of related parties	Nature of relationship
NATCO Organics Limited	Entity in which Directors have control or have significant influence (up to 29 June 2012) Subsidiary company (w.e.f. 30 June 2012)
Time Cap Pharma Labs Limited NATCO Trust, Hyderabad NATCO Group Employees Welfare Trust Natsoft Information Systems Private Limited NDL Infratech Private Limited	Entities in which Directors have control or have significant influence
V C Nannapaneni Rajeev Nannapaneni P Bhaskara Narayana A K S Bhujanga Rao	Key management personnel ("KMP")
Durga Devi Nannapaneni Neelima Nannapaneni Dr. Ramakrishna Rao	Relative of KMP

(b) **Transactions with related parties**

	31 March 2013	31 March 2012
NATCO Organics Limited		
Advance towards future supplies	**43,782,194**	159,343,231
Rental expense	**285,000**	1,140,000
Purchases	**3,132,500**	41,250,559
Sales	**-**	3,021,097
Time Cap Pharma Labs Limited		
Income from Job work charges and sales	**2,862,350**	1,965,240
Re-imbursement of expenses	**120,000**	120,000
Commission and expenses reimbursement	**3,966,723**	4,885,751
Purchases	**1,663,200**	1,681,961
Rental expense	**1,800,000**	1,620,000
Advances given	**4,000,000**	19,021,759
Dividends paid	**13,650,776**	10,209,582
Natsoft Information Systems Private Limited		
Dividends paid	**12,614,000**	9,460,500
NDL Infratech Private Limited		
Interest on loans granted	**-**	853,694
NATCO Trust		
Donations given	**24,400,000**	22,500,000
NATCO Group Employees Welfare Trust		
Donations for the welfare of employees	**-**	17,211,557
Dividends paid	**336,000**	252,000
Transactions with key management personnel		
V C Nannapaneni		
Managerial remuneration	**13,383,000**	10,608,000
Rental expenses	**1,800,000**	1,440,000
Dividends paid	**32,095,352**	24,071,514
Personal guarantees against loans taken by the Company	**830,000,000**	1,110,814,800
Rajeev Nannapaneni		
Managerial remuneration	**10,690,000**	8,400,000
Rental expenses	**960,000**	720,000
Dividends paid	**1,826,440**	2,719,830

	31 March 2013	31 March 2012
P Bhaskara Narayana		
Managerial remuneration	**3,200,000**	3,200,000
Dividends paid	**6,800**	22,500
Stock options		
1,700 (31 March 2012: Nil) equity shares granted at an exercise price of ₹10 per share under the employee stock option scheme framed by the Company.	**431,285**	-
A K S Bhujanga Rao		
Managerial remuneration	**2,948,628**	3,119,599
Dividends paid	**34,800**	21,000
Stock options		
1,700 (31 March 2012: Nil) equity shares granted at an exercise price of ₹10 per share under the employee stock option scheme framed by the Company.	**431,285**	-
Transactions with a relatives of key management personnel		
Durga Devi Nannapaneni		
Dividends paid	**3,311,280**	2,483,460
Personal guarantees against loans taken by the Company	**-**	145,000,000
Neelima Nannapaneni		
Dividends paid	**1,586,388**	1,189,776
Dr. Ramakrishna Rao		
Dividends paid	**567,928**	425,946
Personal guarantees against loans taken by the Company	**-**	145,000,000

(c) **Balances receivable / (payable)**

	31 March 2013	31 March 2012
NATCO Organics Limited	**-**	425,478,283
Time Cap Pharma Labs Limited	**(1,526,078)**	2,001,778
Natsoft Information Systems Private Limited	**-**	16,667
NATCO Group Employees Welfare Trust	**-**	10,000
NATCO Trust	**10,818**	61,991
V C Nannapaneni	**(616,763)**	(483,008)
Rajeev Nannapaneni	**(494,539)**	(329,630)
P Bhaskara Narayana	**(122,438)**	(179,984)
A K S Bhujanga Rao	**(358,765)**	(489,858)
Outstanding guarantees		
V C Nannapaneni	**4,421,589,099**	3,624,842,671
Dr. Ramakrishna Rao	**1,328,000,000**	1,328,000,000
Durga Devi Nannapaneni	**1,328,000,000**	1,328,000,000

31. **Contingent liabilities and commitments**

	31 March 2013	31 March 2012
(a) **Commitments**		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**147,103,904**	67,213,981
(b) **Contingent liabilities**		
Claims against the company not acknowledged as debt	**204,227,280**	320,068,008
Disputed sales tax liabilities	**8,690,000**	8,690,000
Disputed income tax liabilities	**26,028,878**	169,259,702

Claims against the Company not acknowledged as debt, represents claim including interest lodged by SMS Pharmaceuticals Limited, against the Company. During the current year, the Hon'ble City Civil Court, Hyderabad has passed the judgement against the Company. Based on a legal advice received, the Company has preferred an appeal before the Hon'ble High Court of Andhra Pradesh as the management is confident of favorable outcome and has recorded an expense aggregating to ₹115,840,728 in the accompanying financial statements.

Disputed tax liabilities primarily represents additional tax demanded by the Tax Authorities, challenging the Company's basis of computing profits of units covered by the provisions of Section 80IC of the Income Tax Act, 1961. Pending final outcome of such matters and in view of the order for Assessment Year 2007-08 and 2008-09 being set aside by appellate authorities, management is confident of favorable outcome of the proceedings.

32. **Acquisition of a subsidiary**

Effective 30 June 2012, the Company has acquired 51% stake in the share capital of NATCO Organics Limited ("acquired entity"). The acquisition of the interest in the acquired entity is accounted in accordance with the accounting principles laid down under AS 21. Accordingly, the excess of the purchase price over the net assets acquired has been recorded as Goodwill in the Consolidated Financial Statements. Transactions relating to statement of profit and loss of the acquired entity have been included in the Consolidated Statement of Profit and Loss from the effective date of acquisition.

(a) The interest of the Company in the net assets of the acquired entity and resulting goodwill as on the date of acquisition is given as under:

		As at 30 June 2012 (Unaudited)
Purchase consideration	(A)	**202,417,700**
Company's share in net assets as on the date of acquisition*	(B)	**138,185,306**
Goodwill	(A-B)	**64,252,394**

(b) Summary of post acquisition operating results of the acquired entity included in the Consolidated Statement of Profit and Loss for the year ended 31 March 2013:

Total revenue	(A)	**34,006,314**
Total expenses, including tax expense	(B)	**101,037,805**
	(C) =(A-B)	**(67,031,491)**
Share of loss of minority share holders transferred	(D)	**(32,945,431)**
	(C-D)	**(34,186,060)**

(c) The assets and liabilities of the acquired entity included in the Consolidated Balance Sheet as at 31 March 2013 are:

Liabilities	
Minority interest	**99,901,622**
Non-current liabilites, including deferred tax	**1,036,608,329**
Current liabilites	**29,250,921**
	1,165,760,872
Assets	
Goodwill	**64,252,394**
Non-current assets	**1,168,597,507**
Current assets	**101 142,604**
	1,333 992,505

Note: In the absence of audited financial statement for the computation of goodwill and disclosure of summary of post acquisition operating results, the same are presented based on management prepared accounts.

33. **Disposal of a subsidiary**

During the year, the Company has realised an amount aggregating to ₹18,848,513 on dissolution of its partnership firm K & C Pharmacy, United States of America ("K&C") effective 14 June 2012. The accompanying Consolidated Statement of Profit and Loss for the year ended 31 March 2013 include oo items of Statement of Profit and Loss of K&C for the period 1 April 2012 to 14 June 2012. The effect of such disposal of the subsidiary on the financial position on the reporting date, the results for the reporting period and on the corresponding amounts for the previous year are given below:

	As at 14 June 2012	As at 31 March 2012
Liabilites	-	-
Assets		
Current assets	29,203,505	29,203,505
	29,203,505	**29,203,505**

Note: In the absence of audited financial statement of the K&C Pharmacy, the above disclosure is presented based on management prepared accounts.

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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 bulk chemicals, 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 2013

Particulars	Bulk chemicals	Finished dosage formulations	Job works	Pharmacy	Others	Eliminations	Total
Revenue							
External sales	2,220,916,178	2,842,971,380	-	1,036,581,896	-	-	6,100,469,454
Inter-segment sales	158,106,950	-	-	-	-	(158,106,950)	-
	2,379,023,128	2,842,971,380	-	1,036,581,896	-	(158,106,950)	6,100,469,454
Less: Excise duty	30,446,736	45,303,685	-	-	-	-	75,750,421
Revenue [Net]	2,348,576,392	2,797,667,695	-	1,036,581,896	-	(158,106,950)	6,024,719,033
Sale of dossiers	-	-	-	-	148,348,214	-	148,348,214
Job work charges	-	-	94,360,434	-	-	-	94,360,434
Other income	53,305,111	139,050,075	-	-	162,197,530	(16,720,727)	337,831,989
Total segment revenue	2,401,881,503	2,936,717,770	94,360,434	1,036,581,896	310,545,744	(174,827,677)	6,605,259,670
Results							
Segment result	468,120,996	1,283,219,696	76,735,149	(35,888,628)	248,826,641	-	2,041,013,854
Unallocated corporate expenses							762,975,823
Finance cost							263,068,187
Other income							124,063,709
Exceptional item							115,840,728
Profit before tax							1,023,192,825
Income tax [Including deferred tax]							364,363,577
Profit before minority interest							658,829,248
Minority interest							(59,861,536)
Net profit for the year							718,690,784

Walker, Chandiok & Co, Hyderabad

34. **Segment reporting**

Other information as at 31 March 2013

Particulars	Bulk Chemicals	Finished dosage Formulations	Job Works	Pharmacy	Others	Eliminations	Total
Segment assets	5,590,840,266	3,731,025,105	9,351,917	223,971,921	44,926,918	-	9,600,116,128
Unallocated corporate assets	-	-	-	-	-	-	1,204,007,856
Total assets	5,590,840,266	3,731,025,105	9,351,917	223,971,921	44,926,918	-	10,804,123,984
Segment liabilities	1,721,885,901	456,829,111	-	227,256,880	-	(1,140,582,545)	1,265,389,347
Minority interest	-	-	-	-		-	105,366,852
Unallocated corporate liabilities	-	-	-	-		-	4,097,938,972
Total liabilities	1,721,885,901	456,829,111	-	227,256,880	-	(1,140,582,545)	5,468,695,171
Capital expenditure	886,900,040	276,967,091	-	6,689,099	250,073,786	-	1,420,630,016
Depreciation and amortisation	104,982,565	97,252,301	-	3,632,861	15,354,863	-	221,222,590
Non cash expenses, other than depreciation	-	8,401,436	-	-	76,959,216	-	85,360,652

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34. **Segment reporting**

Business segment

For the year ended 31 March 2012

Particulars	Bulk Chemicals	Finished dosage Formulations	Job Works	Pharmacy	Others	Eliminations	Total
Revenue							
External sales	1,476,615,867	2,721,281,476	-	880,470,473	-	-	5,078,367,816
Inter-segment sales	159,518,699	-	-	-	-	(159,518,699)	-
	1,636,134,566	2,721,281,476	-	880,470,473	-	(159,518,699)	5,078,367,817
Excise duty	19,532,790	49,604,983	-	-	-	-	69,137,773
Total Sales	1,616,601,776	2,671,676,493	-	880,470,473	-	(159,518,699)	5,009,230,044
Sale of dossiers	-	-	-	-	38,483,783	-	38,483,783
Job work charges	-	-	89,549,686	-	-	-	89,549,686
Other income	25,992,767	53,712,506	-	2,156,742	18,103,359	-	99,965,374
Total segment revenue	1,642,594,543	2,725,388,999	89,549,686	882,627,215	56,587,142	(159,518,699)	5,237,228,887
Results							
Segment result	294,299,888	1,180,018,766	75,407,230	(12,436,141)	45,409,142	-	1,582,698,885
Unallocated corporate expenses							465,482,717
Operating profit							1,117,216,168
Finance cost							230,359,380
Other income							91,438,422
Profit before tax and minority interest							795,418,366
Income tax [Including deferred tax]							210,748,252
Profit before minority interest							584,670,114
Minority interest							(11,413,344)
Net profit for the year							596,083,458

Walker, Chandiok & Co. Hyderabad

34. **Segment reporting**

Other information as at 31 March 2012

Particulars	Bulk Chemicals	Finished dosage Formulations	Job Works	Pharmacy	Others	Eliminations	Total
Other information							
Segment assets	3,763,505,540	3,296,007,759	17,805,779	380,667,207	9,273,893	-	7,467,260,178
Unallocated corporate assets	-	-	-	-	1,584,838,104	-	1,584,838,104
Total assets	3,763,505,540	3,296,007,759	17,805,779	380,567,207	1,594,111,997	-	9,052,098,282
Segment liabilities	554,234,118	423,946,554	-	137,976,403	132,822,000	(48,812,640)	1,200,166,435
Minority interest					8,838,771	-	8,838,771
Unallocated corporate liabilities	-	-	-	-	3,106,761,430	-	3,106,761,430
Total liabilities	554,234,118	423,946,554	-	137,976,403	3,248,422,201	(48,812,640)	4,315,766,636
Capital expenditure	860,566,325	535,804,039	-	6,567,011	118,752,717	-	1,521,690,092
Depreciation and amortisation	59,232,826	82,515,234	-	5,027,221	12,303,634	-	159,078,915
Other non-cash expenses	-	9,506,463	-	284,937	15,501,465	-	25,292,865

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 2013			For the year ended and as at 31 March 2012		
	Segment revenue	Segment assets	Capital expenditure	Segment revenue	Segment assets	Capital expenditure
India	**2,659,998,209**	**9,505,590,182**	**1,413,941,007**	2,458,035,549	8,154,695,201	1,515,123,081
America	**2,025,584,039**	**911,211,423**	**6,689,009**	1,411,292,494	455,328,766	6,567,011
Europe	**1,226,323,014**	**203,395,859**	**-**	971,314,500	304,707,538	-
Rest of the world	**893,354,408**	**183,926,520**	**-**	396,586,344	137,366,777	-
Total	**6,605,259,670**	**10,804,123,984**	**1,420,630,016**	5,237,228,887	9,052,098,282	1,521,690,092

35. Earnings per equity share (EPES)

	31 March 2013	31 March 2012
Net profit as per Consolidated Statement of Profit and Loss	**718,690,784**	596,083,458
Weighted average number of equity shares considered in computation of basic EPES	**31,236,767**	29,041,395
Add: Effect of dilutive equity shares	**133,348**	-
Weighted average number of equity shares considered in computation of diluted EPES	**31,370,115**	29,041,395

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**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 6 June 2013

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

V C Nannapaneni
Chairman & Managing Director

Rajeev Nannapaneni
Vice Chairman & CEO

P Bhaskara Narayana
Director & Chief Financial Officer

M. Adinarayana
Company Secretary

Place: Hyderabad
Date: 6 June 2013

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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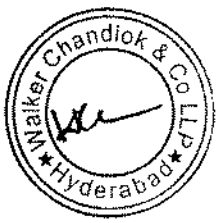
Independent Auditor's Report

To the Board of Directors of NATCO Pharma Limited

1. We have audited the accompanying consolidated financial statements of NATCO Pharma Limited ("the Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which comprise the consolidated Balance Sheet as at 31 March 2014, and the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. Management is responsible for the preparation of these consolidated financial statements 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 accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.



Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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.

4. 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 auditors' 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 control relevant to the 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

6. *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 ₹881,697,337 (31 March 2013: ₹623,262,102). This matter had caused us to qualify our audit report for the year ended 31 March 2013.*

Qualified Opinion

7. 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, *except for the effects of the matter described in the Basis for Qualified Opinion paragraph*, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   i) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2014;

   ii) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and

   iii) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matter

8. 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 ₹1,770,769,494 as at 31 March 2014; total revenues (after eliminating intra-group transactions) of ₹1,189,188,193 and net cash inflow aggregating to ₹861,797 for the year then ended. These financial statements (other than those mentioned in paragraph 9 below), have been audited by other auditors whose audit reports have been furnished to us by the management, and our audit opinion on the consolidated financial statements of the Group for the year then ended to the extent they relate to the financial statements not audited by us as stated in this paragraph is based solely on the audit reports of the other auditors. Our opinion is not qualified in respect of this matter.

9. The consolidated financial statements include the unaudited financial statements of a subsidiary, whose financial statements reflect total assets of ₹38,434,812 (after eliminating intra-group transactions) as at 31 March 2014, total revenues of ₹Nil (after eliminating intra-group transactions) and net cash outflows amounting to ₹165,371 for the year then ended, as considered in the consolidated financial statements. Our opinion, in so far as it relates to the amounts included in respect of this subsidiary, is based solely on the management prepared financial statements. Our opinion is not qualified in respect of this matter.

Walker Chandiok & Co LLP
For **Walker Chandiok & Co LLP**
(formerly Walker, Chandiok & Co)
Chartered Accountants
Firm Registration No.: 001076N

per **Sanjay Kumar Jain**
Partner
Membership No.: 207660

Walker Chandiok & Co LLP ★ Hyderabad ★

Hyderabad
29 May 2014

NATCO Pharma Limited
Consolidated Balance Sheet as at 31 March 2014
(All amounts in ₹ unless otherwise stated)

	Notes	31 March 2014	31 March 2013
Equity and liabilities			
Shareholders' funds			
Share capital	2	330,730,740	313,730,740
Reserves and surplus	3	6,928,029,630	5,021,698,074
		7,258,760,370	5,335,428,814
Minority interest		68,795,530	105,366,852
Non-current liabilities			
Long-term borrowings	4	954,862,897	1,378,255,285
Deferred tax liabilities (net)	5	430,565,589	443,254,232
Other long term liabilities	6	10,399,407	6,910,411
Long-term provisions	7	110,889,471	86,207,117
		1,506,717,364	1,914,627,045
Current liabilities			
Short-term borrowings	8	986,312,469	1,477,434,832
Trade payables	9	1,097,862,833	1,058,515,782
Other current liabilities	10	1,021,781,301	902,072,443
Short-term provisions	11	16,864,289	10,678,217
		3,122,820,892	3,448,701,274
	Total	11,957,094,156	10,804,123,985
Assets			
Non-current assets			
Fixed assets			
Tangible assets	12	6,127,380,414	5,539,060,316
Intangible assets	13	320,052,933	288,415,671
Capital work-in-progress		1,237,762,962	1,058,416,253
Non-current investments	14	15,677,945	15,422,910
Long-term loans and advances	15	542,475,803	571,966,883
Other non-current assets	16	32,380,362	26,079,013
		8,275,730,419	7,499,361,046
Current assets			
Current investments	17	3,179,534	8,121,526
Inventories	18	1,811,246,508	1,460,240,041
Trade receivables	19	1,187,998,758	1,297,129,607
Cash and bank balances	20	110,475,468	107,821,767
Short-term loans and advances	15	543,241,906	404,084,824
Other current assets	21	25,221,563	27,365,174
		3,681,363,737	3,304,762,939
	Total	11,957,094,156	10,804,123,985

Notes 1 to 34 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**
(Formerly Walker, Chandiok & Co)
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 29 May 2014

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)

Place: Hyderabad
Date: 29 May 2014

NATCO Pharma Limited
Consolidated Statement of Profit and Loss for the year ended 31 March 2014
(All amounts in ₹ unless otherwise stated)

	Notes	31 March 2014	31 March 2013
Revenue			
Revenue from operations (gross)	22	7,447,181,452	6,681,010,091
Less : Excise duty		58,255,959	75,750,421
Revenue from operations (net)		7,388,925,493	6,605,259,670
Other income	23	167,077,830	124,063,709
Total revenue		7,556,003,323	6,729,323,379
Expenses			
Cost of materials consumed (including packing material consumed)	24	1,600,971,625	1,775,661,952
Purchases of stock-in-trade		888,979,944	871,409,142
Changes in inventory of finished goods, work-in-progress and traded goods	25	(157,714,880)	(219,089,484)
Employee benefits expense	26	1,127,729,729	1,022,892,190
Finance costs	27	366,188,677	263,068,187
Depreciation and amortisation charge	12 and 13	304,433,992	221,222,590
Other expenses	28	2,135,152,604	1,654,278,380
Prior period item		494,052	846,869
Total expenses		6,266,235,743	5,590,289,826
Profit before exceptional items and tax		1,289,767,580	1,139,033,553
Exceptional item	29	-	115,840,728
Profit before tax		1,289,767,580	1,023,192,825
Tax expense			
Current tax		322,640,399	230,422,777
Deferred tax expense		(13,940,128)	133,940,800
Profit after tax and before minority interest		981,067,309	658,829,248
Minority interest		(46,275,569)	(59,861,536)
Profit for the year		1,027,342,878	718,690,784
Earnings per equity share [EPES]	33		
Face value ₹10 per share			
Basic		32.16	23.01
Diluted		32.16	22.91

Notes 1 to 34 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
(Formerly Walker, Chandiok & Co)
Chartered Accountants

per Sanjay Kumar Jain
Partner

Place: Hyderabad
Date: 29 May 2014

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)

Place: Hyderabad
Date: 29 May 2014

NATCO Pharma Limited
Consolidated Cash Flow Statement for the year ended 31 March 2014
(All amounts in ₹ unless otherwise stated)

		31 March 2014	31 March 2013
Cash flows from operating activities			
Profit before tax		1,289,767,580	1,023,192,825
Adjustments :			
Depreciation and amortisation expense		304,433,992	221,222,590
Net gain on sale of current investments		(10,058,159)	(11,766,528)
Inventory written-off		7,813,451	8,401,436
Bad and doubtful trade receivables written off		1,918,395	(140,529)
Provision for employee benefits		25,513,106	17,894,295
Employee stock option compensation		-	57,112,791
Provision no longer required, written back		(6,753,572)	(31,875,000)
Interest income		(5,613,616)	(23,509,704)
Dividend income		(131,668)	(4,808)
(Gain) / Loss on sale of asset		(78,095)	1,544,179
Interest expenses		345,871,387	249,458,783
Unrealised foreign exchange loss / (gain), net		(5,705,925)	407,951
Operating profit before working capital changes		1,946,976,876	1,511,938,281
Increase / (decrease) in other current liabilities		116,968,817	(79,222,132)
Increase in trade payables		39,347,051	201,608,082
Decrease in long-term liabilities and provisions		(12,573,462)	(9,196,714)
Increase in inventories		(358,819,918)	(343,856,313)
Decrease / (increase) in trade receivables		112,918,379	(349,721,779)
Decrease / (increase) in other current assets		2,143,611	(335,451)
Increase in short-term loans and advances		(109,910,790)	(72,899,699)
Decrease / (increase) in long-term loans and advances		48,796,743	(20,310,929)
Cash generated from operating activities		1,785,847,307	838,003,346
Income taxes paid		(345,503,303)	(226,056,560)
Net cash generated from operating activities	**A**	1,440,344,004	611,946,786
Cash flows from investing activities			
Purchase of tangible assets		(1,060,398,167)	(1,078,253,763)
Purchase of intangible assets		(43,261,829)	(38,558,338)
Proceeds from dissolution of partnership firm		-	18,848,513
Purchase of current investments		-	(9,129,970)
Purchase of non-current investments		(255,035)	-
Proceeds from sale of current investments		15,000,151	11,789,933
Interest received		5,858,404	28,732,113
Dividends received		131,668	4,808
Increase in other bank balances		(6,301,349)	(4,167,009)
Net cash used in investing activities	**B**	(1,089,226,157)	(1,070,733,713)

Walker Chandiok & Co LLP * Hyderabad *

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NATCO Pharma Limited
Consolidated Cash Flow Statement for the year ended 31 March 2014
(All amounts in ₹ unless otherwise stated)

		31 March 2014	31 March 2013
Cash flows from financing activities			
Proceeds from issuance of equity shares		1,085,280,000	2,251,220
(Repayment) / proceeds from long-term borrowings, net		(419,903,392)	40,326,905
(Repayment) / proceeds from short-term borrowings, net		(491,122,363)	661,012,395
Movement in minority interest		9,704,247	23,642,558
Interest paid		(343,131,346)	(320,554,001)
Dividends paid (including tax on distributed profits)		(193,485,693)	(143,578,316)
Net cash (used in) / from financing activities	C	(352,658,547)	263,100,761
Effect of currency translation adjustment	D	4,177,923	(51,240,864)
Net decrease in cash and cash equivalents (A+B+C+D)		2,637,223	(246,927,030)
Cash and cash equivalents as at the beginning of the year		99,517,859	346,444,889
Cash and cash equivalents as at the end of the year [Refer Note 1]		102,155,082	99,517,859
Note 1:			
Cash and bank balances as per note 20		110,475,468	107,821,767
Less: Other bank balances		8,320,386	8,303,908
Cash and cash equivalents considered for cash flow statement		102,155,082	99,517,859

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

For Walker Chandiok & Co LLP
(Formerly Walker, Chandiok & Co)
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 29 May 2014

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)

Place: Hyderabad
Date: 29 May 2014

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, 1956 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013, and with the relevant provisions of the Act, 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 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	
		2014	2013
NATCO Pharma Inc.	United States of America	100.00	100.00
Time Cap Overseas Limited	Mauritius	73.00	73.00
NATCO Farma Do Brazil	Brazil	65.70	66.40
NATCO Organics Limited ("NOL") (effective 30 June 2012)	India	51.00	51.00
NATCO Pharma (Canada), Inc. (effective 7 November 2012)	Canada	97.82	90.00
Natco Pharma Asia Pte. Ltd.	Singapore	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 XIV 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. Individual assets acquired for ₹5,000 or less are entirely depreciated in the year of acquisition.

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.

Product research and development costs

Expenditure incurred on research and development activity is expensed as and when incurred.

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.

Walker Chandiok & Co LLP Hyderabad

i. 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.

j. 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.

- 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.

- Service income is recognized as per the terms of contracts with customers when the related services are performed, or the agreed milestones are achieved.

- Dividend income is recognized when the right to receive the payment is established. Income from interest on deposits is recognised on the time proportionate methods taking into account the amount outstanding and the rate applicable.

- Export entitlements are recognized as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

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

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

k. 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.

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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.

l. 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.

m. 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.

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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 expenses in the year in which they arise.

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'.

n. 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.

o. 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.

p. 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.

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q. 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.

r. 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.

s. 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.

t. 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.

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2. Share capital

	31 March 2014		31 March 2013	
	Number	Amount	Number	Amount
Authorised share capital				
Equity shares of ₹10 each	40,000,000	400,000,000	32,000,000	320,000,000
Preference shares of ₹10 each	-	-	3,000,000	30,000,000
Issued, subscribed and fully paid up				
Equity shares of ₹10 each	33,073,074	330,730,740	31,373,074	313,730,740
	33,073,074	330,730,740	31,373,074	313,730,740

(a) Reconciliation of shares

	31 March 2014		31 March 2013	
	Number	Amount	Number	Amount
Equity shares of ₹10 each				
Balance at the beginning of the year	31,373,074	313,730,740	31,147,952	311,479,520
Add: Issued during the year	1,700,000	17,000,000	-	-
Add: Shares issued under the employee stock option plan ("ESOP")	-	-	225,122	2,251,220
Balance at the end of the year	33,073,074	330,730,740	31,373,074	313,730,740

(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 2014		31 March 2013	
	Number	%	Number	%
Equity shares of ₹10 each				
V C Nannapaneni **	8,023,838	24.26%	8,023,838	25.58%
Time Cap Pharma Labs Limited	3,209,833	9.71%	3,409,694	10.87%
Natsoft Information Systems Private Limited	3,153,500	9.53%	3,153,500	10.05%
CX Securities Limited	1,700,000	5.14%	-	-

** including shares held in the capacity of Karta of HUF of 1,088,009 (31 March 2013:1,088,009)

(d) Issue of equity shares

During the year, the Company has issued, on preferential allotment basis 1,700,000 equity shares of ₹10 each, fully paid-up at a premium of ₹628.40 per equity share.

(e) 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. This Scheme has been 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 Act. 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 are accounted at 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.

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(ii) During the year ended 31 March 2014 the Company has recorded stock compensation expenses amounting to ₹Nil (31 March 2013: ₹57,112,791) including ₹Nil (31 March 2013: ₹36,202,643) pertaining to prior period.

(iii) Changes in number of shares representing stock options outstanding as at the year ended on 31 March 2014 were as follows:

	ESOP 2010
Outstanding as at 1 April 2012	**225,122**
Granted during the year	-
Exercised and vested	**225,122**
Forfeited	-
Outstanding as at 31 March 2013	-
Exercised and vested	-
Forfeited	-
Outstanding as at 31 March 2014	-

(f) Details of shares issued pursuant to contract without payment being received in cash and brought back during the last 5 years, immediately preceeding the balance sheet date:

	31 March 2014	31 March 2013
Equity shares of ₹10 each allotted as fully paid-up pursuant to contracts without payment being received in cash.*	**332,247**	332,247

* The Company has issued these shares 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.

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3. **Reserves and surplus**

	31 March 2014	31 March 2013
Capital reserve - as per last balance sheet	**207,272,762**	207,272,762
Capital redemption reserve - as per last balance sheet	**4,928,810**	4,928,810
Securities premium reserve		
Balance at the beginning of the year	**1,521,441,552**	1,464,328,761
Add : Additions during the year [Refer note 2(d)]	**1,068,280,000**	57,112,791
Balance at the end of the year	**2,589,721,552**	1,521,441,552
General reserve		
Balance at the beginning of the year	**327,161,000**	247,161,000
Add : Additions during the year	**110,000,000**	80,000,000
Balance at the end of the year	**437,161,000**	327,161,000
Foreign currency translation reserve		
Balance at the beginning of the year	**46,732,552**	79,839,895
Add : Adjustments during the year	**4,177,923**	(33,107,343)
Balance at the end of the year	**50,910,475**	46,732,552
Surplus in the statement of profit and loss		
Balance at the beginning of the year	**2,914,161,368**	2,421,320,898
Add : Profit for the year	**1,027,342,878**	718,690,784
Less: Interim dividend - ₹5 (31 March 2013: ₹4) per share	**(165,365,370)**	(125,492,296)
Less: Tax on distributed profits	**(28,103,845)**	(20,357,988)
Less: Transferred to general reserve	**(110,000,000)**	(80,000,000)
Balance at the end of the year	**3,638,035,031**	2,914,161,398
	6,928,029,630	5,021,698,074

4. **Long-term borrowings**

	31 March 2014	31 March 2013
Secured		
Term loans from		
Banks	**965,606,253**	1,268,412,628
Other parties	**419,705,883**	609,176,471
	1,385,312,136	1,877,589,099
Unsecured		
Deferred payment liabilities	**-**	542,698
From other parties	**32,833,653**	21,511,225
	1,418,145,789	1,899,643,022
Less: Current maturities of long-term borrowings (note 10)	**(463,282,892)**	(521,387,737)
	954,862,897	1,378,255,285

(a) **Deferred payment liabilities**

Represents interest free sales tax deferment, availed under the 'TARGET 2000' Scheme of the Government of Andhra Pradesh, India.

(b) Terms and conditions of loans and nature of security

(i) Term loans amounting to ₹457,205,883 (31 March 2013: ₹696,676,471) 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 ₹241,300,697 (31 March 2013: ₹327,559,559) 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 loan amounting to ₹686,805,556 (31 March 2013: ₹853,353,069) 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 12.50% per annum (31 March 2013: 3.53% per annum to 12.75% per annum).

(c) Unsecured loans amounting to ₹32,833,653 (31 March 2013: ₹21,511,225) has been availed at an interest rate of 6.25% to 19.56% per annum (31 March 2013: 6.25% to 18.50 % per annum)

(d) Details of repayment of long term borrowings

	31 March 2014	31 March 2013
Up to 1 year	463,282,892	521,387,737
From 1 to 3 years	771,918,452	861,171,952
3 years and above	182,944,445	517,083,333
	1,418,145,789	1,899,643,022

5. Deferred tax liabilities (net)

	31 March 2014	31 March 2013
On account of depreciation	471,319,608	472,357,542
On account of employee benefits and others	(40,754,019)	(29,103,310)
Net deferred tax liability	430,565,589	443,254,232

6. Other long-term liabilities

	31 March 2014	31 March 2013
Security deposits	10,399,407	6,910,411
	10,399,407	6,910,411

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7. Long-term provisions

	31 March 2014	31 March 2013
Provision for gratuity	72,697,561	55,565,507
Provision for leave benefits	38,191,910	30,641,610
	110,889,471	86,207,117

In respect of NOIDA provision for gratuity aggregating to ₹2,053,297 (31 March 2013: ₹1,046,105) has been made based on management estimate, as against the group accounting policy as mentioned in note 1(n).

(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 2014	31 March 2013
Projected benefit obligation at the beginning of the year	94,462,630	73,162,037
Service cost	7,557,010	5,420,329
Interest cost	6,704,247	5,852,963
Actuarial (gain) / loss	13,818,766	13,154,950
Benefits paid	(5,088,101)	(3,127,649)
Projected benefit obligation at the end of the year	117,454,552	94,462,630

(ii) Change in plan assets

	31 March 2014	31 March 2013
Fair value of plan assets at the beginning of the year	39,943,228	27,293,852
Expected return on plan assets	3,517,274	3,190,969
Employer contributions	8,437,887	12,586,056
Benefits paid	(5,088,101)	(3,127,649)
Fair value of plan assets at the end of the year	46,810,288	39,943,228

(iii) Reconciliation of present value of obligation on the fair value of plan assets

	31 March 2014	31 March 2013
Present value of projected benefit obligation at the end of the year	117,454,552	94,462,630
Funded status of the plans	46,810,288	39,943,228
Net liability recognized in the balance sheet	70,644,264	54,519,402

(iv) Expense recognized in the statement of profit and loss

	31 March 2014	31 March 2013
Service cost	7,557,010	5,420,329
Interest cost	6,704,247	5,852,963
Expected returns on plan assets	(3,517,274)	(3,190,969)
Recognized net actuarial (gain)/ loss	13,818,766	13,154,950
Net gratuity costs	24,562,749	21,237,273

(v) Key actuarial assumptions

	31 March 2014	31 March 2013
Discount rate	8.00%	8.00%
Expected return on plan assets	8.75%	9.25%
Salary escalation rate	4.00%	4.00%

(vi) **Amounts for the current and previous four periods are as follows:**

Particulars	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010
Defined benefit obligation	117,454,552	94,462,630	73,162,037	58,231,217	55,081,820
Planned assets	46,810,288	39,943,228	27,293,852	26,078,468	22,240,895
Surplus / (deficit)	(70,644,264)	(54,519,402)	(45,868,185)	(32,152,749)	(32,840,925)
Experience adjustment to planned liabilities	13,818,766	13,154,980	7,133,657	(2,872,373)	4,318,765
Experience adjustment to planned assets	-	-	-	-	-

8. Short-term borrowings

	31 March 2014	31 March 2013
Loans repayable on demand		
Secured		
From Banks	**943,354,453**	947,559,690
Unsecured		
From Banks	**42,958,016**	529,875,142
	986,312,469	1,477,434,832

(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 5.75% per annum to 14% per annum (31 March 2013: 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.

9. Trade payables

	31 March 2014	31 March 2013
Creditors for purchases and expenses	**1,097,862,833**	1,058,515,782
	1,097,862,833	1,058,515,782

10. Other current liabilities

	31 March 2014	31 March 2013
Current maturities of long-term borrowings	**463,282,892**	521,387,737
Interest accrued but not due on long-term borrowings	**9,981,713**	7,241,672
Creditors for capital assets	**206,724,892**	194,748,273
Book overdraft	**36,462,711**	46,993,831
Employee related payables	**98,817,800**	84,384,890
Advance from customers	**151,945,350**	11,323,209
Unpaid dividends	**8,320,386**	8,303,908
Statutory liabilities	**46,245,557**	27,688,923
	1,021,781,301	902,072,443

11. Short-term provisions

	31 March 2014	31 March 2013
Provision for taxation [net of advance tax]	**12,727,557**	7,372,237
Provision for leave benefits	**4,136,732**	3,305,980
	16,864,289	10,678,217

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12. **Tangible assets**

	Freehold land	Leasehold land	Buildings	Plant and equipment	Office equipment	Furniture	Vehicles	Computers	Total
Gross block									
Balance as at 1 April 2012	329,637,125	16,725,782	1,269,053,382	2,323,813,400	38,872,391	40,031,706	77,668,441	77,085,427	4,172,887,654
On acquisition of a subsidiary	195,959,000	-	163,749,970	153,435,851	1,742,877	1,149,294	2,540,043	2,562,394	521,139,429
Additions	115,703,075	-	533,867,152	1,496,208,770	2,627,046	15,888,528	18,404,634	20,806,311	2,203,505,517
Disposals / adjustments	-	-	-	12,000	6,757,553	-	2,720,744	-	9,490,297
Foreign exchange adjustments	-	-	14,032,917	25,127,140	911,572	(28,521)	67,121	106,781	40,217,010
Balance as at 31 March 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	403,675,811	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)	634,493	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
Accumulated depreciation									
Up to 1 April 2012	-	1,249,242	250,075,548	764,757,171	20,858,303	20,377,692	38,095,945	68,395,177	1,163,809,078
On acquisition of a subsidiary	-	-	6,791,805	9,829,325	486,949	202,340	294,772	524,633	18,129,822
Depreciation charge	-	188,536	49,639,956	147,439,793	2,144,094	3,784,329	6,156,296	4,796,190	214,149,194
Reversal on disposal	-	-	-	893	6,169,585	-	1,775,640	-	7,946,118
Foreign exchange translation	-	-	-	-	736,751	147,242	60,047	112,982	1,057,021
Up to 31 March 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	-	188,536	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	-	1,626,314	372,062,857	1,127,847,781	21,560,531	29,330,381	49,332,423	81,119,740	1,682,880,026
Net block									
Balance as at 31 March 2013	641,299,200	15,288,004	1,674,196,112	3,076,547,767	19,339,821	32,529,405	53,128,076	26,731,931	5,539,060,316
Balance as at 31 March 2014	971,072,416	15,099,468	1,698,029,985	3,296,723,310	19,942,831	43,927,864	51,845,905	30,738,634	6,127,380,414

(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.

13. Intangible assets

	Computer Software	Goodwill	Total
Gross block			
Balance as at 1 April 2012	27,696,263	202,690,277	230,386,540
On acquisition of a subsidiary	40,500	-	40,500
Additions	38,558,338	64,252,394	102,810,732
Foreign exchange adjustments	(91,080)	8,250,271	8,159,192
Balance as at 31 March 2013	**66,204,021**	**275,192,942**	**341,396,964**
Additions	**26,151,798**	-	**26,151,798**
Foreign exchange adjustments	(43,070)	21,094,339	21,051,269
Balance as at 31 March 2014	92,312,749	296,287,281	388,600,031
Accumulated amortisation			
Up to 1 April 2012	9,573,687	-	9,573,687
On acquisition of a subsidiary	6,565	-	6,565
Amortization charge	7,073,396	-	7,073,396
Foreign exchange translation	(136,465)	-	(136,465)
Up to 31 March 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
Impairment loss			
Up to 1 April 2012	-	34,296,750	34,296,750
Foreign exchange adjustments	-	2,167,360	2,167,360
Up to 31 March 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
Net block			
Balance as at 31 March 2013	49,686,838	238,728,832	288,415,671
Balance as at 31 March 2014	64,058,374	255,994,558	320,052,933

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14. **Non-current investments**

	31 March 2014	31 March 2013
Investments in equity instruments, Trade, Unquoted		
Others		
Share application money in NATIVITA	255,035	-
750 (31 March 2013: 750) equity shares of ₹100 each, fully paid-up, in Jeedimetla Effluent Treatment Limited	75,000	75,000
34,400 (31 March 2013: 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	419,000
Investments in equity instruments, Others, Quoted		
27,000 (31 March 2013: 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 2013: 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	15,692,910
Less: provision for diminution in value of investments	270,000	270,000
	15,677,945	15,422,910
Quoted investments	270,000	270,000
Market value of quoted investments	-	-
Unquoted investments [including share application money]	15,677,945	15,422,910
Provision for diminution in value of investments	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 2014.

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15. **Loans and advances**

(Unsecured, considered good)

	31 March 2014	31 March 2013
Long-term		
Capital advances	271,354,640	310,647,055
Security deposits	33,908,779	29,464,415
Advance tax, net	167,481,890	143,367,501
Balances with government authorities	69,730,494	88,487,912
	542,475,803	571,966,883
Short-term		
Loans and advances to related parties	39,071,244	12,743,400
Prepaid expenses	18,674,873	15,556,316
Balances with government authorities	303,812,731	293,597,772
Advances for purchases and expenses	125,140,782	49,301,944
Other advances	56,542,276	32,885,392
	543,241,906	404,084,824

16. **Other non-current assets**

(Unsecured, considered good)

	31 March 2014	31 March 2013
Deposit with banks*	26,007,558	19,950,997
Interest accrued on fixed deposits	6,372,804	6,128,016
	32,380,362	26,079,013

*Bank deposits held with banks as margin money with a maturity period of more than 12 months.

17. **Current investments**

	31 March 2014	31 March 2013
Investments in equity instruments, Quoted, Non trade		
75,000 (31 March 2013: 140,000) equity shares of ₹10 each, fully paid-up in Neuland Laboratories Limited	2,671,564	7,613,556
Nil (31 March 2013: 1,000) equity shares of ₹10 each, fully paid-up in Sun Pharmaceuticals Industries Limited	507,970	507,970
	3,179,534	8,121,526
	3,179,534	8,121,526
Aggregate amount of		
Quoted investments	3,179,534	8,121,526
Market value of quoted investments	20,649,500	7,436,946
Unquoted investments	-	-

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18. Inventories

	31 March 2014	31 March 2013
Raw materials [including goods-in-transit of ₹4,851,836 (31 March 2013: ₹4,833,327)]	**424,530,989**	406,389,009
Work-in-progress	**663,646,801**	544,128,311
Finished goods	**204,830,894**	155,069,614
Stores and spares [including goods-in-transit of ₹4,833,231 (31 March 2013: ₹4,083,462)]	**161,561,868**	128,379,870
Packing materials [including goods-in-transit of ₹18,479,433 (31 March 2013: ₹87,384)]	**213,118,475**	83,465,474
Stock-in-trade	**143,557,481**	142,807,763
	1,811,246,508	1,460,240,041

19. Trade receivables

	31 March 2014	31 March 2013
Due for a period exceeding six months		
Unsecured, considered good	**196,679,936**	70,661,175
Unsecured, considered doubtful	**16,344,519**	15,309,640
	213,024,455	85,970,815
Less: Provision for doubtful receivables	**16,344,519**	15,309,640
	196,679,936	70,661,175
Other debts		
Unsecured, considered good	**991,318,822**	1,226,468,432
	1,187,998,758	1,297,129,607

20. Cash and bank balances

	31 March 2014	31 March 2013
Cash and cash equivalents		
Balances with banks		
- on current accounts	**73,535,784**	66,507,265
- on deposit accounts	**2,000,000**	2,500,000
Cash on hand	**26,619,298**	30,510,594
	102,155,082	99,517,859
Other bank balances		
Unpaid dividend account	**8,320,386**	8,303,908
	8,320,386	8,303,908
	110,475,468	107,821,767

21. Other current assets

(Unsecured, considered good)

	31 March 2014	31 March 2013
Export incentives receivable	**25,221,563**	27,365,174
	25,221,563	27,365,174

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22. Revenue from operations

	31 March 2014	31 March 2013
Sale of products	6,716,164,751	6,100,469,454
Sale of services	225,591,510	148,348,214
Other operating revenues		
Job work charges	119,331,350	94,360,434
Export incentives	48,734,811	44,549,118
Scrap sales	32,604,148	60,130,615
Income from leasing of a facility	-	112,125,000
Income from profit sharing arrangement	304,754,882	121,027,256
	505,425,191	432,192,423
Total revenue from operations	7,447,181,452	6,681,010,091

23. Other income

	31 March 2014	31 March 2013
Interest income from		
Fixed deposits	5,613,616	23,509,704
Income tax refund	19,407,066	-
Dividend income	131,668	4,808
Net gain on sale of current investments	10,058,159	11,766,528
Net gain on foreign currency transaction and translation	110,474,639	52,065,143
Provision no longer required, written back	6,753,572	31,875,000
Other non-operating income	14,639,110	4,842,526
	167,077,830	124,063,709

24. Cost of raw materials consumed (including packing materials consumed)

	31 March 2014	31 March 2013
Opening stock	489,854,483	385,063,638
Add: On acquisition of a subsidiary	-	4,653,252
Add: Purchases during the year	1,748,766,606	1,875,799,545
Less: Closing stock	637,649,464	489,854,483
	1,600,971,625	1,775,661,952

Disclosed based on derived figures, rather than actual records of issue.

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

	31 March 2014	31 March 2013
Opening stock		
- Finished goods	155,069,614	86,729,795
- Work-in-progress	544,128,311	368,403,712
- Stock-in-trade	142,807,763	161,745,880
	842,005,688	616,879,387
- Work-in-progress	-	119,932
Closing 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
Currency translation adjustment	(12,314,608)	(5,916,885)
	(157,714,880)	(219,089,484)

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26. Employee benefits expense

	31 March 2014	31 March 2013
Salaries and wages	**953,990,035**	824,778,673
Contribution to provident and other funds	**99,277,636**	72,933,854
Employee stock option compensation	-	57,112,791
Staff welfare expenses	**74,462,058**	68,066,872
	1,127,729,729	1,022,892,190

27. Finance costs

	31 March 2014	31 March 2013
Interest expense	**343,131,346**	249,458,783
Other borrowing costs	**23,057,331**	13,609,404
	366,188,677	263,068,187

Interest expenses is after capitalization of ₹10,064,052 (31 March 13: ₹67,243,782) to fixed assets.

28. Other expenses

	31 March 2014	31 March 2013
Consumption of stores and spare parts	**216,116,145**	160,077,786
Power and fuel	**447,662,890**	387,471,609
Rent	**25,365,567**	20,454,391
Repairs and maintenance		
- Buildings	**44,113,925**	48,650,938
- Plant and equipment	**122,252,435**	104,917,854
- Others	**30,895,070**	22,972,608
Insurance	**34,071,884**	28,690,897
Rates and taxes	**106,553,332**	96,535,615
Factory maintenance expenses	**148,365,091**	121,744,104
Analysis charges	**61,145,373**	46,252,799
Carriage and freight outwards	**85,148,396**	66,109,115
Donations	**42,765,409**	30,556,433
Communication expenses	**22,131,778**	19,721,674
Office maintenance and other expenses	**32,018,283**	35,943,911
Travelling and conveyance	**103,642,762**	88,547,263
Legal and professional fees	**208,210,805**	83,900,005
Payment to auditors		
- As auditor	**2,000,000**	1,300,000
- For other services	-	-
- For reimbursement of expenses	**23,412**	14,321
Inventory written-off	**7,813,451**	8,401,436
Bad debts	**1,918,395**	33,203
Directors sitting fee	**265,000**	150,000
Sales promotion expenses including sales commission	**176,455,556**	82,097,507
Research and development expenses	**142,851,578**	146,336,413
Printing and stationery	**27,842,839**	19,635,270
Miscellaneous expenses	**45,523,228**	33,763,228
	2,135,152,604	1,654,278,380

29. Exceptional item

Exceptional item represents written-off of amount deposited with the Hon'ble High Court of Andhra Pradesh against the 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
NATCO Organics Limited	Entity in which Directors have control or have significant influence (up to 29 June 2012) Subsidiary company (w.e.f. 30 June 2012)
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 P Bhaskara Narayanam A K S Bhujanga Rao	Key management personnel ("KMP")
Durga Devi Nannapaneni Neelima Nannapaneni Dr. Ramakrishna Rao	Relative of KMP

(b) Transactions with related parties

	For the year ended 31 March 2014	31 March 2013
NATCO Organics Limited		
Advance towards future supplies	-	43,782,194
Rental expense	-	285,000
Purchases	-	3,132,500
Time Cap Pharma Labs Limited		
Income from Job work charges and sales	253,091	2,862,350
Income from rent	-	120,000
Commission and expenses reimbursement	6,883,562	3,933,976
Purchases	1,713,600	1,663,200
Rental expense	3,800,000	1,800,000
Advances given	3,500,000	4,000,000
Dividends paid	17,063,470	13,650,776
Natsoft Information Systems Private Limited		
Dividends paid	15,767,500	12,614,000
NATCO Trust		
Donations given	29,569,040	24,400,000
NATCO Group Employees Welfare Trust		
Dividends paid	273,785	336,000
Transactions with key management personnel		
V C Nannapaneni		
Managerial remuneration	13,938,000	13,383,000
Rental expenses	1,800,000	1,800,000
Dividends paid	40,119,190	32,095,352
Personal guarantees against loans taken by the Company	1,406,000,000	830,000,000
Rajeev Nannapaneni		
Managerial remuneration	11,148,000	10,690,000
Rental expenses	960,000	960,000
Dividends paid	1,783,050	1,826,440

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	For the year ended 31 March 2014	31 March 2013
P Bhaskara Narayana		
Managerial remuneration	3,600,000	3,200,000
Dividends paid	18,500	6,800
Stock options		
Nil (31 March 2013: 1,700) equity shares granted at an exercise price of ₹10 per share under the employee stock option scheme framed by the Company.	-	431,285
A K S Bhujanga Rao		
Managerial remuneration	3,350,996	2,948,628
Dividends paid	43,500	34,800
Stock options		
Nil (31 March 2013: 1,700) equity shares granted at an exercise price of ₹10 per share under the employee stock option scheme framed by the Company.	-	431,285
Transactions with a relatives of key management personnel		
Durga Devi Nannapaneni		
Dividends paid	4,139,100	3,311,280
Personal guarantees against loans taken by the Company	906,000,000	-
Neelima Nannapaneni		
Dividends paid	1,982,960	1,586,368
Dr. Ramakrishna Rao		
Dividends paid	704,910	567,928
Personal guarantees against loans taken by the Company	906,000,000	-

(c) **Balances receivable / (payable)**

	31 March 2014	31 March 2013
Time Cap Pharma Labs Limited	(1,413,982)	(1,526,076)
NATCO Trust	8,668,747	10,816
V C Nannapaneni	(577,293)	(616,763)
Rajeev Nannapaneni	(499,087)	(494,539)
P Bhaskara Narayana	(182,753)	(122,438)
A K S Bhujanga Rao	(157,203)	(358,765)
Outstanding guarantees		
V C Nannapaneni	4,649,312,136	4,421,589,099
Dr. Ramakrishna Rao	2,234,000,000	1,328,000,000
Durga Devi Nannapaneni	2,234,000,000	1,328,000,000

31. Contingent liabilities and commitments

	31 March 2014	31 March 2013
(a) **Commitments**		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	190,481,959	147,103,904
(b) **Contingent liabilities**		
Claims against the company not acknowledged as debt	204,227,280	204,227,280
Disputed sales tax liabilities	8,690,000	8,690,000
Disputed income tax liabilities	29,952,680	26,028,878

Claims against the Company not acknowledged as debt, represents claim including interest lodged by M/s. SMS Pharmaceuticals Limited, against the Company. During the previous year, the Hon'ble City Civil Court, Hyderabad has passed the judgment against the Company. Based on a legal advice received, the Company has preferred an appeal before the Hon'ble High Court of Andhra Pradesh as the management is confident of favorable outcome.

Disputed tax liabilities primarily represents additional tax demanded by the Tax Authorities, challenging the Company's basis of computing profits of units covered by the provisions of Section 80IC of the Income Tax Act, 1961. Pending final outcome of such matters and in view of the stand taken by the Assessing Officer while passing revised orders for the Assessment Year 2007-08 and 2008-09, management is confident of favorable outcome of the proceedings.

32. **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 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
Less: Excise duty	25,856,044	32,399,915	-	-	-	-	58,255,959
Revenue [Net]	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 operating 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
Exceptional item							-
Profit before tax							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

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32. **Segment reporting**

Other information as at 31 March 2014

Particulars	API	Finished dosage Formulations	Job Works	Pharmacy	Others	Eliminations	Total
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
Minority interest							68,795,530
Unallocated corporate liabilities							3,109,348,036
Total liabilities	636,690,750	752,824,902	-	130,674,568	-	-	4,698,333,786
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
Non cash expenses, other than depreciation	-	7,813,451	-	1,918,395	25,513,106	-	35,244,952

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32. **Segment reporting**

Business segment
For the year ended 31 March 2013

Particulars	API	Finished dosage Formulations	Job Works	Pharmacy	Others	Eliminations	Total
Revenue							
External sales	2,220,916,178	2,842,971,380	-	1,036,581,895	-	-	6,100,469,453
Inter-segment sales	158,106,950	-	-	-	-	(158,106,950)	-
	2,379,023,128	2,842,971,380	-	1,036,581,895	-	(158,106,950)	6,100,469,454
Excise duty	20,600,364	55,150,057	-	-	-	-	75,750,421
Total Sales	2,358,422,764	2,787,821,323	-	1,036,581,895	-	(158,106,950)	6,024,719,033
Sale of dossiers	-	-	-	-	148,348,214	-	148,348,214
Job work charges	-	-	94,360,434	-	-	-	94,360,434
Other Income	53,305,111	139,050,075	-	-	162,197,530	(16,720,727)	337,831,989
Total segment revenue	2,411,727,875	2,926,871,398	94,360,434	1,036,581,895	310,545,744	(174,827,677)	6,605,259,670
Results							
Segment result	468,120,996	1,283,219,696	76,735,149	(35,888,628)	248,826,641	-	2,041,013,854
Unallocated corporate expenses							762,975,823
Finance cost							263,068,187
Other income							124,063,709
Exceptional item							115,840,728
Profit before tax and minority interest							1,023,192,825
Income tax [Including deferred tax]							364,363,577
Profit before minority interest							658,829,248
Minority interest							(59,861,536)
Net profit for the year							718,690,784

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32. **Segment reporting**

Other information as at 31 March 2013

Particulars	API	Finished dosage Formulations	Job Works	Pharmacy	Others	Eliminations	Total
Other information							
Segment assets	5,590,840,266	3,731,025,105	9,351,917	223,971,921	44,926,918	-	9,600,116,128
Unallocated corporate assets	-	-	-	-	1,584,838,104	-	1,204,007,857
Total assets	5,590,840,266	3,731,025,105	9,351,917	223,971,921	1,629,765,022	-	10,804,123,985
Segment liabilities	1,721,885,901	456,829,111	-	227,256,880	-	(1,140,582,545)	1,265,389,347
Minority interest						-	105,366,852
Unallocated corporate liabilities	-	-	-	-		-	4,097,938,972
Total liabilities	1,721,885,901	456,829,111	-	227,256,880	-	(1,140,582,545)	5,468,695,171
Capital expenditure	886,900,040	276,967,091	-	6,689,099	250,073,786	-	1,420,630,016
Depreciation and amortisation	104,982,565	97,252,301	-	3,632,861	15,354,863	-	221,222,590
Other non-cash expenses	-	8,401,436	-	-	76,959,216	-	85,360,652

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 2014			For the year ended and as at 31 March 2013		
	Segment revenue	Segment assets	Capital expenditure	Segment revenue	Segment assets	Capital expenditure
India	**3,417,846,574**	**10,875,846,950**	**1,021,046,474**	2,784,061,918	9,505,590,182	1,413,941,007
America	**2,543,208,764**	**828,100,425**	**7,635,953**	2,025,584,039	911,211,423	6,689,009
Europe	**1,109,566,426**	**177,519,543**	-	1,226,323,014	203,395,859	-
Rest of the world	**485,381,559**	**75,627,238**	-	693,354,408	183,926,521	-
Total	**7,556,003,323**	**11,957,094,156**	**1,028,682,427**	6,729,323,379	10,804,123,985	1,420,630,016

Walker Chandiok & Co LLP Hyderabad

33. Earnings per equity share (EPES)

	31 March 2014	31 March 2013
Net profit as per Consolidated Statement of Profit and Loss	**1,027,342,878**	718,690,784
Weighted average number of equity shares considered in computation of basic EPES	**31,945,951**	31,236,767
Add: Effect of dilutive equity shares	**-**	133,348
Weighted average number of equity shares considered in computation of diluted EPES	**31,945,951**	31,370,115

34. **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**
(Formerly Walker, Chandiok & Co)
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 29 May 2014

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)

Place: Hyderabad
Date: 29 May 2014

Walker Chandiok & Co LLP

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 32(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'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.

Chartered Accountants

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 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.

(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

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

Name of the statute	Nature of dues	Amount (₹)	Amount Paid Under Protest (₹)	Period to which the amount relates	Forum where dispute is pending
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.

(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.

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

(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

Walker Chandiok & Co LLP ★ Hyderabad ★

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

Walker Chandiok & Co LLP ★ Hyderabad ★

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)**

Walker Chandiok & Co LLP ★ Hyderabad ★

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

Walker Chandiok & Co LLP ★ Hyderabad ★

Place: Hyderabad
Date : 22 May 2015

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

V C Nannapaneni
Chairman & Managing Director

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

Rajeev Nannapaneni
Vice Chairman & CEO

SVVN Appa Rao
Interim CFO

Place: Hyderabad
Date : 22 May 2015

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	83.78	73.00
NATCO Farma Do Brazil	Brazil	79.47	65.70
NATCO Organics Limited ("NOL")	India	100.00	51.00
NATCO Pharma (Canada), Inc.	Canada	99.34	97.82
Natco Pharma Asia Pte. Ltd.	Singapore	100.00	100.00
NATCO Pharma Australia PTY Ltd	Australia	80.00	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.

Walker Chandiok & Co LLP * Hyderabad *

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.

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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.

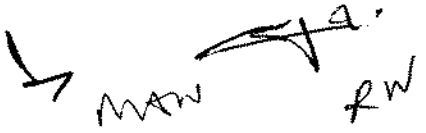
t. **Cash flow statement**
Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments.

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 1,088,009 (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.

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(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**

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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%

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(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	94,462,650	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	13,154,950	7,133,657	(2,872,373)
Experience adjustment to planned assets	-	-	-	-	-

9. **Short-term borrowings**

	31 March 2015	31 March 2014
Loans repayable on demand		
Secured		
From Banks	1,375,197,497	943,354,453
Unsecured		
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**

	31 March 2015	31 March 2014
Creditors for purchases and expenses	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**

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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	403,675,811	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	306,507,389	922,025,394	18,056,511	24,511,603	42,831,420	73,828,982	1,389,198,997
Depreciation charge	-	188,535	65,555,348	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 Ranky Pharma City (India) Limited for a period of 33 years which is renewable for a further period of 2 terms of 33 years each.

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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	270,000	270,000
Market value of quoted investments	-	-
Unquoted investments [including share application money]	15,677,945	15,677,945
Provision for diminution in value of investments	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)

	31 March 2015	31 March 2014
Long-term		
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**

	31 March 2015	31 March 2014
Investments in equity instruments, Quoted, Non trade		
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	1,182,970	3,179,534
Market value of quoted investments	7,039,800	20,649,500
Unquoted investments	-	-

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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**

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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**

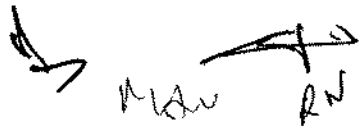
25. **Cost of raw materials consumed (including packing materials consumed) #**

	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	162,574,482	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	30,303,272	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.

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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, Hydcrabad NATCO Group Employees Welfare Trust Natsoft Information Systems Ptivatc 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	-	204,227,280
Disputed sales tax liabilities	8,690,000	8,690,000
Disputed service tax liabilities	1,749,256	-
Disputed customs liability	2,000,000	-
Disputed income tax liabilities	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	25,542,579
(c) Provision towards CSR activities undertaken by entering into a contractual obligation and which have completed during the year	-

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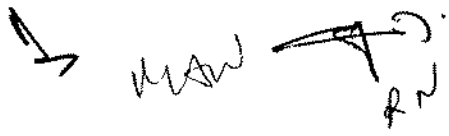

34. **Segment reporting**

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							1,074,964,899
Finance cost							316,763,803
Other income							149,071,423
Profit before tax							1,342,172,406
Income tax [Including deferred tax]							39,501,688
Profit before minority interest							1,302,670,718
Minority interest							(43,486,731)
Net profit for the year							1,346,157,989

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**

Walker Chandiok & Co LLP Hyderabad

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.	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				
Time Cap Overseas Limited*	1%	50,250,161	2%	24,179,139
Natco Pharma Australia PTY LTD	0%	-	0%	807,630
Natco Pharma (Canada) Inc	0%	-	0%	426,690
NATCO Organics Limited	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 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.

Walker Chandiok & Co LLP

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderebad
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 & CED

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

SVVN Appa Rao
interim CFD

Place: Hyderabad
Date : 22 May 2015

Independent Auditor's Report on Review of Consolidated Interim Financial Information

To the Board of Directors of NATCO Pharma Limited

Introduction

1) We have reviewed the accompanying Consolidated Statement of Profit and Loss of NATCO Pharma Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") for the three months period ended 30 June 2015, and a summary of selected significant accounting policies and other explanatory information (collectively referred as the 'Consolidated Interim Financial Information').

Management's Responsibility for the Consolidated Interim Financial Information

2) Management is responsible for the preparation and fair presentation of this Consolidated Interim Financial Information 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). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the consolidated interim financial information that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3) We conducted our review in accordance with Standard on Review Engagements (SRE) 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

4) Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not give a true and fair view of the results of operations for the three month period then ended 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).

Other matter

5) We did not review the financial information of three subsidiaries included in the consolidated financial information, whose financial information reflect total revenues (after eliminating intra group transactions) of Rs. 304.28 million for the quarter ended 30 June 2015. These financial information have been reviewed by other auditors whose review reports have been furnished to us by the management, and our review opinion on the consolidated financial information of the Group for the quarter then ended to the extent they relate to the financial information not reviewed by us as stated in this paragraph is based solely on the review reports of the other auditors. Our opinion is not qualified in respect of this matter.

6) We did not review the financial information of two subsidiaries included in the consolidated financial information, whose financial information reflect total revenues (after eliminating intra-group transactions) of Rs. 6.28 million for the quarter ended 30 June 2015. This financial information is unaudited/unreviewed and has been furnished to us by the Management and our opinion on the consolidated financial information, in so far as it relates to the amounts included in respect of these subsidiaries is based solely on such unaudited/unreviewed financial information. In our opinion and according to the information and explanations given to us by the Management, this financial information is not material to the Group. Our opinion is not qualified in respect of this matter.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration No: 001076N/N500013
per **Sanjay Kumar Jain**
Partner, Membership No. 207660
Place: Hyderabad
Date: [●]

Consolidated Statement of Profit and Loss for the quarter ended 30 June 2015
(All amounts in Rs. million unless otherwise stated)

		30 June 2015
	Revenue	
	Revenue from operations (gross)	2,290.13
	Less : Excise duty	53.08
	Revenue from operations (net)	**2,237.05**
	Other income	18.32
	Total revenue	**2,255.37**
	Expenses	
	Cost of materials consumed (including packing material consumed)	574.44
	Purchases of stock-in-trade	238.79
	Changes in inventory of finished goods, work-in-progress and stock-in-trade	(114.83)
	Employee benefits expense	402.58
	Finance costs	80.76
	Depreciation and amortisation expense	126.41
	Other expenses	561.51
	Total expenses	**1,869.66**
	Profit before tax	**385.71**
	Tax expense	
	Current tax	101.71
	Deferred tax expense	8.58
	Profit after tax and before minority interest	**275.42**
	Minority interest	(6.86)
	Profit for the year	**282.28**
	Earnings per equity share (EPES)	
	Basic and diluted EPES	8.50
	Nominal value per equity share	10.00
	Weighted average number of equity shares considered in computation of basic and diluted EPES	3,32,34,849

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

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date : [●]

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 : [●]

Summary of selected significant accounting policies and other explanatory information
(All amounts in Rs. unless otherwise stated)

1. **Company overview**
NATCO Pharma Limited ("the Company" or "NATCO") is a company incorporated in India and registered under the provisions of the Companies Act, 1956 ("the Act"). The Company is into the business of research, developing, manufacturing and marketing of Active Pharmaceutical Ingredients (API's) and Finished Dosage Formulations (FDF) for Indian and International markets.

2. **Basis of consolidation**
The accompanying Consolidated Interim Financial Information of NATCO Pharma Limited ("the Company") together with its subsidiaries (collectively referred as the 'Group' or the 'consolidating entities') for the three months period ended 30 June 2015 has been prepared specifically for the purpose of inclusion in the preliminary placement document to be filed by the Company with the Securities and Exchange Board of India ("SEBI") in connection with the proposed Qualified Institutional Placement. The Consolidated Interim Financial Information has been prepared and presented under the historical cost convention on accrual basis, in accordance with generally accepted accounting principles in India ("Indian GAAP") and comply in all material respects with the Accounting Standards ("AS") notified under the Companies Act, 2013 read with the Rule 7 of the Companies (Accounting Standards) Rules, 2014 (as amended), pronouncements of The Institute of Chartered Accountants of India ('ICAI').

The following subsidiaries have been considered for the purpose of preparation of Consolidated Interim Financial Information:

Name of the consolidating entities	Country of Incorporation	Percentage holding / interest (%)
		As at 30 June 2015
NATCO Pharma Inc.	United States of America	100.00
Time Cap Overseas Limited	Mauritius	83.78
NATCO Farma Do Brazil	Brazil	79.47
NATCO Organics Limited ("NOL")	India	100.00
NATCO Pharma (Canada), Inc.	Canada	99.34
Natco Pharma Asia Pte. Ltd.	Singapore	100.00
NATCO Pharma Australia PTY Ltd	Australia	80.00

3. **Significant accounting policies**
The Company has followed the same accounting policies in preparation of the Consolidated Interim Financial Information as those followed in preparation of the Annual Consolidated Financial Statements as at and for the year ended 31 March 2015.

This is the summary of selected significant accounting policies and other explanatory information referred to in our review report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: [●]

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: [•]

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 Preliminary 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 Preliminary Placement Document are true and correct.

Signed by:

_____

V. C. Nannapaneni
Chairman and Managing Director

Place: [●]
Date: **[●]**

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 the Preliminary 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 Committee of Directors of the Board of Directors of the Company, vide resolution dated …….. 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: [●]
Date: **[●]**

ISSUER

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Website: www.natcopharma.co.in; CIN: L24230TG1981PLC003201
Contact Person: M. Adinarayana, Company Secretary and Compliance Officer

Details of Compliance Officer
M. Adinarayana
Company Secretary and Compliance Officer
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Tel: +91 40 2354 7532; Fax: +91 40 2354 8243
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