

Corporate Governance Report

Philosophy on Corporate Governance

NATCO Pharma Limited believes that transparency in the form of disclosures, presence of strong Board with adequate composition of independent Directors, and being accountable ensures good Corporate Governance and enhances the reputation of the Company globally without hindering with the shareholder's faith in the Company.

Compliance of law in letter and spirit is the thumb rule of your Company. Going beyond the mandate of law in terms of Corporate Governance practices has been one of the reasons for the ever ending trust built up in the hearts of thousands of Shareholders and other stakeholders of the Company. At Natco, we consider stakeholders as our partners in success, and we remain committed to maximising stakeholder value. This approach to value creation emanates from our belief that sound governance system, based on relationship and trust, is integral to create enduring value for all. We have strengthened governance practices which define the way business is conducted and value is generated. Stakeholders' interest is taken into account before taking any business decision.

Responsible corporate conduct is integral to the way we do our business. Our actions are governed by our values and principles, which are reinforced at all levels within the Company. Our Code of Business Principles is an extension of our values and reflects our continued commitment to ethical business across our operations. Your Company is a law abiding responsible corporate citizen.

We believe, to achieve success in the business, requires highest standard of Corporate Governance behaviour towards everyone we work with, the communities we deal in and the environment on which we have an impact. This is our path to consistent, competitive, profitable and responsible growth which creates a long term value to our shareholders/stakeholders.

Board of Directors

The Board of Natco is a combination of ten (10) eminent personnel from varied fields having immense knowledge in the subjects of their interest. We at Natco always believed that the Board plays a fiduciary capacity role in protecting the interests of the stakeholders and at enhancing the shareholder value. The Board provides strategic guidance to the Company in arriving at commensurate decisions by exercising independent judgement.

(a) Meetings

Correct decision-making is vital for the success of any Company. Natco believes that the Board Meetings are of high significance when it comes to decision making. There are several items of business which are to be particularly reviewed and approved by the Board which include the financial performance of the Company, corporate actions undertaken by the Company, several policies etc. In addition to this the Board also analyses the affairs of the Company, opportunities for the growth of the Company, litigation status of the Company before various Courts in India and abroad and such other matters as recommended by the management of your Company. All these decisions are taken by the Board with due care, caution and diligence.

(i) Dates of the Board Meetings

The following table depicts the dates on which the Meetings of the Board were held:

Quarter	Date of the Meeting held
April – June, 2017	30 May 2017
July – September, 2017	7 August 2017
October – December, 2017	2 November 2017
January – March, 2018	6 February 2018

The time gap between any two successive meetings did not exceed one hundred and twenty days. Requisite Quorum was present in all the meetings. In order to avoid possible time and travel constraints of the Directors both the Board and Committee Meetings were held on the same day. However, proper care is being taken to see that adequate time is provided for both the meetings for thorough discussions for arriving at consensus in better decision making.

(ii) Prior Intimation of Board Meeting

Prior to every Board Meeting of the Company which considers financial results, intimation is given to both the stock exchanges (NSE and BSE) where your Company's shares are listed and the same is published in national daily newspaper in English and in one regional daily newspaper published in Telugu mentioning the date of the meeting and the main items of business to be considered at that particular meeting.

(iii) Disclosure to Stock Exchanges after the Board Meeting

Immediately after the conclusion of the meeting the updates of the same are disclosed to both the stock exchanges. However, when the meeting is held to consider financial results of the Company, such results are uploaded in the online portal of the stock exchanges within thirty (30) minutes from the conclusion of the meeting in compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations').

(b) Composition

The Composition of the Board is made keeping in view the growth of the Company and compliance with the statutory requirement under the Companies Act, 2013 ('Act') and the rules made thereunder and the Listing Regulations.

Composition of the Board of Directors of Natco is as follows:

- o 5 Independent Directors (including one woman Director)
- o 4 Executive Directors
- o 1 Non-Independent and Non-Executive Director

Sl. No.	Name	Category	Number of meetings of the Board of Directors during the FY 2017-18		Attendance at the last AGM Held on 28 September 2017	Relationship inter-se directors	Directorships in other public companies (Listed/ Unlisted)
			Held	Attended			
1.	Mr. V. C. Nannapaneni	Executive Director	4	4	Yes	Father of Mr. Rajeev Nannapaneni	1
2.	Mr. T. V. Rao	Independent Director	4	4	No	NA	7
3.	Mr. G. S. Murthy	Independent Director	4	4	Yes	NA	NIL
4.	*Dr. B. S. Bajaj	Independent Director	4	1	NA	NA	NA
5.	Mr. Rajeev Nannapaneni	Executive Director	4	4	Yes	Son of Mr. V.C. Nannapaneni	1
6.	*Dr. A. K. S. Bhujanga Rao	Executive Director	4	1	NA	NA	NA
7.	**Mr. Vivek Chhachhi	Non-Executive and Non-Independent Director	4	4	No	NA	--
8.	Mr. D. G. Prasad	Independent Director	4	4	Yes	NA	2
9.	Dr. Leela Digumarti	Independent Director	4	2	No	NA	NIL
10.	Mr. P. S. R. K. Prasad	Executive Director	4	4	Yes	NA	Nil
11.	Dr. MUR Naidu	Independent Director	4	3	No	NA	nil
12.	Dr. D. Linga Rao	Executive Director	4	4	Yes	NA	nil
13.	**Mr. Sridhar Sankararaman	Non-executive and Non-independent Director	4	NA	NA	NA	1

Note: Every Director intimates the Company of his shareholding in the Company as well as directorships in other Companies in the prescribed forms on an annual basis and also on subsequent changes, if any.

* Dr. B. S. Bajaj and Dr. A. K. S. Bhujanga Rao resigned w.e.f. 7 August 2017.

** Mr. Vivek Chhachhi resigned w.e.f. 23 May 2018 and Mr. Sridhar Sankararaman joined the Board as an Additional Director w.e.f. 23 May 2018.

(c) Independent Directors

Natco is always of the belief that an independent eye makes difference to the way the Board functions. The presence of Independent Directors on the Board ensures that decision making of the Board is unbiased and the interests of the stakeholders are best safeguarded. The Act and Listing Regulations prescribe

several conditions in respect of Independent Directors and your company is in strict compliance of the same.

Half of your Company's Board consists of Independent Directors who have submitted declaration to the effect that they meet the criteria of independence as provided under the Act and Listing Regulations. They are well qualified in the fields of science, finance, law and administration.

(i) Meeting of Independent Directors

The Independent Directors of your Company met on 6 February 2018 and considered those items of business as required under Schedule IV to the Act as well as the Listing Regulations. The Company Secretary of your Company facilitated the convening and holding of the meeting of Independent Directors.

(ii) Familiarisation Programme for Independent Directors

The Company has organised Familiarisation Programmes for the Independent Directors of the Company on every Board Meeting date to familiarise them with the Company vis a vis their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company etc. The details regarding the programme is available on the Company's website.

(d) Board Evaluation

A formal annual evaluation has been made by the Board of its own performance and that of its Committees and individual Directors. The performance evaluation has been done by the entire Board of Directors, excluding the Director being evaluated. Various evaluation techniques are used to assess the performance of the Directors. All the Directors have participated in this evaluation process. The Independent Directors in their separate meeting have also evaluated the performance of the Chairman of the Company, Non-Independent Directors and the Board as a whole.

(e) Attendance and Sitting Fees

The Meetings of the Board are usually convened on such dates as agreed for by majority of the Directors. However due to certain emergencies or for any other pre-occupations Directors are granted leave of absence at the beginning of the meeting. The details of attendance of the Directors and the sitting fees paid for the financial year 2017-18 are as below:

Sl. No.	Name of the Director	Category	Date of Board Meetings, attendance and Sitting fees				Total Sitting Fees paid (₹)
			30 May 2017	7 August 2017	2 November 2017	6 February 2018	
1.	Mr. V. C. Nannapaneni	Executive Director	Y NIL	Y NIL	Y NIL	Y NIL	NIL
2.	Mr. T. V. Rao	Independent Director	Y 30,000	Y 30,000	Y 40,000	Y 40,000	1,40,000
3.	Mr. G. S. Murthy	Independent Director	Y 30,000	Y 30,000	Y 40,000	Y 40,000	1,40,000
4.	*Dr. B. S. Bajaj	Independent Director	Y 30,000	NA	NA	NA	30,000
5.	Mr. Rajeev Nannapaneni	Executive Director	Y NIL	Y NIL	Y NIL	Y NIL	NIL
6.	*Dr. A. K. S. Bhujanga Rao	Executive Director	Y NIL	NA	NA	NA	NIL
7.	Mr. Vivek Chhachhi**	Non-Executive and non-independent Director	Y NIL	Y NIL	Y NIL	Y NIL	NIL
8.	Mr. D. G. Prasad	Independent Director	Y 30,000	Y 30,000	Y 40,000	Y 40,000	1,40,000
9.	Dr. Leela Digumarti	Independent Director	N NIL	Y 30,000	N NIL	Y 40,000	70,000
10.	Mr. P. S .R. K. Prasad	Executive Director	Y NIL	Y NIL	Y NIL	Y NIL	NIL
11.	Dr. M. U. R. Naidu	Independent Director	Y 30,000	N NIL	Y 40,000	Y 40,000	1,10,000
12.	Dr. D. Linga Rao	Executive Director	Y NIL	Y NIL	Y NIL	Y NIL	NIL
Total							6,30,000

Y - Present; N - Leave of Absence, NA- Not Applicable

* Dr. B. S. Bajaj and Dr. A. K. S. Bhujanga Rao resigned w.e.f. 7 August 2017.

** Mr. Vivek Chhachhi, Non-Executive and Non-Independent Director, is voluntarily not taking any sitting fee and he resigned w.e.f. 23 May 2018.

*** None of the Executive Directors are paid sitting fee.

Committees

(i) Committees of Board

In order to take decisions effectively and for better Corporate Governance the Board of your Company had constituted six committees viz. Audit Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee, Compensation Committee, Allotment Committee and Corporate Social Responsibility Committee. The membership in committees is decided based on the traits of the Directors keeping in view the statutory requirement of composition of Directors in the committees. The brief description of terms of reference, composition, meetings and attendance during the financial year 2017-18 are provided below:

(a) Audit Committee

The Audit Committee of the Company comprises of six (6) Directors of which four are Independent Directors (including the Chairman of the Committee), one Non-Executive and Non-Independent Director and one Executive Director (Chairman of the Board) majority of whom are financially literate and have accounting and related financial management expertise. The quorum for the meetings and the frequency of meetings are in strict compliance with the statutory requirements. The details regarding the dates of the meetings, attendance during the meetings and the sitting fee paid for the financial year 2017-18 are depicted in the table below:

Sl. No.	Name of the Director	Category	Date of Audit Committee Meetings, attendance and Sitting fees				Total Sitting Fees paid (₹)
			30 May 2017	7 August 2017	2 November 2017	6 February 2018	
1.	Mr. G. S. Murthy (Chairman)	Independent Director	Y 5,000	Y 5,000	Y 10,000	Y 10,000	30,000
2.	*Dr. B. S. Bajaj	Independent Director	Y 5,000	N NIL	NA	NA	5,000
3.	Mr. T. V. Rao	Independent Director	Y 5,000	Y 5,000	Y 10,000	Y 10,000	30,000
4.	Mr. D. G. Prasad	Independent Director	Y 5,000	Y 5,000	Y 10,000	Y 10,000	30,000
5.	Mr. V. C. Nannapaneni	Executive Director	Y NIL	Y NIL	Y NIL	Y NIL	NIL
6.	**Mr. Vivek Chhachhi	Non-Executive and Non-Independent Director	Y NIL	Y NIL	Y NIL	Y NIL	NIL
7.	*Dr. M. U. R. Naidu	Independent Director	NA	NA	Y 10,000	Y 10,000	20,000
Total							1,15,000

Y – Present; N – Leave of Absence, NA- Not applicable

* Dr. B. S. Bajaj resigned w.e.f. 7 August 2017 and Dr. M. U. R. Naidu was appointed as member of Audit Committee by the Board w.e.f. 7 August 2017.

** Mr. Vivek Chhachhi, Non-Executive and Non-Independent Director, is voluntarily not taking any sitting fee and he resigned w.e.f. 23 May 2018.

Terms of Reference:

The terms of reference of Audit Committee include, but not limited to, the following:

1. Oversight of the listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the listed entity;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - a. matters required to be included in the Director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;
 - b. changes, if any, in accounting policies and practices and reasons for the same;
 - c. major accounting entries involving estimates based on the exercise of judgement by management;

- d. significant adjustments made in the financial statements arising out of audit findings;
 - e. compliance with listing and other legal requirements relating to financial statements;
 - f. disclosure of any related party transactions;
 - g. modified opinion(s) in the draft audit report;
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;
 6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter;
 7. Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
 8. Approval or any subsequent modification of transactions of the listed entity with related parties;
 9. Scrutiny of inter-corporate loans and investments;
 10. Valuation of undertakings or assets of the listed entity, wherever it is necessary;
 11. Evaluation of internal financial controls and risk management systems;
 12. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
 13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
 14. Discussion with internal auditors of any significant findings and follow up there on;
 15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
 17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
 18. To review the functioning of the whistle blower mechanism;
 19. Approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
 20. Review of management discussion and analysis of financial condition and results of operations;
 21. Reviewing the statement of significant related party transactions (as defined by the audit committee), submitted by management;
 22. To Review management letters / letters of internal control weaknesses issued by the statutory auditors;
 23. Review of internal audit reports relating to internal control weaknesses; and
 24. Appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.
 25. Reviewing the statement of deviations:
 - a. Quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).
 - b. Annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).
- (b) Stakeholders' Relationship Committee**
The Stakeholders' Relationship Committee of the Company comprises of four (4) Directors of which two are Independent Directors (including the Chairman of

the Committee) and two Executive Directors. The details regarding the dates of the meetings, attendance during the meeting and the sitting fee paid to members of Stakeholders' Relationship Committee during the financial year 2017-18 are depicted in the table below:

Name of the Director	Category	Date of Stakeholders' Relationship Committee Meeting, attendance and Sitting fees		Total Sitting Fees paid (₹)
		30 May 2017	2 November 2017	
Mr. G. S. Murthy (Chairman)	Independent Director	Y 5,000	Y 10,000	15,000
Mr. V. C. Nannapaneni	Executive Director	Y NIL	Y NIL	NIL
Mr. Rajeev Nannapaneni	Executive Director	Y NIL	Y NIL	NIL
Dr. M. U. R. Naidu	Independent Director	Y 5,000	Y 10,000	15,000
Total				30,000

Y – Present; N – Leave of Absence

Terms of reference:

- To consider and resolve the grievances of the security holders of the listed entity including complaints related to transfer of shares, non-receipt of annual report and non- receipt of declared dividends.
- To specifically look into the mechanism of redressal of grievances of shareholders, debenture holders and other security holders, if any, of the Company.

(c) Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Company comprises of four (4) Directors of which two are Independent Directors (including the Chairman of the Committee), one Non-executive and Non-independent Director and one Executive Director (Chairman of the Board). The details regarding the dates of the meetings, attendance during the meeting and the sitting fee paid to members of Nomination and Remuneration Committee during the financial year 2017-18 are depicted in the table below:

Name of the Director	Category	Date of Nomination and Remuneration Committee Meeting, attendance and Sitting fees			Total Sitting Fees paid (₹)
		30 May 2017	7 August 2017	6 February 2018	
Mr. G. S. Murthy (Chairman)	Independent Director	Y 5,000	Y 5,000	Y 10,000	20,000
*Dr. B. S. Bajaj	Independent Director	Y 5,000	N NIL	NA NIL	5,000
**Mr. Vivek Chhachhi	Non-Executive and Non-Independent Director	Y NIL	Y NIL	Y NIL	NIL
Mr. V. C. Nannapaneni	Executive Director (Chairman of the Board)	Y NIL	Y NIL	Y NIL	NIL
*Dr. M. U. R. Naidu	Independent Director	NA	NA	Y 10,000	10,000
Total					35,000

Y – Present; N – Leave of Absence, NA – Not applicable

* Dr. B. S. Bajaj resigned w.e.f. 7 August 2017 and Dr. M.U.R. Naidu was appointed as member of Nomination and Remuneration Committee by the Board w.e.f. 7 August 2017.

** Mr. Vivek Chhachhi, Non-Executive and Non-Independent Director, is voluntarily not taking any sitting fee and he resigned w.e.f. 23 May 2018.

Terms of reference:

- Formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board of Directors a policy relating to, the remuneration of the Directors, key managerial personnel and other employees;
- Formulation of criteria for evaluation of performance of Independent Directors and the Board of Directors;
- Devising a policy on diversity of Board of Directors;

4. Identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board of Directors their appointment and removal.
5. Whether to extend or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of Independent Director.

(d) Compensation Committee

The Compensation Committee of the Company comprises of four (4) Directors of which two are Independent Directors and two are Executive Directors. During the financial year 2017-18 the Compensation Committee recommended the Natco Employee Stock Option Scheme, 2017 (NATSOP 2017) to the Board which was subsequently approved by the members of the Company after which the Committee granted employee stock options to the eligible employees as per the NATSOP 2017. The details regarding the dates of the meetings, attendance during the meeting and the sitting fee paid to members of Compensation Committee during the financial year 2017-18 are depicted in the table below:

Name of the Director	Category	Date of Compensation Committee Meeting, attendance and Sitting fees			Total Sitting Fees paid (₹)
		7 August 2017	2 November 2017	22 January 2018	
Mr. G. S. Murthy	Independent Director	Y 5,000	Y 10,000	Y 10,000	25,000
Mr. V. C. Nannapaneni	Executive Director	Y NIL	Y NIL	Y NIL	NIL
Mr. Rajeev Nannapaneni	Executive Director	Y NIL	Y NIL	Y NIL	NIL
Dr. B. S. Bajaj*	Independent Director	N NIL	NA	NA	NIL
Dr. M. U. R. Naidu*	Independent Director	NA	Y 10,000	Y 10,000	20,000
Total					45,000

Y – Present; N – Leave of Absence, NA – Not Applicable

*Dr. B. S. Bajaj resigned w.e.f. 7 August 2017 and Dr. M. U. R. Naidu was appointed as member of Compensation Committee by the Board w.e.f. 7 August 2017.

Terms of Reference

1. To formulate the detailed terms and conditions for the administration and interpretation of any Employee Stock Option Plans of the Company and recommend the same to the Board.
2. To amend and rescind any rules and regulations relating to Employee Stock Option Plans in tune with recommendations / approvals / regulatory rules of SEBI or any other authority or otherwise and to make any other determinations that it deems fit or necessary or desirable for the administration and implementation of the Plan.
3. To grant options issued pursuant to the Employee Stock Option Plans to the employees of the Company.
4. To recommend closure of any scheme to the Board.
5. To frame suitable policies and procedures to ensure that there is no violation of securities laws, as amended from time to time, including Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to

the Securities Market) Regulations, 2003 by the Company and its employees.

(e) Allotment Committee

The Allotment Committee comprises of four (4) Directors of which two are independent directors and the other two are Executive Directors. There was no Allotment Committee meeting held during the financial year 2017-18 as there was no need to hold. Mr. V. C. Nannapaneni, Mr. G. S. Murthy, Dr. M. U. R. Naidu and Mr. Rajeev Nannapaneni are the members of the Allotment Committee.

Terms of reference

1. To administer, control and implement the preferential issue of the Company.
2. To negotiate and finalise the terms of the said issue, including the amount, the conversion price, the rate of interest etc.
3. To Allot the bonds / shares consequent upon exercise of right of conversion to the applicants;
4. To File all necessary papers and documents with the Stock Exchanges in India and abroad as may be necessary or authorise any officer of the Company to file the same;

5. To appoint Legal advisors, Paying and Conversion Agents, Listing Agents, Registrars to the issue, Brokers to the issue, Process Agents, Bankers to the issue and any other intermediaries etc. required in connection with the said issue; and
6. To do all such things that are necessary and incidental thereto.

(f) Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee of the Company comprises of three (3) Directors of which one is an Independent Director and two are Executive Directors. The details regarding the dates of the meetings, attendance during the meeting and the sitting fee paid to members of Corporate Social Responsibility Committee during the financial year 2017-18 are depicted in the table below:

Name of the Director	Category	Date of Corporate Social Responsibility Committee Meeting, attendance and Sitting fees		Total Sitting Fees paid (₹)
		30 May 2017	2 November 2017	
Mr. G. S. Murthy	Independent Director	Y 5,000	Y 10,000	15,000
Mr. V. C. Nannapaneni	Executive Director	Y NIL	Y NIL	NIL
Mr. Rajeev Nannapaneni	Executive Director	Y NIL	Y NIL	NIL
Total				15,000

Y – Present; N – Leave of Absence; NA- Not Applicable

Terms of Reference

1. To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII to the Companies Act, 2013;
2. To recommend the amount of expenditure to be incurred on the activities referred to in clause (1);
3. To monitor the Corporate Social Responsibility Policy of the Company from time to time;

(g) Committee of Directors

The Board constituted a Committee of Directors for dealing with Qualified Institutional Placement (QIP) for the purpose of framing up, administer, control, finalise the terms and conditions for the issue, its opening and closing and allotment of shares to Qualified Institutional Buyers (QIBs) which comprised of four (4) Directors of whom two are Independent Directors. The details regarding the dates of the meetings, attendance during the meeting and the sitting fee paid to members of Committee of Directors during the financial year 2017-18 are depicted in the table below:

Name of the Director	Category	Dates of Committee of Directors Meetings, Attendance and Sitting Fees			Total Sitting Fees paid (₹)
		11 December 2017	14 December 2017	15 December 2017	
Mr. G. S. Murthy	Independent Director	Y 10,000	Y 10,000	Y 10,000	30,000
Mr. V. C. Nannapaneni	Executive Director	Y NIL	N NIL	Y NIL	NIL
Mr. Rajeev Nannapaneni	Executive Director	Y NIL	Y NIL	Y NIL	NIL
Dr. M. U. R. Naidu	Independent Director	Y 10,000	Y 10,000	Y 10,000	30,000
Total					60,000

Y – Present; N – Leave of Absence; NA- Not Applicable

(ii) Other Committees

(a) Share Transfer Committee

The transfer/transmission of equity shares of the Company are approved by the Share Transfer Committee, the power of which has been delegated to the Share Transfer Agents/Registrars of the Company. The Company Secretary approves share transfers/transmissions and related matters.

Physical shares lodged for transfer either at Company's Registered Office or at the Company's Registrars are processed within 15 days from the date of lodgement, if the documents are valid in all respects. All requests for dematerialisation of shares are processed and the confirmation(s) thereto are given to depositories within 15 days.

During the financial year 2017-18, 1902 (Nineteen Hundred and Two only) instruments of transfer for 5,21,550 (Five Lakh Twenty One Thousand Five Hundred and Fifty only) equity shares and 19 (nineteen) instruments of transmission for 5,600 (Five Thousand Six Hundred only) equity shares were received and the same were effected.

(b) Internal Complaints Committee – Committee constituted under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

Your Company has in place Internal Complaints Committee at each of its offices and factories to resolve

any issues related to sexual harassment of women at workplace. The composition of the Committees is strictly as per the statutory requirement in the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. During the Calendar Year 2017 there were no complaints received.

The Committee comprises of one Presiding Officer who is a woman employed at a senior level, two members from amongst the employees and one member from a non-governmental organisation at each place of work. It was ensured that the committee constitutes with at least half of the total members are women.

General Meetings

(a) Annual General Meetings

The following are the Details of the previous three Annual General Meetings of your Company:

Financial Year	Date of the AGM	Venue	Time	Special Resolution(s) passed, if any
2016-17	28 September 2017	Daspalla Hotel, Road No.37, Jubilee Hills, Hyderabad - 500 033	10.30 a.m.	7
2015-16	30 September 2016	Daspalla Hotel, Road No.37, Jubilee Hills, Hyderabad - 500 033	10.00 a.m.	5
2014-15	26 September 2015	Daspalla Hotel, Road No.37, Jubilee Hills, Hyderabad - 500 033	10.30 a.m.	9

(b) Extraordinary General Meeting

Financial Year	Date of the AGM	Venue	Time	Special Resolution(s) passed, if any
2017-18	29 November 2017	NATCO House, Road No. 2, Banjara Hills, Hyderabad, 500 034	11.00 a.m.	1

(c) Postal ballot

No resolution was passed through postal ballot for the financial year 2017-18.

Remuneration of Directors

Executive Directors

The remuneration of Executive Directors of the Company is fixed based on the remuneration policy of the Company and as recommended by the Nomination and Remuneration Committee (NRC) and the remuneration paid to them for the financial year 2017-18 is as below:

S. No.	Name	Designation	Total amount (₹ in Lakhs per annum)
1.	Mr. V. C. Nannapaneni	Chairman & Managing Director	222.67 **
2.	Mr. Rajeev Nannapaneni	Vice Chairman & CEO	205.91
3.	Dr. A. K. S. Bhujanga Rao*	Director & President (R&D and Technical)	40.80
4.	Mr. P. S. R. K. Prasad	Director & Executive Vice President (Corp. Engg. Services)	164.29
5.	Dr. D. Linga Rao	Director & President (Tech. Affairs)	164.29
TOTAL			797.96

* Dr. A.K.S. Bhujanga Rao resigned w.e.f. 7 August 2017.

** Excludes ₹70 million provision towards commission on net profits.

Non-Executive Directors

Sitting fees for attending the Board Meeting is increased from ₹30,000/- (Rupees Thirty Thousand only) to ₹40,000/- (Rupees forty thousand) at the Board Meeting held on 7 August 2017 and the sitting fees for attending Committee

Meeting is increased from ₹ 5,000/- (Rupees five thousand) to ₹ 10,000/- (Rupees ten thousand only) at the Board meeting held on 7 August 2017 in addition to reimbursement of out of pocket expenses. The amount is paid within the ceiling limits under Companies Act, 2013 and the Articles of Association of the Company. The details of the sitting fees paid to Non-Executive Directors for each meeting is already mentioned at the respective places. Total sitting fee paid for the financial year 2017-2018 is given below:

S. No.	Name	Designation	Total (in ₹)
1.	Mr. G. S. Murthy	Independent Director	2,75,000
2.	*Dr. B. S. Bajaj	Independent Director	40,000
3.	Mr. T. V. Rao	Independent Director	1,70,000
4.	Mr. D. G. Prasad	Independent Director	1,70,000
5.	Dr. Leela Digumarti	Independent Director	70,000
6.	Dr. M. U. R. Naidu	Independent Director	2,05,000
Total			9,30,000

* Dr.B. S. Bajaj resigned w.e.f. 7 August 2017

Shareholding of Non-Executive Directors

Shareholding of Non-Executive Directors is provided in Annexure-IV to the Board's Report i.e. Extract of Annual Report in Form No. MGT-9 which forms part of this Annual Report.

Prevention of Insider Trading

Your Company has in place Code of Internal Procedures and Conduct to Regulate, Monitor and Report Trading by insiders as defined in the Securities of the Company ('The Code') which is in adherence to the SEBI (Prohibition of Insider Trading) Regulations, 2015. The disclosures received pursuant to this code and the regulations are disseminated to the Stock Exchanges within the prescribed time limit. Report of compliance officer was duly placed before the respective Board Meetings. The Code is available on the Company's website at the following link:

<http://natcopharma.co.in/wp-content/uploads/2015/07/Code-of-Conduct-PIT-2015-Natco.pdf>

Compliances

Quarterly Reconciliation of Share Capital Audit Report

A thorough audit is conducted on a quarterly basis by Mrs. P. Renuka, Practising Company Secretary (ACS No. 11963; CP No. 3460), in terms of regulation 55 A of SEBI (Depositories and Participants) Regulations, 1996, to reconcile the total admitted equity share capital with NSDL and CDSL and the total issued and listed equity share capital. The Reconciliation of Share Capital Audit Report confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and total number of dematerialised shares held with NSDL and CDSL. A copy of the report is uploaded by the respective Stock Exchanges in the online portal of both the stock exchanges (NSE and BSE) on a quarterly basis within the prescribed time limit and the same is also placed before the Board.

Compliance report on Corporate Governance

Your Company submits compliance report on Corporate Governance to both the stock exchanges (NSE and BSE) on quarterly, half-yearly and annual basis within the prescribed time-limits. These reports are also placed before the respective Board Meetings.

Secretarial Standards

The Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI) initially came into force from 1 July 2015 and later were revised w.e.f. 1 October 2017. Your Company's practices and procedures meet with these standards. So far only two secretarial standards for Board Meetings and for General Meetings are in place.

Legal Compliance

The Company follows a formal management policy and system of legal compliance and reporting to facilitate periodical review by the Board of the Compliance of laws applicable to the Company and steps taken to rectify non-compliance, if any. There were no instances of material non-compliance and strictures imposed on the Company either by SEBI, Stock Exchange or any statutory authority, on any matter related to capital markets, tax / excise matters, and such other related matters during the last three years.

Whistle Blower Policy

The Company has a Whistle Blower Policy to deal with instances of fraud and mismanagement, if any. The policy ensures that strict confidentiality is maintained whilst dealing with concerns and also that no discrimination will be meted out to any person for a genuinely raised concern. Pursuant thereto, anyone can directly approach the Chairman of the Audit Committee or through Company Secretary to report any suspected or confirmed incident of fraud / misconduct. It is affirmed that no personnel has been denied access to the Audit Committee.

Environmental Policy

Your Company complies with all the applicable environmental legislations and regulations, by incorporating suitable modern techniques such as waste management, recovery of raw materials isolating bye-products and distillations of solvents to control pollution, by conserving raw materials, natural resources such as water, diesel, coal & electricity by creating an environmental awareness among employees & suppliers and by providing a framework for setting and reviewing of environmental objectives and targets. All plant locations of your Company are zero pollution discharging ones.

Non-Mandatory Requirements

- Separate posts of Chairperson and Chief Executive Officer

The Chairman of the Board and the Chief Executive Officer are two different persons

Related Party Transactions

All related party transactions with related parties during the financial year 2017-18 were done in accordance with

the provisions of the Companies Act, 2013 and Regulation 23 of the Listing Regulations. No materially significant transactions with related parties were entered during the financial year which was in conflict with the interest of the Company. None of the Non-Executive Directors have any pecuniary material relationship or material transactions with the Company for the year ended 31 March 2018. The Company had formulated a Related Party Transactions Policy which is available on the Company's Website at the following link:

<http://natcopharma.co.in/wp-content/uploads/2015/03/RPT-Policy.pdf>

Employee Stock Option Schemes

Based on the recommendation of the Compensation Committee the Board and members of the Company approved the following Employee Stock Option Schemes, which are currently in force, for which your Company had received in-principle approval / trading approval from both the stock exchanges (NSE and BSE) to list the shares issued pursuant to the schemes:

Scheme	Particulars	No. of Options
NATSOP2015	Opening Balance as on 1 April 2017	6,16,445
	Options vested and Exercised on 2 November 2017	1,77,500
	Closing Balance of Options as 31 March 2018	4,38,945
NATSOP2016	Opening Balance as on 1 April, 2017	1,74,330
	Options vested and Exercised on 22 January 2018	8,100
	Closing Balance of Options as on 31 March 2018	1,66,230
NATSOP2017	Options approved by Shareholders in their Annual General Meeting held on 28 September 2017	6,00,000
	Options granted by the Compensation Committee in its meeting held on 2 November 2017	6,00,000
	Closing balance of Options as on 31 March 2018	6,00,000

Unclaimed Dividend

Section 124 of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("the Rules"), mandates that companies transfer dividend that has remained unclaimed for a period of seven years from the unpaid dividend account to the Investor Education and Protection Fund (IEPF).

The following table provides list of years for which unclaimed dividends and their corresponding shares would become eligible to be transferred to the IEPF on the dates mentioned below:

Year	Type of Dividend	Dividend per share(₹)	Date of declaration	Due date of transfer	Amount (₹)
2011-12	Interim	3.00	9 February 2012	15 March 2019	10,72,583.00
2012-13	Interim	4.00	13 February 2013	22 March 2020	15,62,000.00
2013-14	Interim	5.00	13 February 2014	22 March 2021	13,30,505.00
2014-15	Interim	5.00	11 February 2015	20 March 2022	12,22,310.00
2015-16	Interim	1.25*	11 February 2016	19 March 2023	13,41,617.50
2016-17	1st Interim	0.75*	9 August 2016	15 September 2023	9,26,594.50
	2nd Interim	6.00*	14 February 2017	23 March 2024	56,95,218.00
2017-18	1st Interim	1.25*	7 August 2017	13 September 2024	15,44,746.25
	2nd Interim	7.00*	6 February 2018	15 March 2025	48,32,709.00

*On Each Equity of ₹ 2/- each

The Company sends intimation to the shareholder(s) concerned, advising them to lodge their claims with respect to unclaimed dividends. Shareholder(s) may note that both the unclaimed dividend and corresponding shares transferred to IEPF, including all benefits accruing on such shares, if any, can be claimed from IEPF by following the procedure prescribed in the Rules. No claim(s) of whatsoever nature shall lie in respect thereof with the Company, the details of which are available at your Company's website.

Dividend Remitted to IEPF during the last five years

Year	Dividend declared on	Amount transferred to IEPF (₹)	Date of transfer
2005-2006	24 October 2005	5,83,442.00	26 November 2012
2006-2007	26 October 2006	5,46,992.00	22 November 2013
2007-2008	25 October 2007	4,64,065.00	19 November 2014
2008-2009	25 May 2009	5,79,399.00	21 June 2016
2009-2010	27 January 2010	9,18,554.00	22 February 2017
2010-2011	14 February 2011	7,80,368.00	12 March 2018

Transfer of Shares to IEPF

The Ministry of Corporate Affairs issued notification for commencement of the provisions of Section 124(6) whereby all shares in respect of which dividend has not been paid or claimed for seven consecutive years or more shall be transferred by the Company in the name of Investor Education and Protection Fund. The rules pertaining to the same have been notified and your Company had duly complied with the same. During the year the Company transferred 6,25,801 (six lakh twenty five thousand eight hundred and one only) equity shares to IEPF. The shares

transferred were on account of dividends unclaimed for seven consecutive years.

Means of Communication

At NATCO, dissemination of information is considered crucial since many stakeholders are interested in the affairs of the Company. The Audited/Unaudited quarterly, half-yearly and annual financial results of the Company both on stand-alone and consolidated basis are made available in the Public Domain of both the Stock Exchanges (NSE and BSE) soon after the conclusion of the Board Meeting in which the above-said results were considered/approved by the Board and the same are published in both Vernacular and National newspapers in compliance with legal provisions in this regard. Presentations on Financial Results made to Institutional investors / analysts are uploaded in the Company's Website as well as submitted to both the Stock Exchanges (NSE and BSE). It is ensured that any information regarding the Company such as product launches, further developments in legal issues, USFDA approvals, marketing approvals, new joint ventures or partnerships etc. are promptly intimated to the Stock Exchanges and updated on the Company's website (www.natcopharma.co.in) as well as made part of press releases. Transparency of the affairs of the Company is always given significance keeping in view the confidentiality required for maintaining the integrity of the business. Any price sensitive information is brought to the notice of both the Stock Exchanges (NSE and BSE), Press and Electronic Media in order to avoid any possible insider trading practices with such information.

The following table provides the details regarding the publishing of quarterly results in the newspapers:

Quarter ended	Board meeting held on	Date of publication	Name of the English Daily	Name of the Regional Daily
30 June 2017	7 August 2017	8 August 2017	o Business Line	o Eenadu
30 September 2017	2 November 2017	3 November 2017	o Financial Express	o Eenadu o Mana Telangana
31 December 2017	6 February 2018	7 February 2018	o Business Standard	o Eenadu
31 March 2018	23 May 2018	24 May 2018	o Business Standard o Business Line o Financial Express	o Eenadu

General Shareholder Information

(a) Details regarding Annual General Meeting

Date	15 September 2018
Time	10.30 a.m.
Venue	Daspalla Hotel, Road No.37, Jubilee Hills, Hyderabad - 500 033
Book Closure Dates	12 September 2018 to 15 September 2018 (both days inclusive)

(b) Financial Year

The Company adopted the financial year beginning on 1 April of every year and ending on 31 March of the following year. Accordingly all the quarterly, half yearly and annual compliance are taken care of in accordance with the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable acts, rules and regulations.

(c) Listing on Stock Exchanges

The ISIN of the Company is INE987B01026. Details of the Stock Exchanges in which the equity shares of the Company are listed are as below:

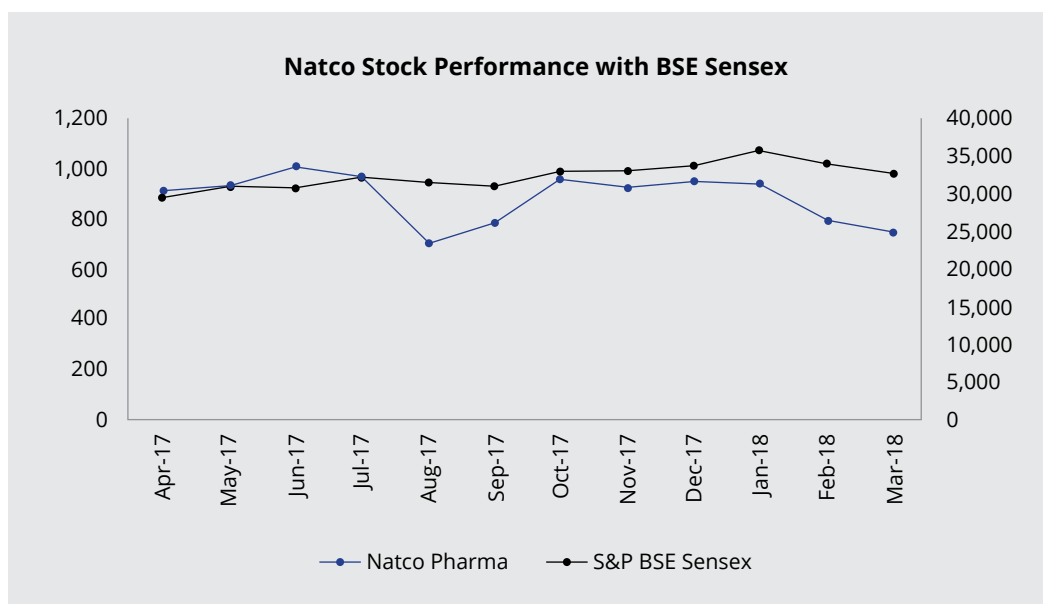
Name of the Stock Exchange	Address	Scrip Code
BSE Limited	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001	524816
National Stock Exchange of India Limited	Exchange Plaza, C-1, Block G, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051	NATCOPHARM

The Company confirms that it has duly paid the annual listing fee for the year 2017-18 to the above mentioned Stock Exchanges and the custodial fee for the year 2017-18 to both the Depositories, namely National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL).

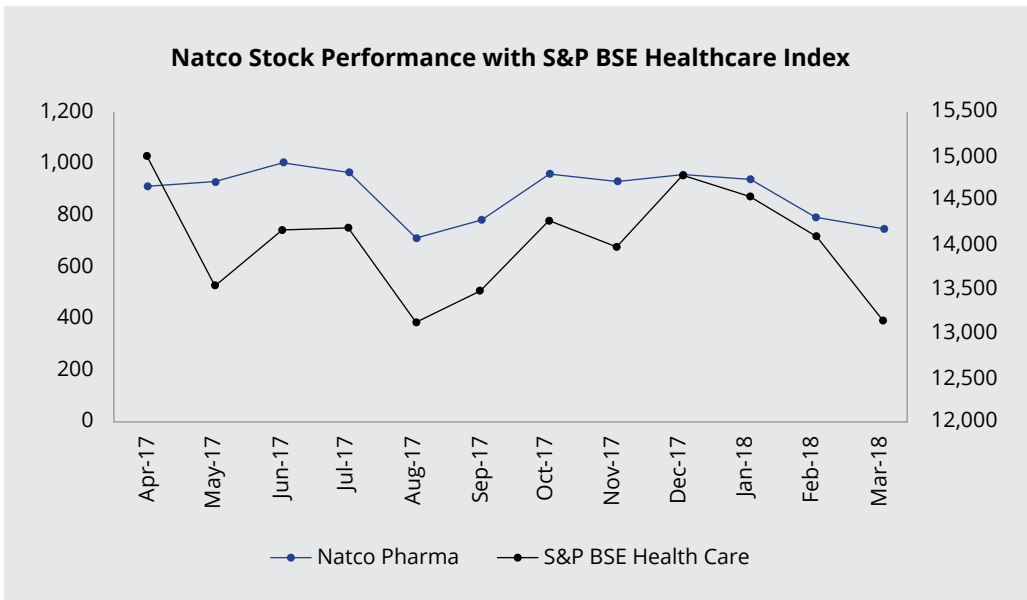
(d) Market Price Data

The market price data (high and low closing prices during each month) for the financial year 2017-18 is as below:

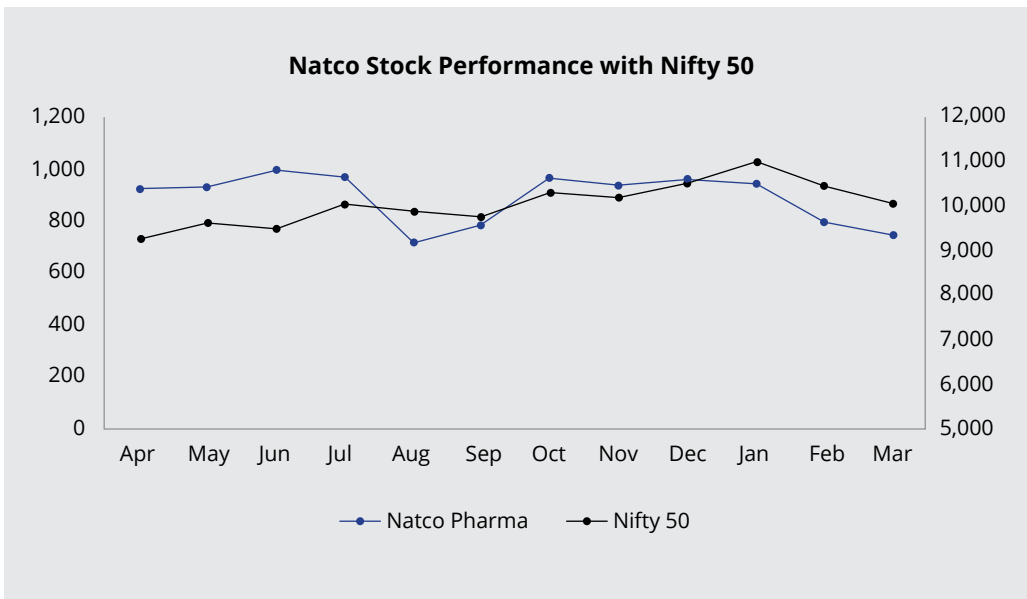
Month	Bombay Stock Exchange		National Stock Exchange	
	High ₹	Low ₹	High ₹	Low ₹
April 2017	1,015.00	843.50	1,015.95	845.95
May 2017	967.00	875.00	968.00	884.10
June 2017	1,080.00	928.60	1,090.00	934.95
July 2017	1,040.00	969.00	1,038.35	971.00
August 2017	986.55	671.25	985.00	715.20
September 2017	826.70	695.45	829.00	696.00
October 2017	1,049.75	780.10	1,050.00	788.25
November 2017	1,010.00	891.10	1,010.00	895.25
December 2017	1,061.95	927.00	1,050.00	928.45
January 2018	1,047.00	930.75	1,046.95	928.00
February 2018	973.00	757.00	974.00	765.00
March 2018	798.00	698.85	798.80	697.60

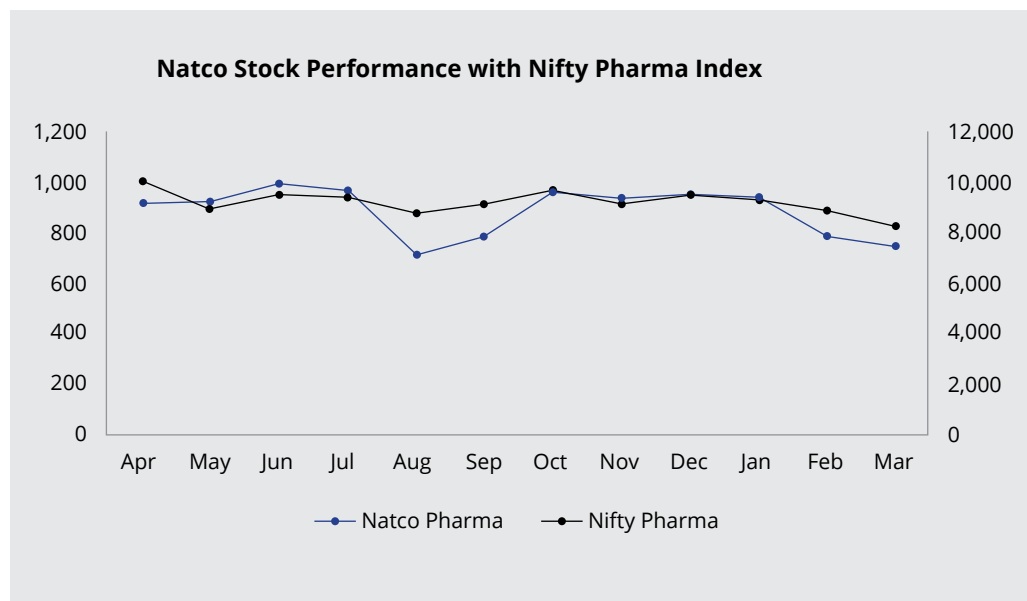
(e) Performance in comparison to broad-based indices**(i) Compared to BSE Sensex**

(ii) Compared to S&P BSE HEALTHCARE INDEX



(iii) Compared to Nifty 50



(v) Compared to Nifty Pharma Index**(f) Registrar and share transfer agent and share transfer system;**

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

Address: 12-10-167, Bharat Nagar,
Hyderabad - 500 018, Telangana
Tel No.: 040-23818475/23818476/23868023
Fax No.: 040-23868024
Contact Person: Mr. P. V. Srinivas / Mr. E. V. S. N. Murthy
Email: info@vccilindia.com

(g) Dematerialization of shares and liquidity

As on 31 March 2018, 99.33% of the shares of your Company is dematerialised. As the trading of your Company's shares is being conducted only in electronic form all other members holding physical shares are requested to convert their share holdings to electronic form at the earliest.

(h) Distribution of Shareholding

Nominal Value ₹	Shareholders		Amount ₹	
	Number	% To Total	In ₹	% To Total
Upto – 5000	54,909	96.91	2,05,74,968	5.58
5001 – 10000	786	1.39	59,92,006	1.62
10001 – 20000	401	0.71	59,23,446	1.61
20001 – 30000	137	0.24	33,69,874	0.91
30001 – 40000	64	0.11	22,63,278	0.61
40001 – 50000	56	0.10	25,71,680	0.70
50001 – 100000	115	0.20	83,77,226	2.27
100001 and above	190	0.34	31,99,14,322	86.70
Total	56,658	100.00	36,89,86,800	100.00

(i) Unclaimed Shares

The status of unclaimed shares of the Company transferred to a demat account "Natco Pharma Limited – Unclaimed Suspense Account", in accordance with Listing Regulations, are given below:

Particulars	No. of Shareholders	No. of Shares
Aggregate number of shareholders and outstanding shares held in the Unclaimed Suspense Account as on 1 April, 2018	3,500	4,32,600
Number of shareholder and shares transferred to IEPF	1,617	1,85,300
Number of shareholders / legal heirs to whom the shares were transferred from the unclaimed suspense account upon receipt of and verification of necessary documents during the year 2017-18	92	10,200
Aggregate number of shareholders and outstanding shares held in the Unclaimed Suspense Account as on 31 March 2018	1,798	2,54,200

(k) Plant Locations

Pharma Division Kothur Post & Mandal, Rangareddy District -509 228 Telangana, India	Pharma Division - Parenterals Vijayapuri North, Nagarjunasagar, Peddavura Mandal, Nalgonda Dist.-508 202 Telangana, India
Chemical Division Mekaguda, Nandigama Mandal Rangareddy District - 509 228 Telangana, India	R & D Division (Natco Research Centre) B-11, B-13 & B-14, Industrial Estate, Sanathnagar, Hyderabad - 500 018, Telangana, India.
Formulations Division Plot No.19, Pharma City Selaqui Industrial Area Vikas Nagar, Dehradun 248 197 Uttarakhand, India	Formulations Division Plot No.A3, UPSIDC, Selaqui Industrial Area Dehradun 248 197. Uttarakhand, India
Chemical Division, Chennai No.74/7B, Vaikkadu TPP Salai, Manali Chennai - 600 103, Tamilnadu, India.	Pharma Division DAG No.749, 750 Kokjhar Village, Revenue Circle - Mirza Kamrup (Rural) Guwahati Dist. 781 125, Assam, India
Unit under Construction – Formulations Division	
UNIT-10, Parawada, JNPC, Ramky SEZ Visakapatnam-531 019, Andhra Pradesh, India	

(l) Compliance Officer

CS M.Adinarayana
Company Secretary &
Vice President (Legal & Corp. Affairs)
Email: man@natcopharma.co.in

(m) Address for correspondence

Registered Office:
Mr. S. Dasaradhi, Sr. Manager – Legal & Secretarial
NATCO House, Road No. 2, Banjara Hills,
Hyderabad - 500034, Telangana
Tel. No.: 040-23547532, Fax No.: 040-23548243
Email: investors@natcopharma.co.in / dasaradhi@natcopharma.co.in
Website: www.natcopharma.co.in