

# Corporate Governance Report

## Philosophy on Corporate Governance

NATCO Pharma Limited (Natco) believes that transparency in the form of disclosures, presence of strong Board with adequate composition of Independent Directors, compliance of law in letter and spirit, responsible corporate conduct 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.

At Natco, we consider stakeholders as our partners in success, and we remain committed to maximising stakeholder value and their interest is taken into account before taking any business decision(s).

Your Company is a law abiding responsible corporate citizen and believes that to achieve success in business, highest standard of Corporate Governance behaviour is required. This is our road path to consistent, competitive, profitable and responsible growth which creates a long term value to our shareholders/stakeholders.

## Board of Directors

The Board of your Company is a combination of ten (10) eminent personnel from varied fields having immense knowledge in the relevant subjects which provides strategic

guidance to the Company in arriving at judicious decisions by exercising independent judgement.

### (a) Board Meetings

Proper decision-making is vital for the success of any Company and we at Natco believes that the Board Meetings are of high significance to achieve this.

During the financial year 2019-20, four (4) Board Meetings were held on May 27, 2019, August 9, 2019, November 12, 2019 and February 12, 2020 within the time limits stipulated under the Companies Act, 2013 ("Act") and the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 ("Listing Regulations") as amended from time to time. However, proper care is being taken to see that adequate time is provided for the meetings for thorough discussions for arriving at consensus and better decision making. Prior intimation and outcome of Board Meeting is duly informed to the Board and statutory agencies in compliance with the Act and the Listing Regulations.

### (b) Board Composition

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

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

Sl. No.	Name of the Director	DIN	Category	Number of Board meetings during FY 2019-20		Attendance at the last AGM held on September 5, 2019	No. of Directorships in other Companies	Name of other listed entities holding directorship	Category of directorship in other listed entities	No. of Committee positions held in other listed entities	
				Held	Attended					Chairman	Member
1.	Sri V.C. Nannapaneni (a)	00183315	Executive Director	4	4	Yes	3	NIL	NIL	NIL	NIL
2.	Sri G.S. Murthy	00122454	Independent Director	4	4	Yes	NIL	NIL	NIL	NIL	NIL
3.	Sri T.V. Rao	05273533	Independent Director	4	4	Yes	8	Ladderup Finance Ltd.	Independent Director	2	5
4.	Sri Rajeev Nannapaneni(a)	00183872	Executive Director	4	4	No	2	NIL	NIL	NIL	NIL
5.	Sri D.G. Prasad	00160408	Independent Director	4	3	Yes	3	Gokak Textiles Limited	Independent Director	1	NIL
								Moschip Technologies Limited	Independent Director	NIL	2
								Suven Pharmaceuticals Limited	Independent Director	2	NIL
6.	Dr. Mrs. Leela Digumarti	06980440	Independent Director	4	2	No	NIL	NIL	NIL	NIL	NIL
7.	Sri P.S.R.K. Prasad	07011140	Executive Director	4	3	Yes	NIL	NIL	NIL	NIL	NIL
8.	Dr. M.U.R. Naidu	05111014	Independent Director	4	3	No	NIL	NIL	NIL	NIL	NIL

Sl. No.	Name of the Director	DIN	Category	Number of Board meetings during FY 2019-20		Attendance at the last AGM held on September 5, 2019	No. of Directorships in other Companies	Name of other listed entities holding directorship	Category of directorship in other listed entities	No. of Committee positions held in other listed entities	
				Held	Attended					Chairman	Member
9.	Dr. D. Linga Rao	07088404	Executive Director	4	3	Yes	NIL	NIL	NIL	NIL	NIL
10.	Sri Sridhar Sankararaman	06794418	Non-Executive and Non-Independent Director	4	4	No	NIL	NIL	NIL	NIL	NIL

Note: (a) Sri V.C. Nannapaneni and Sri Rajeev Nannapaneni are related to each other.

(b) The Company doesn't have pecuniary relationship with any of the Non-Executive Director(s).

**(c) Independent Directors**

Natco is always of the belief that an independent eye makes a 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. There is no instance of resignation of Independent Director(s) during the financial year before the expiry of their term. Your Company is in strict compliance of the several conditions in respect of Independent Directors prescribed under the Act and the Listing Regulations.

**Separate Meeting for Independent Directors**

The Independent Directors of your Company met on February 12, 2020 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.

**Familiarisation Programme for Independent Directors**

The Company has organised Familiarisation Programmes for the Independent Directors of the Company 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 our website at <https://www.natcopharma.co.in/wp-content/uploads/2020/05/FAMILIARIZATION-PROGRAM-FOR-INDEPENDENT-DIRECTORS.pdf>

**(d) Board Evaluation**

A formal annual evaluation has been made by the Board of its own performance, Chairman of the Board, 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. 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) The following is the Criteria for evaluation of performance of Independent Director:**

- I. Participation at Board/ Committee Meetings:
  - a) Director comes well prepared and informed for the Board / committee meeting(s)
  - b) Director demonstrates a willingness to devote time and effort to understand the Company and its business and a readiness to participate in events outside the meeting room, such as site visits?
  - c) Director has ability to remain focused at a governance level in Board/ Committee meetings.
  - d) Director's contributions at Board / Committee meetings are of high quality and innovative.
  - e) Director's pro-actively contributes in to development of strategy and to risk management of the Company.
- II. Managing Relationship:
  - a) Director's performance and behaviour promotes mutual trust and respect within the Board / Committee.
  - b) Director is effective and successful in managing relationships with fellow Board members and senior management?
- III. Knowledge and Skill:
  - a) Director understands governance, regulatory, financial, fiduciary and ethical requirements of the Board / Committee.

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- b) Director actively and successfully refreshes his/ her knowledge and skills and up to date with the latest developments in areas such as corporate governance framework, financial reporting and the industry and market conditions.
- c) Director is able to present his/ her views convincingly yet diplomatically.
- d) Director listens and takes on Board the views of other members of Board.
- e) Director exercises objective independent judgment in the best interest of Company.
- f) Director has effectively assisted the Company is implementing best corporate governance practices and then monitors the same.
- g) Director helps in bringing independent judgment during board deliberations on strategy, performance, risk management etc.
- h) Director keeps himself/ herself well informed about the Company and external environment in which it operates.
- i) Director acts within his/her authority and assists in protecting the legitimate interest of the Company, Shareholders and employees.
- j) Director adheres to the applicable code of conduct for independent directors.

**(f) Key skills/expertise/competence identified by the Board:**

Leadership & Management	Leadership experience, strategic decision making, risk management. Skilled and expertise in driving change, planning succession and long term growth.
Finance/Accounting Knowledge	Knowledge on financial reporting, accounting principles, internal controls, auditing process and related considerations and issues.
Governance	Experience as a board member and aware of corporate governance principles.
Industry knowledge	Knowledge of one or more important business lines of the organisations in the same industry.
Legal/Regulatory knowledge	Experience in working in legal firms, regulatory organisations and Aware of legal matters relevant to the industry.
Sales, Distribution & Brand Marketing	Experience in developing strategies to grow sales, and market share, create distribution models and build brand awareness to enhance company's reputation.
International / Global Knowledge	Awareness about relevant markets at global level and diversification of Company's business, global trends.
Operations	Expertise in managing the operations of the Company
Technology	Experience with information technology systems and developments and recent trends in technology.

The key skills/expertise/competence stated above are adequate to function efficiently and effectively in managing the affairs of the Company.

### Committees

**(i) Committees of Board**

In order to take decisions effectively and for better Corporate Governance the Board of your Company had constituted Seven (7) Committees viz. Audit Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee, Compensation Committee, Allotment Committee, Corporate Social Responsibility Committee and Risk Management 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 of the Committee(s) during the financial year 2019-20 are provided below:

**(a) Audit Committee**

The Audit Committee is vested with the responsibility to review, inter alia, the financial reporting, internal control systems, risk management systems and the internal and external audit functions. The qualifications of the Directors, composition, quorum, frequency of meetings and the terms of reference of the Audit Committee are in line with the requirements under the Act and the Listing Regulations.

Details of Composition of the Audit Committee and attendance at the meetings held on May 27, 2019, August 9, 2019, November 12, 2019 and February 12, 2020 are given below:

Sl. No.	Name of the Director	Category	Audit Committee attendance	
			Held	Attended
1.	Sir G.S. Murthy (Chairman)	Independent Director	4	4
2.	Sri T.V. Rao	Independent Director	4	4
3.	Sri D.G. Prasad	Independent Director	4	3
4.	Sri V.C. Nannapaneni	Executive Director	4	4
5.	Dr. M.U.R. Naidu	Independent Director	4	3
6.	Sri Sridhar Sankararaman	Non-Executive and Non- Independent Director	4	4

(b) Stakeholders Relationship Committee

The Stakeholders Relationship Committee is constituted by the Board to consider and resolve the grievances of security holders of the Company. The qualifications of the Directors, composition, quorum,

frequency of meetings and the terms of reference of the Stakeholders Relationship Committee are in line with the requirements under the Act and the Listing Regulations.

Details of composition of the Stakeholders Relationship Committee and attendance of the meetings held on May 27, 2019 and November 12, 2019 are as given below:

Name of the Director	Category	Stakeholders Relationship Committee Attendance	
		Held	Attended
Sri G.S.Murthy (Chairman)	Independent Director	2	2
Sri V.C. Nannapaneni	Executive Director	2	2
Sri Rajeev Nannapaneni	Executive Director	2	2
Dr. M.U.R. Naidu	Independent Director	2	2

(c) Nomination and Remuneration Committee

The Nomination and Remuneration Committee is empowered to oversee the Company's policies relating to the nomination and evaluation of every Director's performance and to determine the Company's policies relating to remuneration of the Directors,

Senior Management of the Company who are one level below the Board of Directors. The qualifications of the Directors, composition, quorum, frequency of meetings and the terms of reference of the Nomination and Remuneration Committee are in line with the requirements under the Act and the Listing Regulations.

The details of composition of Nomination and Remuneration Committee and attendance of the meeting held on May 27, 2019 and February 12, 2020 are given below:

Name of the Director	Category	Nomination and Remuneration Committee Attendance	
		Held	Attended
Sri G.S.Murthy (Chairman)	Independent Director	2	2
Sri Sridhar Sankararaman	Non-Executive and Non-independent Director	2	2
Sri V.C. Nannapaneni	Executive Director (Chairman of the Board)	2	2
Dr. M.U.R. Naidu	Independent Director	2	2

(d) Compensation Committee

The Compensation Committee is constituted, inter alia, to consider recommendation of any share based employee benefit schemes for the approval of the Board and for grant of options / allotment of shares approved under such schemes.

reference of the Compensation Committee are in line with the requirements under the Act, the Listing Regulations and the SEBI (Share Based Employee Benefits) Regulations, 2014 and consists of Sri G.S. Murthy (Chairman), Sri V.C. Nannapaneni, Sri Rajeev Nannapaneni and Dr. M.U.R. Naidu as members of the Compensation Committee.

The qualifications of the Directors, composition, quorum, frequency of meetings and the terms of

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During the financial year 2019-20 the Compensation Committee meetings were held on September 28, 2019 and January 27, 2020.

Except Dr. M.U.R. Naidu for the meeting held on September 28, 2019 all the members had attended the meeting wherein it had allotted 1,25,215 equity shares to the eligible employees of the Company towards the fourth tranche of options under Natco Employee Stock Option Scheme, 2015 (NATSOP 2015). All the members had attended the meeting held on 27<sup>th</sup> January, 2020 wherein it had allotted 48,170 equity shares to the eligible employees of the Company towards third tranche of options under Natco Employee Stock Option Scheme, 2016 (NATSOP 2016) and 1,32,455 equity shares to the eligible employees of the Company towards second tranche of options under Natco Employee Stock Option Scheme 2017 (NATSOP 2017).

(e) Allotment Committee

The Allotment Committee is constituted to facilitate allotment of securities of the Company after obtaining requisite approvals, if any. There was no Allotment Committee meeting held during the financial year 2019-20. Sri V.C. Nannapaneni, Sri G. S. Murthy, Dr. M.U.R. Naidu and Sri Rajeev Nannapaneni are the members of the Allotment Committee.

(f) Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee is vested with the responsibility to, inter alia, monitor the compliance of Corporate Social Responsibility Policy of the Company and to recommend any changes to the same.

The qualifications of the Directors, composition, quorum, frequency of meetings and the terms of reference of the Corporate Social Responsibility Committee are in line with the requirements under the Act and the Listing Regulations.

The details of composition of Corporate Social Responsibility Committee and attendance of the meetings that were held on May 27, 2019 and November 12, 2019 are given below:

Name of the Director	Category	Corporate Social Responsibility Committee attendance	
		Held	Attended
Sri G.S. Murthy	Independent Director	2	2
Sri V.C. Nannapaneni	Executive Director	2	2
Sri Rajeev Nannapaneni	Executive Director	2	2

(g) Risk Management Committee

The Board has constituted Risk Management Committee in the Board meeting held on May 27, 2019 and reconstituted the Committee at the Board meeting held on August 9, 2019 according to Listing Regulations as amended from time to time. The terms of the reference, quorum, and frequency of the Committee meeting etc., are in line with the requirements of the Listing Regulations. The Risk Management Committee meeting was held on March 11, 2020 during the year. The composition of the Committee is as follows:

**Directors**

- 1) Sri V.C. Nannapaneni (DIN: 00183315), Chairman & Managing Director
- 2) Sri Rajeev Nannapaneni (DIN: 00183872), Vice Chairman & Chief Executive Officer
- 3) Sri P.S.R.K. Prasad (DIN:07011140), Director & Executive Vice President (Corporate Engineering Services)

- 4) Dr. D. Linga Rao (DIN: 07088404), Director & President (Technical Affairs)

- 5) Dr. M.U.R. Naidu (DIN: 05111014), Independent Director

**Other Members**

- 6) Sri A. Lakshminarayana, Vice President – HR & OD
- 7) Sri S.V.V.N. Appa Rao, Chief Financial Officer
- 8) Dr. B. Rami Reddy, Director – Formulations
- 9) Dr. M. Pulla Reddy, Executive Vice President – R&D

Company Secretary of the Company shall act as the Secretary to the Risk Management Committee to facilitate convening and conducting of the meetings of the Committee as per law Except Dr. M.U.R. Naidu and Dr. M. Pulla Reddy, all the members of Risk Management Committee were present at the meeting of the Committee held on March 11, 2020.

**(ii) Other Committees**

**(a) Buyback Committee**

Buyback Committee is constituted by the Board to deal with matters relating to the Buyback of equity shares of the Company. The Buyback Committee comprises of Sri V.C. Nannapaneni, Chairman and Managing Director, Sri Rajeev Nannapaneni, Vice Chairman and Chief Executive Officer, Sri M. Adinarayana, Company Secretary and Vice President (Legal & Corp. Affairs) and Sri S.V.V.N Appa Rao, Chief Financial Officer as its members. The details of the meetings of the Buy-back committee are as follows:

S. No.	Date of the Meeting	Purpose
1	16 <sup>th</sup> May, 2019	Public Announcement for Closure of Buyback

**(b) Committee dealing with Land Property**

The Committee dealing with Land Property was constituted by the Board of Directors at their meeting held on May 27, 2019 with Sri V. C. Nannapaneni, Chairman and Managing Director, Sri Rajeev Nannapaneni, Vice Chairman and Chief Executive Officer, Sri M. Adinarayana, Company Secretary & Vice President (Legal & Corp. Affairs) and Sri S.V.V.N. Appa Rao, Chief Financial Officer as members of the Committee.

The details of composition of Committee dealing with Land Property and attendance of the meetings that were held on June 11, 2019 and October 21, 2019 are given below:

Name of the Director	Category	Committee dealing with Land Property Meeting attendance	
		Held	Attended
Sri G.S. Murthy	Independent Director	2	1
Sri V.C. Nannapaneni	Executive Director	2	2
Sri Rajeev Nannapaneni	Executive Director	2	2
Sri M. Adinarayana	Company Secretary & Vice President (Legal & Corp. Affairs)	2	1
Sri S.V.V.N. Appa Rao	Chief Financial Officer	2	1

**(c) 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. As SEBI has banned the transfer of physical shares, the Company accepts transfer of physical shares lodged for transfer in special circumstances 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/ proper in all respects. All requests for dematerialisation of shares are processed and the confirmation(s) thereto are given to depositories within 15 days of the receipt of request.

The Board of Directors at their meeting held on August 9, 2019 had reconstituted the Committee dealing with Land Property with Sri V. C. Nannapaneni, Chairman and Managing Director, Sri Rajeev Nannapaneni, Vice Chairman and Chief Executive Officer and Sri G.S. Murthy, Independent Director as members of the Committee. The Committee dealing with Land Property is constituted by the Board of Directors of the Company in order to do the following transactions not involving related parties:

1. To approve purchase / sale of land property for / by the Company.
2. To approve mortgage of land property owned by the Company.
3. To approve execution of Agreement of Sale, Memorandum of Understanding, Sale Deed, Exchange Deed, Gift Settlement Deed, Mortgage Deed and such other documents as may be required and necessary.
4. To do all such things that are necessary and incidental thereto.

During the financial year 2019-20, 3 (Three only) instruments of transfer for 800 (Eight hundred equity shares only) and 16 (Sixteen only) instruments of transmission for 6560 (Six thousand five hundred sixty only) equity shares were received and the same were duly effected.

**(d) 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 units /factories to resolve any issues related to Sexual Harassment of Women at Workplace. The composition of the Committees are strictly as per the statutory requirement in the Sexual Harassment of Women at

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Workplace (Prevention, Prohibition and Redressal) Act, 2013. During the financial year 2019-20, 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:

Year	Date of the AGM	Venue	Time	Special Resolution(s) passed, if any
2018-19	5 <sup>th</sup> September, 2019	Daspalla Hotel, Road No.37, Jubilee Hills, Hyderabad - 500 033	10.30 A.M.	10
2017-18	15 <sup>th</sup> September, 2018	Daspalla Hotel, Road No.37, Jubilee Hills, Hyderabad - 500 033	10.30 A.M.	4
2016-17	28 <sup>th</sup> September, 2017	Daspalla Hotel, Road No.37, Jubilee Hills, Hyderabad - 500 033	10.30 A.M.	7

#### (b) Postal ballot

No resolution was passed through postal ballot for the financial year 2019-20.

### 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 Nomination and Remuneration Committee and the remuneration paid to them for the financial year 2019-20 is as below and are in line with the applicable provisions of the Act, Rules and Listing Regulations made thereunder as amended from time to time:

Sl. No.	Name	Designation	Total amount (₹ in Lakhs per annum)
1	Sri V. C. Nannapaneni	Chairman & Managing Director	₹ 215.12
2	Sri Rajeev Nannapaneni	Vice Chairman & CEO	₹ 197.47
3	Sri P.S.R.K. Prasad	Director & Executive Vice President (Corp. Engg. Services)	₹ 201.06
4	Dr. D. Linga Rao	Director & President (Tech. Affairs)	₹ 201.06
<b>Total</b>			<b>₹ 814.71</b>

#### Non-Executive Directors

Sitting fees are paid to the Non-Executive Directors for attending the Board Meetings and the Committee Meetings and such amounts are paid within the ceiling limits under Act. The details of the sitting fees paid to Non-Executive Directors of the Company for the Financial Year 2019-20 is given below:

Sl. No.	Name	Designation	Sitting Fee (in ₹)
1.	Sri G.S. Murthy	Independent Director	4,60,000
2.	Sri T.V. Rao	Independent Director	2,80,000
3.	Sri D.G. Prasad	Independent Director	2,10,000
4.	Dr. Mrs. Leela Digumarti	Independent Director	1,00,000
5.	Dr. M.U.R. Naidu	Independent Director	3,10,000
6.	Sri Sridhar Sankararaman*	Non-Executive Non-independent Director	Nil
<b>Total</b>			<b>13,60,000</b>

\* Sri Sridhar Sankararaman has voluntarily opted not to take any sitting fee.

#### Shareholding of Non-Executive Directors

Dr. M.U.R Naidu, Independent Director is holding 15,000 equity shares of ₹ 2/-each which amounts to 0.008% of

equity shares of the Company as on March 31, 2020. None of the other Non-Executive Directors are holding any shares of the Company.

### Prevention of Insider Trading

Your Company has in place Code of Conduct to Regulate, Monitor and Report Trading by Designated Persons and Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information which is in adherence to the SEBI (Prohibition of Insider Trading) Regulations, 2015 as amended from time to time. The policy on Insider trading was amended during the Financial Year 2019-20 in line with SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2018. 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 Board meetings. The Code is available on the Company's website at the following link:

[https://www.natcopharma.co.in/wp-content/uploads/2019/04/Code-of-Conduct-\\_PIT-2015-Natco.pdf](https://www.natcopharma.co.in/wp-content/uploads/2019/04/Code-of-Conduct-_PIT-2015-Natco.pdf)

### Compliances

#### a. Reconciliation of Share Capital Audit Report

The Reconciliation of Share Capital Audit Report was prepared on a quarterly basis by Mrs. P. Renuka, Practising Company Secretary (ACS No. 11963; CP No. 3460) as required under Regulation 76 of SEBI (Depositories and Participants) Regulations, 2018 and the same were filed with the Stock Exchanges within the statutory time limits.

#### b. Compliance Report on Corporate Governance

Your Company submits compliance report on Corporate Governance to the Stock Exchanges on quarterly, half-yearly and annual basis within the statutory time limits.

#### c. Secretarial Standards

Your Company's practices and procedures meet with the Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI).

#### 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 / customs 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 for combating the environmental pollutants and to ensure the compliance. We have adopted state of the art technologies for treatment and recycling of effluents, recycling of wastes, converting wastes to by-products and energy, conservation of natural resources, energy efficiency, rain water harvesting, etc. A number of initiatives and programs conducted to create awareness among our employees & all our stakeholders. Our well defined EHS policy over the year built a frame work for setting and reviewing of environmental objectives and targets for continual improvement.

#### Renewable Energy:

We are continuing our efforts to utilize the renewable energy in our operations. During the year FY2019-20, our overall renewable energy contribution reached to 28.60% (i.e. 5.13% increase from the previous FY2018-19 (23.47%)).

During the year FY2019-20:

- Enhanced the onsite solar power plant capacity to 3.25MW at Mekaguda unit. During the year FY2019-20, about 39.80% of energy requirement for Mekaguda unit is met from renewable energy sources.
- Installed and commissioned the 0.80MW Roof top solar power plant at Kothur unit.
- Continuing the usage of solar energy for boiler feed water preheating by using a parabolic Solar Dish concentrator at the Sagar unit. Continued the usage of solar power from onsite solar power plant. During the year FY2019-20, about 15.49% of energy requirement for Nagarjunasagar unit is met from renewable energy sources.
- Installed wind power plants at Tamilanadu & Andhra Pradesh with a total capacity 4.2MW. During the year FY2019-20, about 33,153GJ of green energy generated from wind power plants.
- Proposed to install 0.80MW solar power plant at Nagarjunasagar unit and 0.5MW Roof top solar power plant at Vizag unit.



# Corporate Governance Report

## 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 2019-20 were done in accordance with the provisions of the Act and 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-Working Directors have any pecuniary material relationship or material transactions with the Company for the year ended March 31, 2020. The Company had formulated a Related Party Transactions Policy which is available on the Company's Website at the following link:

<http://nadcopharma.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 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 April 1, 2019	2,97,980
	Options vested and Exercised during the year	1,25,215
	Closing Balance of Options as at March 31, 2020	1,72,765*
NATSOP2016	Opening Balance as on April 1, 2019	1,47,280
	Options vested and Exercised during the year	48,170
	Closing Balance of Options as at March 31, 2020	1,00,560
NATSOP2017	Opening Balance as on April 1, 2019	4,89,730
	Options vested and Exercised during the year	1,32,455
	Closing balance of Options as at March 31, 2020	3,57,275

\* includes forfeited shares

## 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). Further, the Rules mandate that the shares on which dividend has not been paid or claimed for seven consecutive years or more also be transferred to the IEPF.

The following table provides list of years for which unclaimed dividends 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	Balance Amount (₹) as on 31-3-2020**
2013-14	Interim	5.00*	February 13, 2014	March 22, 2021	1346135.00
2014-15	Interim	5.00*	February 11, 2015	March 20, 2022	1193430.00
2015-16	Interim	1.25	February 11, 2016	March 19, 2023	1558940.00
2016-17	1 <sup>st</sup> Interim	0.75	August 9, 2016	September 15, 2023	936376.00
	2 <sup>nd</sup> Interim	6.00	February 14, 2017	March 23, 2024	5462718.00
2017-18	1 <sup>st</sup> Interim	1.25	August 7, 2017	September 13, 2024	1502908.75
	2 <sup>nd</sup> Interim	7.00	February 6, 2018	March 15, 2025	4382924.00
2018-19	1 <sup>st</sup> Interim	1.50	August 8, 2018	September 14, 2025	1082584.50
	2 <sup>nd</sup> Interim	3.50	February 12, 2019	March 15, 2026	2424793.00
	3 <sup>rd</sup> Interim	1.25	May 27, 2019	July 6, 2026	963266.25
2019-20	1 <sup>st</sup> Interim	1.25	August 9, 2019	September 7, 2026	886073.75
	2 <sup>nd</sup> Interim	1.00	November 12, 2019	December 11, 2026	737835.00
	3 <sup>rd</sup> Interim	3.50	February 12, 2020	March 12, 2027	2270775.50

\*On Equity share of ₹ 10/- each

\*\*The amount does not include the Unclaimed dividend amount of shares held in Unclaimed Suspense Account of the Company

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 which were available in the website of the Company at <https://www.natcopharma.co.in/investors/shareholder-information/iepf/>. No claim (s) of whatsoever nature shall lie in respect thereof with the Company.

### Dividend Remitted to IEPF During the Last Five Years

Year	Dividend declared on	Amount transferred to IEPF (₹)	Date of Transfer
2008-2009	May 25, 2009	5,79,399.00	June 21, 2016
2009-2010	January 27, 2010	9,18,554.00	February 28, 2017
2010-2011	February 14, 2011	7,80,368.00	March 9, 2018
2011-2012	February 9, 2012	10,68,983.00	March 14, 2019
2012-2013	February 13, 2013	15,71,108.00	March 20, 2020

### Transfer of Shares to IEPF

Pursuant to Section 124(6) 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 (IEPF). During the year ended March 31, 2020, there is no transfer of equity shares to IEPF made by the Company.

of the conclusion of the Board Meeting to the Stock Exchanges and publication of the same in both Vernacular and National newspapers and disclosure of presentations on Financial Results made to Institutional investors / analysts to the Stock Exchanges. The same disclosures are also published on the website of the Company ([www.natcopharma.co.in](http://www.natcopharma.co.in)).

### Means of Communication

At NATCO, dissemination of information is considered crucial since many stakeholders are interested in the state of affairs of the Company. The Company is in strict compliance of the Listing Regulations pertaining to disclosure of Audited/Unaudited quarterly, half-yearly and annual financial results of the Company both on stand-alone and consolidated basis within thirty (30) minutes

It is ensured that any material information under Regulation 30 of the Listing Regulations is promptly intimated to the Stock Exchanges and updated on the Company's website ([www.natcopharma.co.in](http://www.natcopharma.co.in)) as well as made part of press releases. 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:

For Quarter ended	Date of Board meeting	Date of Publication	Name of the English Daily	Name of the Regional Daily
June 30, 2019	August 9, 2019	August 10, 2019	• Business Line	• Eenadu
September 30, 2019	November 12, 2019	November 13, 2019	• Business Standard • Financial Express	• Eenadu
December 31, 2019	February 12, 2020	February 13, 2020	• Business line	• Eenadu
March 31, 2020	June 17, 2020	NA	Not required as per SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020	

### General Shareholder Information

#### (a) Details regarding Annual General Meeting

Date	October 15, 2020
Time	11.00 a.m.
Venue	Annual General Meeting through Video Conferencing / Other Audio Visual Means facility [Deemed Venue for Meeting: Registered Office: NATCO House, Road No. 2, Banjara Hills, Hyderabad - 500034, Telangana, India.]
Book Closure Dates	October 13, 2020 to October 15, 2020, (both days inclusive)

#### (b) Financial Year

The Company adopted the financial year beginning on April 1 of every year and ending on March 31 of the following year. Accordingly, all the quarterly, half yearly and annual compliance are taken care of in accordance with the Act, Listing Regulations and other applicable Acts, rules and regulations.

## Corporate Governance Report

### (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 - 400001	524816
National Stock Exchange of India Limited	Exchange Plaza, C-1, Block G, Bandra-Kurla Complex, Bandra (E), Mumbai – 400051	NATCOPHARM

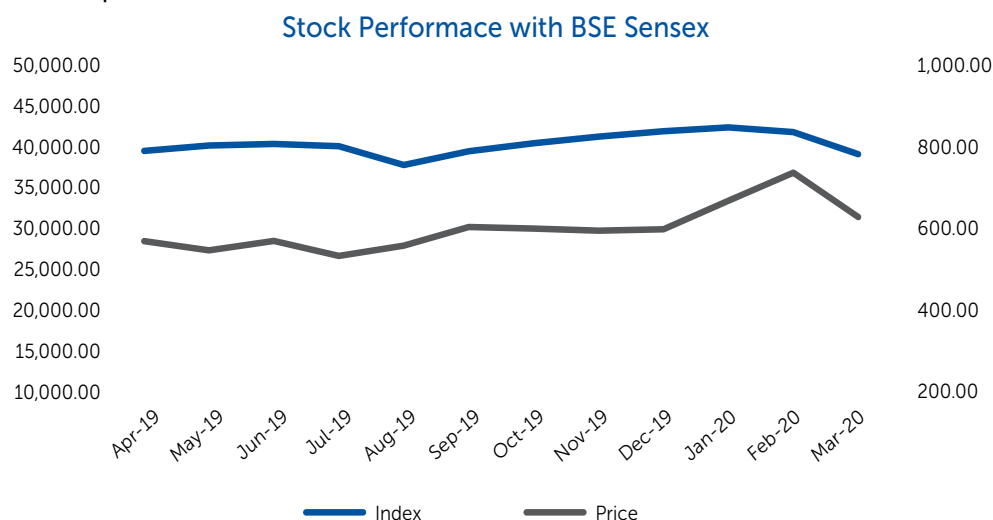
The Company confirms that it has duly paid the annual listing fee for the year 2019-20 to the above mentioned Stock Exchanges and the custodial fee for the year 2019-20 to both the Depositories, namely National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL).

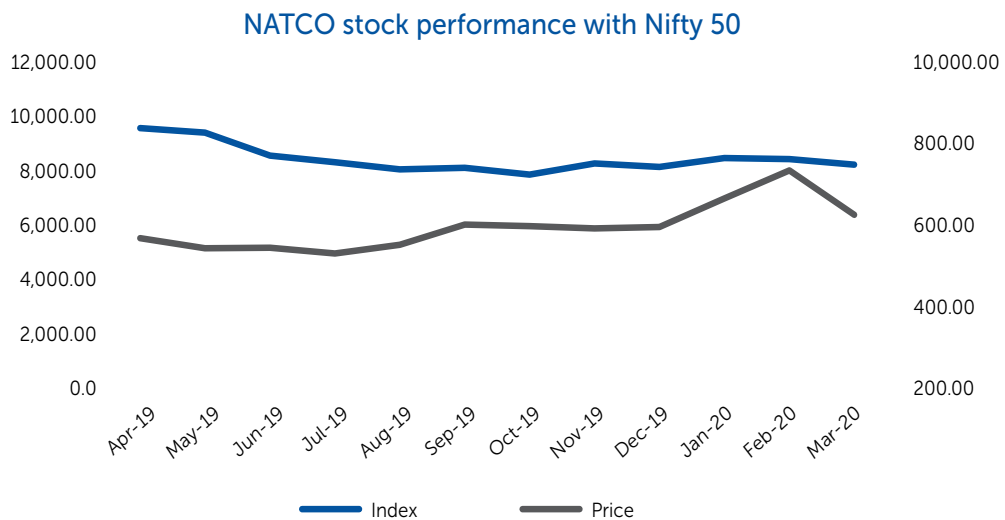
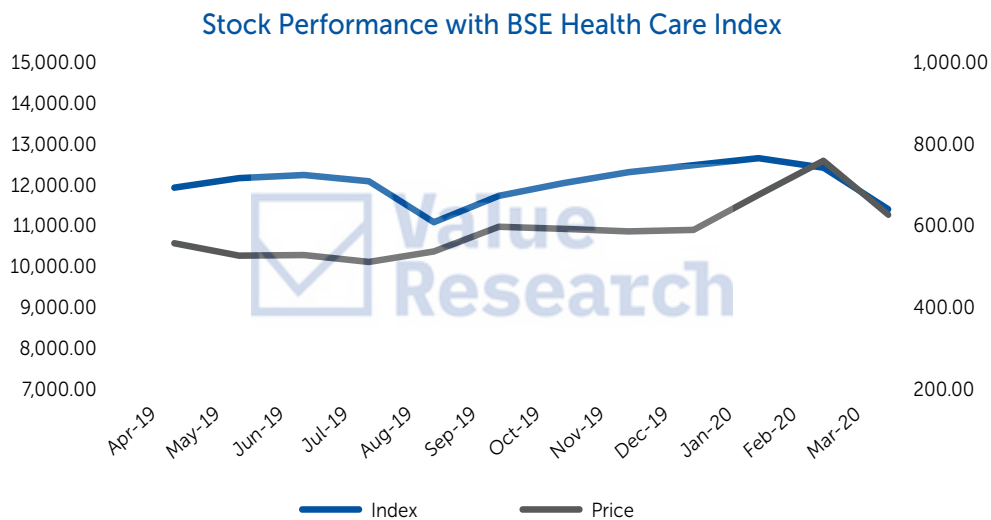
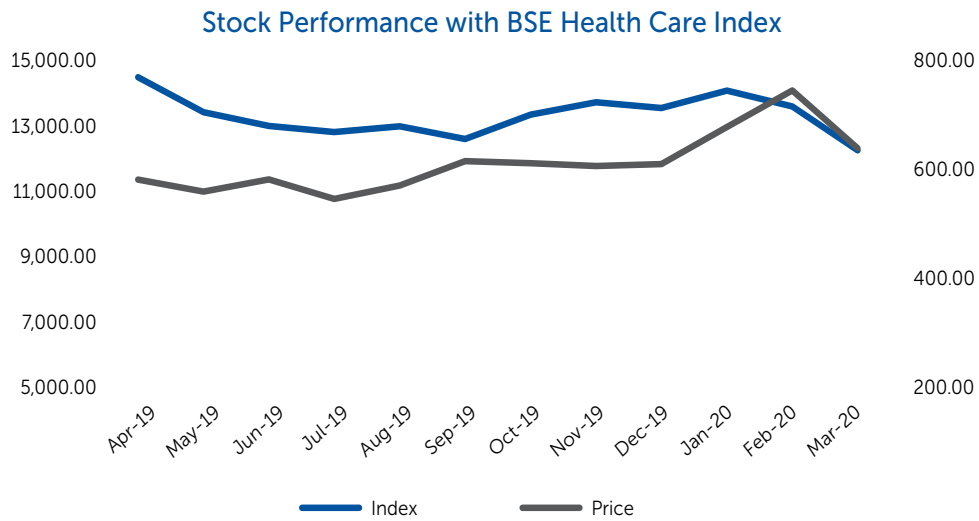
### (d) Market Price Data

The market price data (high and low closing prices during each month) for the financial year 2019 -20 is as below:

Month	Bombay Stock Exchange		National Stock Exchange	
	High ₹	Low ₹	High ₹	Low ₹
April, 2019	575.55	520.00	577.90	520.20
May, 2019	553.95	482.00	553.75	480.00
June, 2019	576.05	503.00	555.00	501.60
July, 2019	540.50	492.00	541.55	490.00
August, 2019	565.00	504.05	561.95	503.10
September, 2019	609.35	538.60	610.00	535.00
October, 2019	605.55	535.00	606.00	548.00
November, 2019	600.45	541.50	601.00	547.00
December, 2019	604.00	568.00	603.95	560.00
January, 2020	671.50	594.00	671.80	592.00
February, 2020	737.80	587.65	738.10	586.45
March, 2020	632.70	450.00	633.15	402.55

### (e) Performance in comparison to broad-based indices





## Corporate Governance Report

**(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 related Work for both physical and electronic forms.

Address: 12-10-167, Bharat Nagar, Hyderabad - 500 018, Telangana, India

Tel Nos.: 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) Dematerialisation of shares and liquidity**

As on March 31, 2020, 99.58% of the shares of your Company were dematerialised. As the trading of your Company's shares are being conducted only in electronic form all other members holding physical shares are requested to convert their shareholdings to electronic form at the earliest.

**(h) Distribution of Shareholding as on 31-03-2020**

Nominal Value ₹	Shareholders		Amount ₹	
	Number	% to Total	In ₹	% to Total
Upto - 5000	69864	97.58	23391936	6.42
5001 - 10000	798	1.11	6029996	1.66
10001 - 20000	410	0.57	5899244	1.62
20001 - 30000	120	0.17	2991560	0.82
30001 - 40000	72	0.1	2527674	0.69
40001 - 50000	46	0.06	2093784	0.58
50001 - 100000	95	0.13	6636380	1.82
100001 and above	189	0.26	314565376	86.39
<b>Total</b>	<b>71594</b>	<b>100.00</b>	<b>364135950</b>	<b>100.00</b>

**(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 April 1, 2019	1,713	2,45,900
Number of shareholder and shares transferred to IEPF	0	0
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 2019-20	53	22,600
Aggregate number of shareholders and outstanding shares held in the Unclaimed Suspense Account as on March 31, 2020	1,660	2,23,300

**(k) Plant Locations**

<b>i) Pharma Division</b> Kothur Post & Mandal, Rangareddy District -509 228 Telangana, India	<b>ii) Pharma Division - Parenterals</b> Vijayapuri North, Nagarjunasagar, Peddavura Mandal, Nalgonda Dist.-508 202 Telangana, India
<b>iii) Chemical Division</b> Mekaguda, Nandigama Mandal Rangareddy District - 509 228 Telangana, India	<b>iv) R &amp; D Division (Natco Research Centre)</b> B-11, B-13 & B-14, Industrial Estate, Sanathnagar, Hyderabad - 500 018, Telangana, India.
<b>v) Formulations Division</b> Plot No.19, Pharma City Selaqui Industrial Area Vikas Nagar, Dehradun 248 197 Uttarakhand, India	<b>vi) Formulations Division</b> Plot No. A3, UPSIDC, Selaqui Industrial Area Dehradun 248 197. Uttarakhand, India

<b>vii) Chemical Division, Chennai</b> No.74/7B, Vaikkadu TPP Salai, Manali Chennai - 600 103, Tamilnadu, India.	<b>viii) Pharma Division</b> DAG No.749, 750 Kokjhar Village, Revenue Circle - Mirza Kamrup (Rural), Guwahati Dist. 781 125, Assam, India.
<b>ix) Formulations Division</b> UNIT-10, Parawada, JNPC, Ramky SEZ Visakapatnam-531 019, Andhra Pradesh, India	<b>x) Crop Health Science (CHS) – Chemical Unit</b> No. 29, Industrial Park-Attivaram,Ozili Mandalam, SPSR Nellore DT, Andhra Pradesh -524421, India
<b>xi) Crop Health Science (CHS) – Formulations Unit</b> No. 3,8/1, Industrial Park-Attivaram, Ozili, Mandalam, SPSR Nellore DT, Andhra Pradesh – 524421, India	

**(l) Compliance Officer**

CS M. Adinarayana, (FCS 3808)  
Company Secretary & Vice President (Legal & Corp. Affairs)  
Email: man@natcopharma.co.in

**(m) Address for correspondence at 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

**(n) Credit Ratings**

The Company's credit ratings from ICRA on long term borrowings is "AA" and on short term borrowings is "A1+"

**(o) Qualified Institute Placement (QIP) utilisation:**

Your Company had raised a sum of ₹915 crores by allotment of 100,00,000 (One Crore only) equity shares of ₹ 2/- each at a premium of ₹ 913 per share through Qualified Institutional Placement (QIP) pursuant to approval accorded by the shareholders in their Extra-ordinary Meeting held on November 29, 2017. Following are the details of the utilisation of funds raised through QIP as on March 31, 2020:

Particulars	Amount in Crores (₹)
Amount received on allotment of 1,00,00,000 (One Crore Only) equity shares through QIP (A)	₹ 915
<b>Utilisation of Funds:</b>	
Amount paid to lead Bankers including TDS	( 18.50)
Loans Repaid to Bankers	(209.07)
Payments made legal advisors, NSE, BSE etc. including TDS	(2.73)
<b>Total (B)</b>	<b>(230.30)</b>
<b>(C) Balance left (A - B)</b>	684.70
<b>(D) Capital expenditure incurred up to FY 18-19</b>	(452.43)
<b>(E) Capital expenditure incurred up to FY 19-20</b>	(232.27)
<b>(F) Balance of funds</b>	----

**(p) Details of the fees paid to Statutory Auditors**

The details of the total fees for all services paid by the Company and its subsidiaries, on a consolidated basis, to the Statutory Auditor for the financial year ended March 31, 2020 as follows:

Particulars	Amount (₹)
Audit Fees	₹ 47,00,000
Out of pocket expenses	₹ 97,837
<b>Total</b>	<b>₹ 47,97,837</b>

**(q)** The Company has complied with Corporate Governance requirements specified in Regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of SBIE (Listing Obligations and Disclosure Requirement) Regulations, 2015.