Notes to standalone financial statements

(All amounts in ₹ millions, except share data and where otherwise stated)

1. Reporting entity information

NATCO Pharma Limited ("the Company") is a public limited company domiciled and incorporated in with its registered office situated at NATCO House, Road No. 2, Banjara Hills, Hyderabad – 500034. The equity shares of the Company are listed on the National Stock Exchange (NSE) and Bombay Stock Exchange in India (BSE).

The Company is engaged in the business of pharmaceuticals which comprises research and development, manufacturing and selling of bulk drugs and finished dosage formulations. The Company has manufacturing facilities in India which caters to both domestic and international markets including regulated markets like United States of America and Europe.

2. Basis of preparation

A. Statement of Compliance

These standalone financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules 2015, as amended, notified under Section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

The standalone financial statements for the year ended 31 March 2020 were authorized and approved for issue by the Company's Board of Directors on 17 June 2020.

New and amended standards adopted by the Company

Effective 1 April 2019, the Company has applied Ind AS 116 Leases. On transition to Ind AS 116, Right-of-use of assets at 1 April 2019 for leases previously classified as operating leases were recognised and measured at an amount equal to lease liability (adjusted for related prepayments/ accruals). As a result, the comparative information has not been restated and there is no impact on retained earnings as at 1 April 2019. Overall, the application of this standard did not have any material impact on the financial statements. Refer note 40 for further details.

Details of the Company's accounting policies are included in Note 3.

B. Functional and presentation currency

The standalone financial statements are presented in Indian Rupee ('INR' or '₹') which is also the Company's functional currency. All amounts have been rounded-off to the nearest million, unless otherwise indicated. Transactions and balances with values below the rounding off norm adapted by the Company have been reflected as '0' in relevant notes in the standalone financial statements.

C. Operating cycle

The Company has ascertained its operating cycle as 12 months that is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents.

D. Basis of Measurement

These standalone financial statements have been prepared on the historical cost basis except for the following items:

Items	Measurement basis
Certain financial assets and liabilities	Fair value
Net defined benefit asset/ (liability)	Fair value of plan assets less present value of defined benefit obligations

E. Use of estimates and judgements

The preparation of the financial statements in conformity with Ind AS requires management to make estimates, judgements and assumptions. These estimates, judgements and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as and when management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, such effects are disclosed in the notes to the financial statements.

F. Measurement of fair values

Certain accounting policies and disclosures of the Company require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values.

The finance team regularly reviews significant unobservable inputs and valuation adjustments.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Notes to standalone financial statements

(All amounts in ₹ millions, except share data and where otherwise stated)

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of reporting period during which the change has occurred.

3. Significant accounting policies

a. Property, plant and equipment (PPE)

Recognition and initial measurement

Items of property, plant and equipment, are measured at cost (which includes capitalised borrowing costs, if any) less accumulated depreciation and accumulated impairment losses, if any. Cost of an item of property, plant and equipment includes its purchase price, duties, taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

The cost of a self-constructed item of property, plant and equipment comprises the cost of materials, direct labour and any other costs directly attributable to bringing the item to its intended working condition and estimated costs of dismantling, removing and restoring the site on which it is located, wherever applicable.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual value using straight line method over the useful lives of assets estimated by the Company. Depreciation rates followed by the Company coincides with rates prescribed in Schedule II to the Companies Act, 2013. Depreciation amount is recognised in the Statement of Profit and Loss. Depreciation for assets purchased / sold during the period is proportionately charged.

The estimated useful lives of items of property, plant and equipment are as follows:

Tangible assets	Estimated useful life (in years)	Companies Act life (in years)
Buildings	5 to 60	5 to 60
Plant and machinery	5 to 20	5 to 20
Computers	3 to 6	3 to 6
Vehicles	8 to 10	8 to 10
Office equipment	5	5
Furniture and fixtures	10	10

Freehold land is not depreciated.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

De-recognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of profit and loss, when the asset is derecognised.

Capital work-in-progress

Capital work-in-progress includes cost of property, plant and equipment under installation / under development as at the balance sheet date.

b. Intangible assets

Recognition and initial measurement

Intangible assets (software) are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

(All amounts in ₹ millions, except share data and where otherwise stated)

Subsequent measurement (amortisation)
The cost of capitalised software is amortised over a period of 6 years, on a straight-line basis. Amortisation on the addition/disposals is charged on pro-rata basis from/until the date of such addition/disposal.

c. Foreign currencies
Transactions in foreign currencies are initially recorded by the Company at its functional currency spot rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the functional currency spot rates of exchange at the reporting date. Exchange differences that arise on settlement of monetary items or on reporting at each balance sheet date are recognised as income or expenses in the period in which they arise. Non-monetary items which are carried at historical cost denominated in a foreign currency are reported using the exchange rates at the date of transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

d. Revenue recognition
The Company derives revenues primarily from sale of finished dosage formulations, active pharmaceutical ingredients (APIs), including niche and technically complex molecules.

The specific recognition criteria described below must also be met before revenue is recognised:

Sale of goods:
Revenue from sale of goods is recognised when a promise in a customer contract (performance obligation) has been satisfied by transferring control over the promised goods to the customer. Control is usually transferred upon shipment, delivery to, upon receipt of goods by the customer, in accordance with the delivery and acceptance terms agreed with the customers. The amount of revenue to be recognised is based on the consideration expected to be received in exchange for goods, excluding trade discounts, volume discounts, sales returns, chargeback, medicaid payments, rebates, shelf stock adjustments, where applicable and any taxes or duties collected on behalf of the government which are levied on sales such as goods and services tax, etc., where applicable. Revenue is only recognised to the extent that it is highly probable a significant reversal will not occur.

The Company from time to time enters into marketing arrangements with certain business partners for the sale of its products in certain markets. Under such arrangements, the Company sells its products to the business partners at a non-refundable base purchase price agreed upon in the arrangement and is also entitled to a profit share which is over and above the base purchase price. The profit share is typically dependent on the business partner's ultimate net sale proceeds or net profits, subject to any reductions or adjustments that are required by the terms of the arrangement. Such arrangements typically require the business partner to provide confirmation of units sold and net sales or net profit computations for the products covered under the arrangement.

Revenue in an amount equal to the base purchase price is recognised in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognised as revenue only to the extent that it is highly probable that a significant reversal will not occur.

At the end of each reporting period, the Company updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Sale of services:
Revenue from sale of dossiers/ licenses/services, includes in certain instances, certain performance obligations and based on evaluation of whether or not these obligations are in consequential or perfunctory, revenue is recognised in accordance with the terms of the contracts with the customers when the related performance obligation is completed at point in time or spread over a period of time, as applicable.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, it does not require to adjust any of the transaction prices for the time value of money.

e. Borrowing costs
Borrowing costs directly attributable to the acquisition or construction of those property, plant and equipment which necessarily takes a substantial period of time to get ready for their intended use are capitalised. All other borrowing costs are expensed in the period in which they are incurred in the Statement of Profit and Loss.

f. Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Notes to standalone financial statements

(All amounts in ₹ millions, except share data and where otherwise stated)

When the grant relates to revenue, it is recognised in the Statement of Profit and Loss on a systematic basis over the periods to which they relate. When the grant relates to an asset, it is presented as a reduction to the carrying value of the related asset.

Export benefits available under prevalent schemes are accrued in the year in which the goods are exported and no significant uncertainty exist regarding its ultimate collection.

g. **Impairment of non-financial assets (Intangible assets and property, plant and equipment)**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets with indefinite useful life are tested annually for impairment. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the cash generating unit to which the asset belongs. If such assets are considered to be impaired, the impairment to be recognised in the Statement of Profit and Loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. An impairment loss is reversed in the Statement of Profit and Loss if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognised for the asset in prior years.

h. **Financial instruments**

i. Initial recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, that are not at fair value through profit or loss, are added to the fair value on initial recognition.

ii. Classification and subsequent measurement

Financial assets

The Company classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") on the basis of following:

- the entity's business model for managing the financial assets and
- the contractual cash flow characteristics of the financial asset.

Amortised Cost:

A financial asset shall be classified and measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Fair Value through OCI:

A financial asset shall be classified and measured at fair value through OCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Fair Value through Profit or Loss:

A financial asset shall be classified and measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through OCI.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(All amounts in ₹ millions, except share data and where otherwise stated)

Classification of investments:

a. Debt instruments at amortised cost – A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method.

b. Equity investments – All equity investments in scope of Ind-AS 109 are measured at fair value. Equity instruments which are held for trading are classified at fair value through profit and loss (FVTPL). For all other equity instruments, the Company decides to classify the same either as at fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL). The Company makes such election on an instrument by instrument basis. The classification is made on initial recognition and is irrevocable.

c. Mutual funds – All mutual funds in scope of Ind-AS 109 are measured at fair value through profit and loss (FVTPL).

Interest income and dividend income:

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in other income in the Statement of Profit and Loss.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Financial liabilities

Financial liabilities are subsequently carried at amortised cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

iii. De-recognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and a new financial liability with modified terms is recognised in the Statement of Profit and Loss.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or realise the asset and settle the liabilities simultaneously.

v. Financial guarantee contracts

Financial guarantee contracts are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified party fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of expected loss allowance determined as per impairment requirements of Ind-AS 109 and the amount recognised less cumulative amortisation.

Notes to standalone financial statements

(All amounts in ₹ millions, except share data and where otherwise stated)

i. Impairment of financial assets

The Company recognises loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised as an impairment gain or loss in statement of profit or loss.

j. Inventories

Inventories are valued at the lower of cost (including prime cost, non-refundable taxes and duties and other costs incurred in bringing the inventories to their present location and condition) and estimated net realisable value, after providing for obsolescence, where appropriate. The comparison of cost and net realisable value is made on an item-by-item basis. The net realisable value of materials in process is determined with reference to the selling prices less estimated cost of completion or selling expenses of related finished goods. Cost of inventories is determined using the weighted average cost method. Raw materials, packing materials and other supplies held for use in production of inventories are not written down below cost except in cases where material prices have declined, and it is estimated that the cost of the finished products will exceed their net realisable value.

The provision for inventory obsolescence is assessed regularly based on estimated usage and shelf life of products.

Work-in-progress is valued at input material cost plus conversion cost as applicable.

Finished goods, work-in-progress and stock-in-trade are valued at the lower of net realisable value and cost (including prime cost, non-refundable taxes and duties and other costs incurred in bringing the inventories to their present location and condition), computed on a weighted average basis.

k. Income taxes

Income tax comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to an item recognised directly in equity or in other comprehensive income.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of transaction.

- temporary differences related to investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax assets recognised or unrecognised are reviewed at each reporting date and are recognised / reduced to the extent that it is probable / no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Notes to standalone financial statements

(All amounts in ₹ millions, except share data and where otherwise stated)

The Company offsets, the current tax assets and liabilities (on a year on year basis) and deferred tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity).

l. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

m. Post-employment, long-term and short-term employee benefits

Defined contribution plan

A defined contribution plan is a post-employment benefit under which an entity pays a specific contribution to a separate entity and has no obligation to pay any further amounts. The Company's contribution to provident fund and employee state insurance schemes is charged to the Statement of profit and loss during the period in which the employee renders the related service. The Company's contributions towards Provident Fund are deposited with the Regional Provident Fund Commissioner under a defined contribution plan. The Company has no obligation, other than the contribution payable to these funds.

Defined benefit plan

The Company has gratuity as defined benefit plan where the amount that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The liability recognised in the balance sheet for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date net of fair value of plan assets. Management estimates the DBO annually with the assistance of independent actuaries, by adopting the projected unit credit method. Actuarial gains and losses resulting from re-measurements of the liability are included in other comprehensive income.

The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC). Under the said policy, the eligible employees are entitled for gratuity upon their resignation, retirement or in the event of death in lumpsum after deduction of necessary taxes upto a maximum limit of ₹ 2 million. Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Company makes contributions to the Gratuity Fund.

Other long-term employee benefits

The Company also provides benefit of compensated absences to its employees which are in the nature of long-term benefit plan. Liability in respect of compensated absences becoming due and expected to be availed more than one year after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method as on the reporting date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded in the Statement of profit or loss in the year in which such gains or losses arise.

Short-term employee benefits

Short-term employee benefits comprise of employee costs such as salaries, bonus etc. is recognized on the basis of the amount paid or payable for the period during which services are rendered by the employee.

n. Share-based payments

Certain employees of the Company are entitled to remuneration in the form of equity settled instruments, for rendering services over a defined vesting period. Equity instruments granted are measured by reference to the fair value of the instrument at the date of grant. The fair value determined at the grant date is expensed over the vesting period of the respective tranches of such grants. The stock compensation expense is determined based on the Company's estimate of equity instruments that will eventually vest using fair value in accordance with Ind AS 102, Share based payment.

The employee benefits expense is measured using the fair value of the employee stock options and is recognised over vesting period with a corresponding increase in equity. The vesting period is the period over which all the specified vesting conditions are to be satisfied.

o. Provisions, contingent liabilities and contingent assets

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the expense relating to a provision is presented in the Statement of Profit and Loss, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate

(All amounts in ₹ millions, except share data and where otherwise stated)

that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities and Contingent assets

A disclosure for contingent liabilities is made where there is a possible obligation or a present obligation that may probably not require an outflow of resources. When there is a possible or a present obligation where the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are neither recognised nor disclosed. However, when realisation of income is virtually certain, related asset is recognised.

Onerous contracts

Provision for onerous contracts. i.e. contracts where the expected unavoidable cost of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.

p. Earnings per share

Basic Earnings Per Share ('EPS') is computed by dividing the net profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless issued at a later date. In computing diluted earnings per share, only potential equity shares that are dilutive and that either reduces earnings per share or increases loss per share are included. The number of shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented in case of share splits.

q. Cash flow statement

Cash flows are reported using indirect method, whereby net profits before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments and items of income or expenses associated with investing or financing cash flows. The cash flows from regular revenue generating (operating activities), investing and financing activities of the Company are segregated.

r. Research and development

Expenditure on research activities are expensed as and when incurred. Development expenses which meet defined criteria for capitalisation are capitalised if its ability to generate future economic benefits is reasonably certain. All other development costs are expensed as and when incurred. Capital expenditure incurred on research and development is capitalised as property, plant and equipment and depreciated in accordance with the depreciation policy of the Company.

s. Investments in subsidiaries

The Company's investment in its subsidiaries are carried at cost as per Ind AS 27 - Separate Financial Statements.

t. Ind AS 116, Leases:

Accounting as lessee

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the Statement of profit and loss.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest

(All amounts in ₹ millions, except share data and where otherwise stated)

rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate. For leases with reasonably similar characteristics, the Company, on a lease by lease basis, may adopt either the incremental borrowing rate specific to the lease or the incremental borrowing rate for the portfolio as a whole. The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. The Company recognises the amount of the re-measurement of lease liability due to modification as an adjustment to the right-of use asset and Statement of profit and loss depending upon the nature of modification. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognises any remaining amount of the re-measurement in Statement of profit and loss.

The Company has elected not to apply the requirements of Ind AS 116 Leases to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

Refer note 40 "Leases" of the financial statements for transition related disclosures.

4. Key accounting estimates and judgements

The preparation of financial statements in conformity with the Ind AS requires judgements, estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements, the reported amounts of revenues and expenses during the reporting period and the disclosures relating to contingent liabilities as of the date of the financial statements. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in outcomes different from the estimates. Difference between actual results and estimates are recognised in the period in which the results are known or materialise. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

Management considers the accounting estimates and assumptions discussed below to be its critical accounting estimates and, accordingly, provide an explanation of each below. The discussion below should also be read in conjunction with the Company's disclosure of significant accounting policies which are provided in Note 3 to the standalone financial statements, 'Significant accounting policies'.

Critical judgments:

Taxes on income:

Significant judgments are involved in determining the provision for income taxes, including possibility of utilization of Minimum Alternate Tax (MAT) credit in future.

Impairment of investments:

Significant judgment is involved in determining the estimated future cash flows from the investments to determine their value in use to assess whether there is any impairment in their carrying amounts as reflected in the consolidated financial statements.

Critical estimates:

Recognition of deferred tax assets – The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits.

Evaluation of indicators for impairment of assets: The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

Useful lives of depreciable/amortisable assets: Management reviews its estimate of the useful lives of depreciable/amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain software, IT equipment and other plant and equipment.

Defined benefit obligation (DBO): Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of

Notes to standalone financial statements

(All amounts in ₹ millions, except share data and where otherwise stated)

future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

Fair value measurements: Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Provisions: The Company exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

(All amounts in ₹ millions, except share data and where otherwise stated)

5. Property, plant and equipment

Property, plant and equipment	Freehold land	Leasehold land	Buildings	Plant and equipment	Office equipment	Furniture	Vehicles	Computers	Right-of-use (Leasehold lands)	Total
Gross carrying amount										
As at 1 April 2018	1,769	262	3,583	7,692	35	150	199	160	-	**13,850**
Additions	363	-	789	1,547	1	39	35	18	-	**2,792**
Disposals	(41)	-	-	(3)	-	0	(10)	-	-	**(54)**
Balance as at 31 March 2019	**2,091**	**262**	**4,372**	**9,236**	**36**	**189**	**224**	**178**	**-**	**16,588**
Recognised on adoption of Ind AS 116 (Refer Note 40)	-	-	-	-	-	-	-	-	38	**38**
Reclassified on adoption of Ind AS 116 (Refer Note 40)	-	(262)	-	-	-	-	-	-	262	**-**
Additions	429	-	1,798	2,109	2	148	22	59	2	**4,569**
Disposals	(33)	-	-	(40)	-	-	(8)	-	-	**(81)**
Balance as at 31 March 2020	**2,487**	**-**	**6,170**	**11,305**	**38**	**337**	**238**	**237**	**302**	**21,114**
Accumulated depreciation										
As at 1 April 2018	-	8	723	2,715	29	52	99	128	-	**3,754**
Charge for the year	-	3	126	588	2	16	24	19	-	**778**
Disposals	-	-	-	(2)	-	-	(9)	-	-	**(11)**
Balance as at 31 March 2019	**-**	**11**	**849**	**3,301**	**31**	**68**	**114**	**147**	**-**	**4,521**
Reclassified on adoption of Ind AS 116 (Refer Note 40)	-	(11)	-	-	-	-	-	-	11	**-**
Charge for the year	-	-	171	714	2	25	18	20	8	**958**
Disposals	-	-	-	(21)	-	-	(1)	-	-	**(22)**
Balance as at 31 March 2020	**-**	**-**	**1,020**	**3,994**	**33**	**93**	**131**	**167**	**19**	**5,457**
Net book value as at 31 March 2019	2,091	251	3,523	5,935	5	121	110	31	-	**12,067**
Net book value as at 31 March 2020	2,487	-	5,150	7,311	5	244	107	70	283	**15,657**

(i) **Contractual obligations**

Refer to note 37(a) for disclosure of contractual commitments for the acquisition of property, plant and equipment.

(ii) Right-of-use assets consists of leasehold land from the State Industrial Development Corporation of Uttarakhand Limited for a period of 90 years, Uttar Pradesh State Industrial Development Corporation Limited for a period of 87 years and Ramky Pharma City (India) Limited for a period of 33 years which is renewable for a further period of 2 terms of 33 years each at the option of the Company.

(iii) Land parcels with an aggregate carrying amount of ₹ 4 (31 March 2019: ₹ 4) are under dispute pending in a court as to the ownership of the property. The management, based on available information and advice of legal counsel, is confident of favourable outcome in this case and hence, no adjustments are made in these financial statements.

(iv) The following lands have come into the books of the Company pursuant to the merger of Natco Organics Limited and Karanth Pharma Chemical Labs Private Limited (transferor companies) with the Company in the earlier years. Hence, the name of the transferor companies are appearing in the title deeds of these lands.

i) Freehold land at Sanathnagar Industrial estate, Hyderabad.

ii) Freehold land at No. 74/7B, Vaikkadu TPP Salai, Manali, Chennai."

(v) The Company was provisionally allotted a parcel of land from Andhra Pradesh Industrial Infrastructure Corporation Limited ('APIIC') in Attivaram, Nellore District, Andhra Pradesh for a consideration of ₹ 66 which shall be registered in the name of the Company based on fulfilment of certain conditions laid down by APIIC.

(vi) Refer to note 40 for disclosure of leases under Ind AS 116.

(vii) Refer to note 17 for disclosure of security against borrowings.

Notes to standalone financial statements

(All amounts in ₹ millions, except share data and where otherwise stated)

6. Intangible assets

	Computer Software	Total
Gross carrying amount		
As at 1 April 2018	146	146
Additions	48	48
As at 31 March 2019	**194**	**194**
Additions	29	29
As at 31 March 2020	**223**	**223**
Accumulated amortisation		
As at 1 April 2018	89	89
Amortisation for the year	23	23
As at 31 March 2019	**112**	**112**
Amortisation for the year	23	23
As at 31 March 2020	**135**	**135**
Net carrying amount		
As at 31 March 2019	82	82
As at 31 March 2020	**88**	**88**

7. Investments in subsidiaries

	As at 31 March 2020	As at 31 March 2019
Non-current		
Investment in equity instruments (fully paid-up)		
At cost less provision for other than temporary impairment		
Unquoted		
1,000 (31 March 2019: 1,000) common shares of US$1,000 each, in Natco Pharma Inc	42	42
1,078,065 (31 March 2019: 1,061,612) equity shares of US$10 each, in Time Cap Overseas Limited*	647	638
Share application money pending allotment in Time Cap Overseas Limited	-	2
2,783,813 (31 March 2019: 2,783,813) equity shares of Canadian Dollar 1 each, in NATCO Pharma (Canada) Inc	145	145
2,095,000 (31 March 2019: 1,845,000) equity shares of Singapore Dollar 1 each, in NATCO Pharma Asia Pte. Ltd	102	89
1,058,572 (31 March 2019: 978,572) equity shares of Australian Dollar 1 each, in NATCO Pharma Australia PTY Ltd	53	49
271,406 (31 March 2019: 103,995) equity shares of 100 PHP each, in NATCO Lifesciences Philippines Inc.	36	12
	1,025	**977**
Aggregate book value of unquoted investments	1,025	977
Aggregate amount of impairment in the value of investments	-	-

*The Company through its subsidiary Time Cap Overseas Limited ("Timecap") has made investments in Natcofarma Do Brasil Ltda. ('Natco Brazil'), which is engaged in marketing of pharmaceutical products in Brazil. The Company indirectly holds 90.89% of Natco Brazil through Timecap and Natco Pharma Inc. During the year ended 31 March 2020, Natco Brazil reported a loss of ₹ 275 and as at that date its accumulated losses aggregating ₹ 1,172 have substantially eroded its net worth which indicates a possible impairment in the carrying value of the investment. Accordingly, the management with the help of a valuation specialist, has carried out an impairment assessment and concluded that the estimated recoverable amount computed using value-in-use method, is higher than the carrying value of the investment in Natco Brazil and accordingly, there is no impairment. Determination of recoverable amount using Discounted Cash Flow (DCF) valuation method by the independent valuer involved consideration of key assumptions including, but are not limited to, projections of future cash flows, growth rates, discounts rates, estimated future operating expenditure. The planning horizon reflects the assumptions for short-to-mid term market developments which are based on key assumptions such as margins, expected growth rates based on past experience and management's expectations / extrapolation of normal increase / steady terminal growth rate. Discount rate reflects the current market assessment of the risks. The discount rate is estimated based on the weighted average cost of capital for Natco Brazil. The management based on sensitivity analysis performed believes that any reasonable possible change in the key assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the investment.

Notes to standalone financial statements

(All amounts in ₹ millions, except share data and where otherwise stated)

8. Investments

	As at 31 March 2020	As at 31 March 2019
I. Non-current		
a) Investment in equity instruments of others (fully paid-up)		
At fair value through other comprehensive income		
Unquoted		
139,451 (31 March 2019: 139,451) equity shares of ₹ 10 each, in OMRV Hospital Private Limited	105	105
21,769 (31 March 2019: 21,769) equity shares of ₹ 10 each, in Veda Seedsciences Private Limited	79	79
8,000 (31 March 2019: Nil) equity shares of ₹ 10 each, in Cipher Oncology Private limited	10	-
978 (31 March 2019: Nil) equity shares of ₹ 10 each, in Medplus Health Services Private Limited	75	-
4,054 (31 March 2019: 4,054) equity shares of 1USD NATIVITA Joint Limited Liability Company	0	0
30 (31 March 2019: 30) equity shares of Euro 0.5 per share of Pharnasanta B.V	0	0
750 (31 March 2019: 750) equity shares of ₹ 100 each, in Jeedimetla Effluent Treatment Limited	0	0
34,400 (31 March 2019: 34,400) equity shares of ₹ 10 each, in Pattancheru Enviro-Tech Limited	0	0
27,000 (31 March 2019: 27,000) equity shares of ₹ 10 each, in Jayalakshmi Spinning Mills Limited	0	0
Less: Provision for diminution in value of investments	0	0
	269	**185**
b) Other investments		
At fair value through other comprehensive income		
Unquoted		
1,624 (31 March 2019: 1,060) units of ₹ 10,000 each, in Endiya Trust	16	11
500,000 (31 March 2019: Nil) 0.05% compulsorily convertible preference shares (CCPS) of ₹ 100 each, in OMRV Hospitals Private Limited	50	-
	66	**11**
At amortised cost		
Unquoted		
National savings certificates	0	0
Application money for investment in Kotak Alternate Investment Plan	-	3
Quoted		
250,000 (31 March 2019: Nil) 9.25% non-convertible debentures (NCD) of ₹ 1,000 each, in Muthoot Finance limited	250	-
250 (31 March 2019: Nil) 8.39% Series III Perpetual Bonds of ₹ 1,000,000 each, issued by State Bank of India	251	-
	501	**3**
Total non-current investments	**836**	**199**
Aggregate book value of unquoted investments	335	199
Aggregate book value of quoted investments	501	-
Aggregate market value of quoted investments	512	-
Aggregate amount of impairment in the value of investments	0	0
II. Current		
a) Investments in equity instruments of others (fully paid-up)		
Quoted		
At fair value through other comprehensive income		
10,000 (31 March 2019: 10,000) equity shares of ₹ 10 each, in Neuland Laboratories Limited	3	7

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(All amounts in ₹ millions, except share data and where otherwise stated)

	As at 31 March 2020	As at 31 March 2019
5,500 (31 March 2019: 5,500) equity shares of ₹ 1 each, in Sun Pharmaceuticals Industries Limited	2	3
778 (31 March 2019: 778) equity shares of ₹ 2 each, in Alkem Laboratories Limited	2	1
15,000 (31 March 2019: 15,000) equity shares of ₹ 1 each, in Cadila Healthcare Limited	4	5
100,000 (31 March 2019: 100,000) equity shares of ₹ 10 each, in Laurus Labs Limited	32	40
150,000(31 March 2019: 150,000) equity shares of ₹ 1 each, in Lanco Infratech Limited	0	0
22,700 (31 March 2019: 22,700) equity shares of ₹ 1 each, in GMR Infrastructure Limited	0	0
50,400 (31 March 2019: 50,400) equity shares of ₹ 1 each, in GVK Power & Infrastructure Limited	0	0
50,000 (31 March 2019: 50,000) equity shares of ₹ 1 each, in Panacea Biotech Limited	6	10
3,176 (31 March 2019: 3,176) equity shares of ₹ 1 each, in ICICI Prudential Life Insurance Company Limited	1	1
	50	**68**
b) Other investments (fully paid-up)		
Unquoted		
At amortised cost		
Nil (31 March 2019: 12,000) non-convertible debentures of ₹ 100,000 in Citicorp Finance India Limited	-	1,200
Total current investments	**50**	**1,268**
Aggregate book value of unquoted investments	-	1,200
Aggregate book value of quoted investments	60	60
Aggregate market value of quoted investments	50	68

9. Loans

	As at 31 March 2020	As at 31 March 2019
(Unsecured, considered good)		
Non-current		
Loans to related parties (Refer note 35)	524	476
Loans to others	20	20
Security deposits	140	99
Total non-current loans	**684**	**595**
Current		
Loans to employees	81	70
Total current loans	**81**	**70**

Notes to standalone financial statements

(All amounts in ₹ millions, except share data and where otherwise stated)

10. Other financial assets

	As at 31 March 2020	As at 31 March 2019
(Unsecured, considered good)		
Non-current		
Deposits classified at amortised cost:		
- Bank deposits with maturity beyond 12 months*	35	60
- Interest on deposits, accrued but not due	6	5
	41	65
*Bank deposits are given as margin money against bank guarantees/performance guarantees issued by banks.		
Current		
Deposits classified at amortised cost:		
- Deposits with financial institutions	8,112	6,316
- Interest on deposits, accrued but not due	470	553
Interest on loans to related party, accrued but not due (Refer note 35)	23	12
Other receivables	7	78
	8,612	6,959

11. Other assets

	As at 31 March 2020	As at 31 March 2019
(Unsecured, considered good)		
Non-current		
(i) Capital advances	547	492
(ii) Advances other than capital advances		
- Prepaid rent (Refer note 40)	-	18
- Balance with statutory authorities	12	17
	559	527
Current		
Advances other than capital advances		
- Advance to material/service providers	1,378	564
- Prepaid expenses	178	137
- Export incentives receivable	260	304
- Balance with statutory authorities	688	745
	2,504	1,750

12. Inventories

	As at 31 March 2020	As at 31 March 2019
Raw materials [including goods-in-transit of ₹ 26 (31 March 2019: ₹ 4)]	1,627	2,111
Work-in-progress	1,566	1,405
Finished goods	1,140	735
Stock-in-trade	6	13
Stores and spares [including goods-in-transit of ₹ 5 (31 March 2019: ₹ 44)]	640	562
Packing materials [including goods-in-transit of ₹ 1 (31 March 2019: ₹ Nil)]	265	258
	5,244	5,084

The write-down of inventories to net realisable value during the year amounted to ₹ 31 (March 2019, ₹ 2)

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(All amounts in ₹ millions, except share data and where otherwise stated)

13. Trade receivables

	As at 31 March 2020	As at 31 March 2019
(Unsecured)		
Trade receivables, gross		
- Considered good	5,542	4,916
- Credit impaired	-	-
	5,542	4,916
Less: Allowance for credit losses	175	-
	5,367	4,916

14. Cash and bank balances

	As at 31 March 2020	As at 31 March 2019
Cash and cash equivalents		
Cash on hand	11	19
Balance with banks:		
- Current accounts	68	96
	79	115
Bank balances other than cash and cash equivalents:		
Bank deposits with maturity within 12 months	428	2,490
Unpaid dividend account	34	22
	462	2,512
	541	2,627

15. Equity share capital

i. Authorised share capital

	As at 31 March 2020		As at 31 March 2019	
	Number	Amount	Number	Amount
Equity shares of ₹ 2 each	200,000,000	400	200,000,000	400

ii. Issued, subscribed and fully paid up

	As at 31 March 2020		As at 31 March 2019	
	Number	Amount	Number	Amount
Equity shares of ₹ 2 each	182,067,975	364	182,746,479	365
	182,067,975	364	182,746,479	365

iii. Reconciliation of number of equity shares outstanding at the beginning and at the end of the year

	As at 31 March 2020		As at 31 March 2019	
	Number	Amount	Number	Amount
Equity shares				
Balance at the beginning of the year	182,746,479	365	184,493,400	369
Add: Equity shares issued pursuant to employee stock option plan (Refer note 15 (viii))	305,840	1	268,735	0
Less: Bought back during the year and extinguished before balance sheet date (Refer notes given below)	(984,344)	(2)	(1,877,640)	(4)
	182,067,975	364	182,884,495	365
Less: Bought back during the year and extinguished after the balance sheet date (Refer notes given below)	-	-	(138,016)	(0)
Balance at the end of the year	182,067,975	364	182,746,479	365

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(All amounts in ₹ millions, except share data and where otherwise stated)

Notes:

(a) During the year ended 31 March 2020, the Company bought back and extinguished 984,344 equity shares of ₹ 2 each for an aggregate purchase value of ₹ 536 at an average price of ₹ 544 per share, excluding transaction costs under the buy-back of equity shares plan approved by the Board of directors on 05 November 2018.

(b) During the year ended 31 March 2019, the Company bought back 2,015,656 equity shares of ₹ 2 each for an aggregate purchase value of ₹ 1,329 at an average price of ₹ 659 per share, excluding transaction costs under the buy-back of equity shares plan approved by the Board of directors on 05 November 2018. Out of the total shares bought back, 1,877,640 equity shares of ₹ 2 each were extinguished before 31 March 2019 and the balance 138,016 equity shares were extinguished in two tranches on 5 April 2019 and 22 April 2019.

iv. Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 2 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing general meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts in proportion of their shareholding.

v. Details of shareholder holding more than 5% share capital

Name of the equity shareholder	As at 31 March 2020		As at 31 March 2019	
	Number	% holding	Number	% holding
V C Nannapaneni*	28,027,975	15.39%	40,751,315	22.30%
Time Cap Pharma Labs Limited	17,157,220	9.42%	17,157,220	9.39%
Natsoft Information Systems Private Limited	15,767,500	8.66%	15,767,500	8.63%
V S Swathi Kantamani	**15,983,340**	**8.78%**	**3,260,000**	**1.78%**

*including shares held in the capacity of Karta of Hindu Undivided Family (HUF) aggregating 5,440,045 (31 March 2019: 5,440,045).

vi. Shares reserved for issuance under Stock Option Plans of the Company

	As at 31 March 2020		As at 31 March 2019	
	Number	% holding	Number	% holding
NATCO Employee Stock Option Plan:				
ESOP 2015	74,810	0.04%	215,800	0.12%
ESOP 2016	87,310	0.05%	147,280	0.08%
ESOP 2017	370,525	0.20%	485,235	0.27%
	532,645		848,315	

vii. Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:

	2019-20	2018-19	2017-18	2016-17	2015-16
Equity Shares issued under Stock Option Plans of the Company	305,840	268,735	185,600	133,555	-
Equity shares bought-back (Refer note 15(iii))	984,344	2,015,656	-	-	-

viii. Share based payments

(a) The Company has instituted the NATCO Employee Stock Option Plan 'ESOP-2015', NATCO Employee Stock Option Plan 'ESOP-2016' and NATCO Employee Stock Option Plan 'ESOP-2017' ("the ESOP Schemes"). The ESOP Schemes were formulated in accordance with the Securities Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 issued by the Securities and Exchange Board of India ("SEBI"). Pursuant to the terms of the ESOP Schemes, the Board of Directors of the Company have granted 750,000 options (post split), 174,330 options and 600,000 options to eligible employees on 12 August 2015, 11 November 2016 and 2 November 2017, respectively. The terms of the ESOP Schemes provide that each option entitles the holder to one equity share of

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(All amounts in ₹ millions, except share data and where otherwise stated)

₹ 2 each (post split) and that the options can be settled only by way of issue of equity shares. The options vest in a phased manner ranging from 1 to 5 years from the date of grant and the options are entirely time-based with no performance conditions.

(b) During the year ended 31 March 2020, the Company had accrued stock compensation cost of ₹ 144 (31 March 2019: ₹ 253) in respect of the ESOP Schemes.

(c) **The details of options are as follows :**

ESOP 2015, ESOP 2016 and ESOP 2017	As at 31 March 2020		As at 31 March 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of the year	848,315	2	1,144,380	2
Granted during the year	-	2	-	2
Forfeited during the year	-	2	-	2
Vested during the year	358,675	2	296,065	2
Exercised during the year	305,840	2	268,735	2
Expired during the year	15,775	2	27,330	2
Outstanding at the end of the year	526,700	2	848,315	2
Exercisable at the end of the year	43,005	2	-	-

The weighted average remaining contractual life of unvested options is 12.35 months (31 March 2019: 16.83 months).

The weighted average share price on the date of exercise of options during the years ended 31 March 2020 and 31 March 2019 was ₹ 567 and ₹ 732 per share, respectively.

There were no stock options granted by the Company for the years ended 31 March 2020 and 31 March 2019. The fair value of stock options granted in earlier years had been measured using the Black–Scholes option pricing model at the date of the grant. The Black-Scholes option pricing model includes assumptions regarding dividend yields, expected volatility, expected terms and risk free interest rates.

ix. **Dividend paid and proposed**

Dividends on equity shares were declared and paid by the Company during the year:

	2019-20		2018-19	
	Dividend per Equity share (₹)	Amount	Dividend per Equity share (₹)	Amount
First interim dividend	1.25	227	1.50	277
Second interim dividend	1.00	182	3.50	642
Third interim dividend	3.50	638	-	-
Dividend distribution tax on above		215		189
Total		**1,262**		**1,108**

After the reporting dates the following dividend was proposed by the directors subject to the approval at the annual general meeting; the dividends have not been recognised as liabilities. Payment of dividends would be subject to deduction of tax at source when declared or paid.

	Year ended 31 March 2020		Year ended 31 March 2019	
	Dividend per Equity share (₹)	Amount	Dividend per Equity share (₹)	Amount
Fourth interim dividend	1	182	-	-
Final dividend on equity shares		-	1.25	227
Dividend distribution tax on above		-		47
Total		**182**		**274**

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(All amounts in ₹ millions, except share data and where otherwise stated)

16. Other equity

A. Reserve and surplus

	As at 31 March 2020	As at 31 March 2019
Reserves and surplus		
Securities premium	13,729	14,048
Capital reserve	516	207
Capital redemption reserve	11	9
General reserve	595	595
Share options outstanding account	236	309
Retained earnings	23,225	20,068
Total reserves and surplus	38,312	35,236
Other comprehensive income		
Gain on FVTOCI equity securities	19	31
Total other items of OCI	19	31
Total other equity	**38,331**	**35,267**

B. Nature and purpose of other reserves

Securities premium

Securities premium is used to record the premium on issue of shares. The reserve is utilised in accordance with provisions of the Companies Act, 2013.

Capital reserve

Capital reserve was created on amalgamation of certain entities into the Company in the earlier years and the transactions with Shareholders. The Company uses capital reserve for transactions in accordance with the provisions of the Companies Act, 2013.

Capital redemption reserve

The Company had purchased its own shares and as per the provision of the applicable laws, a sum equal to the nominal value of the shares so purchased is required to be transferred to the capital redemption reserve. The Company uses capital redemption reserve for transactions in accordance with the provisions of the Companies Act, 2013.

General reserve

The Company generally appropriates a portion of its earnings to the general reserve to be used for contingencies. These reserves are freely available for use by the Company.

Share options outstanding account

This reserve represents the excess of the fair value of the options on the grant date over the strike price which is accumulated by the Company in respect of all options that have been granted. The Company transfers the proportionate amounts, outstanding in this account, in relation to options exercised to securities premium on the date of exercise of such options.

Fair value through other comprehensive income (FVTOCI) equity securities

The Company has elected to recognise the change in fair value of certain investments in equity shares in other comprehensive income. These changes are accumulated within the FVTOCI equity instruments reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity instruments are derecognised.

Retained earnings

Retained earnings mainly represent all current and prior year profits as disclosed in the statement of profit and loss and other comprehensive income pertaining to remeasurement gains/(losses) arising from the actuarial valuation of the defined benefit plan less dividend distribution.

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(All amounts in ₹ millions, except share data and where otherwise stated)

17. Borrowings

	As at 31 March 2020	As at 31 March 2019
Non-current		
Lease liabilities (refer note 40)	9	-
	9	-
Current		
Lease liabilities (refer note 40)	8	-
Loan repayable on demand from banks:		
Working capital loans (secured)	1,340	1,038
Working capital loans (unsecured)	1,783	2,807
	3,131	3,845

Notes:

(i) Working capital loans (secured) represents cash credit, bills purchased and discounted with various banks. These working capital loans are secured by joint pari-passu first charge on all the current assets and property, plant and equipment of:

i) Land admeasuring 17.19 acres comprised in survey no. 70 of village Nandikonda, Mandal Peddavoora, District Nalgonda in the State of Telangana together with all buildings and structures thereon and all plant and equipment attached to the earth.

ii) House/premise bearing municipal no. 8-2-120/112/A/33 and 8-2-120/112/A/32 in plot no. 100 admeasuring 1166 sq. yards with all its building and fixed assets situated at Road No.2, Banjara Hills, Hyderabad - 500033.

(ii) Working capital loans (unsecured) represents overdraft facility, bills purchased and discounted with various banks.

(iii) The rate of interest applicable was in the range of 2.40% to 8.70%.

18. Other financial liabilities

	As at 31 March 2020	As at 31 March 2019
Non-current		
Deposits from customers	8	8
	8	8
Current		
Interest accrued but not due	-	6
Book overdraft	135	-
Capital creditors	403	483
Unpaid dividend *	34	22
Payroll related liabilities	240	258
Other payables	-	2
	812	771

* Investor Education and Protection Fund shall be credited when due.

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(All amounts in ₹ millions, except share data and where otherwise stated)

19. Provisions

	As at 31 March 2020	As at 31 March 2019
Non-current		
Provision for employee benefits:		
Provision for gratuity (refer note (a))	564	439
Provision for compensated absences (refer note (b))	338	271
	902	**710**
Current		
Provision for employee benefits:		
Provision for gratuity (refer note (a))	52	47
Provision for compensated absences (refer note (b))	53	43
	105	**90**

(a) Gratuity

The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC). Under the said policy, the eligible employees are entitled for gratuity upon their resignation, retirement or in the event of death in lumpsum after deduction of necessary taxes upto a maximum limit of ₹ 2. Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Company makes contributions to the Gratuity Fund.

The following tables sets out the status of the gratuity plan and the reconciliation of opening and closing balances of the present value and defined benefit obligation.

(i) Reconciliation of the present value of defined benefit obligation

	As at 31 March 2020	As at 31 March 2019
Opening balance	554	370
Current service cost	65	69
Interest cost	43	29
Benefits paid	(14)	(21)
Actuarial loss recognised in the other comprehensive income:		
Experience adjustment	30	196
Change in demographic assumptions	-	(15)
Change in financial assumptions	48	(74)
Closing balance	**726**	**554**

(ii) Reconciliations of present value of plan asset

	As at 31 March 2020	As at 31 March 2019
Opening balance	68	83
Interest income	5	7
Employer contribution	52	-
Benefits paid	(14)	(21)
Actuarial losses recognised in the other comprehensive income:		
Return on plan assets, excluding interest income	(1)	(1)
Closing balance	**110**	**68**

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(All amounts in ₹ millions, except share data and where otherwise stated)

(iii) Reconciliation of net defined benefit obligation

	As at 31 March 2020	As at 31 March 2019
Present value of funded obligation	726	554
Fair value of plan assets	(110)	(68)
Amount recognised in the balance sheet	**616**	**486**

(iv) Expense recognised in the statement of profit and loss under employee benefit expense:

	Year ended 31 March 2020	Year ended 31 March 2019
Current service cost	65	69
Interest cost	43	29
Interest income	(5)	(7)
Net cost	**103**	**91**

(v) Remeasurements recognised in the statement of other comprehensive income

	Year ended 31 March 2020	Year ended 31 March 2019
Experience adjustment on funded obligation	78	107
Return on plan assets, excluding interest income	1	1
Net gratuity costs in other comprehensive income	**79**	**108**

(vi) Plan assets comprises of the following:

	Year ended 31 March 2020	Year ended 31 March 2019
Group gratuity fund with LIC	**110**	**68**

(vii) Summary of actuarial assumptions:

	Year ended 31 March 2020	Year ended 31 March 2019
Discount rate	6.85%	7.70%
Estimates rate of return on plan assets	6.85%	7.70%
Salary escalation rate	7.00%	1-2yaers 10% thereafter 7%
Mortality rate	Indian Assured Lives Mortality (2012-14)	Indian Assured Lives Mortality (2006-08)

The estimates of future salary increase considered in actuarial valuation takes account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

(viii) Sensitivity analysis:

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate and the salary growth rate. The calculation of the net defined benefit liability is sensitive to these assumptions. However, the impact of these changes is not ascertained to be material by the management.

Notes to standalone financial statements

(All amounts in ₹ millions, except share data and where otherwise stated)

The sensitivity analysis of significant actuarial assumptions as at the end of the period is shown below.

	Year ended 31 March 2020	Year ended 31 March 2019
A. Defined benefit obligation without effect of projected salary growth	726	554
B. Salary escalation rate		
Salary rate +100 basis points	78	58
Salary rate -100 basis points	(68)	(50)
C. Discount rate		
Discount rate +100 basis points	(73)	(55)
Discount rate -100 basis points	88	64

As at 31 March 2020, the weighted-average duration of the defined benefit obligation was 11 years (31 March 2019: 11 years).

(ix) The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 11 years (Previous year: 11 years).

(x) Expected contribution
The expected contributions for defined benefit plan for the next financial year will be in line with the contribution for the period and is expected by the Management to be ₹ 60 (31 March 2019: ₹ 47).

(xi) Maturity profile of defined benefit obligation (valued on undiscounted basis):

	Year ended 31 March 2020	Year ended 31 March 2019
Within 1 year	66	47
2 to 5 years	162	142
6 to 10 years	300	274
More than 10 years	1,333	1,188

(b) Compensated absences:
The accrual for unutilised leave is determined for the entire available leave balance standing to the credit of the employees at the year-end. The value of such leave balances that are eligible for carry forward, is determined by an actuarial valuation as at the end of the year and is charged to the statement of profit and loss. The actual liability towards leave obligations as at 31 March 2020 is ₹ 391 (31 March 2019: ₹ 314). Expense recognised in the statemet of profit and loss under employee benefit expense is ₹ 99 (31 March 2019: ₹ 143).

20. Other liabilities

	As at 31 March 2020	As at 31 March 2019
Current		
Statutory liabilities	82	92
Advance from customers	4	189
Others	36	33
	122	314

21. Trade payables

	As at 31 March 2020	As at 31 March 2019
Current		
Total outstanding dues of micro enterprises and small enterprises [Refer note below]	21	79
Total outstanding dues of creditors other than micro enterprises and small enterprises	2,321	1,939
	2,342	2,018

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(All amounts in ₹ millions, except share data and where otherwise stated)

Note:

Under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from 2 October 2006, certain disclosures are required to be made relating to Micro and Small enterprises. On the basis of the information and records available with the Management, the outstanding dues to the Micro and Small enterprises as defined in the MSMED as set out in following disclosure.

Particulars	As at 31 March 2020	As at 31 March 2019
(i) the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	21	79
(ii) the amount of interest paid by the buyer in terms of Section 16 of MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year;	-	-
(iii) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MEMED Act, 2006;	-	-
(iv) the amount of interest accrued and remaining unpaid at the end of each accounting year; and	-	1
(v) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under the MSMED Act, 2006.	-	-

The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

22. Revenue from operations

	For the year ended 31 March 2020	For the year ended 31 March 2019
Revenue from contracts with customers:		
Sale of goods	15,877	19,317
Sale of services	1,451	68
Job work income	302	150
Total (a)	**17,630**	**19,535**
Other operating revenues		
Export incentives	224	235
Budgetary support	31	62
Scrap sales	17	31
Total (b)	**272**	**328**
Total revenue from operations (a+b)	**17,902**	**19,863**
Disaggregation of revenue		
Revenue based on Geography (product destination):		
India	7,218	7,928
USA	8,230	8,741
Rest of the world	2,182	2,866
	17,630	**19,535**
Timing of revenue recognition		
Goods transferred at a point in time	15,877	19,317
Services transferred over time	1,753	218
	17,630	**19,535**

Notes to standalone financial statements

(All amounts in ₹ millions, except share data and where otherwise stated)

	For the year ended 31 March 2020	For the year ended 31 March 2019
Reconciliation of revenue from operations with contract price:		
Revenue as per contracted price	18,612	21,436
Adjusted for:		
Sales returns	(322)	(257)
Trade discounts and rebates	(660)	(1,644)
Total Revenue from operations	**17,630**	**19,535**

Contract liabilities resulting from advance payments by customers for delivery of goods are predominantly recognised as sales within one year. The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as on 31 March 2020 is ₹ 4 (31 March 2019: ₹ 189) resulting from advance payments and shown under other current liabilities.

23. Other income

	For the year ended 31 March 2020	For the year ended 31 March 2019
Provisions no longer required written back	29	-
Interest income from financial assets carried at amortised cost	816	911
Profit on sale of property, plant and equipment, net	163	135
Foreign exchange gain, net	207	250
Other receipts	23	2
	1,238	**1,298**

24. Cost of material consumed

	For the year ended 31 March 2020	For the year ended 31 March 2019
Raw material consumed	3,018	3,116
Packing material consumed	272	215
	3,290	**3,331**

25. Changes in inventories of finished goods, work-in-progress and stock-in-trade

	For the year ended 31 March 2020	For the year ended 31 March 2019
Opening stock:		
- Finished goods	735	621
- Work-in-progress	1,405	1,239
- Stock-in-trade	13	38
	2,153	**1,898**
Closing stock:		
- Finished goods	1,140	735
- Work-in-progress	1,566	1,405
- Stock-in-trade	6	13
	2,712	**2,153**
	(559)	(255)

Notes to standalone financial statements

(All amounts in ₹ millions, except share data and where otherwise stated)

26. Employee benefits expense

	For the year ended 31 March 2020	For the year ended 31 March 2019
Salaries, wages and bonus	2,940	2,717
Contribution to provident fund and other funds	223	199
Gratuity expense (Refer note 19)	103	91
Share based payment expense (Refer note 15(viii))	144	253
Staff welfare expenses	151	142
	3,561	3,402

Defined contribution plan:

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards provident fund and employee state insurance schemes which are defined contribution plans. The Company has no obligations other than to make the specified contributions. The contribution to provident fund charged to the statement of profit and loss is ₹ 223 (31 March 2019: ₹ 199).

27. Finance costs

	For the year ended 31 March 2020	For the year ended 31 March 2019
Interest expense on liabilities at amortised cost:		
- Bank overdraft and others	177	162
Other borrowing cost	29	26
	206	188

28. Other expenses

	For the year ended 31 March 2020	For the year ended 31 March 2019
Consumption of stores and spares	290	372
Power and fuel	624	596
Rental charges (Refer note 40)	7	13
Repairs and maintenance		
- Buildings	55	50
- Plant and equipment	163	192
- Others	26	33
Insurance	146	101
Rates and taxes	267	233
Factory maintenance expenses	266	196
Clinical and analytical charges	469	283
Carriage and freight outward	39	46
Donations*	42	287
Corporate social responsibility (CSR) expenses (Refer note 34)	157	116
Corporate environment responsibility (CER) expenses	2	-
Communication expenses	73	65
Office maintenance	78	71
Travelling and conveyance	236	246
Legal and professional fees	299	305
Payment to auditors		
- Audit fees	5	4
- Expenses reimbursed	0	0
Directors sitting fee	1	1
Allowance for credit losses	175	-

Notes to standalone financial statements

(All amounts in ₹ millions, except share data and where otherwise stated)

	For the year ended 31 March 2020	For the year ended 31 March 2019
Bad debts written off	55	20
Royalty expense	259	698
Sales promotion expenses	187	289
Research and development expenses (refer note 38)	504	536
Miscellaneous expenses	166	152
	4,591	4,905

* Includes political contributions of ₹ 23 (31st March 2019: ₹ 233) made in accordance with Section 182 of the Companies Act, 2013.

29. Income-tax

(A) Components of Income-tax expenses

	For the year ended 31 March 2020	For the year ended 31 March 2019
(i) Tax expense recognised in profit and loss		
Current tax:		
Current year tax	1,251	1,863
Income-tax for earlier years	40	-
	1,291	1,863
Deferred tax charge/(credit) (net):		
Minimum Alternate Tax (MAT) credit utilisation (Refer note 29(E))	(382)	(60)
Origination and reversal of temporary differences	177	-
	(205)	(60)
Tax expense for the year	1,086	1,803
(ii) Tax recognised in other comprehensive income		
Items that will not be reclassified to profit and loss		
- Remeasurement of defined benefit plans	27	23
- Net gains / (losses) from investments in equity instruments designated at FVTOCI	7	1
	34	24

(B) Reconciliation of effective tax rate

The major components of income-tax expense and the reconciliation of expected tax expense based on the domestic effective tax rate of the Company at 34.944% (31 March 2019: 34.944%) and the reported tax expense in the statement of profit or loss are as follows:

	For the year ended 31 March 2020	For the year ended 31 March 2019
Profit before tax	5,831	8,474
Enacted tax rate applicable to the Company in India*	34.944%	34.944%
Tax using the Company's domestic tax rate	2,038	2,961
Tax effect of:		
Expense not deductible for tax purposes	74	50
Additional deduction allowed under Income-tax Act	(431)	(446)
Additional allowances under Income-tax Act	(378)	(685)
Utilisation of previously unutilised MAT credit**	(382)	(60)
Capital gain tax	(25)	(17)
Other timing differences	150	-
Tax pertaining to earlier years	40	-
Income-tax expense	1,086	1,803

*The Taxation Laws (Amendment) Ordinance, 2019 ('Ordinance') was promulgated by the President of India on 20 September 2019. The Ordinance has amended the Income-tax Act, 1961 and Finance Act, 2019 to inter-alia provide an option to a domestic company to pay

Notes to standalone financial statements

(All amounts in ₹ millions, except share data and where otherwise stated)

income-tax at reduced rate of 22% plus applicable surcharge and cess subject to certain conditions. The Company has made an assessment of the impact of the Ordinance and decided to continue with the existing tax structure until utilisation of accumulated minimum alternative tax (MAT) credit.

**Also refer note 41

(C) Deferred tax assets and liabilities

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that created these differences is given below:

	For the year ended 31 March 2020	For the year ended 31 March 2019
Deferred tax assets/(liabilities):		
Minimum Alternate Tax*	40	-
Trade receivables	61	-
Property , plant and equipment	(711)	(403)
Provision for employee benefits	351	279
Investments	3	11
	(256)	(113)

* As per Indian tax laws, companies are liable for a Minimum Alternate Tax ("MAT" tax) when current tax, as computed under the provisions of the Income-tax Act, 1961 ("Tax Act"), is determined to be below the MAT tax computed under section 115JB of the Tax Act. The excess of MAT tax over current tax is eligible to be carried forward and set-off in the future against the current tax liabilities over a period of 15 years.

The Company offsets tax assets and liabilities only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Significant management judgement is required in determining provision for income-tax, deferred tax assets and liabilities and recoverability of deferred tax assets. The recoverability of deferred tax assets is based on estimates of taxable income by each jurisdiction in which the relevant entity operates and the period over which deferred tax assets will be recovered.

(D) Movement in deferred tax assets and liabilities

The details of movement in deferred tax assets and liabilities for the year ended 31 March 2020:

	As at 1 April 2019	Recognised in profit and loss	Recognised in OCI	As at 31 March 2020
Deferred tax assets/(liabilities):				
Minimum Alternate Tax	-	40	-	40
Trade receivables	-	61	-	61
Property , plant and equipment	(403)	(308)	-	(711)
Provision for employee benefits	279	45	27	351
Investments	11	(15)	7	3
Net deferred tax assets/(liabilities)	(113)	(177)	34	(256)

The details of movement in deferred tax assets and liabilities for the year ended 31 March 2019:

	As at 1 April 2018	Recognised in profit and loss	Recognised in OCI	As at 31 March 2019
Deferred tax assets/(liabilities):				
Property , plant and equipment	(308)	(95)	-	(403)
Provision for employee benefits	161	95	23	279
Investments	10	-	1	11
Net deferred tax assets/(liabilities)	(137)	-	24	(113)

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(All amounts in ₹ millions, except share data and where otherwise stated)

(E) Unrecognised deferred tax assets

	As at 31 March 2020	As at 31 March 2019
Unrecognised MAT credit entitlement	1,237	1,619
	1,237	**1,619**

The Company did not recognise deferred tax assets of ₹ 1,237 million on MAT credit entitlement, as the Company is unable to estimate the availability of taxable profits with reasonable certainty after taking into consideration the tax holiday units/ benefits available including financial projections and availability of sufficient taxable income in foreseeable future. The above MAT credit expires at various dates ranging from 2029 through 2032.

30. Earnings per share (EPS)

	For the year ended 31 March 2020	For the year ended 31 March 2019
Earnings:		
Profit for the year	4,745	6,671
Shares:		
Number of equity shares at the beginning of the year	182,746,479	184,493,400
Effect of equity shares issued on exercise of stock options	95,712	123,292
Effect of equity shares bought back during the year	(907,668)	(411,270)
Weighted average number of equity shares – Basic	**181,934,523**	**184,205,422**
Dilutive effect of stock options outstanding	521,079	571,121
Weighted average number of equity shares – Diluted	**182,455,602**	**184,776,543**
Earnings per equity share (face value of ₹ 2/- each):		
Basic (in ₹)	26.08	36.22
Diluted (in ₹)	26.01	36.10

31. Financial instruments - fair values

Accounting classification and fair values

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities including their levels in the fair value hierarchy.

As at 31 March 2020:

Particulars	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
A. Financials assets					
Financial assets measured at FVOCI					
Non-current investments	8	335	-	-	335
Current investments	8	50	50	-	-
Financial assets measured at amortised cost					
Non-current investments	8	501	-	-	-
Loans	9	765	-	-	-
Trade receivables	13	5,367	-	-	-
Cash and cash equivalents	14	79	-	-	-
Bank balances other than cash and cash equivalents	14	462	-	-	-
Other financial assets	10	8,653	-	-	-
		16,212	50	-	335

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(All amounts in ₹ millions, except share data and where otherwise stated)

Particulars	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
B. Financials liabilities					
Financial liabilities measured at amortised cost					
Borrowings (including lease liability)	17	3,140	-	-	17
Trade payables	21	2,342	-	-	-
Other financial liabilities	18	820	-	-	-
		6,302	-	-	17

As at 31 March 2019:

Particulars	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
A. Financials assets					
Financial assets measured at FVOCI					
Non-current investments	8	196	-	-	196
Current investments	8	68	68	-	-
Financial assets measured at amortised cost					
Non-current investments	8	3			
Current investments	8	1,200	-	-	-
Loans	9	665	-	-	-
Trade receivables	13	4,916	-	-	-
Cash and cash equivalents	14	115	-	-	-
Bank balances other than cash and cash equivalents	14	2,512	-	-	-
Other financial assets	10	7,024	-	-	-
		16,699	**68**	**-**	**196**
B. Financials liabilities					
Financial liabilities measured at amortised cost					
Borrowings	17	3,845	-	-	-
Trade payables	21	2,018	-	-	-
Other financial liabilities	18	779	-	-	-
		6,642	**-**	**-**	**-**

The Company's financial liabilities comprise of borrowings from banks, lease liability, trade payables and other financial liabilities. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade receivables, other financial assets, cash and cash equivalents and other bank balances that derive directly from its operations. The Company also holds certain strategic investments in entities other subsidiaries.

The fair value of cash and cash equivalents, bank balances, trade receivables, loans, unquoted debentures and bonds, borrowings, trade payables and other financial assets and liabilities approximate their carrying amount largely due to the nature of these instruments. The Company's loans have been contracted at market rates of interest. Accordingly, the carrying value of such loans approximate fair value.

The following methods and assumptions were used to estimate the fair values:

Level 1: The fair value of the quoted equity investments are based on market price at the reporting date.

Level 3: The Investments measured at fair value and falling under fair value hierarchy Level 3 are valued on the basis of valuation reports provided by external valuers with the exception of certain investments, where the impact of fair valuation of investment is considered as insignificant and hence carrying value and fair value is considered as same.

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(All amounts in ₹ millions, except share data and where otherwise stated)

32. Financial risk management

The Company's financial risk management is an integral part of how to plan and execute its business strategies. The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimise potential adverse effects on its financial performance. A summary of the risks have been given below.

A. **Market risk:**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risks: interest rate risk and currency risk. Financial instruments affected by market risk include borrowings, deposits, loans, trade receivables and trade payables.

i. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's entire borrowings carried at amortised cost are variable rate instruments and are subject to fluctuation because of a change in market interest rates. The Company considers the impact of fair value interest rate risk on variable rate borrowings as not material.

The Company's variable rate borrowing is subject to interest rate risk. Below are the details of exposure to fixed rate and variable rate instruments:

Particulars	As at 31 March 2020	As at 31 March 2019
Fixed rate instruments		
Financial assets	9,119	10,562
Financial liabilities	17	-
Variable rate instruments		
Financial liabilities (other than lease liability)	3,123	3,845

ii. Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk to the extent that there is mismatch between the currencies in which sales, purchase are denominated and the respective functional currencies of Company companies. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities.

The Company's exposure to foreign currency financial assets and financial liabilities expressed in ₹ are as follows:

Financial assets

	31 March 2020			31 March 2019		
	Trade receivables*	Loans	Other financial assets	Trade receivables*	Loans	Other financial assets
- USD	3,449	413	19	2,739	368	11
- EUR	47	-	-	55	-	-
- CAD	123	-	-	147	-	-
- SGD	8	111	4	3	108	1

Financial liabilities

	31 March 2020		31 March 2019	
	Trade payables	Borrowings*	Trade payables	Borrowings*
- USD	214	1,655	158	701
- EUR	22	16	45	-
- GBP	0	-	1	-

'* Includes bills purchased and discounted which are forming part of trade receivables and current borrowings amounting to ₹ 1,671 (31 March 2019: ₹ 701). These are realised amounts and hence there is no further foreign currency risk is involved.

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(All amounts in ₹ millions, except share data and where otherwise stated)

Foreign currency sensitivity

A reasonably possible strengthening (weakening) of the Indian Rupee against various foreign currencies at 31 March would have affected the measurement of financial instruments denominated in foreign currencies and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

The following table demonstrates the sensitivity to a reasonably possible change in USD. The Company's exposure to foreign currency changes for all other currencies is not material.

Particulars	Impact on profit and loss after tax gain/(loss) for the year ended	
	31 March 2020	31 March 2019
USD sensitivity		
₹/USD - Appreciate by 10%	201	226
₹/USD - Depreciate by 10%	(201)	(226)

B. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and loans given. Credit risk arises from cash held with banks and financial institutions, as well as credit exposure to clients, including outstanding accounts receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

Trade and other receivables:

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business.

The maximum exposure to credit risk for trade receivables (Gross) by geographic region is as follows:

Particulars	As at 31 March 2020	As at 31 March 2019
India	1,914	2,846
USA	2,825	1,859
Rest of the world	803	211
	5,542	4,916

The ageing of trade receivables are as follows:

Particulars	As at 31 March 2020	As at 31 March 2019
Neither past due nor impaired	3,579	3,620
Past due not impaired:		
1-180 days	1,855	1,183
More than 180 days	108	113
Allowance for credit losses	(175)	-
	5,367	4,916

As per simplified approach the Company makes provision of expected credit losses on trade receivable using a provision matrix to mitigate the risk of default payment and make appropriate provision at each reporting date wherever required.

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Other financial assets:

Other financial assets primarily consist cash and cash equivalents and deposits. Credit risk on cash and cash equivalents and deposits with banks and financial institutions are generally low as the said deposits have been made with the banks and financial institutions who have been assigned high credit rating by international and domestic credit rating agencies.

Investments in other than subsidiaries are strategic investments in the normal course of business of the Company. Loans to related parties are given for business purposes. The Company reassesses the recoverability of loans periodically. Interest recoveries from these loans are regular and there is no event of defaults.

C. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company takes into account the liquidity of the market in which the entities operates. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Company's principal sources of liquidity are the cash flows generated from operations. The Company has no long-term borrowings and believes that the working capital is sufficient for its current requirements. Accordingly, no liquidity risk is perceived.

Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is insignificant.

As at 31 March 2020	Carrying value	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Financial liabilities					
Borrowings	3,123	3,123	-	-	3,123
Lease liabilities	17	8	7	393	408
Trade payables	2,342	2,342	-	-	2,342
Other financial liabilities	820	812	8	-	820
Total	**6,302**	**6,285**	**15**	**393**	**6,693**

As at 31 March 2019	Carrying value	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Financial liabilities					
Borrowings	3,845	3,845	-	-	3,845
Trade payables	2,018	2,018	-	-	2,018
Other financial liabilities	779	771	8	-	779
Total	**6,642**	**6,634**	**8**	**-**	**6,642**

Notes to standalone financial statements

(All amounts in ₹ millions, except share data and where otherwise stated)

33. Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for stakeholders. The Company also proposes to maintain an optimal capital structure to reduce the cost of capital. Hence, the Company may adjust any dividend payments, return capital to shareholders or issue new shares. Total capital is the equity as shown in the Standalone Balance Sheet. Currently, the Company primarily monitors its capital structure on the basis of gearing ratio. Management is continuously evolving strategies to optimise the returns and reduce the risks. It includes plans to optimise the financial leverage of the Company.

The capital for the reporting year under audit is summarised as follows:

	As at 31 March 2020	As at 31 March 2019
Total borrowings	3,123	3,845
Less: Cash and cash equivalents	(79)	(115)
Net debt [A]	**3,044**	**3,730**
Total equity [B]	38,695	35,632
Total capital [C=A+B]	**41,739**	**39,362**
Gearing ratio (%) [A/C]	7%	9%

34. Corporate social responsibility (CSR) expenses

During the year, the amount required to be spent on corporate social responsibility activities amounted to ₹ 156 (31 March 2019: ₹ 116) in accordance with Section 135 of the Act, 2013. The following amounts were actually spent during the current and previous year:

Particulars	As at 31 March 2020	As at 31 March 2019
Amount spent in cash:		
(i) Amount spent for other than for construction/ acquisition of any asset	-	-
(ii) On purposes other than (i) above*	157	116
Amount yet to be paid in cash	-	-
Total	**157**	**116**

*The Company has contributed the amount of ₹ 157 (Previous year: ₹ 116) to NATCO Trust towards CSR activities (Refer note 35(a)).

35. Related party disclosures, as per Ind AS 24

(a) Names of the related parties and nature of relationship (to the extent transactions have taken place during the year)

Nature of relationship	Names of the related parties
1. Subsidiary companies	NATCO Pharma Inc., United States of America
	Time Cap Overseas Limited, Mauritius
	NATCO Pharma (Canada) Inc., Canada
	NATCO Pharma Asia Pte. Ltd., Singapore
	NATCO Pharma Australia PTY Ltd., Australia
	NATCO Lifesciences Philippines Inc., Philippines
2. Step-down subsidiary company	Natcofarma Do Brasil Ltda., Brazil
3. Entities in which Directors have control or have significant influence	Time Cap Pharma Labs Limited
	NATCO Trust
4. Key management personnel ("KMP")	
Chairman and Mangaing Director	Mr. V C Nannapaneni
Vice Chairman and Chief Executive Officer ("CEO")	Mr. Rajeev Nannapaneni
Wholetime Director	Mr. Potluri Prasad Sivaramakrishna
Wholetime Director	Mr. Lingarao Donthineni
Chief Financial Officer	Mr. S.V.V.N. Appa Rao
Company Secretary	Mr. Adinarayana M

Notes to standalone financial statements

(All amounts in ₹ millions, except share data and where otherwise stated)

5. Non-Executive Directors and Independent Directors	
Independent Director	Mr. Sreerama Murthy Gubbala
Independent Director	Mr. Govinda Prasad Dasu
Independent Director	Mr. Umamaheshwarrao Naidu Madireddi
Independent Director	Mr. Venkateswara Rao Thallapaka
Non-Executive Director	Mr. Sridhar Sankararaman
Independent Director	Mrs. Leela Digumarti
6. Relatives of KMP	Mrs. Durga Devi Nannapaneni
	Dr. N. Ramakrishna Rao
	Mrs. V S Swathi Kantamani

(b) Related party transactions during the year

Related party transactions during the year	For the year ended 31 March 2020	For the year ended 31 March 2019
Time Cap Overseas Limited, Mauritius		
Investment in equity shares	9	-
Share application money	-	2
Loan given	18	165
Interest income on loan	10	10
NATCO Pharma (Canada) Inc., Canada		
Sale of products	156	150
NATCO Pharma Asia Pte Ltd., Singapore		
Investment in equity shares	13	24
Loan given	-	108
Interest income on loan	6	1
Sale of products	14	7
Natcofarma Do Brasil Ltda., Brazil		
Sale of products	281	48
NATCO Pharma Australia Pty Ltd., Australia		
Investment in equity shares	4	7
NATCO Pharma Inc., United States of America		
Loan given	-	114
Interest income on loan	6	2
NATCO Lifesciences Philippines Inc., Philippines		
Investment in equity shares	24	12
Loan given	-	7
Interest income on loan	0	0
Time Cap Pharma Labs Limited		
Sales promotion expenses	-	6
Purchase of Land	-	49
Rental expense	5	5
NATCO Trust		
Donations	0	24
Contribution to corporate social responsibility activities	157	116
Mr. V C Nannapaneni		
Short-term employee benefits*	18	17
Leave encashment paid	1	1
Rental expense	2	2
Mr. Rajeev Nannapaneni		
Short-term employee benefits*	17	16
Leave encashment paid	1	1

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(All amounts in ₹ millions, except share data and where otherwise stated)

Related party transactions during the year	For the year ended 31 March 2020	For the year ended 31 March 2019
Rental expense	3	1
Mr. Potluri Prasad Sivaramakrishna		
Short-term employee benefits*	18	14
Leave encashment paid	0	0
Mr. Lingarao Donthineni		
Short-term employee benefits*	18	14
Leave encashment paid	0	0
Mr. S.V.V.N. Appa Rao		
Short-term employee benefits*	9	6
Mr. Adinarayana M		
Short-term employee benefits*	5	4
Sitting fees:		
Mr. Govinda Prasad Dasu	0	0
Mrs. Leela Digumarti	0	0
Mr. Umamaheshwarrao Naidu Madireddi	0	0
Mr. Sreerama Murthy Gubbala	0	0
Mr. Venkateswara Rao Thallapaka	0	0

(c) Related party closing balances as on balance sheet date receivable/(payable):

	As at 31 March 2020	As at 31 March 2019
Loan receivable		
NATCO Pharma Inc., United States of America	124	114
Time cap Overseas Limited, Mauritius	289	247
NATCO Pharma Asia PTE Ltd., Singapore	111	108
NATCO Lifesciences Philippines Inc., Philippines	-	7
Interest receivable on loans		
NATCO Pharma Inc., United States of America	8	2
Time cap Overseas Limited, Mauritius	11	9
NATCO Pharma Asia PTE Ltd., Singapore	4	1
Trade receivables		
NATCO Pharma (Canada) Inc., Canada	120	132
Natcofarma Do Brasil Ltda., Brazil	266	47
NATCO Pharma Asia PTE Ltd., Singapore	8	7
Trade payable		
Time Cap Pharma Labs Limited	-	(0)
Remuneration payable		
Mr. V.C. Nannapaneni	-	(2)
Mr. Rajeev Nannapaneni	(1)	(1)
Mr. Lingarao Donthineni	(3)	(1)
Mr. Potluri Prasad Sivaramakrishna	(3)	(1)
Mr. S.V.N.N. Appa Rao	0	0
Mr. Adinarayana M	0	0

*This aforesaid amount does not include amounts in respect of gratuity and compensated absences as the same are determined on actuarial basis for the Company as a whole.

Notes to standalone financial statements

(All amounts in ₹ millions, except share data and where otherwise stated)

36. Segment reporting

The Company has presented segment information in the consolidated financial statements which are presented in the same Annual Report. Accordingly, in terms of paragraph 3 of Ind AS 108 'Operating Segments' no disclosures related to segment are presented in this standalone financial statements.

37. Contingent liabilities and commitments

(a) Commitments

	As at 31 March 2020	As at 31 March 2019
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	834	753
Pending export obligation under EPCG Scheme	143	141

(b) Contingent liabilities

(i) Matters under appeals with tax authorities:

	As at 31 March 2020	As at 31 March 2019
Disputed sales tax liabilities	9	9
Disputed service tax liabilities	-	17
Disputed customs liability	2	2

(ii) The Company is contesting certain patent infringement cases filed against it by the innovators in the ordinary course of business. A few of these cases pertain to products already launched by the Company in the market. These cases are pending before different authorities / courts and most of the claims involve complex issues. The outcome from these claims are uncertain due to a number of factors involved in legal trial such as stage of the proceedings and the overall length and extent of pre-trial discovery; the entitlement of the parties to an action to appeal a decision; clarity as to theories of liability; damages and governing law; uncertainties in timing of litigation; and the possible need for further legal proceedings to establish the appropriate amount of damages, if any. Often, these issues are subject to uncertainties and therefore the probability of a loss, if any, being sustained and an estimate of the amount of any loss is difficult to ascertain. Consequently, for a majority of these claims, it is not possible to make a reasonable estimate of the expected financial effect, if any, that will result from ultimate resolution of the proceedings. Further, at present, the management does not expect such liabilities to be significant.

(iii) The Hon'ble Supreme Court (SC) has clarified in the case of Vivekananda Vidyamandir and Others Vs. The Regional Provident Fund Commissioner (II) West Bengal that various allowances like conveyance allowance, special allowance, education allowance, medical allowance etc., paid uniformly and universally by an employer to its employees shall form part of basic wages for computation of the provident fund contribution. However, considering that there are numerous interpretative issues relating to this judgement, on the basis of internal evaluation, supported by a legal opinion from an independent legal expert, management of the Company has determined that the aforesaid ruling is applicable prospectively.

38. Amounts incurred on research and development expenses

	For the year ended 31 March 2020	For the year ended 31 March 2019
Salaries and wages	527	501
Consumption of materials and spares	210	314
Power and fuel	33	29
Other research and development expenses	644	844
Capital equipment	242	288
	1,656	1,976

Notes to standalone financial statements

(All amounts in ₹ millions, except share data and where otherwise stated)

The aforementioned expenditure, other than capital equipment, are included under the respective heads of the Statement of Profit and Loss.

39. Capital work-in-progress

	As at 31 March 2020	As at 31 March 2019
Opening balance	6,375	4,800
Costs incurred toward construction activity	2,652	4,206
Expenses capitalised:		
Cost of materials consumed, net of trial run inventory recognised	10	1
Employee benefits expense	41	54
Power and fuel	38	39
Factory maintenance	73	88
Rates and taxes	22	3
Legal and professional charges	45	1
Others	18	23
Less:		
Capitalised during the year	(4,096)	(2,840)
	5,178	6,375

40. Leases

Transition to Ind AS 116

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 leases and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lease accounting model for lessees.

Effective 01 April 2019, the Company adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on 01 April 2019 using the modified retrospective method. Right-of-use of assets at 01 April 2019 for leases previously classified as operating leases were recognised and measured at an amount equal to lease liability (adjusted for related prepayments/ accruals). The Company recorded the lease liability at the present value of all future lease payments discounted at the incremental borrowing rate. Comparatives as at and for the year ended 31 March 2019 have not been retrospectively adjusted and therefore will continue to be reported under the accounting policies included as part of our Annual Report for year the ended 31 March 2019.

On 01 April 2019, the Company recognised lease liability of ₹ 20 (presented as a part of borrowings net of prepaid lease rent of ₹ 18) and right-of-use assets of ₹ 38 as at 01 April 2019 (presented as part of property, plant and equipment). The Company has reclassified the leasehold land of ₹ 251 to right-of-use asset as at 01 April 2019. The adoption of the standard did not have any material impact on the financial statements for the current period.

Following are the changes in the lease liability for the year ended 31 March 2020:

Particulars	Amount
Lease commitments as at 1 April 2019	20
Additions during the year	2
Finance cost accrued	3
Payment of lease liabilities	(8)
Lease liabilities as at 31 March 2020	17
Current lease liability	8
Non-current lease liabilities	9

(All amounts in ₹ millions, except share data and where otherwise stated)

The impact on account on adoption of Ind AS 116 is as follows :

Particulars	Amount
Increase in lease liability as at 31 March 2020 by	17
Increase in Right-of use as at 31 March 2020 by	284
Increase in finance cost by	3
Increase in depreciation by	2

Maturity analysis of lease liabilities as at 31 March 2020:

Maturity analysis – contractual undiscounted cash flows	Amount
Less than one year	8
One to three years	7
More then three years	393
Total undiscounted lease liabilities as at 31 March 2020	408

The Company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

The following is the rental expense recorded for short-term leases for the year ended 31 March 2020:

Particulars	Amount
Variable lease expenses (other than short term)	-
Short-term lease expense	7
Low value lease expense	-

Amounts recognised in the statement of cash flows for the year ended 31 March 2020:

Particulars	Amount
Payment of lease liabilities	(8)
Short-term lease expense	(7)

41. During the year ended 31 March 2020, pursuant to the Upside Sharing Agreement dated 16 May 2019 entered with CX Securities Limited ("the Investor"), the Company has received a voluntary amount of USD 6.83 million (₹ 474 million) from the equity participant. In accordance with the Applicable Accounting Framework, the aforementioned gain, received from the equity participant, is recognised as an increase in equity, net of tax.

42. In March 2020, the World Health Organisation declared COVID-19 to be a pandemic. The Company has adopted measures to curb the spread of infection in order to protect the health of its employees and ensure business continuity with minimal disruption. The Company has considered internal and external information while finalizing various estimates and recoverability of assets in relation to its financial statement captions up to the date of approval of the financial statements by the Board of Directors. Considering the Company is in the business of manufacturing and supplying of pharmaceutical products which is categorised under essential goods, there has been a minimal disruption with respect to operations including production and distribution activities. The actual impact of the global health pandemic may be different from that which has been estimated, as the COVID-19 situation evolves in India and globally. The Company will continue to closely monitor any material changes to the future economic conditions.

Notes to standalone financial statements

(All amounts in ₹ millions, except share data and where otherwise stated)

43. The disclosures regarding details of specified bank notes held and transacted during 8 November 2016 to 30 December 2016 has not been made in these standalone financial statements since the requirement does not pertain to financial year ended 31 March 2020.

44. Events after reporting period

The Board of Directors at their meeting held on 17 June 2020 have recommended an interim dividend of ₹ 1 per equity share of ₹ 2 each for the year ended 31 March 2020.

for B S R & Associates LLP
Chartered Accountants
ICAI Firm Registration No. 116231W/ W-100024

Vikash Somani
Partner
Membership Number: 061272

Place: Hyderabad
Date: 17 June 2020

for and on behalf of the Board of Directors
NATCO Pharma Limited
CIN: L24230TG1981PLC003201

V C Nannapaneni
Chairman and Managing Director
DIN: 00183315

Rajeev Nannapaneni
Vice Chairman and CEO
DIN: 00183872

M. Adinarayana
Company Secretary

S V V N Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 17 June 2020