



Natco Pharma Limited

Regd. Off. : 'NATCO HOUSE', Road No. 2, Banjara Hills, Hyderabad - 500034.
Telangana, INDIA. Tel : +91 40 23547532, Fax : +91 40 23548243
CIN : L24230TG1981PLC003201, www.natcopharma.co.in

REPORT OF AUDIT COMMITTEE OF NATCO PHARMA LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN NATCO PHARMA LIMITED ("THE DEMERGED COMPANY" OR "NPL" OR "THE COMPANY") AND NATCO CROP HEALTH SCIENCES LIMITED ("THE RESULTING COMPANY OR "NCHSL") AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

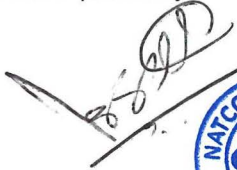

Date & Time of the Audit Committee meeting : 24th March, 2026
Venue of the Audit Committee meeting : Registered office of the Company

Audit Committee Members Present:

1.	Sri B. Lakshminarayana	Chairman of the Committee, Independent Director
2.	Sri A.D.M. Chavali	Member of the Committee, Independent Director
3.	Sri D. Vijaya Bhaskar	Member of the Committee, Independent Director
4.	Sri Nitin Jain	Member of the Committee, Independent Director

1. Background

- 1.1. A meeting of the Audit Committee of the Natco Pharma Limited ("Company") was held on 24th March, 2026, inter-alia to consider and, if thought fit, to recommend to the Board of Directors of the Company, the proposed Scheme of Arrangement amongst NATCO Pharma Limited ("NPL" or the "Company" or the "Demerged Company") and Natco Crop Health Sciences Limited ("NCHSL" or the "Resulting Company") (Company and NCHSL collectively referred to as, the "Companies") and their respective shareholders and creditors pursuant to Sections 230 to 232 and other applicable provisions of the Companies Act, 2013, the rules and/or regulations made thereunder (as amended from time to time) ("Companies Act"), Section 2(19AA) read with other relevant provisions of the Income Tax Act, 1961 (as amended from time to time) ("IT Act") and other applicable laws including the Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 issued by the Securities and Exchange Board of India ("SEBI") on 20th June, 2023 (as amended from time to time) or any other circulars issued by SEBI applicable to schemes of arrangement from time to time ("SEBI Scheme Circular" and such scheme, the "Scheme").
- 1.2. The Company is a listed public limited company within the meaning of the Companies Act, 2013. The shares of the Company are listed on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE"). (BSE and NSE are collectively referred to as the "Stock Exchanges").
- 1.3. Natco Crop Health Sciences Limited is a public limited company incorporated under the provisions of the Companies Act, 2013. The shares of Natco Crop Health Sciences Limited are presently not listed on any stock exchange.



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- 1.4. In terms of the SEBI Scheme Circular, a report from the Audit Committee ("Committee") recommending the draft Scheme is required, taking into consideration, inter alia, the Valuation Report, and commenting on certain aspects. This report of the Audit Committee has been made in compliance with the requirements of the SEBI Scheme Circular issued by the SEBI pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations").
- 1.5. The following documents were placed before the Committee for its consideration:
- (a) Draft Scheme;
 - (b) Share Entitlement Ratio Report dated 24th March, 2026 ("SER Report") issued by Registered Valuer M/s. PwC Business Consulting Services LLP (IBBI Registered Valuer No. IBBI/RV-E/02/2022/158), basis which, the Resulting Company shall issue shares to the members of the Company;
 - (c) Fairness Opinion Report dated 24th March, 2026 ("Fairness Opinion") issued by M/s. Ernst and Young Merchant Banking Services LLP, an independent SEBI Registered Category-I Merchant Banker (SEBI Registration No. INM000010700), providing its opinion on the fairness of the Share Entitlement Ratio as provided in the SER Report;
 - (d) Auditors' Certificate dated 24th March, 2026 ("Auditors' Certificate") issued by M/s. B S R and Co, Chartered Accountants (Firm Registration No. 128510W), the statutory auditors of the Company, as required under Section 232(3) of the Companies Act, 2013 certifying that the accounting treatment contained in the draft Scheme is in conformity with the accounting standards prescribed under Section 133 of the Companies Act, 2013;
 - (e) other presentations, reports, documents and information made to/ furnished before the Audit Committee pertaining to the draft Scheme.

2. Salient features of the Scheme

The Committee discussed and noted the salient features of the Scheme, need, rationale and the benefits of the proposed Scheme and impact of the Scheme on the shareholders, and cost benefit analysis of the scheme, including as below:

- a) the Demerger (as defined in the Scheme) of the Demerged Undertaking (as defined in the Scheme) comprising the Agrochemicals Business (as defined in the Scheme) of the Company into the Resulting Company, on a going concern basis and in consideration, the consequent issuance of equity shares by the Resulting Company to the shareholders of the Company in accordance with the Share Entitlement Ratio (as defined below), pursuant to the provisions of Section 2(19AA) and other relevant provisions of the IT Act;






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- b) various other matters consequential or otherwise integrally connected therewith, including changes to the share capital and securities premium account of the Resulting Company.

2.1 Upon the Scheme becoming effective and in consideration of the Demerger, the Resulting Company shall, as per the Share Entitlement Ratio (as defined below), issue and allot equity shares, credited as fully paid-up to the members of the Company who are holding fully paid up Ordinary Shares and whose names appear in the register of members, including register and index of beneficial owners maintained by the depositories on the record date or to such of their respective heirs, executors, administrators or other legal representative or other successors in title as on the record date in the following manner:

'For every 1 (One) fully paid up equity share of INR 2/- (Rupee Two only) each held in Natco Pharma Limited, 1 (One) fully paid up equity share of face value of INR 2/- (Rupee Two only) each in 1:1 in Natco Crop Health Sciences Limited (Resulting Company)" ("Share Entitlement Ratio")

2.2 The existing shareholding of the Company in the Resulting Company shall continue upon the Scheme becoming effective and following the issuance of the equity shares in accordance with paragraph 2.1 above the Company's shareholding in the Resulting Company shall stand at 20% of the issued and paid up share capital of the Resulting Company.

2.3 The equity shares of the Resulting Company will be listed and admitted to trading on the BSE and NSE in compliance with SEBI Scheme Circular and other relevant provisions as applicable.

2.4 The Appointed Date for the proposed Scheme is 1st October, 2026 or such other date as may be decided or approved by the National Company Law Tribunal or such other appropriate authority.

2.5 The Effective Date for the proposed Scheme is the date or last of the dates on which the certified copy of the order, issued by the National Company Law Tribunal at Hyderabad, sanctioning this Scheme is filed by the Demerged Company and the Resulting Company with the Registrar of Companies, Telangana at Hyderabad;

2.6 The Scheme is and shall be subject to certain conditions precedent therein, including:

- a) the Scheme being approved by the requisite majority of members (passed through e-voting, as applicable) and/or creditors (where applicable) of the Company and the Resulting Company as required under the Companies Act, SEBI Scheme Circular and as may be directed by the National Company Law Tribunal, Hyderabad Bench ("NCLT"), subject to any dispensation that may be granted by the NCLT.
- b) the fulfilment, satisfaction or waiver (as the case may be) of any approvals mutually agreed by the Companies as being required for completion of the transactions contemplated under the Scheme.
- c) receipt of observation or no-objection letter by the Company from the SEBI / Stock Exchanges under Regulation 37 of the SEBI LODR Regulations, in accordance with the SEBI Scheme Circular in respect of the Scheme, on terms acceptable to the Companies.





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- d) the Scheme being sanctioned by the NCLT in terms of Section 230 to Section 232 and other relevant provisions of the Act on terms acceptable to the Companies.
- e) the certified/authenticated copies of the Sanction Order(s) of the NCLT approving the Scheme being filed with the Registrar of Companies.

3. Need and Rationale of the Scheme: The Committee noted the need and rationale and the benefits of the Scheme which, inter-alia, are as stated below:

3.1 Natco Pharma Limited is a company engaged in business of Pharmaceuticals and Agrochemicals. The Agrochemical Business of Natco Pharma Limited focuses on providing innovative and green chemistry-based pests and biological crop solutions to farmers which result in higher crop yields.

3.2 The Agrochemicals Business of Natco Pharma Limited will focus on expanding its portfolio to broader range of pesticides, insecticides and bio stimulants which will cater to a variety of crops and markets. Therefore, the Scheme is being proposed to segregate Agrochemical Business from Remaining Business (as defined in the Scheme) of Natco Pharma Limited and demerge it into the Resulting Company. The proposed Scheme would be in the best interests of the Companies and their respective shareholders, employees, creditors and other stakeholders for the following reasons:

- (a) The demerger would facilitate focused growth, operational efficiencies, business synergies and increased operational and customer focus in relation to the Agrochemicals Undertaking in the Resulting Company and the Pharmaceutical Undertaking in the Demerged Company. The demerger would thus provide a platform for having a concentrated approach towards development of the respective business verticals.
- (b) Focused business approach for the maximization of benefits to all the shareholders and opportunities for growth
- (c) Operational rationalization, organization efficiency and optimum utilization of various resources
- (d) Ability to leverage financial and operational resources of each business; and
- (e) Each business would be able to address independent business opportunities, pursue efficient capital allocation and attract different sets of investors, strategic partners, lenders and other stakeholders.
- (f) The proposed demerger will enhance value for shareholders and allow a focused strategy in operation of the respective business verticals which would be in the best interest of the Demerged Company and the Resulting Company, shareholders, creditors and all persons connected therewith.
- (g) The segregation is also expected to unlock the value of the business verticals of the Demerged Company.





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There is no likelihood that the interests of any shareholder or creditor of either the Demerged Company or the Resulting Company would be prejudiced as a result of the Scheme. The demerger will not impose any additional burden on the members of Demerged Company or the Resulting Company. The Scheme is not in any manner prejudicial or against public interest and would serve the interest of all shareholders, creditors and stakeholders.

Further, under the Scheme, there is no arrangement proposed to be entered into with the creditors, either secured and/or unsecured creditors of the Demerged Company and/or Resulting Companies. No compromise is offered under this Scheme to any of the creditors of the Demerged Company and/or Resulting Companies. The liability towards the creditors of the Demerged Company and/or Resulting Companies under the Scheme, is neither being reduced nor being extinguished and such liability with respect to Agrochemicals Undertaking shall be assumed and discharged by the Resulting Company, in their ordinary course of business.

4. Impact of the scheme on the shareholders

The Audit Committee discussed and deliberated upon the salient features of the Scheme, including as below:

- a) the Resulting Company will issue and allot equity shares, as per the Share Entitlement Ratio, credited as fully paid-up to the shareholders of the Company, in the manner as set out in paragraph 2.1 above, and in accordance with the recommendation under the SER Report and the Fairness Opinion. Further, the existing shareholding of the Company in the Resulting Company shall continue upon the Scheme becoming effective, such that the Company's shareholding in the Resulting Company shall stand at 20% of the Resulting Company's issued and paid up share capital on the Scheme coming into effect.
- b) If the allotment of shares of the Resulting Company in accordance with the Share Entitlement Ratio will result in any shareholders of Natco Pharma Limited being issued fractional shares, then the fractional entitlements shall be strictly dealt with in the manner set out in SEBI Scheme Circular i.e. the fractional shares shall be consolidated and allotted to trustee(s) authorized by the Board of the Resulting Company for sale and distribution of net sale proceeds to the shareholders in proportion to their respective fractional entitlements, within a period of 90 days from the date of allotment of shares, subject to deduction of applicable taxes and related expenses.
- c) Shares issued by the Resulting Company pursuant to the Demerger shall rank pari passu in all respects with the existing shares of the Resulting Company. The shares of the Resulting Company shall be listed and/or admitted to trading on NSE and BSE.





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- d) There will be no detrimental impact on the shareholders of the Company due to the proposed Scheme, given all the shareholders of the Company shall, upon Demerger be the ultimate beneficial economic owners of the Resulting Company and upon allotment of equity shares of the Resulting Company as per Share Entitlement Ratio recommended under the SER Report, the ultimate beneficial economic interest of the shareholders in the share capital of the Resulting Company shall be the same as in the share capital of the Company. That is, shareholders of the Company will have direct interest over the Resulting Company through the 80% of the share capital proposed to be issued by the Resulting Company (in the same proportion as they hold shares in the Company) and 20% of the interest in the Resulting Company will be held indirectly through their shareholding in the Company.
- e) The shareholders of the Company will have the option and flexibility to remain invested in a pure play chemical focused listed entity. Further, the shareholders of the Company will also inter-alia benefit from the Company's strategic support to the Resulting Company, long term stability of the Resulting Company under the proposed demerger and continued access to synergies for both the Company and the Resulting Company.

On the basis of the above, the Committee concluded that the Scheme is not detrimental to/ have any impact on the shareholders of the Company.

5. The Synergies/Cost benefits analysis of the Scheme are as under:

The Audit Committee considered the rationale for the proposed Scheme, which elaborates on the synergies expected to be achieved through the proposed demerger. The Committee noted that the demerger would provide a platform for a more focused and concentrated approach towards the development of the respective business verticals. It was perceived by the Committee that the segregation of business verticals would enable the management to concentrate on core business activities, thereby enhancing overall operational efficiency and value creation.

The Audit Committee further observed that while the Scheme involves certain costs, including transaction expenses, taxes, fees, and duties, the anticipated benefits outlined above are expected to significantly outweigh such costs. Moreover, the proposed demerger would allow the Demerged Company to strengthen its core business performance by streamlining operations, optimizing resources, and reducing costs, ultimately resulting in long-term value creation for the shareholders.





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6. Recommendation of the Audit Committee

The Audit Committee reviewed the aforesaid documents and after consideration of need, rationale, synergies, impact and cost benefits and due deliberations thereon by the members of the Audit Committee, the Committee relying upon the opinions contained in the said document and also the Fairness Opinion issued by the Merchant Banker, the Committee unanimously decided to accept the Share Entitlement Ratio as stated above.

The Audit Committee unanimously agreed to recommend the draft Scheme for favourable consideration and approval by the Board of Directors of the Company, Stock Exchanges, SEBI and other appropriate authorities.

By Order of the Audit Committee of NATCO Pharma Limited

Lakshminarayana Bolisetty
Chairman, Audit Committee
DIN: 02766709

A handwritten signature in black ink, appearing to read "Lakshminarayana Bolisetty", written over a horizontal line.
A circular blue stamp with the text "NATCO Pharma Ltd." around the top edge and "Hyderabad" around the bottom edge. In the center, there is a smaller circle containing the word "NATCO".

Place : Hyderabad
Date : 24-03-2026