



Indo-US GCNC Award
for Green Chemistry

Annual Report *2014 - 15*



sms Pharmaceuticals Ltd.
Values Life, Values Quality

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Pharmaceuticals Ltd.

Corporate Information

Board of Directors:

Sri P. Ramesh Babu	Chairman & Managing Director
Sri T.V.V.S.N. Murthy	Vice-Chairman & Joint Managing Director
Sri A.P. Rao	Director
Dr. Mihir K. Chaudhuri	Director
Sri K.S. Rao	Director
Dr. Ayman Sahli	Nominee Director of Gulf Pharmaceutical Industries, U.A.E.
Sri Utpal Gokhale	Nominee Director of Exim Bank
Sri P. Sharath Kumar	Director (w.e.f. 12.08.2014)
Dr. (Smt.) T. Neelaveni	Director (w.e.f. 12.08.2014)

Chief Financial Officer:

Sri N. Rajendra Prasad

Company Secretary & Compliance Officer:

Sri P. Prabhakara Rao (upto 31.07.2015)
Sri Saurav Roy (w.e.f. 4.08.2015)

Registered Office:

Plot No. 19-III, Road No. 71,
Opp. Bharatiya Vidya Bhavan Public School
Jubilee Hills, Hyderabad-500 096, Telangana State, India.
Phone : 040-66288888,
Fax : 040-23551401/23551402
CIN : L24239AP1987PLC008066
Website: www.smspharma.com
Email : info@smspharma.com

Auditors:

M/s. Rambabu & Co., Chartered Accountants
31, Pancom Chambers, Rajbhavan Road,
Hyderabad-500 082, Telangana State.
Phone : 040-23311587
Fax : 040-23397182
Email : rambabuandco1982@yahoo.com

Internal Auditors:

M/s. Adusumilli and Associates, Chartered Accountants
Flat No. 302, Sri Sai Residency
Balkampet Main Road, Hyderabad-500 038, Telangana State

Cost Auditors:

Sri K.S.N. Sarma
Cost Accountant
216, Rangadhamamu, HMT Satavahana Nagar
Kukatpally, Hyderabad-500 072, Telangana State.

Secretarial Auditors:

CSB Associates, Company Secretaries
3-6-481, Street No. 6, Himayath Nagar,
Hyderabad-500 029, Telangana State

Share Transfer Agents:

M/s. Aarathi Consultants Private Limited
1-2-285, Domalguda, Hyderabad-500 029,
Telangana State
Phone : 040-27638111/27642217-27634445
Fax : 040-27632184
Email : info@aarathiconsultants.com

Bankers:

State Bank of India
Export Import Bank of India
IDBI Bank Limited

Plant Locations:

Unit-I

Sy.No. 180/2, Kazipally (V), Jinnaram Mandal,
Medak Dist. 502 319, Telangana State, India.
Phone : 08458-277067
Fax : 08458-277069
Email : admin_unit1@smspharma.com

Unit-II

Plot No. 24 & 24B and 36 & 37,
S.V. Co-operative Industrial Estate
Bachupally, Ranga Reddy District,
Hyderabad-500 090, Telangana State, India.
Phone : 040-65986691
Email : admin_unit2@smspharma.com

Unit-IV

Phase-I, Plot No. 66/B-2,
IDA Jeedimetla, Ranga Reddy District,
Hyderabad-500 055, Telangana State, India.
Phone : 040-23095233
Fax No. : 040-23735639
Email : warehouse_unit4@smspharma.com

Unit-V

Sy. No. 296/7/4, S.V. Co.op Ind. Estate
I.D.A., Bollaram, Medak District
Hyderabad - 502 325, Telangana State, India.
Phone : 040-64547975
Email : unit5@smspharma.com

Unit-VII

Sy. No. 160, 161, 163 to 167,
Kandivalasa (V), Poosapatirega (M),
Vijayanagaram District, Andhra Pradesh - 535 204
Phone : 08922-258051 / 53 / 54
Fax : 08922-258052
Email : admin_unit7@smspharma.com

R&D Center

Sy. No. 186, 189 & 190, Gagillapur (V),
Qutubullapur (M), Ranga Reddy District
Hyderabad-500 043, Telangana State, India.
Phone : 08418-257337/8
Fax : 08418-257469
Email : rnd@smspharma.com



Pharmaceuticals Ltd.

NOTICE

CIN : L24239AP1987PLC008066 Registered Office : 19-III, Road No.71,
Opp. Bharatiya Vidya Bhavan Public School, Jubilee Hills, Hyderabad-500 096, Telangana, India.
Tel. : 040-66288888 • Fax : 040 - 23551401 • www.smspharma.com • E-mail : info@smspharma.com

Notice is hereby given that the 27th Annual General Meeting of the Company will be held on Tuesday the 29th day of September, 2015 at 11.00 A.M. at the Jubilee Hills International Centre (Jubilee Hills Club), Jubilee Hills, Hyderabad-500 033 to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Financial Statements of Company for the year ended 31st March, 2015 along with the Reports of the Board of Directors' and Auditors' thereon.
2. To declare dividend for the financial year 2014-15.
3. To re-appoint Sri Ramesh Babu Potluri (DIN: 00166381) who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Statutory Auditors and fix their remuneration and in this regard, to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

“RESOLVED THAT pursuant to the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder (including any statutory modifications (s) or re-enactment thereof, for the time being in force), and pursuant to the recommendations of the Audit Committee and subsequent approval in the Board Meeting, M/s. Rambabu & Co., Chartered Accountants, (ICAI Firm Registration No. 002976S) who have confirmed their eligibility in terms of the provisions of Section 141 of the Companies Act, 2013 and Rule 4 of the Companies (Audit & Auditors) Rules, 2014, be and are hereby re-appointed as Statutory Auditors of the Company for a period of one year, i.e., to hold office from the conclusion of 27th Annual General Meeting (AGM) till the conclusion of the 28th Annual General Meeting of the Company to be held in the year 2016, and the Board of directors be and are hereby authorised to fix their remuneration.”

SPECIAL BUSINESS:

5. **To alter/substitute the Articles of association of the Company and in this regard, adopt new set of Articles of Association of the Company** containing regulations in conformity with the Companies Act, 2013 and to consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution.**

“RESOLVED THAT pursuant to the provisions of Section 14 and all other applicable provisions of the Companies Act, 2013, if any, read with Companies (Incorporation) Rules, 2014 (including any statutory modifications (s) or re-enactment thereof, for the time being in force), a new set of Articles of Association placed before the members, be and is here by adopted and substituted in place of the existing Articles of Association of the company.

RESOLVED FURTHER THAT the Board of Directors and of the Company be and is hereby authorised to do, all such acts, matters, deeds and things, settle any queries/difficulties/doubts arise from it, as may be considered necessary, proper or expedient to give effect to this resolution and for matters connected herewith or incidental there to in the best interest of the Company.”

6. **To approve the remuneration of the Cost Auditors** for the Financial year ending 31st March, 2016 and in this regard, to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution.**

“RESOLVED THAT pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), and pursuant to the recommendations of the Audit Committee and subsequent approval in the Board Meeting, Sri K.S.N. Sarma, Cost Auditor (Registration No. M – 6875), to conduct the audit of the cost records of the Company for the Financial



year ending 31st March, 2016, be paid a remuneration of ₹ 75,000 (Rupees Seventy Five Thousand only) per annum plus out of pocket expenses, at actuals.

RESOLVED FURTHER THAT the Board of Directors and of the Company be and is hereby authorised to do, all such acts, matters, deeds and things, settle any queries/difficulties/doubts arise from it, as may be considered necessary, proper or expedient to give effect to this resolution and for matters connected herewith or incidental there to in the best interest of the Company.”

7. **To approve the Related Party Contracts/ Arrangements/Transactions of the Company** and in this regard, to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**.

“RESOLVED THAT pursuant to the provisions of Section 188 and all other applicable provisions of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 (including any statutory modifications (s) or re-enactment thereof, for the time being in force) and provisions of revised Clause 49-VII of Listing Agreement (effective from 1st October, 2014), the approval/ratification of the shareholders be and is hereby accorded to the Board of Directors for continuing the existing related party transactions for FY 2014-15 and entering into further contracts/arrangements/ transactions with ‘Related Parties’ as defined under section 2(76) of the Companies Act, 2013 and Clause-49(VII)(B)(ii) of Listing Agreement for maximum amounts per annum for FY 2015-16 as mentioned herein below.

Approval/Ratification of Existing Contracts with Related Parties for the financial year 2014-15				
	Sec. 188 of the Companies Act, 2013 read with Rule 15(3) of Companies (Meetings of Board and its Powers) Rules, 2014	Prescribed Limit (₹ in Lakhs)	The particulars of the transactions During the year 2014-15	Transaction Amount (₹ in Lakhs)
(a)	sale, purchase or supply of any goods or materials;	5,180.38	R Chem Pvt. Ltd.; Purchase of by products.	91.17
			R Chem Pvt. Ltd.; Sale of - Materials	123.32
			VKT Pharma Pvt. Ltd. ; Sale of materials	82.31
	Total	5,180.38		296.80
(d)	availing or rendering of any services;	5,000.00	R Chem Pvt. Ltd.; Conversion charges paid	579.64
			- R Chem Pvt. Ltd.; Car Hiring Charges	1.20
			- Potluri Laboratories Pvt. Ltd.; Car Hiring Charges	1.05
			- Smt. P Hima Bindu; Rent paid	1.75
	Total	5,000.00		583.64
(f)	such related party’s appointment to any office or place of profit in the company, its subsidiary company or associate company;	30.00	Sri P. Vamshi Krishna; Salary paid	17.31
			Sri T. V. Praveen ; Salary paid	32.42
	Total	30.00		49.73*

*Note: Please refer explanatory notes & AOC-2 for details.



Approval for entering into contract/lease/arrangements/transactions with 'Related Parties' up to Prescribed Limit for the financial year 2015-16 as under mentioned:		
Sec. 188 of the Companies Act, 2013 read with Rule 15(3) of Companies (Meetings of Board and its Powers) Rules, 2014		Prescribed Limit (₹ in Lakh)
(a)	sale, purchase or supply of any goods or materials;	5,792
(b)	selling or otherwise disposing of, or buying, property of any kind;	2,532
(c)	leasing of property of any kind;	2,532
(d)	availing or rendering of any services;	5,000.
(e)	appointment of any agent for purchase or sale of goods, materials, services or property;	
	- Limit Prescribed under Rule 15(3)(a)(i)	5,792
	- Limit Prescribed under Rule 15(3)(a)(ii)	2,532
	- Limit Prescribed under Rule 15(3)(a)(iv)	5,000
(f)	such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and	30
(g)	underwriting the subscription of any securities or derivatives thereof, of the company.	253

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do, all such acts, matters, deeds and things, settle any queries/difficulties/doubts arise from it, and execute such addendum contracts/arrangements/transactions, documents and writings and make such changes to the terms and conditions of these contracts/arrangements/transactions as may be considered necessary, proper or expedient to give effect to this resolution and for matters connected herewith or incidental there to in the best interest of the Company."

8. **To approve the enhancement in prescribed limit of remuneration payable to related parties appointment to any office or place of profit** in the company, and in this regard, to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**.

“RESOLVED THAT pursuant to the provisions of Section 188(1)(f) and all other applicable provisions of the Companies Act, 2013 read with the Rules made thereunder (including any statutory modifications(s) or re-enactment thereof, for the time being in force) and provisions of revised Clause 49-VII of Listing Agreement (effective from 1st

October, 2014), the approval/ratification of the shareholders be and is hereby accorded to the Board of Directors to enhance the prescribed limit of remuneration payable to related parties appointment to any office or place of profit in the company, as computed under applicable provisions of Companies Act, 2013 and its allied rules from ₹ 30 Lakh (Rupees Thirty Lakh) to ₹ 100 Lakh (Rupees One Hundred Lakh) per annum.”

RESOLVED FURTHER THAT the Board of Directors and of the Company be and is hereby authorised to do, all such acts, matters, deeds and things, settle any queries/difficulties/doubts arise from it, as may be considered necessary, proper or expedient to give effect to this resolution and for matters connected herewith or incidental there to in the best interest of the Company.”

By Order of the Board

Ramesh Babu Potluri
Chairman & Managing Director

Place : Hyderabad
Date : 08.08.2015



Notes:

1. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, relating to special business to be transacted at the Meeting is annexed hereto. Information under Clause 49 of the listing agreement relating to Directors proposed to be appointed/reappointed is provided in Annexure to this Notice.
2. A MEMBER OF THE COMPANY ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT OF PROXY, IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY DULY COMPLETED AND SIGNED, NOT LESS THAN 48 HOURS BEFORE THE MEETING. PROXIES SUBMITTED ON BEHALF OF LIMITED COMPANIES, SOCIETIES, PARTNERSHIP FIRMS, ETC. MUST BE ACCOMPANIED BY APPROPRIATE RESOLUTION/AUTHORITY AS APPLICABLE, ISSUED ON BEHALF OF THE NOMINATING ORGANIZATION.
3. PURSUANT TO THE PROVISIONS OF SECTION 105 OF THE COMPANIES ACT, 2013 A PERSON CAN ACT AS A PROXY ON BEHALF OF MEMBERS NOT EXCEEDING FIFTY AND HOLDING IN THE AGGREGATE NOT MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS. A MEMBER HOLDING MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS MAY APPOINT A SINGLE PERSON AS PROXY AND SUCH PERSON SHALL NOT ACT AS A PROXY FOR ANY OTHER PERSON OR SHAREHOLDER.
4. CORPORATE MEMBERS INTENDING TO SEND THEIR AUTHORIZED REPRESENTATIVE(S) TO ATTEND THE MEETING ARE REQUESTED TO SEND TO THE COMPANY A CERTIFIED COPY OF THE BOARD RESOLUTION AUTHORIZING THEIR REPRESENTATIVE(S) TO ATTEND AND VOTE ON THEIR BEHALF AT THE MEETING.
5. During the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled to inspect the proxies lodged with the Company, at any time during the business hours of the Company, provided that not less than three days of notice in writing is given to the Company.
6. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
7. The Register of Contracts or Arrangements in which Directors are interested, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
8. The Register of Members and Transfer Books of the Company will be remaining closed from Thursday 24th September, 2015 to Tuesday 29th September, 2015, both days inclusive.
9. The Notice of the AGM along with the Annual Report 2014-15 is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company / Depositories, unless any Member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode. A copy of the notice of the AGM along with the Annual Report is also available for download from the website of the Company www.smspharma.com. To support the 'Green Initiative' Members who have not registered their e-mail addresses are requested to register the same with Aarthi Consultants Private Limited/Depositories.
10. The shareholders are requested to intimate immediately any change in their address or bank mandates to their depository participants with whom they are maintaining their demat accounts or to the Company's Share Transfer



- Agent M/s. Aarathi Consultants Private Limited, if the shares are held in physical form.
11. The business set out in the notice will be transacted through electronic voting system and the company is providing facility for voting through electronic means. Instructions and other information relating to e-voting are given separately.
 12. The dividend that may be declared by the Company will be paid on or after 6th October, 2015, to those members off the Company holding shares in physical form whose names appear on the Register of Members as on 29th September, 2015. In respect of shares held in electronic form, the dividend will be paid to the beneficial owners of the shares as per details that may be provided by the Depositories for this purpose.
 13. The Board of Directors of the Company at their Meeting held on 8th August, 2015 has recommended a dividend of ₹ 2 per share on equity share of ₹ 10 each as dividend for the financial year 2014-15. Dividend, if declared, at the Annual General Meeting, will be paid on or after 6th October, 2015.
 14. For the convenience of members and for proper conduct of the meeting, entry to the place of meeting will be regulated by attendance slip, which is part of the annual report. Members are requested to duly fill in and sign at the place provided on the attendance slip and hand it over at the entrance of the venue.
 15. Shareholders desiring any information relating to the accounts are requested to write to the Company at least 7 days before the date of AGM, so as to enable the management to keep the information ready.
 16. Relevant documents referred to in the notice and the Explanatory Statement is open for inspection by the members at the Registered Office of the Company on all working days during business hours up to the date of Annual General Meeting.
 17. The Company has transferred the unpaid or unclaimed dividend declared up to the financial years 2006-07, from time to time on due dates, to the Investor Education and Protection Fund (the IEPF) established by the Central Government. Pursuant to the provisions of Sec. 124 of Companies Act, 2013 and Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 30th September, 2014 (date of last Annual General Meeting) on the website of the Company (www.smspharma.com), as also on the website of the Ministry of Corporate Affairs.
- Members who have not en-cashed the dividend warrant(s) for the financial year ended 31st March, 2008 onwards are requested to make their claims directly to the Company or to M/s Aarathi Consultants Pvt. Ltd. at info@aarathiconsultants.com & aarthiconsultants@gmail.com , without any delay

Due date for transfer of unclaimed dividend to IEPF				
Year	Dividend rate per share (₹)	Date of declaration	Due date for transfer to IEPF	Amount of Unpaid Dividend (₹)
2007-08	2	29-09-2008	06-10-2015	1,76,707
2008-09	2	30-09-2009	07-10-2016	1,97,868
2009-10	2	29-09-2010	06-10-2017	95,602
2010-11	2	30-09-2011	07-10-2018	1,16,604
2011-12	2	29-09-2012	06-10-2019	N.A.
2012-13	2	30-09-2013	07-10-2020	1,13,452
2013-14	2	30-09-2014	07-10-2021	2,452



Explanatory Statement Pursuant to Section 102 of the Companies Act, 2013 (“the Act”)

Item No. 5: Adaptation of New Articles of Association in alignment with New Companies Act, 2013

The Articles of Association (“AoA”) of the Company currently in force were originally adopted when the Company was incorporated under the Companies Act, 1956.

With the introduction of the Companies Act, 2013 several regulations of the existing AoA of the Company require alteration or deletions. It is therefore considered and proposed by the Board expedient to replace the existing AoA with the entirely new set of AoA. The substitution of the existing AoA with the new AoA is proposed to align the AoA of the Company with the provisions of the Companies Act, 2013.

A copy of the proposed set of new draft, Articles of Association, of the Company would be available for inspection at the registered office of the Company during the business hours on any working day, up to the date of Annual General Meeting and during the Annual General Meeting. The proposed draft Articles of Association is also available on the Company’s website at www.smspharma.com for perusal by the shareholders

None of the Directors/ Key Managerial Personnel of the Company / their relatives is, in any way, concerned or interested, financially or otherwise, in the special resolution.

The Board recommends passing of the resolution as a Special Resolution.

Item No. 6: Approval of Remuneration of Cost Auditor

The Board, on the recommendation of the Audit Committee has approved the re-appoint of the Cost Auditor Sri K.S.N. Sarma, to conduct the Audit of the cost records of the Company for the financial year 2015-16.

In terms of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules 2014, the remuneration of the Cost Auditor needs approval of the members. Accordingly consent of the members is sought for passing an Ordinary

Resolution as set out in item 6 of the notice, for approval of the remuneration payable to the Cost Auditor for the year ending 31st March, 2016.

None of the Directors/Key Managerial Personnel/ their relatives is, in any way, concerned or interested, financially or otherwise, in this resolution.

The Board recommends the resolution for approval of the members.

Item No. 7: Approval for entering into Related Party Transactions by the Company.

The Companies Act, 2013 aims to ensure transparency in the transactions and dealings with the related parties of the Company. The provisions of Section 188(1) of the Companies Act, 2013 that govern the Related Party Transactions, requires that for entering into any contract or arrangement with the related party, the Company shall obtain prior approval of the Board of Directors and prior approval of the shareholders by way of an Ordinary Resolution, if the said transactions are not, in the ordinary course of business and at arm’s length price or exceeding the prescribed limits. Although we are in prescribed limit, but to have more transparency in related parties’ transactions the Board is seeking shareholders’ approval for the said transactions.

In the light of provisions of the Companies Act, 2013, the Board of Directors of your Company has approved the proposed transactions along with annual limit as mentioned under proposed resolution that your Company may enter into with the related parties (as defined under section 2(76) of the Companies Act, 2013). Pursuant to explanation of Rule 15(3) of Companies (Meetings of Board and its Powers) Rules, 2014. Relevant details of contracts / arrangements entered by the company so far are mentioned in AOC – 2 as a part of Annexure to Directors Report.

Except from Sri Ramesh Babu Potluri (Chairman and Managing Director) and Sri TVVS Murthy (Vice Chairman and Joint Managing director) none of the other Directors, Key Managerial Personnel or their relatives is, in any way, concerned or interested, financially or otherwise, in this resolution.



The Board recommends the resolution for approval of the members

Item No. 8: For approval of enhancement in prescribed limit of remuneration payable to related party's appointment to any office or place of profit in the company.

The Companies Act, 2013 aims to ensure transparency in the transactions and dealings with related parties of the Company. The provisions of Section 188(1)(f) of the Companies Act, 2013 that govern the related party's appointment to any office or place of profit in the company, its subsidiary company or associate company.

Sri T. V. Praveen son of Sri TVVS Murthy (Vice Chairman and Joint Managing director) and Sri P. Vamsi Krishna son of Sri Ramesh Babu Potluri (Chairman and Managing Director) were appointed as officers holding a place of profit under the erstwhile Section 314(1B) of the Companies Act, 1956 at a monthly remuneration of ₹ 3.00 lakh and ₹ 1.50 lakh per month respectively and a resolution to this effect was passed by the shareholders in the 25th Annual General Meeting held on 30th September, 2013, subject to the approval of the Central Government.

Pursuant to applicable rules of Director's Relatives (Office or Place of Profit) Rules, 2011 and subsequent modifications thereof "Rules", approval from Central Government sought for appointment and terms of reference thereon for Sri T.V. Praveen; which was accorded by the Central Government for three years up to 31st December, 2016 vide their letter no. SRNB86666047/3/2013-CL-VII on 24th January, 2014 ("said Approval"). Appointment and terms of reference of Sri P. Vamsi. Krishna falls within the permissible limit specified under "Rules".

The said approval allowed a total remuneration of, ₹ 30 Lakh (Rupees Thirty Lakh only) per annum for a period from 01-04-2016 to 31-12-2016 for Sri T.V. Praveen; and further required, the Company to seek fresh approval of the Central Government in the event of increase in remuneration in excess of the aforesaid limit.

By virtue of the Companies Act, 2013 ("Act") which has replaced the Companies Act, 1956, approval of

the Central Government is now not required for appointment of a related party to an office or place of profit in the Company. However, in terms of Section 188(1)(f) of the Act read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 ("Rules") in aggregate maximum Permissible limit for Remuneration payable to related parties is ₹ 30 Lakh (Rupees Thirty Lakh only) per annum; irrespective of the no. of persons employed; and General Circular No. 30/2014, the Company now seeks prior approval of the shareholders to, enhance the prescribed limit of remuneration payable to related parties appointment to any office or place of profit in the company, as computed under applicable provisions of Companies Act, 2013 and its allied rules from ₹ 30 Lakh (Rupees Thirty Lakh) to ₹ 100 Lakh (Rupees one Hundred Lakh) per annum ("Maximum Remuneration") in a Financial Year starting from the Financial Year 1st April, 2015. This Maximum Remuneration shall be inclusive of perquisites, viz. car, medical insurance, contribution to superannuation fund, provident fund, gratuity, leave travel allowance, Sweat Equity Shares, ESOPS, Securities as defined under Securities Contract (Regulation) Act, 1952 and such other benefits which are payable or applicable to employees in similar senior management cadre and same position in the Company as may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors, from time to time.

In terms of Clause 49 of the Listing Agreement and Section 188(1)(f) of the Companies Act, 2013 read with applicable rules, the Company has sought and obtained the approval and consent of the Nomination and Remuneration Committee and the Board respectively for enhancement in prescribed limit of remuneration payable to related parties appointment to any office or place of profit in the company. The Audit Committee and Board considered the said Maximum Remuneration payable to the related parties appointment to any office or place of profit in the company, are in the ordinary course of business and at arms' length basis transaction.

Sri T.V. Praveen and Sri P. Vamsi Krishna associated with the Company from last few years and meanwhile gave their best for its immense growth.



Their present roles are crucial to provide impetus to the expanding International Business in the emerging market business of the Company. They are focusing on tapping the potential markets. Considering their qualification, experience and present role prescribed limit of Companies Act is not commensurate, hence requires approval of the shareholders.

Except from Sri Ramesh Babu Potluri (Chairman and Managing Director) and Sri TVS Murthy (Vice Chairman and Joint Managing director) and their son Sri P. Vamsi Krishna (Vice President – Operations) and Sri T.V. Praveen (Vice President – Marketing) respectively, none of the other Directors, Key

Managerial Personnel or their relatives is, in any way, concerned or interested, financially or otherwise, in this resolution.

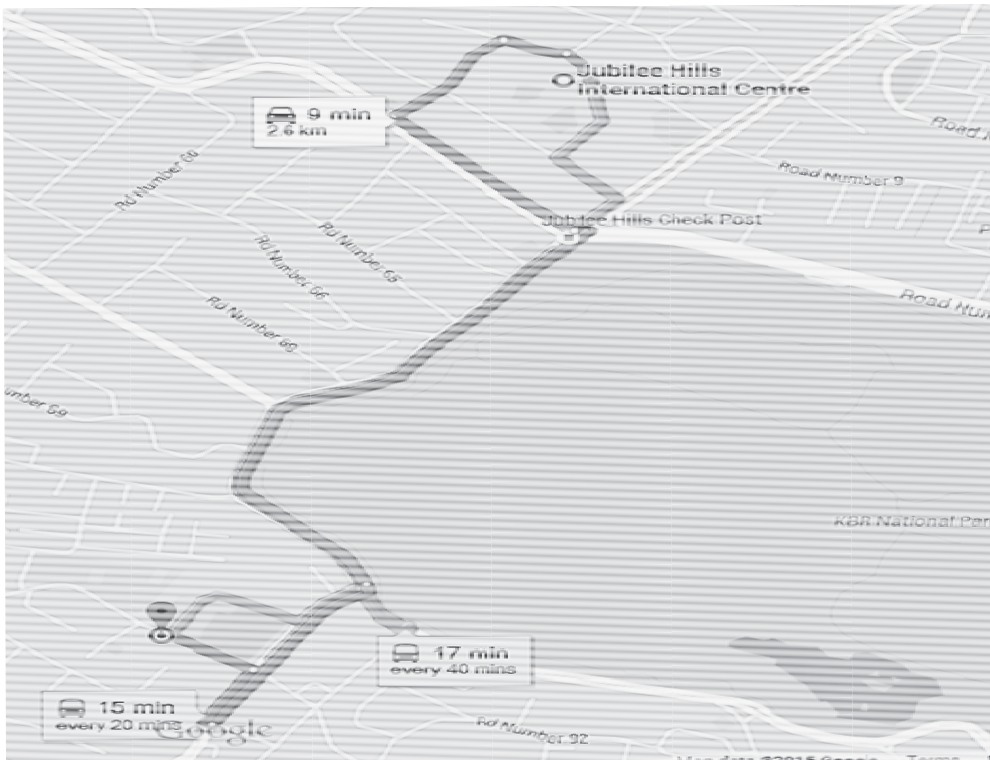
The Board recommends the resolution for approval of the members

By Order of the Board

Ramesh Babu Potluri
Chairman & Managing Director

Place : Hyderabad
Date : 08.08.2015

AGM Venue Route Map:





INSTRUCTIONS FOR SHAREHOLDERS VOTING ELECTRONICALLY ARE AS UNDER:

- (i) The remote e-voting period begins on **26th September, 2015 at 10.00 A.M. and ends on 28th September, 2015 at 5.00 P.M.** During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date **23rd September, 2015**, may cast their vote electronically. The remote e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iii) Click on Shareholders.
- (iv) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

FOR MEMBERS HOLDING SHARES IN DEMAT FORM AND PHYSICAL FORM	
PAN	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none">• Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field.• In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. e.g. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.
DOB	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details	Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio. <ul style="list-style-type: none">• Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).

- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for remote e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.



- (x) For Members holding shares in physical form, the details can be used only for remote e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN for the relevant ABC Limited on which you choose to vote.
- (xii) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xv) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.
- (xvii) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) Note for Non – Individual Shareholders and Custodians
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

In case you have any queries or issues regarding remote e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com or contact:

Name : Sri Wenceslaus Furtado

Designation : Deputy Manager

Address : Phiroze Jeejeebhoy Towers, 16th Floor, Dalal Street, Fort, Mumbai - 400001.

email id : helpdesk.evoting@cdslindia.com <<mailto:helpdesk.evoting@cdslindia.com>>

Ph.No. : 18002005533



DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting before you the 27th Annual Report of the Company together with Audited Statement of Accounts for the year ended 31st March, 2015.

Financial Results

(Amount : ₹ In Lakhs)

Particulars	2014-15	2013-14
Gross Sales	55,764.66	50,098.33
Net Sales	53,604.12	48,197.76
Other Operating Income	4,324.46	3,606.04
Net Revenue from Operations	57,928.58	51,803.80
Other Income	1,632.00	152.41
EBIDTA	10,258.05	5,869.15
Finance Charges	1,793.09	1,381.88
Depreciation	1,716.61	1,285.46
Profit Before Tax	6,748.35	3,201.81
Taxation	3,223.89	1,163.36
Profit After Tax	3,524.46	2,038.45
B/f from previous year	6,073.30	4,651.87
Less: Adj. of dep. reserve as per Sch. II of Companies Act, 2013	24.98	-
Balance available for Appropriations.	9,572.78	6,690.32
Appropriations:		
Transfer to Capital Redemption Reserve	-	155.00
Proposed Dividend	169.30	169.30
Dividend Tax	34.47	28.77
Dividend of previous year including Tax	-	(36.06)
General Reserve	1,000.00	300.00
Profit carried to Balance Sheet	8,369.01	6,073.31
Earnings per share - Basic/Diluted	41.63	23.06

Review of Operations

During the period under review the company has posted very good results. During the year 2014-

15 the Company has achieved production of 2,026 M.T. of APIs and their Intermediates as against 1,791 M.T. during the corresponding year and registered a growth of 13%. The net sales of the company has reached to ₹ 53,604 Lakhs as against ₹ 48,198 Lakhs during the previous year registering growth of 11%. The EBITDA stood at ₹ 10,258 Lakhs for the year 2014-15 compared to ₹ 5,869 Lakhs for the year 2013-14, registering a growth of 75%. The profit after Tax for FY 2014-15 stood at ₹ 3,524 Lakhs, compared to ₹ 2,038 Lakhs for FY 2013-14, registering a growth of 73% With this EPS has increased to ₹ 41.63 as against ₹ 23.06 during the year 2013-14.

The Company has improved its economy of scale by increasing utilization of production facility at Kandivalasa and Bachupally units. The management believes that the profitability margins from the operations are sustainable and it will continue to strengthen its leadership position through dedicated research and introduction of new products.

During the year the company has re-enforced its fundamental strength of FDA compliant facilities by successfully completing the US FDA audits at Kandivalasa and Bachupally facilities.

Apart from the above, we are having PMDA (Japan) approval on accreditation basis for all the four facilities. KFDA (Korea) approval was obtained for Bachupally and Kandivalasa facilities. TGA (Australia) and EUGMP (E.U.) approval was obtained for Bachupally facility. COFEPRIS (Mexico) approval was obtained for Kazipally facility.

During the year the company has filed 9 Drug Master Files and total DMFs filed up to 31.03.2015 are 24.

The management believes that the profitability margins from the operations are sustainable and it will continue to strengthen its leadership position through dedicated research and introduction of new products. The company will continue to strengthen its model and build systems that are sustainable as it continues to scale-up.

Transfer to Reserves:

Your Company has transferred an amount ₹ 1,000 Lakhs (previous year ₹ 300 Lakhs) to General Reserve out of the amount available for appropriations.

Dividend:

Your Directors are pleased to recommend the dividend of ₹ 2-00 per equity share of ₹ 10/- each



(Previous year ₹ 2/- per Equity Share).

Subsidiaries, Associates and Joint Ventures:

During the year the Company acquired 12,25,900 equity shares of ₹ 10/- each in M/s. VKT Pharma Private Limited. With this the said company has become an associate company. The project of the said associate company is in final stage and at the verge of completion and operations are yet to be commenced. The Company has not having any subsidiaries. Hence, as per the Notification GSR 723 (E) dated 14th October, 2014 issued by the Ministry of Corporate Affairs, the company need not give consolidated accounts for the year 2014-15. The required form, as per the provisions of Companies (Accounts) Rules, 2014 viz. AOC-1 is attached as Annexure -'A' to the Board report.

Loans, Guarantees and Investments:

During the year under review your Company had made investment in an associate company for its business purposes. The Company has not given any loans or extended any guaranty to other Company's, firms or other parties covered in the register maintained under section 189 of the companies Act, 2013.

In compliance with the provisions of section 186 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014, the details of investments made during the year are given in Annexure-'B'.

Board of Directors and Key Managerial Personnel:

As per the provisions of Section 149 and 152 of the Companies Act, 2013, the shareholders at their 26th Annual General Meeting held on 30th September, 2014, had approved the appointment of all the existing independent directors of the Company for tenure of up to five consecutive years. None of the independent directors are liable to retire by rotation.

In accordance with the provisions of the Section 149 (7) of the Companies Act, 2013, each independent director had confirmed to the Company that he/ she meets the criteria of Independence laid down in the Section 149 (6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

Further in accordance with the provisions of Section 152 of the Companies Act, 2013, the shareholders also approved the terms of appointment of Sri Ramesh Babu Potluri and Sri T V V S N Murthy, whole time directors, making them liable to retire

by rotation. Accordingly Sri Ramesh Babu Potluri, Managing Director, retires by rotation at the forthcoming Annual General Meeting scheduled on 29th September, 2015 and being eligible, seeks reappointment.

All the independent Directors of the Company have given declarations under sub-section (6) of Section 149 of the Act, and the same have been considered and taken on record by the Board.

Sri N. Rajendra Prasad has been designated as Chief Financial Officer and Sri P. Prabhakar Rao, has been designated as Company Secretary of the Company pursuant to provisions of Section 203 of the Companies Act, 2013.

Mechanism for Evaluation of Board:

As per provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the evaluation of the performance of the Board and the members of the Board was under taken. The contribution and impact of the individual directors and the Board as a whole were reviewed through a peer evaluation on the following parameters:

A) Criteria for evaluation of Board of Directors as a whole.

- i. The frequency of meetings;
- ii. The length of meetings;
- iii. The administration of meeting.
- iv. The number of committees and their roles.
- v. The flow of information to board members and between board members;
- vi. The quality and quantity of information; and
- vii. The Disclosure of Information to the stakeholders.

B) Criteria for evaluation of the Individual Directors.

- i. Ability to contribute and monitor corporate governance practices;
- ii. Ability to contribute by introducing best practices to address top management issues.
- iii. Participation in long term strategic planning.
- iv. Commitment to the fulfillment of director obligations and fiduciary responsibilities;



- v. Guiding strategy;
- vi. Monitoring management performance and development;
- vii. Statutory compliance & Corporate Governance;
- viii. Attendance and contribution at Board/Committee Meetings;
- ix. Independence of judgment, conflict resolution and contribution in the enhancement of the Board's overall effectiveness.
- x. Time spent by each of the member; and
- xi. Core competencies.

A 360 degree feedback-cum-assessment of individual directors, the Board as a whole and its committees was conducted.

Number of Meetings of the Board of Directors:

The Board of directors met five times during the year. The dates on which the Board Meetings were held are 30th May, 2014, 12th August, 2014, 26th August, 2014, 11th November, 2014 and 6th February, 2015.

Nomination and Remuneration Committee:

The terms of reference for the committee includes:-

1. Identifying persons who are qualified to become Directors, Key Managerial Persons and who may be appointed in Senior Management in accordance with the criteria laid down and recommend to the Board for their appointment and removal;
2. Carry on the evaluation of every director's performance;
3. Formulation of the criteria for determining qualifications, positive attributes and independence of a director;
4. Recommend to the Board a policy relating to the remuneration of the directors, key managerial personnel and other employees;
5. Formulation of criteria for evaluation of independent directors and the Board;
6. Devising a policy on Board diversity; and
7. Any other matter as the Board may decide from time to time.

Nomination and Remuneration policy:

In accordance with Section 178 (3) of the Companies Act, 2013, Clause 49 (IV) (B) of the Listing Agreement and on the recommendations of

Nomination and Remuneration Committee, the Board adopted the remuneration policy for the Directors, Key Managerial Personnel (KMPs) and Senior Management. The Objectives of the Policy are as under:

1. To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non-Executive) and persons who may be appointed in Senior Management and Key Managerial positions and to determine their remuneration.
2. To determine remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies.
3. To carry out evaluation of the performance of Directors.
4. To provide them reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
5. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

Audit Committee:

The Audit Committee of the Board of Directors consists entirely of Independent Directors. Presently the Committee comprises of Sri K.S. Rao, (Chairman), Sri A.P. Rao and Sri P. Sarath Kumar.

The Board has accepted all the recommendations made by the Audit Committee during the year.

Risk Management Policy:

The Audit Committee had formulated a Risk Management Policy for dealing with different kinds of risks which it faces in day to day operations of the Company. Risk Management Policy of the Company outlines different kinds of risk and risk mitigating measures to be adopted by the Board. The Company has adequate internal control systems and procedures to combat the risk. The Risk Management procedure will be reviewed by the Audit Committee and the Board of Directors on a Quarterly basis at the time of review of Quarterly Financial Results of the Company.



Internal Financial Control Systems and Their Adequacy:

Your company has laid down set of statements which enables to implement internal financial control across the organization and ensure that the same are adequate and operating effectively

1. To prove reasonable assurances that transactions are executed in conformity with generally accepted accounting principles, standards or any other criteria applicable to such statements,
2. To maintain accountability for assets, access to assets is permitted only in accordance with management's general or specific authorization and the maintenance of records accurately with required details and fairly reflect the transactions and dispositions of the assets of the company; and
3. Provide reasonable assurance regarding prevention or timely detection of frauds and errors and unauthorized acquisition, use or disposition of the assets that could have a material effect on the financial statements.
4. The company ensures the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information.
5. The company has a comprehensive budget control system to monitor revenue and expenditure against approved budget on an ongoing basis.

Directors' Responsibility Statement:

Pursuant to the provisions of Section 134 (3) (c) of the Companies Act, 2013 as amended, the Board of Directors confirm that in the preparation of the Financial Statements for the year ended 31st March, 2015:

1. The applicable accounting standards have been followed in the preparation of the Annual Accounts.
2. Such Accounting policies as notified by ICAI have been selected and applied consistently and judgments and estimates made when required are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year

and of the profit of the company for that period.

3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The Annual Accounts have been prepared on going concern basis.
5. Proper internal financial controls were in place and were following by the Company and that the financial controls were adequate and operating effectively.
6. Proper systems have been devised to ensure compliance with the provisions of all the applicable laws and these systems are adequate and operating effectively.

The Board, further confirm that, during the year under review, there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Related Party Transactions:

All contracts/arrangements/transactions entered by the Company during the financial year 2014-15 with related parties were in the ordinary course of business and on an arm's length basis and are in compliance with the provisions of the Companies Act and the Listing Agreement. There are no materially significant related party transactions made by the company with Promoters, Directors are Key Managerial Personnel etc. which may have potential conflict with the interest of the Company. However, to have more transparency in related parties' transactions the Board is seeking shareholders' approval for the said transactions.

All related party transactions are presented to the Audit Committee and the Board. Omnibus approval is obtained for the transactions which are foreseeable and repetitive in nature. A statement of all related party transactions is presented before the Audit Committee on quarterly basis pacifying the nature, value and terms and conditions of the transactions The Related Party Transactions Policy as approved by the Board is uploaded on the Company's website at the web link <http://www.smspharma.com>. In accordance with Section 134 (3) (h) of the Companies Act, 2013, and Rule 8 (2) of the



Companies (Accounts) Rules, 2014, the particulars of contracts or arrangements entered into by the Company with related parties referred to in Section 188 (1) in Form AOC-2 is attached as Annexure-'C'

The details of related party disclosures form part of the notes to the financial statements provided in the annual report.

With regard to the observation made by the Secretarial Auditor for the appointment of Sri P. Vamshi Krishna and Sri T. V. Praveen, the related parties for place of profit at a monthly remuneration in aggregate exceeding two and half Lakhs Rupees.

Your Directors wish to place on record that Sri T.V. Praveen and Sri P. Vamshi Krishna were appointed as officer holding a place under the erstwhile Section 314(1B) of the Companies Act, 1956 at a monthly remuneration of ₹ 3.00 lakh and ₹ 1.50 lakh per month respectively and a resolution to this effect was passed by the shareholders in the 25th Annual General Meeting held on 30th September, 2013, subject to the approval Central Government. The approval of the Central Government was obtained vide approval letter No. SRNB86666047/3/2013-CL-VII dated 24th January, 2014 for the payment of monthly remuneration of two and half Lakhs Rupees to Sri T. V. Praveen.

Section 188 of the Companies Act, 2013 has come into force with effect from 01-04-2014 and accordingly, Rule 15 (3) (ii) (b) of Companies (Meetings of Board and its Powers) Rules, 2014 prescribes the prior approval of the Company by an Ordinary Resolution for the appointment of a related parties to any office or place of profit in the Company at a monthly remuneration exceeding two and half Lakhs Rupees. Since the said appointments were approved by the shareholders on 30th September, 2013 and no fresh appointments were made under the Section 188 of the Companies Act, 2013 after its implementation. The total remuneration paid to the related parties was put for ratification of the Members once again at the ensuing Annual General Meeting.

Vigil Mechanism:

The Board of Directors has adopted Whistle Blower Policy. The Whistle Blower Policy aims for conducting the affairs in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behavior. All permanent employees of the Company are covered under the Whistle Blower Policy.

A mechanism has been established for employees to report concerns about unethical behavior; actual or suspected fraud or violation of Code of Conduct and Ethics. It also provides for adequate safeguards against the victimization of employees who avail of the mechanism and allows direct access to the Chairman of the Audit Committee in exceptional cases.

Auditors:

Statutory Auditors

The shareholders at their 26th Annual General Meeting (AGM) held on 30-09-2014, approved the reappointment of M/s. Rambabu & Co., Chartered Accountants, as Statutory Auditors of the Company, to hold the office till the conclusion of the 27th Annual General Meeting. M/s. Rambabu & Co., Chartered Accountants, are eligible for reappointment and have confirmed their eligibility under Section 141 of the Companies Act, 2013, read with Rule 4 of the Companies (Audit & Auditors) Rules, 2014 and Clause 41(1) (h) of the Listing Agreement.

The Audit Committee of the Board of Directors recommended the appointment of M/s. Rambabu & Co., Chartered Accountants, as Statutory Auditors of the Company from the conclusion of 27th Annual General Meeting till the conclusion of the 28th Annual General Meeting.

Secretarial Auditor

Pursuant to Section 204 of the Companies Act, 2013, and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Sri C Sudhir Babu, Practicing Company Secretary (C.P. No.7666) was appointed to conduct Secretarial Audit of the Company for the Financial Year ended on 31st March, 2015. Secretarial Audit Report for the financial year 2014-15 is attached as Annexure-'D' to this Report.

Cost Auditor

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, and the Companies (Cost Records & Audit) Amendment Rules, 2014, the Company maintains Cost Records. Your Board has on the recommendations of the Audit Committee, appointed Sri K.S.N. Sarma as Cost Auditor of the Company for the financial year 2015-16. The provisions also require the remuneration of the Cost Auditor to be approved by the shareholders.



The Cost Audit Report for the year 2013-14 was filed with the Central Government within the prescribed time limit and for the year 2014-15 will be filed within the stipulated time.

Board's Response on Auditors qualification, reservation or adverse remark or disclaimer made:

There are no qualifications, reservations or adverse remarks made by the Statutory Auditor and Cost Auditor in their report. Reply on one qualification made by secretarial auditor already form part of this report under head "Related Party Transactions".

Details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future:

NO SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE.

Corporate Social Responsibility:

The company recognizes that business enterprises are economic organs of society and part of society and draw on social resources for their growth. The company has duty towards society and the communities and neighborhoods in whose vicinity the company operates.

The Company has constituted Corporate Social Responsibility Committee consisting of the Board of Directors Sri Ramesh Babu Potluri (Chairman & Managing Director), Sri K.S. Rao, an Independent Director and Sri P. Sarath Kumar an Independent Director as Chairman and as members of the committee respectively. The Board approved the CSR Policy as recommended by the CSR Committee with various CSR initiatives falling within the purview of Schedule VII of the Act.

The company would undertake CSR initiatives in compliance with schedule VII of the Companies Act, 2013 The CSR Policy may be accessed on the company's website: www.smspharma.com

As per the provisions of the Section 135 of the Act, the average net profit of the company during the preceding three years was negative. In computing the Net Profits in accordance with Sec. 198 of the Companies Act, 2013 for the purpose of CSR as specified under section 135; your company had earned a profit of ₹ 41.75 Lakhs in the financial year

2011-12 and ₹ 3,250.82 lakhs in the financial year 2013-14 and incurred a loss of ₹ 7,230.04 Lakhs in the financial year 2012-13 after adjusting the capital gains from sale of an unit. Hence, the average net profit of the company for preceding three financial years stands negative i.e. ₹ (1,279.16). spending provisions of CSR are not applicable for the year under review. However an amount of ₹ 1,80,000/- was spent during the year 2014-15 for providing purified drinking water in a village in whose vicinity the company operates.

Transfer of unpaid and unclaimed amounts to IEPF:

Pursuant to the provisions of Section 125 of the Companies Act, 2013, the declared dividends, which remained unpaid or unclaimed for a period of 7 years, have been transferred by the company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to the Section 125 of the said Act.

Employees Stock Option Schemes:

The Company has not implemented any Stock Option Schemes to the Employees.

Particulars of Employees:

Disclosures pertaining to remuneration and other details as required under Section 197 (12) of the Companies Act, 2013 read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are attached as Annexure-'E'

Conservation of Energy, Research and Development, Technology Absorption, Foreign Exchange Earnings and Outgo:

The information required under Section 134 (3) (m) of the Companies Act, 2013 read with the Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is enclosed as Annexure-'F' to this Report.

Research and Development (R & D):

The company is committed to building a sound base for sustained growth in API and key starting Materials business through the development of new products, innovative technology, process improvement, cost optimization and strengthening the compliance standards leveraging our collective R&D experience resulting enhancement in value of all stakeholders.



The company's R&D delivers on both fronts of profitability and growth giving us a head start in the competitive industry, developing cost effective process for new genetic APIs, meticulously documenting and testing new and improved processes to manufacture quality drug substances and drug intermediates.

The company continues to make fairly significant investments for generic-related pharmaceutical research and technology. This research supports generic business across all the markets and ensures to have a healthy pipeline for future growth. Strong new product capability is key part of strategy of the R&D.

The Department of Scientific and Industrial Research, Ministry of Science and Technology of Government of India has granted approval to the in house research and development facility of Company under the provisions of the Income Tax Act, 1961.

Fixed Deposits:

Your Company has not accepted/ invited any deposits from the public during the year under review. As such no amount of principal or interest was outstanding on the date of the Balance Sheet.

Contribution to the ex-chequer:

Your Company has contributed ₹ 4,077.25 Lakhs to the ex-chequer (Previous year ₹ 2,306.28 Lakhs) by way of taxes.

Extract of Annual Return:

The Extract of Annual Return is prepared in Form MGT-9 as per the provisions of the Companies Act, 2013 and Rule 12 of Companies (Management and Administration) Rules, 2014 and the same is enclosed as Annexure-'G' to this Report.

Management's Discussion and Analysis:

Management Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the listing agreement is presented in a separate section forming part of the Annual Report.

Corporate Governance:

A detailed Report on Corporate Governance practices followed by your company, in terms of clause 49 of the Listing Agreement with Stock

Exchanges, is provided separately in this Annual Report.

Listing of Equity Shares:

The Company's Equity Shares are listed at the following Stock Exchanges:

- (i) BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001 and
- (ii) National Stock Exchange of India Limited, Exchange Plaza, Floor 5, Plot No. C/1, G Block Bandra-Kurla Complex, Bandra (East), Mumbai-400 051.

The Company has paid the Annual Listing Fees to the said Stock Exchanges for the financial year 2014-15.

Material changes and commitments:

There are no Material changes and commitments in the business operations of the Company from the financial year ended 31st March, 2015 to the date of signing of the Directors' Report.

Environment:

The Company has taken initiatives to reduce the pollution. Anti-pollution measures taken by the Company will help to minimize the impact of industrial process on the environment and local are nearby.

Acknowledgements:

Your Directors place on record sincere appreciation for the significant contribution made by the employees through their dedication, hard work and commitments. Your Directors gratefully acknowledge and appreciate the support extended by the Banks, Financial Institutions, various government authorities and also customers, for their continued support and confidence reposed in the Company.

for and on behalf of the Board

Ramesh Babu Potluri

Chairman and Managing Director
DIN:00166381

Place : Hyderabad
Date : 08.08.2015

Form AOC-I

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

**Statement containing salient features of the financial statement of subsidiaries/
Associate companies/joint ventures**

Part "A" of AOC-I related to "Information in respect of subsidiary" not applicable on the company, since we don't have any subsidiary company.

Part "B": Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Sl. No.	Name of associates/Joint Ventures	VKT Pharma Private Limited
1.	Latest audited Balance Sheet Date	31.03.2015
2.	No. of Shares of Associate/Joint Ventures held by the company on the year end	21,98,000 Equity Shares of ₹ 10/- each.
	Amount of Investment in Associates/Joint Venture	13,18,80,000
	Extend of Holding%	31%
3.	Description of how there is significant influence	Based on the percentage of holding over these investees.
4.	Reason why the associate/joint venture is not consolidated	As the group has only ability to exercise significant influence but not control over these investees.
5.	Net worth attributable to shareholding as per latest audited Balance Sheet	13,15,29,533
6.	Profit/Loss for the year	
	i. Considered in Consolidation	
	ii. Not Considered in Consolidation	(3,72,513)

VKT Pharma Private Limited is yet to commence operations..

for and on behalf of the Board

RAMESH BABU POTLURI

Chairman and
Managing Director

P. PRABHAKARA RAO

Company Secretary

T V V S N MURTHY

Vice Chairman and
Joint Managing Director

N. RAJENDRA PRASAD

Chief Financial Officer



Pharmaceuticals Ltd.

Annexure - 'B'

Particulars of loans, guarantee, security and acquisition made by the company during the FY 2014-15; pursuant to Section 186(9) & Rule 12(1) of Companies Act, 2013.

Nature of transactions (whether loan/ guarantee/ security/ acquisition)	Date of making loan / acquisition / giving guarantee/ providing security	Name and address of the person or body corporate to whom it is made or given or whose securities have been acquired (Listed/U nlisted entities)	Number and kind of securities (invested only in equity shares)	Amount of loan / security / acquisition / guarantee	Time period for which it is made/ given	Purpose of loan / acquisition / guarantee / security
Acquisition of Security for investment	01-04-2014	VKT Pharma Pvt. Ltd.	631125	37867500	N.A.	For making investment in ongoing projects, taken up by associate company
	26-05-2014	VKT Pharma Pvt. Ltd.	130,000	7,800,000	N.A.	
	24-06-2014	VKT Pharma Pvt. Ltd.	50,000	3,000,000	N.A.	
	20-09-2014	VKT Pharma Pvt. Ltd.	125,000	7,500,000	N.A.	
	15-11-2014	VKT Pharma Pvt. Ltd.	191,775	11,506,500	N.A.	
	28-03-2015	VKT Pharma Pvt. Ltd.	98,000	5,880,000	N.A.	
Total			1,225,900	73,554,000		

for and on behalf of the Board

Ramesh Babu Potluri
Chairman and Managing Director
DIN:00166381

Place : Hyderabad
Date : 08.08.2015



FORM NO. AOC -2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso thereto.

I. Details of contracts or arrangements or transactions not at Arm's length basis

Sl. No.	Particulars	Details
a)	Name (s) of the related party	N.A.
a)	Nature of relationship;	
b)	Nature of contracts/arrangements/transaction	
c)	Duration of the contracts/arrangements/transaction	
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	
e)	Justification for entering into such contracts or arrangements or transactions'	
f)	Date of approval by the Board	
g)	Amount paid as advances, if any	
h)	Date on which the special resolution was passed in General meeting as required under first proviso to section 188	

2. Details of contracts or arrangements or transactions at Arm's length basis

Sl. No.	Particulars	Details	Details
a)	Name (s) of the related party	Sri P. Vamsi Krishna (VP - Operations)	Sri T.V. Praveen (VP - Marketing)
a)	nature of relationship;	Son of Sri Ramesh Babu Potluri (CMD of the Company).	Son of Sri TVVS Murthy (VC & JMD of the Company).
b)	Nature of contracts/arrangements/transactions	remuneration payable to related party under place of profit in the company	remuneration payable to related party under place of profit in the company
c)	Duration of the contracts/arrangements/transactions	09/08/2013 – 09/08/2016	01/01/2014 – 01/01/2017
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Appointment as Vice President (Operations) of the Company at a Monthly Remuneration of ₹ 1.50 Lakh per month.	Re-appointment as Vice President (Marketing) of the Company at a Monthly Remuneration of ₹ 2.50 Lakh per month.
e)	Justification for entering into such contracts or arrangements or transactions'	Joined the company from 09/08/2013. Under his leadership company had established new operation setup and achieve new level of efficiencies in its operational capacity.	Joined the company from 01/01/2009. Since than company grow leaps & bounds. Under his leadership company had access new markets Net Sales increased from ₹ 240 Cr. In 2012-13 to ₹ 536 Cr. In 2014-15
f)	Date of approval by the Board	13/08/2013	13/08/2013
g)	Amount paid as advances, if any	Not Applicable	Not Applicable
h)	Date on which the Ordinary Resolution was passed in General meeting as required under first proviso to section 188	Resolution passed as per applicable provisions of the Companies Act, 1956 and allied rules framed thereunder at that time on 30/09/2013.	Resolution passed as per applicable provisions of the Companies Act, 1956 and allied rules framed thereunder at that time on 30/09/2013.



Pharmaceuticals Ltd.

Sl. No.	Particulars	Details	Details
a)	Name (s) of the related party	R. Chem(Somanahalli) Private Limited	VKT Pharma Private Limited
a)	Nature of relationship;	1. Sri Suresh Babau Potluri, Managing Director is brother of Sri Ramesh Babu Potluri, CMD of SMS Pharmaceuticals Ltd. 2. Sri T V V S N Murthy, is a major shareholder.	Common Directors Associate Company
b)	Nature of contracts/ arrangements/transactions	Contracts made in the Ordinary Course of Business: A. Job Work assignment - For conversion process for an intermediate of bulk drug on Job work basis. B. Hiring of Skoda Laura vehicle make 2009 bearing Reg. No. AP09BX7227 Transactions made in the Ordinary Course of Business during the FY: C. Purchase of by product D. Sale some of materials"	Sales in Ordinary Course of Business.
c)	Duration of the contracts/ arrangements/transactions	For Contract - A: 1. Original Contract made on 01/11/2011 to 31/10/2014 2. Renewal of Contract 01/11/2014 to 31/10/2017 For Contract - B: 1. Original Contract made on 01/10/2013 to 31/03/2015 2. Renewal of Contract 01/04/2015 to 31/10/2017	Transactions done in FY 2014-15.
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	For Contract - A: Conversion Capacity increased from 100MT to 200MT per month from previous contract term. Fixed Conversion Charges has increased from ₹ 50/- to ₹ 60/- per K.G. w.e.f. 01/04/2015. For Contract - B: Car Hiring Charges ₹ 10,000 per month payable to R CHEM Pvt. Ltd.; maintenance cost bear by SMS Pharmaceutical Ltd. For Transactions - C: Total amount of Purchase was ₹ 91.17 Lakh from R CHEM Pvt. Ltd., For Transactions - D: Total amount of Sale was ₹ 123.32 Lakh from RCHEM Pvt. Ltd.	Sales of ₹ 82.31 Lakh for VKT Pharma Pvt. Ltd. Made in the ordinary course of business and at Arm's Length Basis.
e)	Justification for entering into such contracts or arrangements or transactions'	Contracts are made at prevailing market rate in the ordinary course of business.	Contracts are made at prevailing market rate in the ordinary course of business.
f)	Date of approval by the Board	26/08/2014 & 06/02/2015	Not Applicable
g)	Amount paid as advances, if any	For ₹ 141.67 Lakh	Not Applicable
h)	Date on which the Ordinary Resolution was passed in General meeting as required under first proviso to section 188	Resolution passed as per applicable provisions of the Companies Act, 1956 and allied rules framed thereunder at that Time. For renewal of Contract 29/09/2015.	Resolution passed as per applicable provisions of the Companies Act, 1956 and allied rules framed thereunder at that time. For renewal of Contract 29/09/2015.



SMS
Pharmaceuticals Ltd.

Sl. No.	Particulars	Details	Details
a)	Name (s) of the related party	Potluri Laboratories Pvt. Ltd. (PLPL)	Smt. P. Hima Bindu .
a)	Nature of relationship;	Smt. P. Hima Bindu Spouse of Sri Ramesh Babu Potluri (CMD of the Company) is Director in PLPL.	Spouse of Sri Ramesh Babu Potluri (CMD of the Company).
b)	Nature of contracts/ arrangements/transactions	Hiring of Toyota Fortuner vehicle make 2010 bearing Reg. No. AP09BX7337	Lease of Property by Lessor named Smt. P. Hima Bindu.
c)	Duration of the contracts/ arrangements/transactions	1. Original Contract made on 01/06/2013 to 31/03/2015 2. Renewal of Contract 01/04/2015 to 31/03/2017	Lease Tenure 01/09/2014 to 31/08/2017
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Car Hiring Charges ₹ 15,000 per month payable to PLPL; maintenance cost bear by SMS Pharmaceutical Ltd.	Lease Rent charges ₹ 25,000 per month and Service Tax as applicable. Amenities / utilities bills paid by Lessee
e)	Justification for entering into such contracts or arrangements or transactions	Contracts are made at prevailing market rate in the ordinary course of business.	Contracts are made at prevailing market rate in the ordinary course of business.
f)	Date of approval by the Board	6/2/2015	26/08/2014
g)	Amount paid as advances, if any	Not Applicable	Not Applicable
h)	Date on which the Ordinary Resolution was passed in General meeting as required under first proviso to section 188	Resolution passed as per applicable provisions of the Companies Act, 1956 and allied rules framed thereunder at that time. For renewal of Contract 29/09/2015.	Resolution passed as per applicable provisions of the Companies Act, 1956 and allied rules framed thereunder at that time. For renewal of Contract 29/09/2015.

for and on behalf of the Board

Ramesh Babu Potluri
Chairman and Managing Director
DIN:00166381

Place : Hyderabad

Date : 08.08.2015



Pharmaceuticals Ltd.

Annexure - 'D'

Form No. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2015

*[Pursuant to Section 204 (1) of the Companies Act, 2013 and rule No. 9 of the Companies
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]*

To
The Members,
SMS Pharmaceuticals Limited,
Hyderabad

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by SMS Pharmaceuticals Limited (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31st March, 2015 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2015 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made hereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under to the extent of Regulation 55A;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (**not Applicable to the Company during the Audit Period**);
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and Securities and Exchange Board of India (Share Based Employee Benefit) Regulations, 2014 (**not Applicable to the Company during the Audit Period**);
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (**not Applicable to the Company during the Audit Period**);



- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (**not Applicable to the Company during the Audit Period**); and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (**not Applicable to the Company during the Audit Period**);
- (vi) We further report that, having regard to the Compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof the Company has complied with the following laws applicable specifically to the Company:
- (a) Drugs and Cosmetics Act, 1940
 - (b) Drugs (Price Control) Order, 2013
 - (c) Narcotic Drugs and Psychotropic Substances Act, 1985
 - (d) Indian Boilers Act, 1923 and Regulations
 - (e) Explosives Act, 1884
 - (f) Petroleum Act, 1934
 - (g) Water (Prevention and Control of Pollution) Act, 1974
 - (h) Air (Prevention and Control of Pollution) Act, 1981
 - (i) Environment Protection Act, 1986

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India (**not applicable to the Company during the Audit period**); and
- (ii) The Listing Agreements entered into by the Company with Bombay Stock Exchange and National Stock Exchange.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following:

The Company has appointed Mr P. Vamshi Krishna and Mr. T. V. Praveen, the relatives of Directors under the erstwhile Section 314 of the Companies Act, 1956, and obtained the approval of the members to hold office or place of profit in the Company and also obtained the approval of the Central Government for the appointment of Mr. T. V. Praveen to hold office or place of profit in the Company which carries a total monthly remuneration of not less than two and half lakh Rupees. With the enactment of the Companies Act, 2013, the provisions of Section 188 have come into force with effect from 01-04-2014 which deals with the appointment of related parties to any office or place of profit in the Company. As per the Section 188 (1) (f) of Companies Act, 2013, read with Rule 15 (3) (ii) (b) of Companies (Meeting of Board and its Powers) Rules, 2014 with regard to the appointment of Mr. P. Vamshi Krishna and Mr. T. V. Praveen, the related parties for place of profit in the Company at a monthly remuneration exceeding Two and Half Lakh Rupees (combined limit), the prior approval of the shareholders is required. The remuneration paid to the related parties for the financial year under review exceeded the prescribed limit under the Companies Act, 2013, without the prior approval of the Members.

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.



Pharmaceuticals Ltd.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee are carried out unanimously as recorded in the minutes of the meeting of the Board of Directors and Committee of the Board, as the case may be. We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period there were no specific events/actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines and standards.

For CSB Associates,
Company Secretaries,

C. SUDHIR BABU

Proprietor

FCS: 2724; C P No.: 7666

Place : Hyderabad

Date : 08-08-2015

Note: This letter is to be read with our letter of even date which is annexed and form an integral part of this report.

ANNEXURE

The Members

SMS Pharmaceuticals Limited

Hyderabad

- (1) Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
- (2) We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on the random test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
- (3) We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
- (4) Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
- (5) The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the Management. Our examination was limited to the verification of procedures on random test basis.
- (6) The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For CSB Associates,
Company Secretaries,

C. Sudhir Babu

Proprietor

FCS: 2724; C P No.: 7666

Date: 08-08-2015

Place: Hyderabad.



Annexure - 'E'

Information in terms of Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

- I. The ratio of remuneration of each director to the median remuneration of the employees of the Company, the percentage increase in remuneration of each director, KMP, for FY2015 and comparison of the remuneration of each Key Managerial Personnel (KMP) against the performance of the Company:

NAME	DESIGNATION	Ratio of remuneration of each director to the median remuneration of employees	Percentage increase in remuneration during FY 2015	Comparison of the remuneration of each KMPs against the performance of the company
Sri P. Ramesh Babu	Executive Director (CMD)	4927%	43%	The net sales of the company have increased by 11% from the previous year. Similarly, The EBITDA has increased by 75% from previous year.
Shri T V V S N Murthy	Executive Director (VC & JMD)	4927%	43%	
Sri A.P. Rao	Non-Executive & Independent Director	0%	0%	
Dr. Mihir K. Chaudhuri	Non-Executive & Independent Director	0%	0%	
Sri K.S. Rao	Non-Executive & Independent Director	0%	0%	
Dr. B. M. Choudary*	Non-Executive & Independent Director	0%	0%	
Sri P. Sarath Kumar*	Non-Executive & Independent Director	0%	0%	
Dr. T. Neelaveni*	Non-Executive & Independent Director	0%	0%	
Dr. Ayman Sahli	Non-Executive & Nominee Director	0%	0%	
Sri Utpal Gokhale	Non-Executive & Nominee Director	0%	0%	
Sri Nadella Rajendra Prasad	Chief Financial Officer	868%	0%	
Sri P. Prabhakara Rao	Company Secretary	54%	0%	

*Dr. B. M. Choudary ceased to be the Director of the company w.e.f. 12.08.2014 and Sri. P. Sarath Kumar and Dr. T. Neelaveni were inducted w.e.f. 12.08.2014

- The median remuneration of employees increased by 6.19% in FY2015
- The number of permanent employees on the rolls of the Company as on 31st March, 2015 is 914 and 766 as on 31st March, 2014.
- The average increase in remuneration paid to employees is increased by 9.13% for FY 2014-15 as compared to FY 2013-14. Compared to FY 2013-14, the net sales in FY 2014-15 grew by 11% and EBITDA has increased by 75% from previous year.
- Average percentage increase in the salaries of employees other than KMPs for FY 2014-15 was 8.63% as compared to FY 2013-14.



6. The total remuneration of KMPs was increased by 38% in FY 2014-15, whereas the revenue in the said period grew by 11% and EBITDA increased by 75%.
7. The remuneration philosophy of the Company is to provide market competitive compensation which drives a high performance culture. Every year, the salary increases are based on benchmarking with similar profiled organizations and market competitiveness. The variable component is paid out to an employee on the basis of performance of the Company, the corresponding business unit or function and his/her own performance.
8. Variations in the Market Capitalisation of the company, Price Earnings Ratio as at the Closing Date of the Current FY and Previous FY.

Particulars	Financial Year		% Incremental Growth
	2014-15	2013-14	
No. of Shares	84,65,203	84,65,203	
Market Capitalisation (₹ in Lakhs)			
BSE	42,876.25	20,481.56	109%
NSE	42,757.74	20,121.79	112%
EPS	41.63	23.06	
Price Earnings Ratio			
BSE	12.17	10.49	16%
NSE	12.13	10.31	18%

9. Percentage Change in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer is 133.29% in BSE & 133.92% in NSE.
10. Key parameters for variable component of remuneration availed by the directors: Each Executive Director is entitled to receive a commission of up to 2% of the Company's net profit (calculated under the Companies Act). The Nomination & Remuneration Committee recommends the commission payable to the Executive Directors after considering their achievements on financial and non-financial metrics and other evaluation criteria fixed by the Committee.
11. Non-Executive Directors are entitled for sitting fee only and no commission for the FY 2014-15 paid to them.
12. None of the employees (who are not directors) receive remuneration in excess of the highest paid director.
13. It is hereby affirmed that the remuneration paid during FY 2014-15 is as per the remuneration policy of the Company.

for and on behalf of the Board

Ramesh Babu Potluri
Chairman and Managing Director
DIN:00166381

Place : Hyderabad
Date : 08.08.2015



Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

[Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014]

(A) Conservation of energy.

During the year, the Company has implemented energy conservation projects across all its manufacturing facilities. Major categories of such investments are:

- a) Installation of energy efficient equipment :** Major projects in this category include:
- ❖ Installation and use of multi effect evaporation system and Zero Liquid Discharge plant in place of forced evaporation system .this covers the reduction of steam and saving in purchase of water as this treated water being used in cooling towers and for gardening.
 - ❖ Replacement of brine chillers & condensers with new equipment and adopting energy efficient technologies in brine chilling plants,
 - ❖ Replacement of old inefficient pumps, air compressors, HVAC blowers etc., with new ones which are energy economical.
 - ❖ Installation and use of 1 no of -20 TR PLC Based Compressor & 1 No of 80 TR +5°C PLC Based Chilled Water Compressor which reduces 5% of power consumption.
 - ❖ Installation and use of 2Ton Coal boiler instead of 3Ton furnace oil boiler it will reduce the fuel cost by about 40%.
 - ❖ Installation and use of ATFD in effluent treatment plant to reduce the steam consumption by 10 to 15% steam.
 - ❖ Replacement of water ring vacuum pumps with oil ring vacuum pumps and Dry screw vacuum pumps,
 - ❖ Installation and utilization of VFD's for Reactors , Centrifuges , ANFD's , Micronizer, Multimill, and Pumps for saving of power.
 - ❖ Reduced Air Pressure from 10.5 kg/cm² to 7.0 kg/cm², to reduce power consumption.
 - ❖ Boiler ID Fan FD fan connected with VFD's for saving of power.
- b) Identifying cheaper power sources:** Major initiatives include investing in dedicated feeder lines for purchasing open access power in place of DG sets during power holidays.
- c) The capital investment on energy conservation equipment's:** The company has invested an amount of ₹ 239 Lakh towards capital expenditure during the year 2014-15 for conservation of energy.
- d) Steps in Progress for conservation of energy:** Installation of 33KV electrical transmission is under implementation in the current year which reduces 4% of transmission and distribution losses.
- e) Optimization of processes consuming energy:** Major initiatives in the category include setting boiler efficiency, optimizing condensate steam and water for utilizing the boiler by installing flash vessel and pressure powered pumps. For optimizing the efficiency of cooling tower fans, the company has installed automatic start and stop system depending upon cooling requirement. Installation and use of ANFD's in place of centrifuges. This covers the reduction of power.



(B) Technology absorption

a) Efforts in brief, made towards technology absorption:

No technology absorption is involved as Company has its own full-fledged R&D center supported with analyst, support staff and ancillary facilities which has been developing and improving Processes for manufacture of new and existing Active Pharmaceuticals Ingredients and drug intermediates. The company has a continuously engaged in research on new products and process improvement on existing products as part of continuous improvement to reduce cost and make the existing processes more eco-friendly. The efforts are aimed at developing zero effluent manufacturing facilities. As soon as the development of technology, the same shall be transferred to the manufacturing sites for commercial production.

b) Benefits derived as a result of the above efforts:

The company has developed various efficient processes for several active Pharmaceuticals Ingredients wherein process optimization was achieved in production, which results in lower cost of production with improved yield and highest quality of the products manufactured. The company is the largest market leader for several products by successful development of complex generics products accomplished through innovation and science improved quality by adopting ecofriendly concepts. The company offers complete baskets of products under specialty therapeutic classes. Further, the company has Strong pipeline of products for future introduction in India, emerging markets, as well as US and European generic market.

c) Details of technology imported during the last 5 years:

- i) The details of Technology Imported.
- ii) The year of Import.
- iii) Whether the technology been fully absorbed
- iv) If not fully absorbed, areas, where has not taken place, and the reasons there of no technology has been imported during past five years.

No Technology has been imported during past three year.

d) R&D Expenditure

For details of expenditure incurred in R&D center of the company for the FY 2014-15 refer Note No.38 of Notes to Financial Statements.

(C) Foreign Exchange earnings and outgo

The Foreign exchange earned in terms of actual inflows during the year and the foreign exchange outflow during the year in terms of actual outflows, please refer Note No. 37, 44 to 46 of Notes to Financial Statements.

for and on behalf of the Board

Ramesh Babu Potluri
Chairman and Managing Director
DIN:00166381

Place : Hyderabad
Date : 08.08.2015



FORM NO. MGT 9
EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2015

*Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company
(Management & Administration) Rules, 2014.*

I. REGISTRATION & OTHER DETAILS:

1	CIN	L24239AP1987PLC008066	
2	Registration Date	14 th December, 1987	
3	Name of the Company	SMS Pharmaceuticals Limited	
4	Category/Sub-category of the Company	Company Limited by Shares	
		Listed Public Company	
5	Address of the Registered office & contact details	Plot No:19-III, Road No:71, Jubilee Hills, Opp.Bharatiya Vidya Bhavan Public School, Hyderabad, Telangana, India - 500034.	
6	Whether listed company	Yes	
		BSE(Bombay Stock Exchange) Ltd.	National Stock Exchange of India Limited
7	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Aarhi Consultants Private Limited 1-2-285,Domalguda, Hyderabad, Telangana-500 029. Phone : 040-27638111/ 27642217 Email : infor@aarhiconsultants.com”	

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

(All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

SL. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
I	Pharmaceuticals	Sec.-C; Div-21;Gr.-210	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl.No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
I	VKT Pharma Private Ltd.	U24100TG2006PTC05022I	Associate	31%	2(6)



IV. SHARE HOLDING PATTERN

(Equity share capital breakup as percentage of total equity)

(i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2014]			No. of Shares held at the end of the year [As on 31-March-2015]			% Change during the year
	Demat	Physical	Total	Demat	Physical	Total	
A. Promoters							
(1) Indian							
a) Individual/ HUF	4,824,443		4,824,443	4,824,443		4,824,443	0.00%
b) Central Govt			-			-	0.00%
c) State Govt(s)			-			-	0.00%
d) Bodies Corp.	586,000		586,000	586,000		586,000	0.00%
e) Banks / FI			-			-	0.00%
f) Any other			-			-	0.00%
Sub Total (A) (1)	5,410,443	-	5,410,443	5,410,443	-	5,410,443	0.00%
(2) Foreign							
a) NRI Individuals			-			-	0.00%
b) Other Individuals			-			-	0.00%
c) Bodies Corp.			-			-	0.00%
d) Any other			-			-	0.00%
Sub Total (A) (2)	-	-	-	-	-	-	0.00%
TOTAL (A)	5,410,443	-	5,410,443	5,410,443	-	5,410,443	0.00%
B. Public Shareholding							
I. Institutions							
a) Mutual Funds			-			-	0.00%
b) Banks / FI	42,114		42,114	520		520	-98.77%
c) Central Govt			-			-	0.00%
d) State Govt(s)			-			-	0.00%
e) Venture Capital Funds			-			-	0.00%
f) Insurance Companies			-			-	0.00%
g) FIs	45,000		45,000	35,000		35,000	-22.22%

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2014]			No. of Shares held at the end of the year [As on 31-March-2015]			% Change during the year		
	Demat	Physical	Total	% of Total Shares	Demat	Physical		Total	% of Total Shares
h) Foreign Venture Capital Funds			-	0.00%			-	0.00%	0.00%
i) Others (specify)			-	0.00%			-	0.00%	0.00%
Sub-total (B)(1):-	87,114	-	87,114	1.03%	35,520	-	35,520	0.42%	-59.23%
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	383,786	170	383,956	4.54%	416,677	170	416,847	4.92%	8.57%
ii) Overseas			-	0.00%			-	0.00%	0.00%
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	851,280	107,176	958,456	11.32%	964,239	91,387	1,055,626	12.47%	10.14%
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	797,030	51,332	848,362	10.02%	652,432	51,332	703,764	8.31%	-17.04%
c) Others (specify)									
Non Resident Indians	44,930	298	45,228	0.53%	169,255	298	169,553	2.00%	274.89%
Overseas Corporate Bodies	721,409		721,409	8.52%	659,029		659,029	7.79%	-8.65%
Foreign Nationals			-	0.00%			-	0.00%	0.00%
Clearing Members	10,063		10,063	0.12%	14,250		14,250	0.17%	41.61%
Trusts	1	171	172	0.00%	-	171	171	0.00%	-0.58%
Foreign Bodies-D R			-	0.00%			-	0.00%	0.00%
Sub-total (B)(2):	2,808,499	159,147	2,967,646	35.06%	2,875,882	143,358	3,019,240	35.67%	1.74%
Total Public (B)	2,895,613	159,147	3,054,760	36.09%	2,911,402	143,358	3,054,760	36.09%	0.00%
C. Shares held by Custodian for GDRs & ADRs			-	0.00%				0.00%	0.00%
Grand Total (A+B+C)	8,306,056	159,147	8,465,203	100.00%	8,321,845	143,358	8,465,203	100.00%	0.00%



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(ii) Shareholding of Promoter

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year		
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares
1	Hima Bindu Potluri	1,237,336	14.62%	0.00%	1,237,336	14.62%	0.00%
2	Ramesh Babu Potluri	1,135,696	13.42%	0.00%	1,135,696	13.42%	0.00%
3	T V V S N Murthy	822,700	9.72%	0.00%	822,700	9.72%	0.00%
4	Potluri Infra Projects Private Limited	586,000	6.92%	0.00%	586,000	6.92%	0.00%
5	T Annapurna	439,034	5.19%	0.00%	439,034	5.19%	0.00%
6	T V V S N Murthy	398,134	4.70%	0.00%	398,134	4.70%	0.00%
7	Gopineedi Sudeepthi	175,000	2.07%	0.00%	175,000	2.07%	0.00%
8	Vamsi Krishna Potluri	145,440	1.72%	0.00%	145,440	1.72%	0.00%
9	Trilok Potluri	143,134	1.69%	0.00%	143,134	1.69%	0.00%
10	T V Praveen	129,534	1.53%	0.00%	129,534	1.53%	0.00%
11	Satya Vani Potluru	75,666	0.89%	0.00%	75,666	0.89%	0.00%
12	Raghavendrarao Potluri	57,619	0.68%	0.00%	57,619	0.68%	0.00%
13	Hari Kishore Potluri	43,006	0.51%	0.00%	43,006	0.51%	0.00%
14	P Suresh Babu	14,144	0.17%	0.00%	14,144	0.17%	0.00%
15	Sukumari Koneru	4,000	0.05%	0.00%	4,000	0.05%	0.00%
16	Madanagopalaswamy Gopineedi	4,000	0.05%	0.00%	4,000	0.05%	0.00%
	Total	5,410,443	63.91%	0.00%	5,410,443	63.91%	0.00%

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No.	Particulars	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
	At the beginning of the year			5,410,443	63.91%	5,410,443	63.91%
	Changes during the year			No change in shareholding during the year	0.00%		0.00%
					0.00%		0.00%
	At the end of the year			5,410,443	63.91%	5,410,443	63.91%



(iv) Shareholding Pattern of top ten Shareholders

(Other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.	For each of the Top 10 shareholders	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
1	Gulf Pharmaceutical Industries						
	At the beginning of the year	04-04-2014		721,409	8.52%		0.00%
	Changes during the year	31-10-2014	Transfer	(3,752)	-0.04%	717,657	8.48%
		07-11-2014	Transfer	(763)	-0.01%	716,894	8.47%
		06-03-2015	Transfer	(15,000)	-0.18%	701,894	8.29%
		13-03-2015	Transfer	(42,865)	-0.51%	659,029	7.79%
At the end of the year	31-03-2015				659,029	7.79%	
2	Venkata Subbaraju Penmatsa						
	At the beginning of the year	04-04-2014		201,649	2.38%		0.00%
	Changes during the year	05-09-2014	Transfer	(6,649)	-0.08%	195,000	2.30%
	At the end of the year	31-03-2015			0.00%	195,000	2.30%
3	Aniruddh Mundra						
	At the beginning of the year	04-04-2014		125,000	1.48%		0.00%
	Changes during the year				0.00%	125,000	1.48%
	At the end of the year	31-03-2015			0.00%	125,000	1.48%
4	Eureka Stock And Share Broking Services Ltd						
	At the beginning of the year			125,000	1.48%		0.00%
	Changes during the year	18-04-2014	Transfer	500	0.01%	125,500	1.48%
		25-04-2014	Transfer	(5,447)	-0.06%	120,053	1.42%
		02-05-2014	Transfer	217	0.00%	120,270	1.42%
		09-05-2014	Transfer	(270)	-0.00%	120,000	1.42%
		16-05-2014	Transfer	210	0.00%	120,210	1.42%
		23-05-2014	Transfer	(210)	-0.00%	120,000	1.42%
		30-05-2014	Transfer	45	0.00%	120,045	1.42%
		06-06-2014	Transfer	3	0.00%	120,048	1.42%
		13-06-2014	Transfer	47	0.00%	120,095	1.42%
		20-06-2014	Transfer	5,577	0.07%	125,672	1.48%
		30-06-2014	Transfer	(10,633)	-0.13%	115,039	1.36%



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Sl. No.	For each of the Top 10 shareholders	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
		04-07-2014	Transfer	(4,930)	-0.06%	110,109	1.30%
		11-07-2014	Transfer	1,297	0.02%	111,406	1.32%
		18-07-2014	Transfer	(963)	-0.01%	110,443	1.30%
		25-07-2014	Transfer	(443)	-0.01%	110,000	1.30%
		08-08-2014	Transfer	219	0.00%	110,219	1.30%
		14-08-2014	Transfer	(219)	-0.00%	110,000	1.30%
		22-08-2014	Transfer	113	0.00%	110,113	1.30%
		29-08-2014	Transfer	(45,112)	-0.53%	65,001	0.77%
		05-09-2014	Transfer	(37,945)	-0.45%	27,056	0.32%
		12-09-2014	Transfer	(16,951)	-0.20%	10,105	0.12%
		19-09-2014	Transfer	(8,030)	-0.09%	2,075	0.02%
		24-09-2014	Transfer	(1,970)	-0.02%	105	0.00%
		30-09-2014	Transfer	(50)	-0.00%	55	0.00%
		03-10-2014	Transfer	40	0.00%	95	0.00%
		10-10-2014	Transfer	(70)	-0.00%	25	0.00%
		17-10-2014	Transfer	285	0.00%	310	0.00%
		24-10-2014	Transfer	(280)	-0.00%	30	0.00%
		31-10-2014	Transfer	30	0.00%	60	0.00%
		07-11-2014	Transfer	(35)	-0.00%	25	0.00%
		14-11-2014	Transfer	25	0.00%	50	0.00%
		21-11-2014	Transfer	2,248	0.03%	2,298	0.03%
		28-11-2014	Transfer	(1,114)	-0.01%	1,184	0.01%
		05-12-2014	Transfer	(1,084)	-0.01%	100	0.00%
		19-12-2014	Transfer	2,348	0.03%	2,448	0.03%
		16-01-2015	Transfer	(2,348)	-0.03%	100	0.00%
		06-02-2015	Transfer	(80)	-0.00%	20	0.00%
		13-02-2015	Transfer	2	0.00%	22	0.00%
		20-02-2015	Transfer	1,311	0.02%	1,333	0.02%
		13-03-2015	Transfer	(1,258)	-0.01%	75	0.00%
		20-03-2015	Transfer	(50)	-0.00%	25	0.00%
		27-03-2015	Transfer	(25)	-0.00%	-	0.00%
	At the end of the year	31-03-2015			0.00%	-	0.00%



Sl. No.	For each of the Top 10 shareholders	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
5	Vivek Mundra						
	At the beginning of the year	04-04-2014		112,000	1.32%		0.00%
	Changes during the year				0.00%	112,000	1.32%
	At the end of the year	31-03-2015			0.00%	112,000	1.32%
6	Alpana Mundra						
	At the beginning of the year	04-04-2014		110,000	1.30%		0.00%
	Changes during the year				0.00%	110,000	1.30%
	At the end of the year	31-03-2015			0.00%	110,000	1.30%
7	Oxygenica Pharmaceuticals Private Limited * Now New name - Poutluri Laboratories Pvt. Ltd.						
	At the beginning of the year	04-04-2014		91,742	1.08%		0.00%
	Changes during the year				0.00%	91,742	1.08%
	At the end of the year	31-03-2015			0.00%	91,742	1.08%
8	Merlin Holding Pvt Ltd						
	At the beginning of the year	04-04-2014		60,500	0.71%		0.00%
	Changes during the year	06-03-2015	Transfer	(4,856)	-0.06%	55,644	0.66%
	At the end of the year	31-03-2015			0.00%	55,644	0.66%
9	India Opportunities Growth Fund Ltd - Pine-wood Strategy						
	At the beginning of the year	04-04-2014		45,000	0.53%		0.00%
	Changes during the year	21-11-2015	Transfer	(45,000)	-0.53%	-	0.00%
	At the end of the year	31-03-2015			0.00%	-	0.00%
10	Central Bank Of India						
	At the beginning of the year	04-04-2014		36,558	0.43%		0.00%
	Changes during the year	05-09-2014	Transfer	(11,000)	-0.13%	25,558	0.30%
		12-09-2014	Transfer	(20,649)	-0.24%	4,909	0.06%
		19-09-2014	Transfer	(4,909)	0.00%	-	
	At the end of the year	31-03-2015			0.00%	-	0.00%



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(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	Shareholding of each Directors and each Key Managerial Personnel	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
1	Sri Ramesh Babu Potluri						
	At the beginning of the year	01-04-2014		1,135,696	13.42%		0.00%
	Changes during the year			-	0.00%	1,135,696	13.42%
	At the end of the year	31-03-2015			0.00%	1,135,696	13.42%
2	Sri T V V S N Murthy						
	At the beginning of the year	01-04-2014		822,700	9.72%		0.00%
	Changes during the year			-	0.00%	822,700	9.72%
	At the end of the year	31-03-2015			0.00%	822,700	9.72%
3	Sri A.P. Rao						
	At the beginning of the year	01-04-2014		19,000	0.22%		0.00%
	Changes during the year				0.00%	19,000	0.22%
	At the end of the year	31-03-2015			0.00%	19,000	0.22%

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment.

(Amt. INR)

	Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
	Indebtedness at the beginning of the financial year				
i)	Principal Amount	1,616,131,106	53,854,257	-	1,669,985,363
ii)	Interest due but not paid				-
iii)	Interest accrued but not due	1,790,850			1,790,850
	Total (i+ii+iii)	1,617,921,956	53,854,257	-	1,671,776,213
	Change in Indebtedness during the financial year				
	* Addition				-
	* Reduction				-
	Net Change	-	-	-	-
	Indebtedness at the end of the financial year				
i)	Principal Amount	1,623,007,929	47,821,862		1,670,829,791
ii)	Interest due but not paid				-
iii)	Interest accrued but not due	3,485,683			3,485,683
	Total (i+ii+iii)	1,626,493,612	47,821,862	-	1,674,315,474



VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sl. No.	Particulars of Remuneration		Name of MD/WTD/ Manager	
		Name	Sri Ramesh Babu Potluri	Sri T V V S N Murthy
		Designation	Chairman	Vice Chairman
1		Gross salary		
	(a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	6,600,000	6,600,000
	(b)	Value of perquisites u/s 17(2) Income-tax Act, 1961	845,977	586,186
	(c)	Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-
2		Stock Option	-	-
3		Sweat Equity	-	-
4		Commission		
		- as % of profit	14,392,249	14,392,249
		- others, specify		
5		Others, please specify		
		Total (A)	21,838,226	21,578,435
		Overall Ceiling as per the Act (@10% of the net profits of the Company for WTD)		71,961,344



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B. Remuneration to other Directors

Name of Directors	Independent Directors	Fee for attending board/ committee meetings	Commission	Others, please specify	Total
					Total Amount (INR)
Sri A.P. Rao	Independent Directors	10,500	-	-	10,500
Sri K.S. Rao	Independent Directors	17,500	-	-	17,500
Dr. B. M. Choudary*	Independent Directors	3,500	-	-	3,500
Dr. Mihir K. Chaudhuri	Independent Directors	3,500	-	-	3,500
Sri P. Sarath Kumar	Independent Directors	14,000	-	-	14,000
Dr. T. Neelaveni	Independent Directors	7,000	-	-	7,000
Sri Utpal Gokhale (Exim Bank)	Nominee & Non-Executive Directors	10,500	-	-	10,500
Dr. Ayman Sahli (M/s. Gulf Pharmaceuticals)	Nominee & Non-Executive Directors	-	-	-	-
Total (B)		66,500	-	-	66,500
Overall Ceiling as per the Act (@1% for ID)					71,96,134
Total Managerial Remuneration (A) + (B)**					4,34,83,161

*Note: Dr. B. M. Choudary had ceased as director from Board w.e.f. 05.06.2014

** Total remuneration to Managing/Whole-time Directors and other Directors.

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

Sl. No.	Particulars of Remuneration Name	Name of Key Managerial Personnel			Total Amount (Rs/Lakh)
		N.A.	Sri N. Rajendra Prasad	Sri P. Prabhakara Rao	
	Designation	CEO	CFO	CS	
1	Gross salary		1,192,200	234,000	1,426,200
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961		-	-	-
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		-	-	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961		-	-	-
2	Stock Option		-	-	-
3	Sweat Equity		-	-	-
4	Commission		-	-	-
	- as % of profit		-	-	-
	- others, specify		-	-	-
5	Others, please specify				-
	Total	-	1,192,200	234,000	1,426,200



VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
B. DIRECTORS					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
C. OTHER OFFICERS IN DEFAULT					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL

for and on behalf of the Board

Ramesh Babu Potluri
Chairman and Managing Director
DIN:00166381

Place : Hyderabad
Date : 08.08.2015



MANAGEMENT DISCUSSION AND ANALYSIS

Industry structure and developments

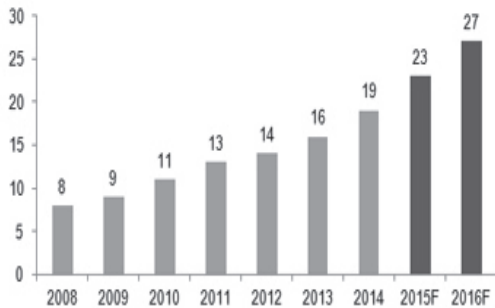
1. Economic Overview:

The Indian Pharmaceutical industry has achieved an eminent global position in pharma sector and has been witnessing phenomenal growth in recent years. It is well known that India is emerging as a world leader in generic pharmaceuticals production, supplying 20% of the global market for generic medicines. The industry accounts for 8% of global production, and is exporting to over 200 countries.

The Government of India aims at making India a global leader in end-to-end drug manufacture. It has reduced approval time for new facilities to boost investments. The Department of

Pharmaceuticals has declared the year of 2015 as the Year of Active Pharmaceutical Ingredients and was also recently launched by the Union Minister of Chemicals & Fertilizers, Mr Ananth Kumar. Speaking at the launch ceremony, he said that *“the Bulk Drugs constitute the backbone of the Pharmaceutical Industry and the sector needs to be incentivized so as to take on the challenge from cheap imports. There can be no compromise with the quality, environmental requirements or regulatory necessities but the issues hampering the growth of the industry have to be addressed. Over-dependence on imports from one country for bulk drugs is detrimental to the country’s interest and hence, paradigm shift is necessary.”*

Per capita sales of pharmaceuticals (USD)



Source: Business Monitor International, Aranca Research

Rising share of government expenditure (USD billion)



Source: Business Monitor International, Aranca Research

2. Industry Outlook & Market Size:

A new cluster of countries is contributing to the growth of the pharma industry, resulting in a robust jump in exports of drugs. As per Position Paper presented in India Pharma Summit 2014-15 named “Policy Landscape Reforms for Strengthening Indian Pharmaceutical Industry”; Indian pharmaceutical industry has been playing a pivotal role in supply of affordable and quality pharmaceuticals to the developed and developing countries. The country’s pharmaceuticals industry accounts for about

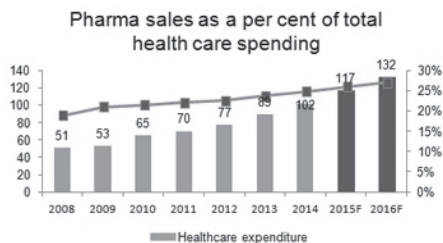
2.4% of the global pharma industry by value and 10% by volume. It is third largest in terms of volume and thirteen largest in terms of value. The industry is estimated to grow at 20% compound annual growth rate (CAGR) over the next five years.

As per make in India initiative government is proposed to achieve:

- Industry revenues are expected to expand at a CAGR of 12.1% during 2012-20 and reach USD 45 Billion.



- USD 26.1 Billion in generics by 2016.
- USD 200 Billion to be spent on infrastructure by 2024.
- The healthcare sector in India is expected to grow to USD 250 Billion by 2020 from USD 65 Billion currently
- 49% of all drug master filings registered in the USA.



Source: Deloitte, BMI, PWC, Aranca Research

An increase in insurance coverage, an ageing population, rising income, greater awareness of personal health and hygiene, easy access to high-quality healthcare facilities and favourable government initiatives are some of the important factors expected to drive the pharma industry in India. The Government of India has unveiled 'Pharma Vision 2020' aimed at making India a global leader in end-to-end drug manufacturing.

We expect the domestic pharma market to grow at 10-12 per cent in FY15 as compared to 9 per cent in FY14, as per a recent report from Centrum Broking. The domestic pharma growth rate was 11.9 per cent in October 2014, highlighted the report. Gujarat clocked the highest growth rate in pharmaceuticals market at 22.4 per cent during November 2014, surpassing the industry growth rate, which grew by 10.9 per cent, as per data from the market research firm AIOCD Pharma softtech AWACS.

3. Investments

The drugs and pharmaceuticals sector attracted cumulative Foreign Direct Investment (FDI) inflows worth US\$ 12,813.02 million between

April 2000 and December 2014, according to data released by the Department of Industrial Policy and Promotion (DIPP). The Contract Research and Manufacturing Services industry (CRAMS) – estimated at USD 8 Billion in 2015, up from USD 3.8 Billion in 2012. The market has more than 1,000 players. The formulations industry – India is the largest exporter of formulations with 14% market share. Double-digit growth is expected over the next five years.

Between 2011 and 2016, patent drugs worth USD 255 Billion are estimated to go off-patent leading to a huge surge in generic product and tremendous opportunities for companies. Pharma companies have increased spending to tap rural markets and develop better infrastructure. The market share of hospitals is expected to increase from 13.1% in 2009 to 26% in 2020. Following the introduction of product patents, several multinational companies are expected to launch patented drugs in India. India's patient pool is expected to increase to over 20% in the next 10 years, mainly due to the rise in population.

4. Government Initiatives

The Cabinet Secretariat notified creation of a new Department, namely the Department of Pharmaceuticals, under the Ministry of Chemicals & Fertilizers which came into being w.e.f. 1st July 2008 with the objective to give greater focus and thrust on the development of pharmaceutical sector in the country and to regulate various complex issues related to pricing and availability of medicines at affordable prices, research & development, protection of intellectual property rights and international commitments related to pharmaceutical sector which required integration of work with other ministries.

Recently on 22nd June, 2015 Union Minister of Chemicals and Fertilizers Shri Ananth Kumar announced, "to enable a single-window clearance system in pharmaceuticals sector, the government will set up a high-level committee next week to work out the modalities for



the same. The committee will be headed by Pharmaceuticals Secretary V K Subburaj and the move follows a recommendation by the task force on enabling the private sector to lead the growth of the pharmaceuticals sector.”

New initiatives taken by National Pharmaceutical Pricing Authority (NPPA) Integrated Pharmaceutical Database Management System (IPDMS)

With the help of NIC, a web-enabled application called Integrated Pharmaceutical Database Management System (IPDMS) is being developed to facilitate online submission Form-II, III and V of DPCO, 2013 by drug manufacturers. The objective is to fix/ revise prices of scheduled formulations/ new drugs on the basis of data provided by manufacturers themselves; monitor availability of Scheduled Formulations in every part of the country; regulate and monitor the price rise of Scheduled and non-Scheduled Formulations; enforce notified price; detect price rise violation; and recover overcharged amount along with interest from the company. Further, an ICT (Information Communication & Technology) enabled workflow system will be developed to facilitate all its functions as stated above.

After getting security clearance from NIC, the registration process was launched on 18.09.2014. Till 13.02.2015, 351 pharma companies have already registered and 449 pharma companies are in the process of registration with the online system. So far, 21,571 products have been registered and another 8,053 are under process. This system would be beneficial to all stake holders, i.e., NPPA, the Pharma Industry and the Consumers at large, in resolving the various problems being faced in the past. Industry will benefit from a user-friendly online reporting mechanism; NPPA will benefit from reliable database based on self-disclosure by companies, and consumers will benefit from access to comprehensive price database of medicines. The issue of overpricing/ overcharging will also be effectively addressed

by way of self-regulation by companies and a non-discretionary objective mechanism for proceeding against overcharging. It will bring about efficiency in implementation of DPCO 2013 with greater transparency.

National Center for Research & Development in Bulk Drug (NCRD BD)

A scheme on National Centre for Research and Development in Bulk Drug (NCRDBD) at NIPER, Hyderabad has been approved by the SFC. The NCRDBD is proposed to become an innovation R&D provider in the field of bulk drugs in offering competitive and eco-friendly technologies in specified areas of products and processes. This centre will also provide centralized research facilities and technologies, analytical facilities and consulting services for process improvement and optimization. Special emphasis is given to empowerment of Micro Small & Medium Enterprises (MSME) sector.

As per extant policy, Equity/FDI up to 100 per cent, under the automatic route, is permitted in the pharmaceuticals sector for Greenfield projects. For brownfield project investments, up to 100% FDI is permitted under the government route.

Opportunity & Threats: Road Ahead

The Indian pharma market size is expected to grow to US\$ 85 billion by 2020. The growth in Indian domestic market will be on back of increasing consumer spending, rapid urbanization, and raising healthcare insurance and so on. Going forward, better growth in domestic sales will depend on the ability of companies to align their product portfolio towards chronic therapies for diseases.

Moreover, the government has been taking several cost effective measures in order to bring down healthcare expenses. Thus, governments are focusing on speedy introduction of generic drugs into the market. This too will benefit Indian pharma companies. In addition, the thrust on rural health programmes, lifesaving drugs and preventive vaccines also augurs well for the pharma companies.

Company Perspective.

The strategy of the Company is to continuously globalize the intellectual property assets and



enhance value to the shareholders and customers. The company is developing a broad portfolio of DMFs/ ANDAs through non-infringing processes and intellectual properties for developing its products in regulated markets. The Company is forging commercial partnerships with leading Companies in India, USA, Japan and European countries for contract manufacturing at Kandivalasa facility. The Company is managing cost efficiency in manufacturing environment approved by USFDA / European Regulatory Authorities.

SMSPL has strong presence across the pharmaceutical chain, manufacturing and marketing active pharma ingredients (APIs/Bulk Drugs). The market segment for the products of SMSPL demonstrate growth tends every year with raising volume and value.

The Company has robust product portfolio spread over major product areas encompassing Gastroenterological, Anti-Retroviral, Anti-Migraine, Anti-Fungal, Anti-Hypertensive and other products. Two manufacturing facilities, (in Hyderabad and Vijayanagarm Districts) are qualified by USFDA. Hyderabad facility also has a successful EUGMP (Germany) inspection. Your Company is the largest manufacturer of Anti-Ulcer products in the World. Having forged tie ups with MNCs in Anti-Retroviral, Anti Migraine segments, significant revenue potential is envisaged apart from consolidation of existing product revenues, where your company is market leader.

Segment-wise or Product-wise Performance.

The Company's business activity is a single primary business segment of "Bulk Drugs". In view of higher capital investment, bulk drug manufacturers typically generate lower return on capital employed as compared to formulation companies owing to thin margins and high competition. Our bulk drug business being completely driven by scale of operations most Indian companies, which results in high product concentration and pricing related vulnerabilities.

Risks and Concerns:

Like all businesses, business of your Company too involves risks. Risk management is an integral part of the company's plan, business strategies,

monitoring systems and results. It takes in all organizational processes geared to early risk detection, identification and timely implementation of appropriate counter measures.

The Company has embedded risk management activities in the operational responsibilities of managements and made them an integral part of overall governance, organizational and accountability structure.

Your Company is in a competitive market and the challenges are both from Indian manufacturers who have similar production facilities, as well as those in China. Human resources with similar skills, talents and experiences in the Industry are mobile between competing companies. Yet, it must be appreciated that Indian manufacturers in general and your Company in particular have made an impact on the global stage and have worked hard to get shelf space.

Price sensitivities get tested in crowded market where price tends to sag while volume business gets done. Competing pharmaceutical companies have several similar bio-equivalent products in the same markets manufactured at facilities that have been approved by regulatory authorities. All of them stay focused on the same markets with the result that price elasticity is tested and margins get eroded.

This threat however, does not affect your Company, because of its control over raw-material sourcing. The company is a dominant player in the active ingredients business and has been able to control its quality and cost and has the ability to deliver at short notice.

SMSPL is adopting a broad and strategic plans for risk management, taking in to account both internal and external risks and strengthening the governance process to respond swiftly to challenging dynamics.

The Company has taken cognizance of the compliance and operational risks to be addressed involving the people, the process, technology and out sourcing the products and services.

Your Company lays emphasis on risk management and has an enterprise wise approach to risk management, which lays prominence by highlighting and identifying and managing key operational and strategic risks. Through this approach, the



company strives to identify opportunities that enhance organizational values while managing or mitigating risks that can adversely impact its future performance.

The company constantly reviews its policies and procedures to adhere to conformity to the various regulatory approvals for its manufacturing facilities. The company's risk management and control procedures involve prioritization and continuing assessment of these risks and devise appropriate controls, evaluating and reviewing the control mechanism and redesigning it from time to time in the light of its effectiveness.

The company's current and fixed assets as well as products are adequately insured against various risks.

Internal Control systems and their adequacy:

The Company has put in place a qualified team to ensure that the internal controls are complied with the objectives of the internal control system to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances.

SMSPL has a well-defined internal control system which is adequately monitored. Checks and balances and control systems have been established to ensure that the Assets are safe guarded, utilized with proper authorization and recorded in the books of account.

There is a proper definition of rules and responsibilities across the organization to ensure information flow and monitoring. These are supplemented by internal audit carried out by a firm of Chartered Accountants. The Company has an Audit Committee consisting of Three Directors, who all are independent Directors. This Audit Committee reviews the internal audit reports, statutory audit reports, cost audit report, secretarial audit report, the quarterly and annual financial statements and discusses all significant audit observations and follow up actions arising from them.

Performance and operations review.

During the year under review your Company has achieved a net sales of ₹ 53,604.12 , Lakh as against ₹ 48,197.76 Lakh during the previous year. Other Operating income of the Company has reached to

4,233.67 Lakh as against ₹ 3,606.04 Lakh during the previous year of 2013-14.

The company has earned other income of ₹ 1,632.00 Lakh during the year 2014-15 as against ₹ 152.41 Lakh in the previous year 2013-14. Your company has incurred ₹ 326.02 Lakh towards R&D expenditure for the year 2014-15 as against ₹ 140.27 Lakh in the previous year. The said R & D expenditure works out to 0.61% and 0.30% of its turnover respectively.

Your company continues to work towards optimizing the capacities of its manufacturing facilities and also adding additional capacities aimed at the business opportunities available to it in its domain capability in line with its strategy to work with innovators laying complimentary role and a non-compete model with its customers.

Human Resources

Pharmaceutical industry sector is facing global competition and most effected by a high attrition rate in India. Since this industry needs trained manpower who has the requisite experience to meet the compliances with statutory requirements, good manufacturing practices, good laboratory practices, QA and QC personnel along with research personnel, your company focuses on these aspects in human resources management.

Your company continuously implements its training programmes that help in identifying the potential talent from employees and sharpen their talent skills and motivating them to do right things in the right way.

At the year end the company had 914 employees directly employed, apart from them the company had 900 employees indirectly employed.

Industrial relations continue to be peaceful and harmonious. The management has initiated various measures.

Safety, Health and Environment.

SMSPL is in the business of design, manufacture and supply of Bulk Drugs , Drug Intermediates & Fine Chemicals, and is committed to protect its employees, the environment and public in all phases of its business activities.



SMSPL employ's Environment Management System (EMS) to measure its progress in Safety, Health and Environment (SHE) systems, considered an integral part of its business. Under EMS, the policy provides frame work for compliance with applicable laws and regulations and commitment to the continuous improvement of Environment, personnel skills and conservation of natural resources.

Outlook:

SMSPL has set ambitious goals for the years through to 2020 in expectation of moderate upward trend in the global economy. The Company has world class manufacturing facilities and an enviable basket of approved markets and strong relationship built with some of the best names in the pharma industry. Your company has set in motion a set of strategic initiatives to improve the revenues and profitability of the company.

The focus will be on expanding the markets and the profitability of the portfolio will be analysed on continual basis. By implementing these strategies, your company aims to increase its revenues, EBITDA and return on investment higher than the industry average.

Cautionary Statement

The management of SMS Pharmaceuticals Ltd. has prepared and is responsible for the financial statements that appear in this report. These financial statements are in conformity with Indian Accounting Standards and Other Applicable Standards, as and when issued by the various regulatory authorities and therefore include amounts based on informed judgments and estimates. Certain statements in

this report may be forward-looking statements. We have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. Such forward-looking statements are subject to certain risks and uncertainties like regulatory changes, local, political or economic developments, technological risks, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. Important factors that could make a difference to your Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which your Company operates, changes in the Government regulations, tax laws, statutes and other incidental factors. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

for and on behalf of the Board

Ramesh Babu Potluri
Chairman and Managing Director
DIN:00166381

Place : Hyderabad
Date : 08.08.2015



CORPORATE GOVERNANCE

Introduction:

In accordance with clause 49 of Listing Agreement with Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE), the report containing the details of Corporate Governance systems and processes at SMS Pharmaceuticals Limited (SMS) for the financial year ended on 31st March, 2015 is as follows.

1. Company's Philosophy on Corporate Governance:

Your company firmly believes that good corporate Governance practices are ingredients for the balanced development of an organization which would not only maximize the shareholder's value but also contributed to sustained and long lasting development of the organization.

The board of directors believes in ethical values and high moral standards in achieving the highest standard of Corporate Governance. All the activities of SMS Pharmaceuticals Limited are carried out in accordance with good corporate practices and the company is constantly striving to improve them and adopt the best practices.

Ethics/Governance Polices

At SMS, we strive to conduct our business and strengthen our relationships in a manner that is dignified, distinctive and responsible. We adhere to ethical standards and ensure integrity, transparency, independence and accountability in dealing with all stake holders. SMS has adopted various codes and polices to carry out our duties in ethical manner. Some of the codes and polices are under mentioned and details thereof is available on our website www.smspharma.com

- a) Code of Business Conduct and Ethics
- b) Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information
- c) Whistle Blower Policy or the Vigil Mechanism
- d) Corporate Social Responsibility Policy
- e) Familiarisation Programme for Independent Directors

2. Board of Directors:

i) Composition of Board:

The Board of directors of your company as on the date of this report representing the optimum combination of professionalism knowledge and experience. We had a total strength of 9 Directors on the Board comprising of 2 Executive Directors, 2 non-Executive & Nominee Directors and 5 Independent Directors. The Company immensely benefits from the professional expertise of the Independent Directors, Non-Executive and independent Directors. The Company has no separate posts of Chairman and Managing Director. None of the Directors of the Board is related to other Directors. During the Financial Year Dr. B. M. Choudary had ceased as director from Board w.e.f. 5th June, 2014. Sri P. Sarath Kumar & Dr. T. Neelaveni appointed as Additional Directors w.e.f. 12th August, 2014 and subsequently on 26th AGM they are appointment as Director for a period of 5 years.

As per clause 49 of the Listing Agreement, where the Chairman of the Board is Executive Director, at least half of the Board should comprise of Independent Directors. The Company complied with the provisions of Clause 49 of the Listing Agreement. None of the Directors on the Board are Members of more than 10 committees or Chairman of more than 5 committees across all the public companies in which they are Directors.



- ii) Necessary disclosures regarding committee positions in other public companies as on 31st March, 2015 have been made by the Directors. The Company has no separate posts of Chairman and Managing Director. The constitution of the Board is given below:

Name of Director	Category	Date of Joining	DIN No.	Directorships As per Sec. 165 of the Act.	Number of Committee in Companies	
					Member	Chairman
Sri P. Ramesh Babu	Executive Director (Chairman & Managing Director)	30-08-1990	00166381	1		
Shri T V V S N Murthy	Executive Director (Vice Chairman & Joint Managing Director)	30-08-1990	00465198	1	1	
Sri A.P. Rao	Non-Executive & Independent Director	21-11-1994	00027847	2	2	1
Dr. Mihir K. Chaudhuri	Non-Executive & Independent Director	18-11-2004	00489843	1		
Sri K.S. Rao	Non-Executive & Independent Director	29-05-2005	00038416	2		1
Dr. B. M. Choudary*	Non-Executive & Independent Director	29-05-2005	00463723	4	1	
Sri P. Sarath Kumar	Non-Executive & Independent Director	12-08-2014	01456746	2	4	
Dr. T. Neelaveni	Non-Executive & Independent Director	12-08-2014	00065571	1		
Dr. Ayman Sahli	Non-Executive & Nominee Director	30-04-2009	02680724	1		
Sri Utpal Gokhale	Non-Executive & Nominee Director	18-04-2012	02619302	1		

*Directorship of Dr. B.M. Choudary was at the date of his cession from our company..

Pursuant to Sec. 165 of Companies Act, 2013 and Clause 49(II)(D) of the Listing Agreement for reckoning the limit of other Directorships all other public limited companies shall be included as specified under that section; and for Membership of Committees on which a director can serve, all public limited companies, whether listed or not, shall be included and all other companies including private limited companies, foreign companies and companies under Section 25 of the Companies Act shall be excluded. Committees include only Audit Committee and the Shareholders' Grievance Committee as specified under Clause 49.

Board's Functioning and Procedure

The Board plays a pivotal role in ensuing good governance. In addition to the primary role of setting corporate goals and monitoring the Company's performance, it directs and guides to activities of the Management towards creating long-term sustainable growth that benefits all stakeholders.



The Board also sets standards of behavior and ethical conduct for all the employees. The Board is adhering to its duties as defined under clause 49(I)(D) of Listing Agreement. It also ensures strict compliance with the law and all regulations by the Company.

Board Meetings

The Board met 5 times in the financial year 2014-15 on 30th May, 2014; 12th August, 2014; 26th August, 2014, 11th November, 2014 and 6th February, 2015. Pursuant to Clause 49(II)(B)(6) of Listing Agreement during the financial year, the **Four Independent Directors** of the Company met on 6th February, 2015 under the chairmanship of Shri P. Sarath kumar without the presence of non-independent directors or management personnel to review the performance of Non-Independent Directors, the Board and its Chairperson. The meeting also reviewed the quality, quantity and timeliness of flow of information between the Company and the Board.

The time gap between any two meetings did not exceed 4 months as per the requirements of Clause 49 of the listing agreement and the required information was suitably placed before the Board Meetings. The details relating to financial and commercial transactions where may have a potential interest, if any, were provided to the Board and interested Directors abstained from the proceedings.

iii) The details of attendance of Directors at Board Meetings, Independent Directors Meeting and Annual General Meeting are as follows:

Name of Director	No. of Board Meetings during the Tenure		Meeting of Independent Director		Attendance at last AGM
	Held	Attended	Held	Attended	
Sri P. Ramesh Babu	5	4	N.A.	N.A.	Yes
Shri T V V S N Murthy	5	5	N.A.	N.A.	Yes
Sri A.P. Rao	5	3	1	1	Yes
Dr. Mihir K. Chaudhuri	5	1	1	1	No
Sri K.S. Rao	5	5	1	1	Yes
Dr. B. M. Choudary*	1	1	0	0	Not Applicable
Sri P. Sarath Kumar*	4	4	1	1	Yes
Dr. T. Neelaveni*	4	2	1	0	No
Dr. Ayman Sahli	5	1	N.A.	N.A.	No
Sri Utpal Gokhale	5	3	N.A.	N.A.	No

*Dr. B. M. Choudary ceased to be the Director of the company w.e.f. 12.08.2014 and Sri. P. Sarath Kumar and Dr. T. Neelaveni were inducted w.e.f. 12.08.2014

Information placed before the Board of Directors

The Board has complete access to all information relating to the Company. The following information is provided to the Board regularly which are required to be placed under Clause 49(II)(D)Annexure – X of the Listing Agreement:

- Minutes of the meetings of the Board, the Audit Committee and other committees constituted by the Board.



- b) Annual Operating Plans of the Business and budgets including capital budgets and any updates.
- c) Quarterly Results of the Company and its operating divisions or business segments.
- d) Annual Financial Results financial statements, auditor's report, cost auditor's report and board's Report.
- e) Quarterly/Annual secretarial audit reports submitted by Secretarial Auditors.
- f) Significant changes in Accounting Policies and internal controls.
- g) Findings in Internal/External/Cost/Secretarial Audit Reports and their proposed solutions as recommended by the Audit Committee.
- h) Proposal for major investments, if any.
- i) Reports on progress made on on-going projects.
- j) Related Party Transactions.
- k) The information on Appointment, Remuneration and Resignation of Directors and Formation/Re-constitution of Board committees and terms of reference.
- l) The information on Declaration by Independent Directors at the time of their appointment and Annually Disclosure of director's interest and their shareholdings.
- m) The information on recruitment and remuneration of senior officers just below the board level, including appointment or removal of Key Managerial Persons.
- n) Appointment of Statutory Auditor, Cost Auditor, Internal Auditors and Secretarial Auditors.
- o) Status of Business risk exposures, Management and related action plans.
- p) Borrowing monies, giving guarantees or providing security in respect of loan.
- q) Details of any joint venture or collaboration agreement.
- r) Any significant development in Human Resources/Industrial Relations
- s) Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.
- t) Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- u) Details of Litigations, show cause/demand/prosecution/penalty notices which are materially important.
- v) Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- w) Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.
- x) Certificate on Compliances.

Recording Minutes of Proceedings of Board Meeting

The Company Secretary records the minutes of the proceedings of each Board and Committee Meetings. Draft Minutes are circulated to all the members of the Board/Committee for their comments.

Board Committees:

The Board has constituted various committees of Directors to take informed decisions in the best interest of the Company. These committees monitor the activities falling within their terms of reference. Some of the committees of the Board were renamed to align with the provisions of the Companies Act, 2013 and listing agreement.

3) Audit Committee:

i) Composition

The primary objective of the audit Committee is to monitor and provide effective supervision of the management's financial reporting process with view to ensure accurate, timely and proper disclosure and transparency, integrity and quality of financial reporting. The Committee oversees the work carried out by management, statutory auditors and internal auditors, in relation to the financial reporting process and the safeguards deployed by them. The Company has qualified and independent audit Committee.

The Company constituted Audit committee in the year 2006 the composition of Audit committee is in pursuance of Clause 49(III)(A) of the Listing Agreement and Section 177 of the Companies Act, 2013. The audit Committee comprises of three members with all Independent Directors. The Composition, procedures, powers and roll of the audit Committee constituted by the board comply with the requirements of Clause 49 of the listing agreement and the Companies Act, 2013

During the year five audit committee meetings were held. The dates on which the said meetings were held are 30th May, 2014; 12th August, 2014; 26th August, 2014, 11th November, 2014 and 6th February, 2015. The audit committee at its meeting held on 30th May, 2015 had considered the audited annual accounts for the financial year 2014-15.

ii) The composition of the audit committee and particulars of meetings attended by the members of the audit committee are as given below:

Name	Designation	Qualification	Category	No of Meetings during the tenure	
				Held	Attended
Sri K.S Rao	Chairman	Chartered Accountant	Non-Executive & Independent Director	5	5
Sri A.P Rao	Member	Cost Accountant	Non-Executive & Independent Director	5	4
Dr. B. M. Choudary*	Member	P.hd. (Chemical)	Non-Executive & Independent Director	1	1
Sri P. Sarath Kumar*	Member	Chartered Accountant	Non-Executive & Independent Director	4	4

**Note: Dr. B. M. Choudary had ceased as director from Board w.e.f. 05.06.2014 and Sri P. Sarath Kumar was inducted w.e.f. 12.08.2014.*

The Audit Committee meetings were also attended by the heads of accounts and finance, internal auditors and statutory auditors of the company and the Company Secretary acts as the secretary of the Audit Committee.



iii) Terms of Reference

The Audit Committee has complete access to all financial information relating to the Company. The Audit Committee may access external professionals and obtain legal advice, if so required in discharge of its functions. The terms of reference of the Audit Committee is as required under clause 49(III)(C,D&E) of Listing Agreement and Sec. 177(4) of Companies Act, 2013. Broadly the terms of reference of the Audit Committee include following:

- a) Overview of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
- b) Recommend the appointment and removal of, statutory auditor, internal auditor, cost auditor and secretarial auditor and to fix their audit fee and approval for payment for any other services.
- c) Reviewing financial statements and draft audit report, including quarterly/ half yearly financial information.
- d) Reviewing with the management the annual financial statements before submission to the board, focusing primarily on:
 - 1) The changes in accounting policies and practices.
 - 2) Major accounting entries based on exercise of judgment by the management.
 - 3) Qualifications, if any, in draft statutory audit report, Cost audit report and Secretarial audit report.
 - 4) Significant adjustment arising out of audit.
 - 5) Compliances with the accounting standards, stock exchanges and legal requirements concerning financial statements.
- e) Review and approve of related party transactions.
- f) Reviewing with the management, external and internal auditors, the adequacy and compliance of internal control systems.
- g) Review in the adequacy of internal audit functions.
- h) Discussion with internal auditors on any significant findings and follow up thereon.
- i) Reviewing the company's financial and risk management policy.
- j) Any other function as may be delegated by the board from time to time.

4) Nomination and Remuneration Committee

The Nomination and Remuneration Committee deals with all elements of remuneration package service contract and other terms and conditions of service of the Executive Directors/Promoters, Non-Executive Directors, relatives of Director's and the Senior Management. The remuneration policy is directed towards regarding performance, based on review of achievements on a periodical basis. The remuneration policy is in consonance with the existing industry practice. The remuneration policy of the company is primarily based on the criteria like performance of the company, potential, experience and performance of individual personnel and external environment. The Committee takes into consideration remuneration practices followed by leading companies while determining the overall remuneration package.

- i) The composition of Nomination and Remuneration Committee is in pursuance of Clause 49(IV) of the Listing Agreement and Section 178(1) of the Companies Act, 2013. The Nomination and Remuneration Committee comprises of three members with all independent directors. The composition of the Nomination and Remuneration Committee and particulars of meetings attended on dated 12th August, 2014 and on 26th August, 2014 by the members of the said committee are as given below:



Name of the Director	Designation	Category	No of Meetings during the tenure	
			Held	Attended
Sri K.S. Rao	Chairman	Non-Executive & Independent Director	2	1
Sri A.P. Rao	Member	Non-Executive & Independent Director	2	1
Dr. B. M. Choudary*	Member	Non-Executive & Independent Director	N.A.	1
Dr. T. Neelaveni*	Member	Non-Executive & Independent Director	1	1

*Note: Dr. B. M. Choudary had ceased as director from Board w.e.f. 05.06.2014 and Dr. T. Neelaveni was inducted w.e.f. 12.08.2014.

ii) Remuneration of Directors

Remuneration paid to the Executive Directors and sitting fees paid to non-Executive Directors for the year 2014-15 is as under:

a) Executive Directors

(Amount: ₹ Lakhs)

Name of the Director	Salary and Allowances	Commission	PF Contribution	Perquisites	Total
Sri Ramesh Babu Potluri					
(Chairman & Managing Director)	66.00	143.92	5.76	8.46	224.14
Sri T V V S N Murthy					
(Vice Chairman & Joint Managing Director)	66.00	143.92	5.76	5.86	221.54

b) Non-Executive Directors

Pursuant to Clause 49(II)(C) of the Listing Agreement, the Company pay only sitting fee to Independent & Non-Executive Directors.

Name of the Director	Sitting Fees	No of shares held on 31.03.2015
Sri A.P. Rao	10,500	19,000
Dr. Mihir K Chaudhuri	3,500	Nil
Sri K.S. Rao	17,500	Nil
Dr. B. M. Choudary*	3,500	Nil
Sri. P. Sarath Kumar*	14,000	Nil
Dr. T. Neelaveni*	7,000	Nil
Sri Utpal Gokhale Nominee Director of Exim Bank	10,500	Nil
Dr. Ayman Sahli Nominee Director of M/s. Gulf Pharmaceuticals	NIL	Nil

*Dr. B. M. Choudary ceased to the Director of the company w.e.f. 12.08.2014 and Sri. PS arath Kumar and Dr. T. Neelaveni were inducted w.e.f. 12.08.2014



5) Stakeholders Relationship Committee

In Compliances with the provisions of Section, 178(5) of the Company's Act, 2013 the board has renamed the existing "Shareholders/Investors Grievance Committee" as the "Stakeholders Relationship Committee". The Stakeholders Relationship Committee comprises of three members out of whom two are Independent and one is Executive Director.

The Committee was constituted to specifically look in to the matters of investors' grievances such as transfer, transmission, split and consolidation of investors' holding replacement of lost/mutilated/stolen share certificate, dematerialization of the shares, and non-receipt of dividend/notices/annual reports and change of addresses, among others. The main object of the company is to strengthen investor relation.

- i) The composition of the Stakeholders Relationship Committee and particulars of meetings attended on dated 26th August, 2014 and dated 6th February, 2015 by the members of the said committee are as given below:

Name of the Director	Designation	Category	No of Meetings during the tenure	
			Held	Attended
Sri A.P. Rao	Chairman	Non-Executive & Independent Director	2	2
Sri T V V S N Murthy	Member	Executive Director	2	2
Sri P. Sarath Kumar	Member	Non-Executive & Independent Director	2	2

ii) Investor Grievances

The following table shows the No. of complaints received from shareholders during the year 2014-15.

No. of Complaints received	No. of Complaints resolved	No. of Complaints pending
2	2	Nil

The Complaints are generally replied within 2 weeks from their lodgment with the Company.

The Company has designated the email id cs@smspharma.com exclusively for the purpose of registering complaints by investors electronically. The email id has been displayed on the Company's website i.e. www.smspharma.com

6) Corporate Social Responsibility and Governance (CSR&G) Committee

Conscious business decisions by the group have directly and indirectly created value for multiple stakeholders and helped in improving lives of the people. SMS Pharmaceuticals Limited has always believed in creating societal value by providing affordable products and services which have assisted in the growth of relevant industries. Across all its areas of operations, there are inherent linkages and interconnections with the immediate and long term societal impact.

In pursuance of Section 135 & Schedule-VII of the Companies Act, 2013 the company constituted Corporate Social Responsibility and Governance Committee in the year 2014. The Corporate Social Responsibility Committee comprises of three members out of whom two are independent and one is Executive Director.

The composition of the CSR&G committee and particulars of meetings attended on dated 6th February, 2015 by the members of the said committee are as given below:



Name of the Director	Designation	Category	No of Meetings during the tenure	
			Held	Attended
Sri Ramesh Babu Potluri	Chairman	Executive Director	1	1
Sri K. S. Rao	Member	Non-Executive & Independent Director	1	1
Sri P. Sarath Kumar	Member	Non-Executive & Independent Director	1	1

Broadly the work of CSR&G Committee is to provide guidance on various CSR activities to be undertaken by the company and monitor its progress. To review the existing CSR policy and to make it more comprehensive, so as to indicate the activities to be undertaken the by the company as specified by government from time to time.

7) **Familiarisation programme for Independent Directors**

Pursuant to Clause 49(II)(B)(7) of the Listing Agreement, to familiarize a new Independent Director with the Company and its procedures and practices; a kit containing informative documents/brochures, reports and internal policies about the Company like Annual Reports, Investor Presentations, recent Press Releases, Memorandum and Articles of Association, etc. is handed over to him/ her.

Periodic presentations are made at the Board and Board Committee Meetings, on business and performance updates of the Company, global business environment, business strategy and risks involved. Detailed presentations on the Company's business segments were made at the separate meetings of the Independent Directors held during the year.

Quarterly updates on relevant statutory changes and landmark judicial pronouncements encompassing important laws are regularly circulated to the Directors. Site visits to various plant locations are organized for the Directors to enable them to understand the operations of the Company.

8) **Code of Business Conduct and Ethics**

Pursuant to Clause 49(II)(E) of the Listing Agreement, the Company has formulated and implemented a Code of Business Conduct and Ethics for Board Members and Senior Management of the Company. Requisite annual affirmations of compliance with the respective Codes have been made by the Directors and Senior Management of the Company.

i) **Prevention of Insider Trading**

In accordance with the requirements of Regulation 8 of SEBI (Prohibition of Insider Trading) Regulations, 2015 the Company has formulated and adopted a Code of Practices and Procedures for Fair Disclosure of Un-published Price Sensitive Information. The Company has in place a comprehensive code of conduct applicable to all the senior management personnel and directors including independent directors to such an extent as may be applicable to them depending on their roles and responsibilities. All the board members and the senior management personnel have confirmed compliance with the code. A declaration signed by Sri P.Ramesh babu Chairman and Managing Director is appended to this report.

ii) **CEO/CFO Certification**

The Chairman and Managing Director and the Chief Financial Officer have certified to the board regarding compliance of matters specified in clause 49 of the Listing Agreement and the same forms part of this Corporate Governance report. The said certificate has been reviewed by the audit committee and taken on record by the board at the meeting held on dt. 08.08.2015.



9) Whistleblower Policy

The Company promotes ethical behavior in all its business activities and has put in place a mechanism for reporting unethical behavior. Pursuant to Clause 49(II)(F) of the Listing Agreement and provisions of section 177(9) & (10) of the Companies Act, 2013, the Company had established a vigil mechanism in the year 2014 for directors and employees to report genuine concerns. The Company has adopted a Whistle Blower Policy through which the Company encourages employees bring to the attention of Senior Management, including Audit Committee, any unethical behavior and improper practices and wrongful conduct taking place in the Company.

The Audit Committee has full access to information and records of the Company and can seek information from any employee of the Company. The Audit Committee may access external professionals and obtain legal advice, if so required in discharge of its functions.

10) Policy on Anti- Sexual Harassment

The Company has in place an Anti-Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complain Committee has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

11) Risk Management

Pursuant to Clause 49(VI) of Listing Agreement, the Company had adopted Risk Management procedure in place which reviewed periodically. This facilitates not only help in risk assessment and timely rectification but also helps in minimization of risk associated with any strategic, operational, financial and compliance risk across all business operations.

12) Related Party Transactions

In pursuance of Clause 49(VII) of Listing Agreement during the year 2014-15, there were no materially significant related party transactions which could, have potential conflict with the company's interest at large. The register of contracts/ arrangements containing the transactions in which the directors are interested is placed before the board regularly for its approval. Statement in summary form of transactions with related parties is placed before the audit committee for review. All related party transactions are in the ordinary course of business and they are negotiated on an arm's length basis. In compliance with the accounting standard 18, transactions with related parties are disclosed in the Notes to Accounts.

13) General Body Meetings:

i) The location and time of the Annual General Meetings held during the last 3 years are as follows:

Annual General Meeting	Year	Date	Time	Venue	No. of Special Resolutions passed
26 th AGM	2014	30-09-2014	11.00 a.m.	Jubilee Hills Club	2
25 th AGM	2013	30-09-2013	11.00 a.m.	Jubilee Hills	4
24 th AGM	2012	29-09-2012	11.00 a.m.	Hyderabad-500 033.	0

14) General Disclosures:

i) No Transaction of material nature has been entered into by the Company with its Directors or Management and their relatives that may have a potential conflict with interests of the Company. The Register of Contracts/statement of related party transactions is being placed before the Board/ Audit Committee periodically. Transactions with related parties are disclosed above to the Accounts in the Annual Report;



- ii) No special resolution passed last year through postal ballot. The special resolutions were passed by Voting through electronic means and / or by show of hands.
- iii) There has been no instance of non-compliance by the Company on any matter related to capital markets. Hence, the question of penalties being imposed by SEBI or the Stock Exchanges or any other statutory authority does not arise;
- iv) **Compliance with Mandatory/Non-mandatory Requirements**
The Company has complied with all the applicable mandatory requirements of Clause 49 of the Listing Agreement.

15) Means of Communication

i) Quarterly Results

The Company's Quarterly Results are published in Financial Express and Andhra Prabha and are displayed on web site : www.smspharma.com;

ii) Website

The company's website: www.smspharma.com; contains a separate dedicated section named as 'Investors Relations'. It contains relevant shareholders information. The company's Annual Report is also available in a user friendly and downloadable form.

Annual Report

The Annual Report containing audited financial statements, Directors' Report, Auditors' Report, Corporate Governance Report and other important information is circulated to the members and others entitled thereto.

Management discussion and Analysis (MDA Report)

The report on MDA is annexure to the Directors' Report and forms part of the Annual Report.

Disclosures to Stock Exchanges

The Company informs BSE and NSE all price sensitive matters or such other matters which in its opinion are material and of relevance to the members.

16) General Shareholders Information

i) 27th Annual General Meeting

Financial Year : 2014-2015
Day and Date : Tuesday, 29th September, 2015
Time : 11.00 a.m.
Venue : Jubilee Hills International Center, (Jubilee Hills, Club),
Hyderabad, Telanagana – 500033

ii) Financial Year

Financial Year 1st April, 2015 to 31st March, 2016
Quarter Ending : Release of Results
1st Quarter : Latest by 12th August, 2015
2nd Quarter : Latest by 14th November, 2015
3rd Quarter : Latest by 14th February, 2016
4th Quarter : Latest by 15th May, 2016*

**Instead of publishing quarterly un-audited results, the company may opt to publish the audited financial results within 60 days from the end of the financial year as per stock exchange guidelines.*



iii) Date of book closure: 24th September, 2015 to 29th September, 2015

Dividend Disclosure

The Directors are pleased to propose a dividend of ₹ 2.00 per equity share of ₹ 10/- each (@ 20%) for the financial year 2014-15 subject to the approval of Shareholders at the ensuing Annual General Meeting.

Mode of Dividend payment and date

Dividend shall be remitted through National Electronic Clearing Service (NECS) at approved locations wherever NECS details are available with the company; and in all other cases, through warrants payable at par. These warrants shall be valid for a period of 90 days. Post expiry of validity period these may be sent to Company's Office / Share Transfer Agents for issue of demand drafts in lieu of expired dividend warrants.

iv) Dividend Payment Date: On and from 6th October, 2015 but within the statutory time limit of 30 days

v) Listing on Stock Exchange & Stock Code

Bombay Stock Exchange Limited Corporate Relationship Department Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001	National Stock Exchange of India Limited Exchange Plaza, 5 th Floor, Plot No.C-1 G Block, Bandra-Kurla Complex Bandra (E), Mumbai-400 051.
Stock Code: BSE: 532815	Stock Code: NSE : SMSPHARMA

vi) Market Price Data

The Stock of the Company has listed in the Month February, 2007.

The table below shows the monthly high and low price on the National Stock Exchange and BSE Limited during the year 2014-15.

Month	BSE			NSE		
	High (₹)	Low (₹)	Volume	High (₹)	Low (₹)	Volume
April, 2014	295.15	233.30	18,843	294.00	235.00	28,255
May, 2014	294.00	252.00	30,772	293.00	246.00	42,014
June, 2014	332.00	270.00	42,919	332.95	276.60	55,571
July, 2014	405.00	320.00	70,551	407.00	315.05	1,50,083
August, 2014	398.00	350.60	29,085	392.50	352.00	82,225
September, 2014	585.00	378.55	2,01,501	585.05	370.15	6,74,019
October, 2014	560.00	415.00	31,173	559.00	419.65	1,14,111
November, 2014	530.35	408.00	1,29,742	529.00	404.90	1,92,499
December, 2014	460.50	351.10	49,482	460.50	387.00	1,06,199
January, 2015	514.45	386.00	73,550	507.80	386.50	1,16,420
February, 2015	516.85	448.15	61,267	516.30	445.00	1,11,439
March, 2015.	554.90	456.40	71,913	559.70	451.00	3,34,168



SMS Pharmaceuticals Ltd.

vii) Performance in comparison to broad-based indices:

Sensex vs. SMS Pharmaceuticals Ltd.



NSE vs. SMS Pharmaceuticals Ltd.





viii) Registrar and Share Transfer Agents

M/s. Aarathi Consultants Private Limited

Address : 1-2-285, Domalguda Hyderabad-500 029.

Tel : 040-27638111/4445

Fax : 040-27632184

Email : info@aarthiconsultants.com

ix) Share Transfer System

M/s. Aarathi Consultants Private Limited (RTA) has been authorized to process all the valid transfer requisitions on weekly basis and a Memorandum of Transfers, if any, will be submitted to the Company. The share certificate duly transferred will be dispatched to the transferees. For this purpose the company has authorized the Company Secretary of the Company to monitor the memorandum of share transfers. (MOT). As and when reported by RTA and he will report to Share Transfer Committee for its approval.

In case of shares held in physical form, all transfers are completed within 2 weeks from the date of receipt of complete documents. As at 31st March, 2015 there were no Equity Shares pending for transfer. Also, there were no demat requests pending as on 31st March, 2015.

The company has obtained and filed with the stock exchanges the half yearly certificates from the Company Secretary in practice for the due compliance with the share transfer formalities as required under the Clause 47(c) of the Listing Agreement.

Reconciliation of Share Capital Audit Report

Sri C. Sudhir Babu, Practicing Company Secretary carried out a share capital audit to reconcile the total admitted equity share capital with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) and the total issued and listed equity share capital. The audit report confirms that the total issued / paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

x) Distribution of Equity Shareholding as on 31.03.2015

The table below shows the distribution of shareholding of various groups as on 31st March, 2015.

Slab of shareholdings			Shareholders	%	No. of Shares	%
1	to	5000	9057	95.63	5,18,631	6.13
5001	to	10000	191	2.02	1,61,911	1.91
10001	to	20000	95	1.00	1,55,744	1.84
20001	to	30000	25	0.26	62,911	0.74
30001	to	40000	20	0.21	71,695	0.85
40001	to	50000	9	0.10	40,935	0.48
50001	to	100000	29	0.31	2,14,612	2.54
100001	and	above	45	0.48	72,38,764	85.51
Total			9471	100.00	84,65,203	100.00



SMS
Pharmaceuticals Ltd.

Categories of Equity Shareholders as on 31st March, 2015

Sl. No.	Category of Shareholders	No. of Shareholders	No. of Shares
(A)	Shareholding of Promoter and Promoter Group	16	54,10,443
(B)	Public shareholding		
1	Institutions		
(a)	Mutual Funds/UTI	-	-
(b)	Financial Institutions/Banks	1	520
(c)	Insurance Companies	-	-
(d)	Foreign Institutional Investors	1	35,000
	Sub-Total	2	35,520
2	Non-Institutions		
(a)	Bodies Corporate	164	4,16,847
(b)	Individuals Shareholders		
(i)	holding nominal share capital up to ₹ 1 Lakh	9,134	10,55,626
(ii)	holding nominal share capital in excess of ₹ 1 Lakh	20	7,03,764
(c)	Any Other (Specify)		
(i)	Non-Resident Individuals	73	1,69,553
(ii)	Overseas corporate bodies	1	6,59,029
(iii)	Clearing Members	60	14,250
(iv)	Trusts	1	171
	Sub-Total (B) (2)	9,453	30,19,240
	Total Public Shareholding	9,455	30,54,760
	TOTAL (A) + (B)	9,471	84,65,203

Equity build up chart

Reason of Allotment	Nature of payment of consideration	Date on which Equity Shares were allotted/ made fully paid-up	Number of Equity Shares allotted	Cumulative Equity Shares
Subscription to Memorandum of Association	Cash	14-11-1987	40	40
Further Allotment	Cash	13-12-1988	34,960	35,000
Allotted to relatives , friends of promoters	Cash	15-12-1988	15,000	50,000
Allotted to promoters, relatives, friends	Cash	20-03-1989	25,000	75,000
Allotted to relatives, friends of promoters	Cash	28-09-1989	25,000	100,000



Reason of Allotment	Nature of payment of consideration	Date on which Equity Shares were allotted/ made fully paid-up	Number of Equity Shares allotted	Cumulative Equity Shares
Allotted to relatives, friends of promoters	Cash	07-05-1990	22,900	122,900
Allotted to relatives, friends of promoters	Cash	07-06-1990	27,100	150,000
Allotted to Promoters, relatives and employees	Cash	26-03-1992	150,000	300,000
Bonus @ 8:3	Bonus	01-11-1994	800,000	1,100,000
Allotted to Promoters	Cash	21-11-1994	150,000	1,250,000
Allotted to employees, friends and relatives of Promotes and Promoters	Cash	30-11-1994	350,000	1,600,000
Allotted to Corporate Body.	Cash	18-02-1995	450,000	2,050,000
Sub – Division into ₹ 5/- per share		22-03-2004	-	4,100,000
Bonus shares @ 1: 1	Bonus	27-03-2004	4,100,000	8,200,000
Re-Consolidation into ₹ 10/- per share		29-09-2004	-	4,100,000
Allotted to Shareholders of Sreenivasa Pharma Pvt. Limited after Sreenivasa Pharma Pvt Ltd. became a subsidiary of SMS Pharma Limited.	Issued for consideration Other than cash	28-04-2006	2,923,000	7,023,000
Pre - IPO placement to Gulf Pharmaceutical Industries*	Cash	08-01-2007	400,000	7,423,000
Issue shares to Public via IPO	cash	22-02-2007	2,579,225	10,002,225
Balance as on		31-03-2007	-	10,002,225
Allotment of shares to erstwhile Plant Organics Limited (POL) Shareholder's [@ 1 share of SMS Pharmaceuticals Ltd. for every 50 shares of POL]	Issued as per exchange ratio Other than cash	29-11-2008	12,978.00	10,015,203
Balance as on		31-03-2008	-	10,015,203
Buy Back of Shares [on various dates from 28-05-2013 to 25-07-2013]	Cash		1,550,000.00	8,465,203
Balance as on		31-03-2014	-	8,465,203
Balance as on		31-03-2015	-	8,465,203

* Share allotted as per MOU dt. 24/12/2006



xi) Dematerialisation of Shares

The company has made necessary arrangements with National Securities Depository Limited (NSDL) and Central Depository Services India Limited (CDSL) for dematerialization facility. As on 31st March, 2015, 83,21,845 Equity Shares (98.30%) of the company's equity shares are in dematerialized form. The trading of the equity shares in the stock exchanges is under compulsory dematerialisation.

Members are encouraging to opt for dematerialisation of shares to eliminate bad deliveries, forgery, fake transfers etc. in the market.

The ISIN No /code for the company's equity shares is INE812G01017.

xii) Outstanding GDRs/ADRs/ Warrants or any convertible instruments, conversion date and likely impact on equity

The Company has not issued any GDRs/ ADRs/ Warrants or any convertible instruments in the past and hence as on 31st March, 2015 the company does not have any outstanding GDRs/ ADRs/ Warrants or any convertible instruments.

Unpaid/un-claimed dividend

Pursuant to the provisions of Section 124 of the Companies Act, 2013, dividend which remains unpaid or unclaimed for a period of seven years from the date of its transfer to unpaid dividend account, is required to be transferred by the Company to the Investor Education and Protection Fund, established by the Central Government under the provisions of Section 125 of the Companies Act, 2013.

Shareholders of the Company who have either not received or have not en-cashed their dividend warrants, for the financial years 2008-09, 2009-10, 2010-11, 2012-13 and 2013-14 are requested to claim the unpaid/ unclaimed dividend from the company before transfer to the fund.

Details of shares held in demat suspense account with HSE Securities Ltd. (IN302734-10034023) for the period from 01-04-2014 to 31-03-2015.

(i)	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year.	No. of shareholders No. of shares	: :	2 50
(ii)	Number of shareholders who approached issuer for transfer of shares from suspense account during the year.	No. of shareholders No. of shares	: :	- -
(iii)	Number of shareholders to whom shares were transferred from suspense account during the year.	No. of shareholders No. of shares	: :	- -
(iv)	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year.	No. of shareholders No. of shares	: :	2 50
(v)	That the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.	Yes		



Pharmaceuticals Ltd.

xiii) Adress of Correspondence

**For queries relating to dividends,
Annual Reports etc.:**

Sri Saurav Roy

Company Secretary and Compliance Officer,
SMS Pharmaceuticals Limited,
Plot No:19-III, Road No:71, Jubilee Hills,
Opp.Bharatiya Vidya Bhavan Public School,
Hyderabad - 500034, Telangana State, India.
Phone : + 91-40-6628 8888
Fax : + 91-40-2355 1401, 2355 1402
Email : complianceofficer@smspharma.com;
cs@smspharma.com

**For share related services / transfer of physical
shares / change of address of members:
Share Transfer Agents:**

Sri G. Bhaskara Murthy (G.M.)

M/s. Aarthi Consultants Private Limited
I-2-285, Domalguda, Hyderabad-500 029,
Telangana State
Phone: 040-27638111, 27642217, 27634445
Fax : 040-27632184
Email : info@aarthiconsultants.com

xiv) Plant Locations

Khazipally Unit

IDA Kazipally, Jinnaram Mandal,
Medak District, Telengana State - 502 319
Phone : + 91 - 08458 - 277067
Fax : + 91 - 08458 - 277069
Email : unit1@smspharma.co

Jeedimetla Unit

Plot No. 66/B-D, Phase-I,
IDA Jeedimetla, Hyderabad,
Telengana State - 500 055
Phone : + 91 - 40 - 2309 5151
Fax : + 91 - 40 - 2373 5639
Email : unit4@smspharma.com

R & D Centre

Sy. No. 186, 189 & 190, Gagillapur,
Qutubullapur, Ranga Reddy Dist.,
Hyderabad, telangan State .
Phone : + 91 - 8418 - 257337 / 8
Fax : + 91 - 8418 - 257469
Email : rnd@smspharma.com

Bachupally Unit

Plot No. 24 & 24B, S.V.Co.op Ind.
Estate Bachupally, I.D.A., R.R. District,
Telengana State - 502 325.
Phone : + 91 - 40 - 6598 6691
Email : unit2@smspharma.com

Bollaram Unit

Sy. No. 296/7/4, S.V. Co.op Ind. Estate
I.D.A., Bollaram, Medak Distric
Hyderabad - 502 325, Telangana State, India.
Phone : 040-64547975
Email : unit5@smspharma.com

Vizianagaram Unit

Sy. No. 160, 161, 163 to 167, Kandivalasa,
Poosapatirega (Mandal), Vijayanagaram Dist.
Andhra Pradesh – 535 004
Phone : + 91 - 08922 - 258051 / 53 / 54
Fax : + 91 - 08922 - 258052
Email : andivalasa@smspharma.com



Pharmaceuticals Ltd.

Certificate By CEO and CFO Pursuant to Clause 49 of the Listing Agreement

1. We have reviewed the financial statements and the cash flow statement for the year ended 31st March, 2015 and that to the best of our knowledge and belief:
 - (a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading
 - (b) These statements together present a true and fair view of the Company's affairs and in compliance with existing accounting standards, applicable laws and regulations
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps have been taken to rectify these deficiencies
4. We have indicated to the Auditors and the Audit Committee that:
 - (a) there are no significant changes in internal control over financial reporting during the year
 - (b) there are no significant changes in accounting policies during the year and
 - (c) there are no instances of significant fraud of which we have become aware.

for SMS Pharmaceuticals Limited

Place: Hyderabad
Date: 08.08.2015

Ramesh Babu Potluri
Chairman & Managing Director

N. Rajendra Prasad
Chief Financial Officer



Pharmaceuticals Ltd.

Certificate on Corporate Governance

To
The Members of
SMS Pharmaceuticals Limited

1. We have examined the compliance of conditions of Corporate Governance by M/s. SMS Pharmaceuticals Limited (“the Company”), for the year ended 31st March, 2015 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the Financial Statements of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
4. We state that as per the records maintained and certified by the Registrars of the Company, there were no investor grievances remaining unattended or pending for more than 30 days as on 31st March, 2015.
5. We further state that such compliance is neither an assurance as to the further viability of the Company nor the efficiency of effectiveness with which management has conducted the affairs of the Company.

for **CSB ASSOCIATES**
Company Secretaries
C. Sudhir Babu
Proprietor
Membership No. F2724

Place : Hyderabad
Date : 08.08.2015

Declaration Regarding Compliance by Board Members and Senior Management Personnel with the Company’s Code of Conduct

To
The Members of
SMS Pharmaceuticals Limited

As required under Clause 49 (1) (D) of the Listing Agreement with the Stock Exchanges, I hereby confirm that the Company has adopted a Code of Conduct for all Board Members and Senior Management and the same has been placed on the Company’s website. All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct in respect of the financial year ended 31st March, 2015.

for SMS Pharmaceuticals Limited
Ramesh Babu Potluri
Chairman and Managing Director

Place : Hyderabad
Date : 08.08.2015



Pharmaceuticals Ltd.

Independent Auditors Report

To
The Members of
SMS PHARMACEUTICALS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of SMS PHARMACEUTICALS LIMITED (“the Company”), which comprise the Balance Sheet as at 31st March 2015, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

The Company’s Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 (“the Act”) with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under, to the extent applicable.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company’s preparation of the financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial control system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.



Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31st, 2015, and its profit and its cash flows for the year ended on that date.

Report on other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order to the extent applicable.
2. As required by section 143(3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c. The Balance Sheet, the Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - e. On the basis of written representations received from the directors as on 31st March, 2015 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2015, from being appointed as a director in terms of Section 164(2) of the Act.
 - f. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations as at 31st March 2015 on its financial position in its financial statements as referred to in note 33, 34, 35 and 36 to the financial statements.
 - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended 31st March 2015..

for **RAMBABU & Co.**
Chartered Accountants
FRN : 002976S

Place : Hyderabad
Date : 30-05-2015

RAVI RAMBABU
Partner
M No. 018541



The Annexure referred to in the Independent Auditors' Report of even date on the Financial Statements to the Members of SMS Pharmaceuticals Limited for the year ended 31st March 2015. We report that:

i. Inrespect of its fixed assets:

- a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) The Company has a regular program of physical verification of its fixed assets by which all fixed assets are verified in a phased manner. In our opinion the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

ii. Inrespect of Inventories:

- a) As explained to us, the inventories except goods in transit and stocks lying with third parties have been physically verified during the year by the management at reasonable intervals.
 - b) In our opinion and according to the information and explanations given to us the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and nature of its business.
 - c) In our opinion and according to the information and explanations given to us the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- iii. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act 2013. Hence we have not reported on the related matters of this clause and sub-clauses.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and with regard to sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.
- v. According to the information and explanations given to us, the Company has not accepted any deposits from the public. .
- vi. We have broadly reviewed the cost records maintained by the Company pursuant to the rules prescribed by the Central Government of India under Section 148(1) of the Companies Act 2013 and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- vii. According to the information and explanations given to us in respect of statutory dues:
- a) The Company has been regular in depositing undisputed statutory dues with appropriate authorities including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, value added tax, cess and any other material statutory dues applicable to it.
 - b) There were no undisputed amounts payable in respect of income tax, sales tax, wealth tax, service tax, duty of customs, duty of excise, value added tax or cess and other material statutory dues in arrears as at 31st March 2015 for a period of more than six months from the date they became payable.



- c) Details of statutory dues which have not been deposited as on 31st March 2015 on account of disputes are given below:

Sl. No.	Name of the Statute	Nature of the dues	Forum where dispute is pending	Year	Amount ₹ in Lakhs	Amount Deposited ₹ in Lakhs	Amount not Deposited ₹ in Lakhs
1	Central Excise Act, 1944	Central Excise	AP High Court	1995-96 to 1997-98	38.91	38.91	--
2	Income Tax Act, 1961	Income Tax	BIFR	1988-89	0.01	--	0.01
3	Income Tax Act, 1961	Income Tax	BIFR	1991-92	0.09	--	0.09
4	Income Tax Act, 1961	Income Tax	BIFR	1992-93	11.19	--	11.19
5	Income Tax Act, 1961	Income Tax	BIFR	1993-94	2.47	--	2.47
6	Income Tax Act, 1961	Income Tax	BIFR	1994-95	14.25	--	14.25
7	Income Tax Act, 1961	Income Tax	BIFR	1994-95	1.02	--	1.02
8	Income Tax Act, 1961	Income Tax	BIFR	2003-04	36.50	--	36.50
9	Income Tax Act, 1961	Income Tax	BIFR	2005-06	9.54	--	9.54
10	Income Tax Act, 1961	Interest on IT	BIFR	1992-2011	93.22	--	93.22
11	Central Excise Act, 1944	Interest on CEX	AP High Court	1992-2010	66.48	--	66.48
12	Central Excise Act, 1944	Interest on CEX	AP High Court	1995-2011	16.40	--	16.40
Total					290.08	38.91	251.17

- (d) The Company has been regular in transferring amounts to the Investor Education and Protection Fund in accordance with the relevant provisions of the Companies Act 2013 and the Rules made thereunder.
- viii. The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses during the financial year covered by audit and in the immediately preceding financial year.
- ix. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks. The Company has not issued any debentures.



Pharmaceuticals Ltd.

- x. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xi. In our opinion and according to the information and explanations given to us, term loans obtained by the Company during the year were applied for the same purpose for which they were obtained.
- xii. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

for **RAMBABU & Co.**
Chartered Accountants
FRN : 002976S

Place : Hyderabad
Date : 30-05-2015

RAVI RAMBABU
Partner
M No. 018541



Pharmaceuticals Ltd.

Balance Sheet as at 31st March, 2015

(Amount: ₹ in Lakhs)

Sl. No.	Particulars	Note No.	As at 31.03.2015	As at 31.03.2014
I	EQUITY AND LIABILITIES			
	I Shareholders' Funds			
	(a) Share Capital	1	846.52	846.52
	(b) Reserves & Surplus	2	24,629.48	21,333.78
			<u>25,476.00</u>	<u>22,180.30</u>
	2 Non-Current Liabilities			
	(a) Long Term Borrowings	3	8,228.63	6,936.99
	(b) Deferred Tax Liability	4	3,572.81	1,928.92
	(c) Other Long Term Liabilities	5	-	540.12
	(d) Long Term Provisions	6	288.95	221.55
			<u>12,090.39</u>	<u>9,627.58</u>
	3 Current Liabilities			
	(a) Short Term Borrowings	7	6,984.55	8,048.81
	(b) Trade Payables	8	6,100.08	5,896.64
	(c) Other Current Liabilities	9	2,326.26	3,686.53
	(d) Short Term Provisions	10	1,144.44	1,487.09
			<u>16,555.33</u>	<u>19,119.07</u>
	TOTAL		<u><u>54,121.72</u></u>	<u><u>50,926.95</u></u>
II	ASSETS			
	I Non Current Assets			
	(a) Fixed Assets	11		
	(i) Tangible Assets		27,618.81	24,638.45
	(ii) Intangible Assets		35.12	22.08
	(iii) Capital Work-in-Progress (Ref Note No.35)		2,942.98	3,932.31
	(b) Non Current Investments	12	1,322.81	587.27
	(c) Long Term Loans & Advances	13	1,922.78	192.62
			<u>33,842.50</u>	<u>29,372.73</u>
	2 Current Assets			
	(a) Inventories	14	8,602.05	9,047.38
	(b) Trade Receivables	15	5,920.17	5,559.00
	(c) Cash and Bank Balances	16	636.37	1,205.02
	(d) Short Term Loans & Advances	17	1,062.41	2,163.28
	(e) Other Current Assets	18	4,058.22	3,579.54
			<u>20,279.22</u>	<u>21,554.22</u>
	TOTAL		<u><u>54,121.72</u></u>	<u><u>50,926.95</u></u>

Significant Accounting Policies

32

The notes referred to above, form an integral part of these Financial Statements as per our report of even date

for and on behalf of the Board

for **RAMBABU & CO.**,
Chartered Accountants
FRN : 002976S

RAVI RAMBABU
Partner
M.No.18541

Place : Hyderabad
Date : 30-05-2015

RAMESH BABU POTLURI
Chairman and
Managing Director

P. PRABHAKARA RAO
Company Secretary

T V V S N MURTHY
Vice Chairman and
Joint Managing Director

N. RAJENDRA PRASAD
Chief Financial Officer



Pharmaceuticals Ltd.

Statement of Profit and Loss for the year ended 31st March, 2015

(Amount: ₹ in Lakhs)

Sl. No.	Particulars	Note No.	Current Year 2014-15	Previous Year 2013-14
1	Revenue from operations	19	57,928.58	51,803.80
2	Other Income	20	1,631.99	152.41
3	Total Revenue (1+2)		59,560.57	51,956.21
4	Expenses :			
	Cost of Materials Consumed	21	38,841.06	34,665.71
	Purchase of Stock in Trade		21.78	4.42
	Changes in Inventories	22	(315.02)	2,087.02
	Employee Benefit Expenses	23	3,167.13	2,563.93
	Finance Cost	24	1,793.09	1,381.88
	Depreciation and Amortisation	11	1,716.61	1,285.46
	Other Expenses	25	7,587.58	6,765.98
	TOTAL EXPENSES		52,812.23	48,754.41
5	Profit / (Loss) before Tax		6,748.35	3,201.81
6	Tax Expenses			
	(a) Current Tax Expenses		1,500.00	700.00
	(b) Tax Expenses for Earlier Years	27	271.71	850.00
	(c) Deferred Tax		1,643.89	1,000.00
	(d) MAT Credit Entitlement		(191.70)	(645.27)
	(e) MAT Credit Entitlement for Earlier Years		-	(741.37)
	Sub Total		3,223.90	1,163.36
7	Profit After Tax (5-6)		3,524.45	2,038.45
8	Earnings Per Share			
	(I) Basic and Diluted (Amount in ₹)	28	41.63	23.06
	Significant Accounting Policies	32		

The notes referred to above, form an integral part of these Financial Statements
as per our report of even date

for and on behalf of the Board

for **RAMBABU & CO.,**
Chartered Accountants
FRN : 002976S

RAVI RAMBABU

Partner

M.No.18541

Place : Hyderabad

Date : 30-05-2015

RAMESH BABU POTLURI

Chairman and
Managing Director

P. PRABHAKARA RAO

Company Secretary

T V V S N MURTHY

Vice Chairman and
Joint Managing Director

N. RAJENDRA PRASAD

Chief Financial Officer

**Cash Flow Statement for the Year ended 31st March, 2015**

(Amount: ₹ in Lakhs)

Sl. No.	Particulars	Current Year 2014-15	Previous Year 2013-14
A	Cash Flows from Operating Activities :		
	Net Profit Before Tax	6,748.35	3,201.81
	Add: Loss from Sale of Assets	53.27	1.36
	Add : Depreciation	1,716.61	1,285.46
	Add : Interest on Term Loans	2,757.16	479.38
	Add: Bad Debts Written Off	0.75	90.62
	Diminution in Value of Investments		47.65
	Operating Profit Before Working Capital Changes	11,276.14	5,106.28
	Adjustment for:		
	Trade Receivables	(361.92)	(1,963.86)
	Inventories	445.34	1,455.69
	Loans and Advances & Other Assets	(629.29)	(1,894.84)
	Trade Payables and Other Payables	(269.29)	1,050.58
	Current Investments	-	2,500.00
	Other Current Liabilities	(194.97)	510.66
	Other Current Assets	(478.68)	(1,368.83)
	Short Term Provisions	(1,283.17)	1,222.83
		(2,771.98)	1,512.23
	Cash Generated from Operating Activities	8,504.16	6,618.51
	Income Tax Paid	(610.00)	(110.00)
	Net Cash from Operating Activities "A"	7,894.16	6,508.51
B	Cash Flows from Investing activities :		
	Purchase of Fixed Assets	(4,907.08)	(5,364.92)
	Proceeds from Sale of Fixed Assets	94.24	2.10
	Margin Money Deposits Made	-	(70.31)
	Proceeds from DSRA	-	360.00
	Proceeds from STDRS	-	2,000.00
	Investment in Equity Shares	0.00	(583.26)
	Net Cash used in Investing Activities "B"	(4,812.84)	(3,656.39)



Pharmaceuticals Ltd.

Cash Flow Statement (Contd...)

(Amount: ₹ in Lakhs)

Sl. No.	Particulars	Current Year 2014-15	Previous Year 2013-14
C	Cash Flows from Financing Activities :		
	Proceeds from Long Term Borrowings	2,543.96	3,003.39
	Proceeds from Short Term Borrowings	(1,064.25)	294.65
	Repayment of Long Term Borrowings	(1,410.94)	(1,458.11)
	Repayment of Unsecured Loans	(60.32)	(71.80)
	Interest Paid	(770.71)	(470.08)
	Dividend Paid	(198.08)	(198.28)
	Buyback of Equity Shares	-	(4,102.55)
	Net Cash used in Financing Activities " C "	(960.34)	(3,002.78)
	Net (Decrease) / Increase in Cash and Cash Equivalents (A+B+C)	2,120.98	(150.66)
	Cash and Cash Equivalents at the beginning of the Year	824.83	975.49
	Cash and Cash Equivalents at the end of the Year	240.76	824.83

The notes referred to above, form an integral part of these Financial Statements
as per our report of even date

for **RAMBABU & CO.,**
Chartered Accountants
FRN : 002976S

RAVI RAMBABU
Partner
M.No.18541
Place : Hyderabad
Date : 30-05-2015

for and on behalf of the Board

RAMESH BABU POTLURI
Chairman and
Managing Director
P. PRABHAKARA RAO
Company Secretary

T V V S N MURTHY
Vice Chairman and
Joint Managing Director
N. RAJENDRA PRASAD
Chief Financial Officer



Notes Forming Part of the Financial Statements

Note No. I SHARE CAPITAL

Particulars	As at 31.03.2015		As at 31.03.2014	
	No. of Shares	Amount ₹ in Lakhs	No. of Shares	Amount ₹ in Lakhs
Authorised Share Capital Equity Shares of ₹ 10/- each	12,000,000	1,200.00	12,000,000	1,200.00
	12,000,000	1,200.00	12,000,000	1,200.00
Issued, Subscribed & Paid Up Equity Shares of ₹ 10/- each	8,465,203	846.52	10,015,203	1,001.52
Less: Buy back of 15,50,000 (Equity Shares of ₹ 10/- each)	-	-	1,550,000	155.00
TOTAL	8,465,203	846.52	8,465,203	846.52

I.1 Details of share holders holding more than 5% shares in the Company :

Name of the share holder	As at 31.03.2015		As at 31.03.2014	
	No of Shares	% held	No of Shares	% held
Hima Bindu Potluri	1,237,336	14.62	1,237,336	14.62
Ramesh Babu Potluri	1,135,696	13.42	1,135,696	13.42
Gulf Pharmaceutical Industries	659,029	7.79	721,409	8.52
T V V S N Murthy	822,700	9.72	822,700	9.72
Potluri Infra Projects (P) Ltd (formally known as M/s. Potluri Hire Purchase and Finance (P) Ltd)	586,000	6.92	586,000	6.92
T. Annapurna	439,034	5.19	439,034	5.19

I.2 Reconciliation of the No. of Shares Outstanding is set out below :

Particulars	No of shares	
	As at 31.03.2015	As at 31.03.2014
Equity Shares at the beginning of the Year	8,465,203	10,015,203
Shares issued during the Year	-	-
Shares bought back during the Year	-	1,550,000
Equity Shares at the end of the Year	8,465,203	8,465,203

I.3 During the last five financial years, Company has brought back 15,50,000 Equity shares of ₹ 10/- each.



Pharmaceuticals Ltd.

Notes Forming Part of the Financial Statements (Amount: ₹ in Lakhs)

Particulars	As at 31.03.2015	As at 31.03.2014
2 RESERVES AND SURPLUS		
a. Securities Premium Account		
At the Commencement of the Year	6,981.84	10,929.39
Less: Utilised for buy back of Shares	-	3,947.55
At the end of the Year	<u>6,981.84</u>	<u>6,981.84</u>
b. Capital Redemption Reserve	<u>155.00</u>	155.00
c. General Reserve		
At the Commencement of the Year	8,123.63	7,823.63
(-) Deletions during the Year	-	-
(+) Transfer from Profit and Loss statement	1,000.00	300.00
At the end of the Year	<u>9,123.63</u>	<u>8,123.63</u>
d. Surplus Balance in Profit and Loss Statement		
At the Commencement of the Year	6,073.31	4,651.87
Less :Net Block of assets, the useful life of which is Nil as on 31.03.2015 (Refer Note No. 26)	48.96	-
Add : Depreciation provided in earlier years on assets in respect of which the investment subsidy received during the year (Refer Note No. 11.1)	23.98	-
Add : Profit for the Year	3,524.45	2,038.45
	<u>9,572.78</u>	<u>6,690.32</u>
Less:		
Transfer to Capital Redemption Reserve	-	155.00
Proposed dividend on Equity Shares	169.30	169.30
Corporate Dividend Tax	34.47	28.77
Provision for excess Dividend and Tax thereon for FY 2012-13 written back	-	(36.06)
Transfer to General Reserve	1,000.00	300.00
At the end of the Year	<u>8,369.01</u>	<u>6,073.31</u>
TOTAL	<u>24,629.48</u>	<u>21,333.78</u>



Notes Forming Part of the Financial Statements (Amount: ₹ in Lakhs)

	As at 31.03.2015		As at 31.03.2014	
	Current Maturities	Non Current Portion	Current Maturities	Non Current Portion
3 LONG TERM BORROWINGS				
3.1 i) Secured				
a) State Bank of India				
Term loan - I	200.00	-	800.00	213.78
Term loan - II	850.00	2,380.73	850.00	3,236.61
b) Export Import Bank of India				
Term Loan - II	300.00	2,700.00	-	3,000.00
c) IDBI Bank Ltd	-	2,543.96	-	-
d) Hire Purchase Loans Vehicles	96.84	174.00	3.74	8.38
	1,446.84	7,798.69	1,653.74	6,458.77
3.2 ii) Unsecured				
Sales Tax Deferment Loan (Refer Note No.3.2.1)	48.27	309.94	60.32	358.22
D S I R Assistance (Refer Note No. 3.2.2)		120.00		120.00
	48.27	429.94	60.32	478.22
TOTAL	1,495.11	8,228.63	1,714.06	6,936.99

3.1.1 Term Loans availed from State Bank of India, Export-Import Bank of India and IDBI bank are secured by first charge on pari-passu basis of all movable and immovable fixed assets both present and future and second charge on pari-passu basis of all current assets both present and future and guaranteed by Sri P. Ramesh Babu, Chairman and Managing Director and Sri T V V S N Murthy Vice Chairman and Joint Managing Director of the Company in their personal capacities.

3.1.2 Term Loans along with working capital facilities sanctioned by State Bank of India are having the following additional security apart from the details of security mentioned supra.

- i) Equitable mortgage of commercial flat No 416 admeasuring 618 Sq.ft, situated in Nilgiri Block, Aditya Enclave, Ameerpet, Hyderabad, along with undivided share of land of 25 sq. yds., belonging to M/s.Potluri Laboratories Pvt. Ltd. (formally Known as Hima Farms Pvt Ltd) in which Spouse of Sri P. Ramesh Babu, Chairman and Managing Director of the Company, is a director.
- ii) Equitable mortgage of Agricultural land admeasuring 3.65 acres situated in Yalamanchili Village of West Godavari district, Andhra Pradesh belonging to Sri T V V S N Murthy Vice Chairman and Joint Managing Director of the Company.



Notes Forming Part of the Financial Statements

- iii) Corporate Guarantee by M/s.Potluri Laboratories Pvt Ltd (formally Known as Hima Farms Pvt Ltd.) to the extent of collateral security extended by them.
- iv) Personal Guarantee by Smt.T.Annapurna, spouse of Sri T V V S N Murthy, Vice Chairman and Joint Managing Director of the Company .

3.1.3 Hire Purchase Loans availed from ICICI Bank Ltd, BMW India Financial Services Pvt Ltd and Daimler Financial Services Pvt Ltd are secured by the respective vehicles.

3.1.4 Terms of Repayment

- a) Term Loan I availed from State Bank of India for an amount of ₹ 3,000.00 Lakhs is repayable in 15 Quarterly Installments of ₹ 200.00 Lakhs each commenced from December, 2011. The loan carries interest rate of 13.20% p.a
- b) Term Loan II availed from State Bank of India for an amount of ₹ 4,250.00 Lakhs is repayable in 20 Quarterly Installments of ₹ 212.50 Lakhs each, commenced from June, 2014. The loan carries interest rate of 13.30% p.a
- c) Term loan availed from Export Import Bank of India amounting to ₹ 3000.00 Lakhs Loan for funding, the Expansion Project of Kazipally unit. The loan is repayable in 20 Quarterly Installments of ₹ 150.00 Lakhs each, commencing from December, 2015. The loan carries interest rate of 12.75% p.a
- d) During the year Company has taken a term loan from IDBI Bank amounting to ₹ 7,500.00 Lakhs for funding the Expansion Project of Kandivalasa unit. The loan carries interest rate of 13.00% p.a. The loan is repayable in 24 Quarterly Installments commencing from December, 2016, as mentioned below.

First 4 Quarters	₹ 100 Lakhs each
Next 4 Quarters	₹ 200 Lakhs each
Next 4 Quarters	₹ 300 Lakhs each
Next 4 Quarters	₹ 400 Lakhs each
Next 4 Quarters	₹ 425 Lakhs each
Next 4 Quarters	₹ 450 Lakhs each

3.2.1 Un-Secured Loans

Sales Tax (Deferment) Loan liability is due for repayment as under:

Year	Amount ₹ in Lakhs	Year of Repayment
2003-04	65.48	2016-17
2004-05	74.18	2017-18
2005-06	65.64	2018-19
2006-07	69.63	2019-20
2007-08	35.01	2020-21
TOTAL	309.94	



Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

3.2.2 Financial assistance received from Department of Scientific and Industrial Research (DSIR) of ₹120.00 Lakhs (previous year ₹ 120.00 Lakhs) sanctioned under PATSER Scheme of TPDU program for development of catalysts or Fine Chemicals apart from Active Pharmaceutical Ingredients (API's), and their intermediates viz. Metal Acetylacetonates, Diltiazem Hydrochloride and Taxol C-13 Side Chain.

As per the terms of agreement entered with DSIR, 1.3 times of the above amount is payable in 5 equal annual installments after commencement of commercial operations of the product(s) developed under PATSER scheme. However the Company has not yet commenced commercial operations of the said products.

Particulars	As at 31.03.2015	As at 31.03.2014
4 DEFERRED TAX LIABILITY		
Opening Deferred Tax Liability	1,928.92	928.92
Add / Less : for the Year	1,643.89	1,000.00
Closing Deferred Tax Liability	<u>3,572.81</u>	<u>1,928.92</u>
Details for the deferred tax liability are as furnished below :		
(A) Deferred Tax Liability:		
On fiscal allowance on Fixed Assets	3,671.02	3,120.96
Sub Total	<u>3,671.02</u>	<u>3,120.96</u>
(B) Less: Deferred Tax Asset:		
On Un-absorbed Depreciation and R&D expenditure	-	1,080.42
Other timing differences	98.21	111.62
Sub Total	<u>98.21</u>	<u>1,192.04</u>
Net Deferred Tax Liability (A-B)	<u>3,572.81</u>	<u>1,928.92</u>
5 OTHER LONG TERM LIABILITIES		
a) Trade Payables	-	-
b) Others (Refer Note No.34)	-	540.12
TOTAL	<u>-</u>	<u>540.12</u>
6. LONG TERM PROVISIONS		
Provision for employee benefits		
Provision for Gratuity to the extent of unfunded	192.90	147.20
Provision for leave encashment - Unfunded (Refer Note No.39)	96.05	74.35
TOTAL	<u>288.95</u>	<u>221.55</u>



Pharmaceuticals Ltd.

Notes Forming Part of the Financial Statements (Amount: ₹ in Lakhs)

Particulars	As at 31.03.2015	As at 31.03.2014
7. SHORT TERM BORROWINGS		
7.1. i) Secured		
a) State Bank of Inida		
Cash Credit	4,567.23	1,516.62
Stand by Loan	859.58	1,801.24
Bills Discounting - Export	569.99	506.52
Export Packing Credit	585.36	3,082.45
Packing Credit Foreign Currency	-	381.98
b) Export - Import Bank of India		
Packing Credit-INR	402.39	760.00
TOTAL	6,984.55	8,048.81

7.1.2 Working capital facilities sanctioned by State Bank of India and Export-Import Bank of India are secured by first charge on pari-passu basis of all current assets both present and future. These facilities are further secured by way of second charge on pari-passu basis of all movable and immovable fixed assets of the Company both present and future and also guaranteed by Sri P. Ramesh Babu Chairman and Managing Director, and Sri T V V S N Murthy, Vice Chairman and Joint Managing Director of the Company, in their personal capacities.

7.1.3 Working Capital Facilities along with term loans extended by State Bank of India are having the following additional security apart from the details of security mentioned supra.

- i) Equitable mortgage of commercial flat No 416 admeasuring 618 Sq.ft, situated in Nilgiri Block, Aditya Enclave, Ameerpet, Hyderabad, along with undivided share of land of 25 sq. yds., belonging to M/s.Potluri Laboratories Pvt. Ltd. (formally Known as Hima Farms Pvt. Ltd.) in which Spouse of Sri P. Ramesh Babu, Chairman and Managing Director of the Company, is a Director.
- ii) Equitable mortgage of Agricultural land admeasuring 3.65 Acres situated in Yalamanchili Village of West Godavari District, belonging to Sri T V V S N Murthy, Vice Chairman and Joint Managing Director of the Company.
- iii) Corporate Guarantee by M/s.Potluri Laboratories Pvt. Ltd. (formally Known as Hima Farms Pvt. Ltd.), to the extent of collateral security extended by them.
- iv) Personal Guarantee of Smt. T. Annapurna spouse of Sri T V V S N Murthy Vice Chairman and Joint Managing Director of the Company.



Pharmaceuticals Ltd.

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	As at 31.03.2015	As at 31.03.2014
8. TRADE PAYABLES		
Creditors for purchases		
Dues to Micro and Small Enterprises	307.12	271.49
Others	4,823.12	4,777.25
Creditors for expenses	969.84	847.90
TOTAL	6,100.08	5,896.64
9. OTHER CURRENT LIABILITIES		
Current Maturities of Long Term Debt	1,495.11	1,714.06
Statutory Dues	181.21	144.50
Advance received from Customers	82.22	273.50
Creditors for capital goods	511.42	1,530.54
Interest Accrued but not due on Term Loans	34.86	17.91
Unclaimed Dividend	21.44	6.02
TOTAL	2,326.26	3,686.53
9.1 Statutory Dues includes an amount of ₹ 52.45 Lakhs represents Income tax dues pending for more than six months on account of dispute.		
10 SHORT TERM PROVISIONS		
(a) Provision for employee benefits		
Bonus Payable	18.01	19.40
(b) Others		
Provision for Income Tax (Net off of Prepaid Taxes of ₹ 577.33 Lakhs)	922.66	1,269.62
Provision for Equity Dividend	169.30	169.30
Provision for Dividend Distribution Tax	34.47	28.77
TOTAL	1,144.44	1,487.09



Pharmaceuticals Ltd.

NOTE NO.11: Fixed Assets & Depreciation statement for the Year ending 31.03.2015 (Amount ₹ in Lakhs)

Name of the Asset	Gross Block			Depreciation					Net Block			
	As at 01.04.2014	Additions During the Year	Deletion/ Adjust- ment During the Year	As at 31.03.2015	Up to 31.03.2014	Adjusted against Retained Earnings	Depreci- ation as on 01.04.2014	For The Year	on Deletions /Adjust- ments	Total up to 31.03.2015	WDV as at 31.03.2015	WDV as at 31.03.2014
a												
Tangible Assets:												
Land & Land Development	603.56	26.82	-	630.38	-	-	-	-	-	-	630.38	603.56
Buildings	7,433.32	664.65	-	8,097.97	1,204.21	(0.26)	1,203.95	243.80	-	1,447.75	6,650.23	6,229.11
Plant & Machinery	24,111.80	3,675.29	-	27,787.09	7,117.00	13.81	7,130.81	1,345.18	-	8,475.99	19,311.09	16,994.79
Pollution Control Equipment	1,056.07	-	93.24	962.83	535.88	-	535.88	40.63	23.98	552.53	410.31	520.19
Data Processing Equipment	164.65	20.36	-	185.01	114.94	8.41	123.35	18.98	-	142.33	42.68	49.71
Furnitures & Fixtures	155.36	64.39	-	219.75	87.40	9.21	96.61	15.48	-	112.09	107.65	67.96
Office Equipment	103.86	1.04	-	104.90	56.18	29.53	85.71	4.14	-	89.85	15.04	47.68
Vehicles	285.10	358.36	8.30	635.16	184.40	(10.44)	173.96	38.19	5.21	206.94	428.22	100.70
Improvements on Leased Premises	65.52	-	-	65.52	65.52	-	65.52	-	-	65.52	-	-
Land Scaping	34.22	0.99	-	35.21	9.47	-	9.47	2.54	-	12.01	23.21	24.75
Sub total	34,013.46	4,811.90	101.54	38,723.82	9,375.01	50.25	9,425.26	1,708.94	29.19	11,105.01	27,618.81	24,638.45
(Previous Year)	(22,776.15)	(11,266.08)	(28.77)	(34,013.46)	(8,134.67)			(1,260.34)	(20.00)	(9,375.01)	(24,638.45)	(14,641.48)
b												
Intangible Assets :												
Computer Software	95.49	17.23	-	112.72	74.17	(1.90)	72.27	7.25	-	79.52	33.20	21.32
Patents	5.06	2.19	-	7.25	4.30	0.61	4.91	0.42	-	5.33	1.92	0.76
Sub total	100.55	19.42	-	119.97	78.47	(1.29)	77.18	7.67	-	84.85	35.12	22.08
(Previous Year)	(100.31)	(0.24)	-	(100.55)	(53.35)			(25.12)	-	(78.47)	(22.08)	(46.96)
Total	34,114.01	4,831.32	101.54	38,843.79	9,453.48	48.96	9,502.44	1,716.61	29.19	11,189.86	27,653.93	24,660.53
(Previous Year)	(22,876.46)	(11,266.32)	(28.77)	(34,114.01)	(8,188.02)			(1,285.46)	(20.00)	(9,453.48)	(24,660.53)	(14,688.44)
c												
Capital Work-in-Progress	3,932.30	3,277.74	4,267.06	2,942.98	-	-	-	-	-	-	2,942.98	3,932.30
(Previous Year)	(9,566.35)	(5,521.29)	(11,155.33)	(3,932.30)							(3,932.30)	(9,566.35)
Total (a+b+c)	38,046.31	8,109.06	4,368.60	41,786.77	9,453.48	48.96	9,502.44	1,716.61	29.19	11,189.86	30,596.91	28,592.83
(Previous Year)	(32,442.81)	(16,787.61)	(11,184.11)	(38,046.31)	(8,188.02)	-	-	(1,285.46)	(20.00)	(9,453.48)	(28,592.83)	(24,254.79)

11.1 The depreciation of ₹ 23.98 Lakhs provided till the date of receipt of grant was reduced from accumulated depreciation and the same was adjusted in retained earnings.



Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	As at 31.03.2015	As at 31.03.2014
12 Non Current Investments		
At Cost - Non-Trade - Unquoted		
17,538 Equity Shares of ₹ 10/- each in Pattan Cheru Enviro Tech Ltd.	1.76	1.76
2,253 Equity Shares of ₹ 100/- in Jeedimetla Effluent Treatment Ltd.	2.25	2.25
21,98,000 (Previous Year 9,72,100) Equity Shares of ₹ 10/- each in VKT Pharma (P) Ltd.	1,318.80	583.26
4,76,476 ,8% Redeemable Cumulative Preference Shares of ₹ 10/- each in Divya Enterprises Ltd.		47.65
Less: Diminution in value of investments		(47.65)
Net Realisable Value	-	-
TOTAL	1,322.81	587.27
12.1 Company has invested an amount of ₹ 1,318.80 Lakhs towards 21.98 Lakhs Equity Shares of ₹ 10/- each at a premium of ₹ 50/- of M/s. VKT Pharma Private Limited, an associated Company under the same management. As on 31.03.2015 the Company is holding 31 % of the total Paid up Capital in M/s VKT Pharma Private Limited. Sri P. Ramesh Babu, Chairman and Managing Director of the Company and his spouse are Directors in the said Company.		
13 Long Term Loans & Advances		
(a) Deposits Recoverable (Unsecured Considered Good)	206.17	192.62
(b) Advance for Capital Goods	1,716.61	-
TOTAL	1,922.78	192.62
13.1 Deposits recoverable consists of ₹ 1,60.85 Lakhs (Previous year ₹ 144.56 Lakhs) with Electricity Department, ₹ 24.00 Lakhs (Previous year ₹ 24,83 Lakhs) Rent Deposit and ₹ 21.32 Lakhs (Previous year ₹ 23.23 Lakhs) with Others.		
14 Inventories (As Valued and Certified by the Management)		
Raw Material (Valued at Cost)	3,372.40	4,130.43
Stock in Process (At cost and an appropriate share of overheads.)	4,220.10	4,335.31
Finished Goods (Valued at lower of cost or net realisable value)	962.51	532.29
Coal & Fuel (Valued at Cost)	47.04	49.35
TOTAL	8,602.05	9,047.38



Pharmaceuticals Ltd.

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	As at	As at
	31.03.2015	31.03.2014
15 Trade Receivables		
Receivables for a period exceeding 6 months		
Considered Good	36.14	574.18
Considered Doubtful	254.06	-
	<u>290.20</u>	<u>574.18</u>
Less: Baddebts written off	174.85	-
	<u>115.35</u>	<u>574.18</u>
Receivables for a period less than 6 months		
Considered Good	5,804.82	4,984.82
TOTAL	<u>5,920.17</u>	<u>5,559.00</u>
15.1 Trade Receivables exceeding six months includes an amount of ₹ 59.47 Lakhs which is outstanding for more than three years. The recovery of which is doubtful. However the management is confident of receiving the same, hence no provision was made in the books of account.		
16 Cash and Bank Balances		
(a) Cash and Cash Equivalents :		
(i) Cash on Hand	15.61	22.04
(ii) Balances with Scheduled Banks		
- in Current Accounts	225.15	802.79
- Balance Against Dividend Payments	21.44	6.02
(b) Other Bank Balances :		
(i) Deposit against Margin Money	373.37	373.37
(ii) Fixed Deposits	0.80	0.80
TOTAL	<u>636.37</u>	<u>1,205.02</u>
16.1 Out of the above amount, cash and cash equivalents was Rs 240.76 Lakhs (previous year ₹ 824.83 Lakhs)		
16.2 Deposit against margin money amount of ₹ 373.37 Lakhs (Previous Year ₹ 373.37 Lakhs) have maturity period of more than 12 months.		
16.3 Fixed Deposits amount of ₹ 0.80 Lakhs have maturity period of more than 12 months.		
17 Short Term Loans & Advances		
Advances for Raw Material	133.51	288.44
Advances to others	66.08	488.20
MAT Credit	862.82	1,386.64
TOTAL	<u>1,062.41</u>	<u>2,163.28</u>
17.1 Advances to Others includes ₹ Nil (Previous Year ₹ 379.70 Lakhs) given to M/s. VKT Pharma (P) Ltd, a related party and ₹ 44.75 Lakhs (Previous year ₹ 38,50 Lakhs) towards Staff Advances		



Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	As at 31.03.2015	As at 31.03.2014
17.2 Advances to others includes an amount of ₹ 11.26 Lakhs (Previous Year ₹ 11.26 Lakhs) which is outstanding for more than 3 years. However the management is confident about the recovery of the said amount.		
18 Other Current Assets		
Prepaid Expenses	71.79	48.58
Interest Receivable	642.11	44.01
Cenvat & Service Tax Credit Receivable	2,171.22	1,834.99
VAT Credit Receivable	975.90	1,515.71
Export Benefits Receivable	197.20	136.25
TOTAL	4,058.22	3,579.54
Particulars	Current Year 2014-15	Previous Year 2013-14
19 Revenue From Operations		
(a) Sale of Products		
Gross Revenue From Sales		
Sale of Products	55,559.12	50,047.25
Export Incentives	205.54	51.08
	55,764.66	50,098.33
Less : Excise Duty	1,437.72	1,260.91
Sales Tax	722.82	639.66
Total Taxes	2,160.54	1,900.57
Net Revenue from Sales	53,604.12	48,197.76
(b) Other Operating Income		
1) Sale of Services (Gross)	92.63	301.12
Less : Service Tax	1.85	32.55
Net Revenue from Services	90.78	268.57
2) Conversion Charges	4,233.68	3,337.47
Net Other Operating Income	4,324.46	3,606.04
Net Revenue from Operations and Services	57,928.58	51,803.80
20 Other Income		
(a) Interest Income	1,555.79	127.33
(b) Exchange Fluctuation	76.20	25.08
TOTAL	1,631.99	152.41



Pharmaceuticals Ltd.

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	Current Year 2014-15	Previous Year 2013-14
20.1 Interest received includes an amount of ₹ 1,507.18 Lakhs received towards interest from Natco Pharma Ltd on settlement of long pending legal issue. (Refer Note No.34).		
21 Materials Consumed		
(a) Raw Materials		
Opening Stock	4,091.00	3,508.67
Add : Purchases	37,671.50	34,891.21
	<u>41,762.50</u>	<u>38,399.88</u>
Less: Closing Stock	3,343.40	4,091.00
Sub-Total (a)	<u>38,419.10</u>	<u>34,308.88</u>
(b) Packing Materials		
Opening Stock	39.44	19.90
Add : Purchases	433.30	380.79
	<u>472.74</u>	<u>400.69</u>
Less : Closing Stock	29.00	39.44
Sub-Total (b)	<u>443.74</u>	<u>361.25</u>
Total Materials Consumed (a+b)	<u>38,862.84</u>	<u>34,670.13</u>
22 Changes in Inventories of Finished Goods and Stock in Process (Increase) / Decrease in Stocks		
(a) At the Commencement of the Year :		
Stock in Process	4,335.30	6,333.36
Finished Goods	532.29	621.25
Sub-Total (a)	<u>4,867.59</u>	<u>6,954.61</u>
(b) At the end of the Year :		
Stock in Process	4,220.10	4,335.30
Finished Goods	962.51	532.29
Sub-Total (b)	<u>5,182.61</u>	<u>4,867.59</u>
(Increase) / Decrease in Stocks (a)-(b)	<u>(315.02)</u>	<u>2,087.02</u>
23 Employee Benefit Expenses		
Salaries, Wages and Bonus	2,757.16	2,239.15
Contribution to PF & Other Funds	175.14	138.20
Staff Welfare Expenses	234.83	186.58
TOTAL	<u>3,167.13</u>	<u>2,563.93</u>

**Notes Forming Part of the Financial Statements**

(Amount: ₹ in Lakhs)

Particulars	Current Year 2014-15	Previous Year 2013-14
24 Finance Cost		
Interest on Term Loans	787.65	479.38
Interest on Working Capital	836.18	754.98
Interest on Direct Taxes	4.75	2.00
Interest on Others	1.64	0.91
Bank Charges	162.87	144.61
TOTAL	1,793.09	1,381.88
25 Other Expenses		
Power & Fuel	2,904.71	2,533.50
Consumable Stores	367.94	281.67
Testing Charges	57.76	31.56
Water Charges	84.75	72.01
Conversion Charges	913.37	789.51
Effluent Treatment Charges	169.05	155.59
Central Excise Duty	60.06	38.59
Repairs & Maintenance - Plant & Machinery	600.12	624.96
Repairs & Maintenance - Buildings	65.91	35.45
Factory Maintenance	131.52	105.82
Travelling Expenses - Directors	13.94	20.94
Travelling Expenses	53.27	53.74
Postage & Telephones	26.27	23.65
Printing & Stationary	70.26	60.82
Directors Remuneration	445.69	283.43
Rent, Rates & Taxes	158.14	148.47
Insurance	86.04	80.14
Professional Charges	52.30	51.64
General Expenses	137.02	152.42
Loss on Sale of Assets	2.09	1.36
Cost Audit Fee	0.75	0.75
Payment to Auditors	17.13	11.52
Repairs to other Assets	20.35	20.21
Vehicle Maintenance	49.50	31.23
Carriage Outward	476.43	446.04
Sales Commission	308.21	320.28
Business Promotion Expenses	139.93	245.96
Interest on Indirect Taxes	0.22	6.45
Bad Debts Written Off	174.85	90.62
Provision for Diminution in Investments	-	47.65
TOTAL	7,587.58	6,765.98



Notes Forming Part of the Financial Statements

26. Pursuant to the guidelines under the Schedule-II of the Companies Act, 2013 the carrying amount of the assets as on 01.04.2014 has been depreciated over the remaining revised useful life of the fixed assets. Consequently, depreciation for the year ended 31.03.2015 is lower by ₹ 13.66 Lakhs and the profit before tax is higher to that extent. Further based on transitional provision as per note 7(b) of Schedule-II in respect of fixed assets that had completed its useful life as on 01.04.2014, the net residual value of ₹ 48.96 Lakhs has been charged to retained earnings.
27. An amount of ₹ 271.71 Lakhs (Previous year ₹ 850.00 Lakhs) was provided towards income tax liability for earlier years on account of search operations conducted by the income tax authorities during the financial year 2012-13.

28. **Earnings Per Share (Basic and Diluted)**

Net profit for basic EPS	3,524.45	2,038.45
Annualized Basic Earnings per share (Amount in ₹)	41.63	23.06

29. As per Section 135 (1) of the Companies Act, 2013 Corporate Social Responsibility provisions are applicable to the company. During the year the Company has constituted CSR Committee of Board and approved CSR Policy. However, the average net profits of the Company for the last 3 years, as per the provisions of Section 198 of the Companies Act, 2013, is negative, spending provisions of CSR are not applicable for the current financial year.

30. **Corporate Information**

SMS Pharmaceuticals Limited is a multi-location, multi-product Company manufacturing Bulk Drugs and APIs and their intermediates. SMS Pharmaceuticals Limited has manufacturing facilities at IDA Kazipally, Bachupally, IDA Jeedimetla, and Bolaram apart from R&D center at Gagillpur in and around Hyderabad city and also at Kandivalasa in Vijayanagaram Dist and having registered office at Plot No. 19-III, Road No. 71, Jubilee Hills, Hyderabad.

31. **Basis of Accounting**

The Financial statements have been prepared to comply in all material respects with the accounting standards specified under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Act, and in accordance with the generally accepted accounting principles in India under the historical cost convention and on accrual basis, except in case of assets in which provision for impairment is made and revaluation are carried out. The Accounting policies are consistent with those used in the previous year.

32. **Significant Accounting Policies**

a. **Use of Estimates**

The preparation of Financial statements are in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. The difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

b. **Fixed Assets:**

- i. Fixed Assets are stated at cost of acquisition as reduced by accumulated depreciation. All costs including financial costs up to the date of commissioning and attributable to the fixed assets are



Notes Forming Part of the Financial Statements

capitalized apart from taxes, freight and other incidental expenses related to the acquisition and installation of the respective assets as reduced by taxes to the extent of recoverable.

- ii. Assets acquired on Hire Purchase arrangements, if any, are accounted for as assets in accordance with AS-19 issued by the Institute of Chartered Accountants of India.

c. Capital Work In progress:

Assets under installation or under construction and which are not ready for put to use as on the date of balance sheet are shown as Capital work in progress. Advances given towards acquisition of assets were shown under long term loans and advances.

d. Depreciation:

Depreciation on Fixed Assets is provided on Straight Line based on use full life of respective assets as prescribed in Schedule -II of the Companies Act, 2013.

The carrying amount of the assets as on 01.04.2014 are depreciated over the remaining life of the assets, as per schedule-II of the Companies Act, 2013.

In case of useful life of an asset is nil the book value of respective assets, after retaining the residual value, was recognized in the opening balance of retained earnings and simultaneously affected in Depreciation Fund A/c

Depreciation on addition to/deletion from fixed assets made during the year is provided on pro-rata basis from/up to the date of such addition/deletion as the case may be. In case of assets costing less than ₹ 5,000/- purchased during the year also depreciation has been provided at normal rates on pro-rata basis from the date of purchase.

The amount incurred towards improvements and other relating expenses on leased premises duly charged to Statement of Profit and Loss during the primary lease period.

Depreciation on landscape is being provided @10% under straight line method.

e. Investments:

Long term Investments are carried at cost. Provision for diminution in the value of long-term investments is made if such diminution is other than temporary in nature in the opinion of the management.

f. Inventories:

Inventories are valued at lower of cost or net realizable value. Cost of inventories comprises cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows

Raw Materials	-	(Valued at cost on weighted average basis)
Stores and spares	-	(Valued at cost on weighted average basis)
Stock-in- Process	-	At cost and an appropriate share of overheads
Finished Goods	-	At cost or net realizable value, whichever is lower including Cenvat as applicable

g. Sales:

Sales include value of goods, Excise Duty, Export Benefits and Sales Tax where ever applicable. However Excise Duty and Sales Tax to the extent of recoverable from customers are disclosed as reduction from turnover.



Notes Forming Part of the Financial Statements

h. Research & Development Expenses:

- i. Revenue expenditure on research and development activities is expensed as and when incurred.
- ii. The expenditure on capital assets having alternative use either in R & D activity or otherwise are capitalized and amortized according to the useful life of the respective assets as specified in schedule II of the Companies Act, 2013.

i. Patents:

Up to the year 2009-10 expenditure incurred for filing of patents being written off in Five (5) equal yearly installments commencing from the year in which it is incurred. From the year 2010-11 onwards, expenditure incurred for filing of patents and related expenditure being capitalized and showing under the head Intangible Assets and depreciation is provided @25% on straight line method.

j. Operating Leases:

Assets taken on lease under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under operating leases are recognized as expenses on accrual basis in accordance with the respective lease agreement.

k. Retirement Benefits:

i. Defined Contribution Plans:

Provident Fund:

Contribution to Provident Fund is made at the prescribed rates to the Employees Provident Fund Scheme by the Central Government and is charged to statement of profit and loss.

ii. Defined Benefit Plans:

- (1) Gratuity: Accounting liability towards gratuity is provided on the basis of actuarial valuation made by an independent actuary. The actuarial valuation is done as per projected unit credit method. Actuarial gain /loss immediately taken to statement of profit and loss.
- (2) Liability towards gratuity was funded through a policy with Life Insurance Corporation of India. The difference between actuarial valuation of independent valuer and that of LIC being charged to statement of profit and loss. The said difference amount was unfunded.
- (3) Leave encashment benefit: The Company records its un availed leave liability based on actuarial valuation using projected unit credit method. This liability was unfunded.

iii. State Plans:

Employer's contribution to employee's state insurance is charged to statement of profit and loss.

l. Excise Duty / Sales Tax:

Excise Duty and Sales Tax are accounted for at the time of dispatch / sale. These taxes are included in sales. However the amounts to the extent of realizable from customers are disclosed as reduction from gross sales in statement of profit and loss and the remaining amounts were shown as expenditure under the head other expenses as Central Excise Duty and Sales Tax respectively.

m. Service Tax:

Income derived from rendering of services being considered as net off Service Tax and the amount of Service Tax liability in respect of services rendered by the Company was not charged to the statement of Profit and Loss to the extent recoverable from customers.

n. Cenvat / VAT / Service Tax Credit:

Cenvat / VAT credit claimed on capital goods (Plant and Machinery) is credited to relevant Plant and Machinery Account, except the assets being used in R&D centers. Cenvat / Vat credit on purchase of

Notes Forming Part of the Financial Statements

raw materials, packing materials, consumables, spares and components are deducted from the cost of respective materials.

Service Tax credit availed as service receiver is deducted from the relevant expenditure.

Un utilized Cenvat / VAT / Service Tax is accounted as asset and carried in the balance sheet under the head Other Current Assets.

o. Revenue Recognition:

- i. Revenue from sale of goods is recognized when significant risks and rewards in respect of ownership of the products are transferred to the customer. Export Benefits are recognized on accrual basis.
- ii. Interest is recognized on a time proportion basis taking into account the amount outstanding and the rate of interest applicable.
- iii. Service income is recognized as per the terms of the contracts with customers when the related services are performed or agreed milestones are achieved.

p. Foreign Currency Transactions:

- i. Transactions denominated in foreign currency are normally recorded at the exchange rate prevailing at the time of the transactions.
- ii. Any income or expense on account of exchange differences on foreign currency transactions are recognised in the statement of profit and loss.
- iii. Financial Derivative Contracts are accounted on the date of their settlement and realized gain / loss in respect of settled contracts are recognized in the statement of profit and loss along with underlined transactions.

q. Taxation:

Tax expense or saving is the aggregate of current year tax and Deferred Tax charged or credited as the case may be to the statement of profit and loss for the year. It also includes adjustment relating to excess or short provision made for earlier years.

i. Current year charge:

The provision for taxation is made based on an estimate of assessable income determined by the Company under the Income Tax Act, 1961.

ii. Deferred Tax:

Deferred Income Tax is recognized for the future tax consequences attributable to timing differences between the financial statements determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income using the tax rate that have been enacted by the balance sheet date. Deferred tax assets are recognized and carried forward only to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. MAT credit is recognized, as an asset only when and to the extent that there is convincing evidence that the Company will pay normal Income Tax during the specified year.

r. Borrowing Costs:

- i. Borrowing costs that are attributable to the acquisition of Fixed Assets are capitalized as part of the cost of the asset till the date the asset is ready for commercial use.



Notes Forming Part of the Financial Statements

- ii. Other borrowing costs are treated as expenses in the period, in which they are incurred, except bank charges for processing / renewal of working capital.
- iii. The bank charges for processing of working capital application are charged to expenses as and when incurred.
- s. Provisions and Contingent Liabilities:**
Provisions are recognized only when there is a present obligation as result of past events and when a reliable estimate of the amount of obligation can be made. Contingent Liabilities are generally not provided for and are disclosed by way of Notes on Accounts.
- t. Impairment of Assets:**
The carrying amounts of assets are reviewed at each balance sheet date. If there is any indication of impairment based on internal / external factors, an asset is impaired when the carrying amount of asset exceeds the recoverable amount. An impairment loss is charged to the profit and loss account in the year in which an asset is identified as impaired. An impairment loss recognized in prior accounting periods is reversed if there has been change in the estimate of the recoverable amount.
- u. Export Benefits:**
All export benefits on exports are recognized on accrual basis.

33. Contingent Liabilities not provided for (Amount: ₹ in Lakhs)

	Particulars	2014-15	2013-14
(a)	Guarantees given by banks	65.89	35.50
(b)	Foreign Letter of credits opened in favour of suppliers for which goods are yet to be received	688.75	501.18
(c)	Disputed Income Tax demands against Which Company is in Appeals.	23.80	23.80
(d)	Interest dues in respect of disputed demands of Income Tax and Central Excise.	159.70	150.69
(e)	Interest on disputed demand of Central Excise (Refer Note No. 36)	16.40	16.40
(f)	Capital Commitments	3,172.19	704.84
	TOTAL	4,126.73	1,432.41

34. During the year the Company has settled the long pending legal issue with Natco Pharma Ltd by entering into an MOU with Natco Pharma Ltd. As per the terms of said MOU Natco Pharma Ltd agreed to pay an amount of ₹ 2,700.00 Lakhs and both the companies agreed to withdraw all pending legal cases between them. The said amount of ₹ 2,700.00 Lakhs includes interest of ₹ 1,507.18 Lakhs for the period from 07.03.2000 to 13.11.2014. This amount also includes an amount of ₹ 78.17 Lakhs towards reimbursement of legal expenses and the balance amount of ₹ 1,114.65 Lakhs towards claim of the Company .
35. Capital work-in-progress includes expansion project at Unit-7 situated at Kandivalasa village in Vijayanagaram Dist. and incurred an amount of ₹ 2,782.55 Lakhs (Previous year ₹ 1,746.46 Lakhs) towards Land, Plant & Machinery and Buildings which consists of ₹ 556.79 Lakhs (Previous year ₹ 556.79 Lakhs) paid for acquiring land to the extent of Ac. 42 in Jawaharlal Nehru Pharma City Parawada in Viskhapatanm Dist.

Notes Forming Part of the Financial Statements

Subsequently, during the year 2007-08 M/s Ramkey Pharma City (India) Ltd, the developer, has sent a communication to cancel the allotment to the extent of Ac. 23 and proposed to sell the said land to others. Aggrieved by this, the Company filed a Writ Petition with Hon'ble High Court of A P in the year 2010 and obtained orders restraining the alienation of the said land till the pending of further orders. The case is pending before the High Court of Judicature at Hyderabad (for the State of Telangana and for Andhra Pradesh).

36. (a) The Company has entered in to an agreement with M/s. Divya Enterprises Limited for purchase of 918 sqm industrial plot and buildings and structures situated at D-63, Phase – I, Jeedimetla, for a consideration of ₹ 60.00 Lakhs Pending registration of the same, the Company has paid the entire amount to the vendor for the said property and has taken the possession of property. The said property was not yet registered in the name of the Company as on the Balance Sheet date.
- (b) The Company has constructed / modified buildings and structures to suit the requirement for carrying out its manufacturing activity in the said premises. The Company has incurred an amount of ₹ 169.68 Lakhs during the earlier years for modification of buildings and also for acquiring required equipment and other assets. The said assets were capitalized and the Company is claiming depreciation.
- (c) Central excise department has issued a demand for an amount of ₹ 16.40 Lakhs towards interest for the period from 01-04-1995 to 18-03-2011 jointly in the name of Divya Enterprises Limited and SMS Pharmaceuticals Limited for which M/s Divya Enterprises Limited has obtained stay at that time from Honourable High Court of Andhra Pradesh. Presently the Company is not carrying out any manufacturing activity at this location.
37. Remittance in Foreign Currency on Account of Dividend:

Particulars	Paid in	
	2014-15	2013-14
i) Year to which the dividend relates	2013-14	2012-13
ii) Number of non-resident shareholders to whom remittances were made	1 (One)	1 (One)
iii) Number of shares on which remittances were made	7,21,409	7,21,409
iv) Amount remitted: ₹ in Lakhs	14.43	14.43

38. Research and Development Expenditure: (Amount: ₹ in Lakhs)

Particulars / Year	2014-15	2013-14
Capital Expenditure	96.44	-
Revenue Expenditure	229.58	140.27
TOTAL	326.02	140.27



Notes Forming Part of the Financial Statements

39. Information on Employee benefits required under accounting standard 15:

(Amount: ₹ in Lakhs)

(1) **Defined Contribution Plans:**

	2014-15	2013-14
Contribution to Provident Fund	155.29	118.73

(2) **Defined Benefit Plans:**

- i. Gratuity (Funded)
- ii. Leave Encashment (Un funded)

Disclosures (as per actuary certification)

(Amount: ₹ in Lakhs)

Particulars	2014-15		2013-14	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
(i) Statement of Profit and Loss:				
Current Service Cost	29.29	25.61	20.34	18.50
Interest cost on benefit obligation	15.10	3.61	11.50	2.36
Net Actuarial (Gain)/Loss recognized in the year	32.45	(17.72)	28.30	(3.57)
Short Term compensated absence Liability	-	13.41	-	14.23
Past service cost	-	-	-	-
Contribution paid	(28.02)	(3.22)	(37.62)	(10.03)
Expected return on planned Assets	(3.12)	-	(3.14)	-
Adjustment to Opening Balance	-	-	(2.89)	-
Net benefit expenses	45.70	21.69	16.49	21.49
(ii) Balance Sheet:				
Change in the present value of the defined benefit obligation are as follows:				
Opening defined benefit obligation	147.20	74.35	130.71	52.86
Interest cost	15.10	3.61	11.50	2.36
Current services cost	29.29	25.61	20.34	18.50
Actuarial (Gain)/Loss on obligation	32.45	(17.72)	28.30	(3.57)
Expected return on planed Assets	(3.12)	-	(3.14)	-
Short Term compensated absence liability	-	13.41	-	14.23
Contribution paid	(28.02)	(3.22)	(37.62)	(10.03)
Adjustment to Opening Balance	-	-	(2.89)	-
Closing defined benefit obligation	192.90	96.05	147.20	74.35
Past Service Cost	-	-	-	-



Notes Forming Part of the Financial Statements

- Net benefit expenses of ₹ 45.70 lakhs relating to Gratuity charged to Statement of Profit & Loss being the difference between the independent actuary valuation and that of LIC. This amount was unfunded and total amount of unfunded was ₹ 192.90 lakhs as on the balance sheet date.

(iii) The Principal Assumptions Used in Determining Gratuity:

Salary rise	3%	3%
Discount rate	8.77%	9%
Attrition rate	2%	2%

40. Disclosure Required by Micro, Small and Medium Enterprises (Development) Act, 2006.

Disclosure of Sundry Creditors under Current Liabilities is based on the information available with the Company regarding the status of the suppliers as defined under the "Micro, Small and Medium Enterprises Development (Act, 2006)" and relied upon by the auditors.

During the year the Company has paid no interest in terms of Section 16 of the said Act

(Amount: ₹ in Lakhs)

Particulars	2014-15	2013-14
Principal amount remaining unpaid as at the end of the year	307.12	271.49
Interest due and payable for the period of delay	1.64	3.26
Interest paid on above	Nil	Nil

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.

41. Related Party Disclosures:

Disclosures as required by the Accounting Standard 18 of the Institute of Chartered Accountants of India are given below:

(i) Key Management personnel (KMP) and their relatives

S.No.	Name	Relationship
1.	Sri. P. Ramesh Babu	Chairman and Managing Director
2.	Sri. T V V S N Murthy	Vice Chairman and Joint Managing Director
3.	Sri. T. V. Praveen	Relative of the Key Management personnel
4.	Sri. P. Vamsi krishna	Relative of the Key Management personnel
5.	Smt. P. Hima Bindu	Relative of the Key Management personnel
6.	N. Rajendra Prasad	Chief Financial Officer
7.	P. Prabhakara Rao	Company Secretary



Notes Forming Part of the Financial Statements

(ii) list of Related Parties

S.No.	Name of the Company	Relationship
1.	Potluri Packing Industries Private Limited	Enterprises over which KMP are able to Exercise significant influence.
2.	Potluri Laboratories Private Limited.	
3.	Potluri Infra Projects Private Limited	
4.	Rchem (Somanahalli) Pvt Ltd	
5.	VKT Pharma Pvt. Ltd	Associate Company

(iii) Transactions:

(Amount: ₹ in Lakhs)

Particulars	Associate Company & Companies in which KMP having significant influence	Key Management Personnel	Relatives of Key Management Personnel	Total
Remuneration & Commission	-	460.88	49.74	510.62
(Previous Year)	-	(298.65)	(29.85)	(328.50)
Sale of Equipment	-			-
(Previous Year)	-			-
Purchases	91.17			91.17
(Previous Year)	(107.45)			(107.45)
Sales	205.62			205.62
(Previous Year)	(153.15)			(153.15)
Conversion Charges Paid	579.64			579.64
(Previous Year)	(560.46)			(560.46)
Investments	735.54			735.54
(Previous Year)	(583.26)			(583.26)
Rent	4.75			4.75
(Previous Year)	-			-
Advances	-			-
(Previous Year)	(379.70)			(379.70)
Balance outstanding :				
Receivable	209.95			209.95
(Previous Year)	-			-
Payable	3.51	326.85	2.26	332.62
(Previous Year)	(64.35)	(167.22)	(2.62)	(234.18)

Notes Forming Part of the Financial Statements

42 Segment Reporting:

As the Company's business during the reporting year consists of single reportable business segment of manufacturing and sale of Active Pharmaceutical Ingredients and intermediates, no separate disclosure pertaining to segmental reporting is given. As part of business segment, revenues are attributed to geographical areas based on the location of the customers as detailed below:

(Amount: ₹ in Lakhs)

Particulars	2014-15		2013-14	
	Revenue	%	Revenue	%
Exports	18,415.10	34.36	18,115.51	37.59
100% EOU	28,186.31	52.58	24,861.73	51.58
Domestic	6,797.17	12.68	5,169.44	10.72
Export Incentives	205.54	0.38	51.08	0.11
TOTAL	53,604.12	100.00	48,197.76	100.00

43. Consumption of Raw Materials:

(Amount: ₹ in Lakhs)

Particulars	2014-15		2013-14	
	Value	%	Value	%
Imported	5,755.22	14.99	4,442.57	12.95
Indigenous	32,642.10	85.01	29,866.31	87.05
TOTAL	38,397.32	100.00	34,308.88	100.00

44. CIF Value of Imports:

(Amount: ₹ in Lakhs)

Particulars	2014-15	2013-14
Raw Materials	5,531.10	4,681.44
Capital Goods	2,71.25	68.40
TOTAL	5,802.35	4,749.84

45. Expenditure in Foreign Currency:

(Amount: ₹ in Lakhs)

Particulars	2014-15	2013-14
Sales Commission	228.89	294.81
Travelling Expenses	3.35	2.12
TOTAL	232.24	296.93



Pharmaceuticals Ltd.

Notes Forming Part of the Financial Statements

46. Earnings in Foreign Currency:

(Amount: ₹ in Lakhs)

Particulars	2014-15	2013-14
FOB Value of Exports	16,651.13	16,333.13

47. Balances of sundry debtors/ creditors and Loans and advances are subject to confirmation
48. Previous Year figures have been regrouped / reclassified wherever necessary to Corroborate with current year figures.
49. Figures have been rounded off to the nearest Rupee.

as per our report of even date

for **RAMBABU & CO.,**
Chartered Accountants
FRN : 002976S

RAVI RAMBABU
Partner
M.No.18541

Place : Hyderabad
Date : 30-05-2015

for and on behalf of the Board

RAMESH BABU POTLURI
Chairman and
Managing Director

P. PRABHAKARA RAO
Company Secretary

T V V S N MURTHY
Vice Chairman and
Joint Managing Director

N. RAJENDRA PRASAD
Chief Financial Officer



Pharmaceuticals Ltd.

SMS PHARMACEUTICALS LIMITED

CIN : L24239AP1987PLC008066

Registered Office : 19-III, Road No.71,

Opp. Bharatiya Vidya Bhavan Public School,

Jubilee Hills, Hyderabad-500 096, Telangana, India.

Tel. : 040-66288888 • Fax : 040 - 23551401 • www.smspharma.com

• E-mail : info@smspharma.com

ATTENDANCE SLIP

Name of the Member(s)/ Proxy :

(In Block Letters)

Folio No. :

DP ID - Client ID :

No. of Shares Held :

I hereby record my presence at the 27th Annual General Meeting of the Company at Jubilee Hills International Centre (Jubilee Hills Club), Jubilee Hills, Hyderabad -500 033 on the 29th day of September, 2015 at 11.00 a.m.

Signature of the Member(s) / Proxy

Notes:

1. Members are requested to bring their copies of Annual Report at the AGM.
2. Please strike off whichever is not applicable.



Pharmaceuticals Ltd.

SMS PHARMACEUTICALS LIMITED

CIN : L24239AP1987PLC008066

Registered Office : I9-III, Road No.71,

Opp. Bharatiya Vidya Bhavan Public School,

Jubilee Hills, Hyderabad-500 096, Telangana, India.

Tel. : 040-66288888 • Fax : 040 - 23551401 • www.smspharma.com

• E-mail : info@smspharma.com

PROXY FORM

Name of the Member (s) :

Registered Address :

Email-Id :

Folio No./Client ID :

DP ID :

I/We, being the member(s) of shares of the above named Company, hereby appoint -

1. Name:

Address:.....

..... E-mail Id :.....

Signature:..... or failing him

2. Name:

Address:.....

..... E-mail Id :.....

Signature:..... or failing him

3. Name:

Address:.....

..... E-mail Id :.....

Signature:..... or failing him

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 27th Annual General Meeting, SMS Pharmaceuticals Limited to be held on the 29th day of September, 2015 at 11.00 a.m. at Jubilee Hills International Centre (Jubilee Hills Club), Jubilee Hills, Hyderabad -500 033 and at any adjournment thereof in respect of such resolutions as are indicated below:



Pharmaceuticals Ltd.

Res. No.	Resolution	Vote for	Vote against
Ordinary Business			
01.	Adoption of Financial Statements for the year ended 31 st March, 2014.		
02.	Declaration of dividend on Equity Shares.		
03.	Reappointment of Sri Ramesh Babu Potluri (CMD) who retires by rotation.		
04.	Appointment of M/s. Rambabu & Co., Chartered Accountants as Statutory Auditors and fixing their remuneration.		
Special Business			
05.	To alter/substitute the Articles of association of the Company and in this regard, adopt new set of Articles of Association of the Company		
06.	To approve the remuneration of the Cost Auditors		
07.	To approve the Related Party Contracts/Arrangements/Transaction of the Company		
08.	To approve the enhancement in prescribed limit of remuneration payable to related party's appointment to any office or place of profit		

Signed this..... day of..... 2015.

Signature of shareholder(s)

Signature of Proxy holder(s)

Please Affix
₹ 1/-
Revenue
Stamp

Notes:

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. Please complete all details including details of member(s) before submission.

(To be handed over at the entrance of the Meeting Hall)

If undelivered, please return to:



Regd. Off: Plot No. 19-III,
Opp. Bharatiya Vidya Bhavan Public School,
Road No. 71, Jubilee Hills,
Hyderabad, Telangana State - 500 096
Ph: 040 - 66288888, Fax: 040 23551401/402
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