sms pharmaceuticals ltd.

Registered & Corporate Office :
Plot No. 19-111, Road No. 71,
Opp. Bharatiya Vidya Bhavan Public School,
Jubilee Hills Hyderabad - 500 096.Telangana. INDIA,
Tel : +91-40-6628 8888, Fax : +91-40-2355 1401/402
CIN : L24239AP1987PLC008066
Email : info@smspharma.com, www.smspharma.com

Date: 22nd September, 2018

To,

The Manager,
Corporate Filings Department,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400 001

The Manager,
Listing Compliance Department,
National Stock Exchange of India Ltd.
Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051.

Security Code: 532815

Symbol: SMSPHARMA

Sub: Annual Report of the Company for the financial year 2017-2018: Reg.

Dear Sir/Madam,

Pursuant to Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find the enclosed herewith a copy of the Annual Report of the Company for the financial year 2017-2018, which was approved and adopted by the members at their Annual General Meeting held on 20th Day of September, 2018 at 03:00 pm, at Jubilee Hills International Center (Jubilee Hills Club), Jubilee Hills, Hyderabad-500033.

This is for your information and records.

Thanking you

Yours faithfully
For SMS PHARMACEUTICALS LIMITED

V.S.Venkatish
Company Secretary

Encl: a/a
CC to:

1. **National Securities Depository Limited**: Trade World, 'a' wing 4th floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400013

2. **Central Depository services India Limited:** 16th floor, phiroze, Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400001

3. **Aarthi Consultants Private Limited:** 1-2-285, Domalguda, Hyderabad, 500029

SMS Pharmaceuticals ltd.

ANNUAL REPORT
2017 - 18

Table of Contents

Corporate Information

Board of Directors:

Sri Ramesh Babu Potluri	Chairman and Managing Director
Sri TVVSN Murthy	Director
Dr Mihir K. Chaudhuri	Director
Sri P. Sharath Kumar	Director
Dr. (Smt.) T. Neelaveni	Director
Sri P.S. Rao	Director
Sri Utpal Gokhale	Nominee Director of Exim Bank
Sri Sharvan Kudaravalli	Additional Director (w.e.f. 26.05.2018)
Dr.Ayman Sahli	Nominee Director of Gulf Pharmaceuticals Industries U.A.E (up to 30.05.2017)

Chief Financial Officer:

Sri. N.Rajendra Prasad (up to 30.05.2017)
Sri. Lakshmi Narayana T (w.e.f. 12.09.2017)

Company Secretary

Sri Thirumalesh Tumma (upto 30.12.2017)
Sri V S Venkatish (w.e.f. 08.02.2018)

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
CIN: L24239AP1987PLC008066
www.smspharma.com
Email:info@smspharma.com

Auditors:

M/s Suryanarayana & Suresh Chartered Accountants
8-2-601/B, Flat.No: 10, Millenium House,
Near Zaheer Nagar X Road, Banjara Hills,
Hyderabad – 500034
Ph.No; 040-23386783 / 23386784
Email: suryanarayanasuresh@gmail.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:

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

Registrar & Share Transfer Agents:

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

Bankers:

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

Manufacturing facilities at:

1. Plot No.24 & 24 B 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

2. Sy. No.160, 161, 163 to 167
   Kandivalasa (V), Poosapatirega (M)
   Vizianagaram District, Andhra Pradesh-535 204
   Phone: 08922 0 308887 / 89
   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: 8374452494
Email: rnd@smspharma.com

NOTICE OF ANNUAL GENERAL MEETING

CIN: L24239AP1987PLC008066 Registered Office: 19-III, Road no. 71,
Opp. Bharatiya Vidya Bhavan Public School, Jubilee Hills, Hyderabad-500096, Telangana, India
Tel: 040-66288888 • Fax: 040-23551401 • www.smspharma.com • Email: info@smspharma.com

Notice is hereby given that the 30th Annual General Meeting of the members of SMS Pharmaceuticals Limited will be held on Thursday the 20th day of September, 2018 at 03.00 P.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 Standalone and Consolidated Balance Sheet as at 31st March, 2018, Statement of Profit and Loss and Cash Flow Statement for the financial year ended 31st March, 2018 and reports of Directors' and Auditors' thereon.
2. To declare Dividend on the equity shares for the financial year 2017-18.
3. To re-appoint Mr. TVVSN Murthy (DIN: 00465198) who retires by rotation, and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS:

4. **APPOINTMENT OF SRI. SHRAVAN KUDARAVALLI (DIN.NO: 06905851) AS AN INDEPENDENT DIRECTOR:**

   To consider and if though fit to pass, with or without modification, the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of Sections 149, 152, read with Schedule IV and all other applicable provisions, if any, of the Companies Act, 2013, and the Rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force) Mr. Shravan Kudaravalli (DIN: 06905851), who has been appointed as an Additional Director pursuant to the provisions of Section 161(1) of the Companies Act, 2013 and the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of Five (5) consecutive years from the conclusion of this annual general meeting, not liable to retire by rotation."

5. **RATIFY / APPROVE THE RELATED PARTY CONTRACTS/ ARRANGEMENTS/ TRANSACTIONS OF THE COMPANY.**

   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 188 and all other applicable provisions, if any of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 (as amended from time to time) and as per Regulation 23(8) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the approval / ratification of the members of the Company, be hereby, accorded to all the arrangements / transactions with SMS Pharmaceuticals Limited undertaken in the financial year 2017-18 or earlier year, whether by way of continuation / extension / renewal / modification of earlier arrangements/ transactions or otherwise, and entering into further contracts / arrangements / transactions with 'Related Parties' as defined under Section 2(76) of the Companies Act, 2013, within the prescribed limits of Rule 15(3) of Companies (Meetings of Board and its Powers) rules, 2014 and Regulation 23(1) of SEBI (LODR) Regulations, whether material or not, for the FY 2017-18 as set out in the Explanatory Statement.

"RESOLVED FURTHER THAT the Board of Directors of the Company, be and is hereby, authorized to do, all such acts, matters, deeds and things, settle any queries / delegate such authority as may be deemed necessary and execute such addendum 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.'

6. **RATIFICATION OF REMUNERATION PAYABLE TO THE COST AUDITOR FOR THE FINANCIAL YEAR ENDING ON 31ST MARCH, 2019.**

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 other applicable provisions if any of the Companies Act, 2013 read with Rule 14 and other applicable rules of the Companies (Audit and Auditors) Rules, 2014 (as amended from time to time), and pursuant to the recommendations of the Audit Committee, Mr. K.S.N. Sarma, Cost Accountant having Registration No. 102145 and Membership No. 6875 appointed by the Board of Directors of the Company as Cost Auditor of the Company, who had confirmed his eligibility in terms of the provisions of Section 141 read with Section 148 of the Companies Act, 2013 for the financial year 2018-19, to conduct the audit of the cost records of the Company.

"RESOLVED FURTHER THAT, pursuant to the recommendations of the Audit Committee and subsequent approval by the Board, the Cost Auditor be paid a remuneration of Rs.75,000/- PA (Rs. Seventy Five Thousand only) plus out of pocket expenses (if any) at actuals and applicable taxes."

"RESOLVED FURTHER THAT the Board of Directors of the Company be hereby authorised to do, all such acts, matters, deeds and things, settle any queries/difficulties/doubts arise from it, including delegate such authority as may deemed 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 the order of the Board

Ramesh Babu Potluri
Chairman and Managing Director
(DIN:00166381)

Place: Hyderabad
Date: 26-05-2018

Notes:

1. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, relating to special business to be transacted at the Meeting, wherever applicable is annexed hereto.
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. 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/member.
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 13th September, 2018 to 20th September, 2018, both days inclusive.
9. The Board of Directors of the Company at their meeting held on 26th May 2018 has recommended a dividend of Re. 0.25 per equity share of Re.1/- face value, aggregating of Rs. 2,11,63,007/- as dividend for the financial year 2017-18. Dividend, if declared, at the AGM, will be paid on or after 24th September, 2018. The dividend, if approved at the 30th AGM, will be paid to those members whose names appear on the register of members of the Company as of the end of the day on Wednesday, 12th September, 2018.
10. Pursuant to Section 108 and 109 of the Companies Act, 2013, read with Rules 20 of the Companies (Management and Administration) Rules, 2014 as substituted by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), the Company is pleased to offer voting by electronic means to the members to cast their votes electronically on all resolutions set forth in this notice.
11. The Company will provide the "Remote E-Voting" facility to all the members, whose names appear on the register of members of the Company as of the end of the day on Wednesday, 12th September, 2018. Pursuant to the abovementioned rule 4(3) (b) the Company will provide the Voting by way of ballot or polling paper at the AGM Venue. The detailed instructions for e-voting are given as a separate attachment to this notice.
12. The E-Voting facility will be available during the following period:

Commencement of E-Voting :	From 9:00 A.M. (IST) on Monday, 17th September, 2018
End of E-Voting :	On 05:00 P.M. (IST) on Wednesday, 19th September, 2018

13. The Notice of the AGM along with the Annual Report 2017-18 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 at their address. A copy of the notice of the AGM along with the Annual Report is also available for download on 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. The members will be entitled to a physical copy of the annual report for the financial year 2017-18, free of cost, upon sending a request to the Company Secretary at Plot No:19-III, Road No:71, Jubilee Hills, Opp. Bharatiya Vidya Bhavan Public School, Hyderabad – 500096.

14. The members 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. Aarthi Consultants Private Limited at their office, 1-2-285, Domalguda Hyderabad, Telangana 500029" or mail them at info@aarthiconsultants.com stating their details, if the shares are held in physical form.

15. 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.

16. 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.

17. Shareholder/member 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.

18. 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.

19. The Company has transferred the unpaid or unclaimed dividends declared up to financial years 2009-10, 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 September 27, 2017 (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.

20. Members who have not en-cashed the dividend warrant(s) for the financial year ended March 31, 2010 onwards are requested to make their claims directly to the Company or to M/s Aarthi Consultants Pvt. Ltd. at info@aarthiconsultants.com & aarthiconsultants@gmail.com , without any delay.

Due date for transfer of unclaimed dividend to IEPF

Year	Dividend per share (Rs.)	Date of declaration	Due date for transfer to IEPF	Amount of Unclaimed Dividend
2010-11	2	30/09/2011	07/10/2018	1,10,604
2011-12	2	-	-	0
2012-13	2	30/09/2013	07/10/2020	1,05,452
2013-14	2	30/09/2014	07/10/2021	1,55,702
2014-15	2	29/09/2015	06/10/2022	1,78,174
2015-16	Re. 0.20	30/09/2016	07/10/2023	1,93,310
2016-17	Re. 0.20	27.09.2017	05/10/2024	57,563

Explanatory Statement Pursuant to Section 102 of the Companies Act, 2013

Item No. 4:

Appointment of Independent Director

The Board of Director of the Company had appointed Mr. Shravan Kudaravalli (Din No: 06905851) as an additional director w.e.f 26th May, 2018 in the category of Independent director. In terms of the provision of Sec161(1) of the Companies Act, 2013 and would hold office upto the date of ensuring annual General Meeting. After the provision of Sec149 of the Companies Act, 2013 and Independant Director shall hol office for a term not exceeding five consecutive year in the Board of the company and is not liable to retire by rotation.

A notice under Section 160 of the Companies Act, 2013 has been received from a member of the Company prorposing candidature of Mr. Shravan Kuduravalli. The company has received consent in writing to act as a Director in Form DIR - 2 pursuant to Rule 8 of the Companies (Appointment and Qualification of Directors) Rules, 2014, from Mr. Shravan Kudaravalli to effect that he meets the citeria of independence as provided under Section 149 of the Companies Act, 2013.

In the opinion of the Board, Mr. Shravan Kuduravalli fulfills the condition specified in the Companies Act, 2013 and the Rules framed there under and Securities and Exchange Board of India (listing obligations and Disclosure Requirements) Regulation, 2015 for appointment as Independant Director and he is Independent of the management. The Resolution set out at item no: 4 of the notice in put forth for consideration of the members as an Ordinary Resolution pusuant to Sec 149 read with schedule IV of the Companies Act 2013 for appointment of Mr. Shravan Kuduravalli as an independant Director.

The Board recommends the Reolution for approval of the members.

Except Mr. Shravan Kuduravalli none of the other Director/key Managerial Personnel/their Relatives are in anyway concerned or interested. Financially or otherwise in this resolution.

Item No. 5:

The Company had made following the Contracts/ Arrangements/Transactions with its Related Parties:

- Purchase and sale of products/by-products/ material at arm's length price from R. Chem (Somanahalli) Private Limited.
- Sales and purchase of products/by-products/ material at arm's length price to VKT Pharma Private Limited and SMS Lifesciences India Ltd.

A detail description of the same as set out in form AOC -2 of Board's Report of this Annual Report.

The Board recommends the resolution for approval of the members.

Except Mr. Ramesh Babu Potluri (Chairman and Managing Director) and Mr. TVVSN Murthy (Director) none of the other Directors, Key Managerial Personnel are, in any way, concerned or interested, financially or otherwise, in this resolution.

Item No.6

The Board, on the recommendation of the Audit Committee has approved the re-appoint of the Cost Auditor Mr. K.S.N. Sarma, to conduct the Audit of the cost records of the Company for the Financial Year 2018-19.

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 ratification from the members of the Company. Accordingly consent of the members is accorded, for ratification of the remuneration payable to the Cost Auditor for the year ending 31st March, 2019 as set out in the Notice.

The Board recommends the resolution for approval of the members.

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

By the order of the Board

Ramesh Babu Potluri
Chairman and Managing Director
(DIN:00166381)

Place: Hyderabad
Date: 26-05-2018

DETAILS OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING.

[In pursuance of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.]

1. Mr. TVVSN Murthy (DIN.No:00465198)

Brief profile and Nature of Expertise in Specific Functional Areas:

Mr. TVVSN Murthy is a Graduate in Chemistry having expertise in the field of Organic Chemistry and has a rich experience in bulk drug and pharmaceutical industry. He started his career in 1981 with Standard Organics Limited, Hyderabad, as a chemist in R & D. During this period he was instrumental in developing technologies and processes for several bulk drugs. He was actively involved in commercialization of products by scaling up the laboratory-scale process to pilot plant and up to commercial scales.

In 1984, he joined Cheminor Drugs Limited (Group of Dr. Reddy's Laboratories Limited), Hyderabad as Production Manager. He played a major role in substantial development of production and turnover. He played a key role in getting US FDA approval for Cheminor Drugs Limited. As a production Manager, he contributed a lot in process improvement and cost reduction procedures and to increase labor productivity by motivation.

Inter-se relationship between Directors: None of the directors is related to Mr, TVVSN Murthy

Directorship/ Committee Membership in Listed Companies:

Sri TVVSN Murthy is the Director of SMS Pharmaceuticals Limited and also in the SMS Life Sciences India Limited. He is also one of the members of "Stakeholders Relationship committee" in SMS Pharmaceuticals Limited and SMS Lifesciences India Limited, also Chairman of "Corporate Social Responsibility Committee" of SMS Lifesciences India Limited.

No. of Shares held in the Company:

As on 31st March, 2018 Mr. TVVSN Murthy held 82,27,000 shares in the SMS Pharmaceuticals Limited.

2. Mr. Sharvan Kudaravalli (DIN.No:06905851)

Brief profile and Nature of Expertise in Specific Functional Areas:

Mr. Shravan Kudaravalli is a Commerce Graduate from Osmania University and a Fellow member of the Institute of Chartered Accountants of India.

He is a partner in a reputed Chartered Accountancy firm and has experience in the area of Auditing, Accountancy, Company Law, Income Tax and Finance. He is involved in handling Internal and Statutory Audits of various Public and Private Companies and Systems designing for clients.

He worked in various organizations both in India and abroad.

Inter-se relationship between Directors: None of the directors is related to Mr, Shravan Kudaravalli

Directorship/ Committee Membership in Listed Companies:

Mr. Shravan Kudaravalli is the Director of SMS Pharmaceuticals Limited and also in the SMS Life Sciences India Limited. He is a member of Audit Committee of SMS Pharmaceuticals Limited and SMS Lifesciences India Limited.

As on 31st March, 2018 Mr.Shravan Kudaravalli held 30,000 Shares in SMS Pharmaceuticals Limited.

By the order of the Board

Ramesh Babu Potluri
Chairman and Managing Director
(DIN:00166381)

Place : Hyderabad
Date : 26-05-2018

AGM Venue Route Map

Jubilee Hills International Centre (Jubilee Hills Club), Jubilee Hills,

Hyderabad- 5000 33

SHAREHOLDER INSTRUCTIONS FOR E-VOTING

THE INSTRUCTIONS FOR SHAREHOLDERS VOTING ELECTRONICALLY ARE AS UNDER:

(i) The voting period begins on Monday **17-09-2018 at 09:00 A.M.** and ends on Wednesday **19-09-2018 at 05:00 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 (record date) of **12-09-2018**, may cast their vote electronically. The 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) • 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. Eg. 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. • 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 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 e-voting on the resolutions contained in this Notice.

(xi) Click on the EVSN for the relevant <Company Name> 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) Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile.

(xix) 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.

(xx) In case you have any queries or issues regarding 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 you may contact 18002005533.

BOARD'S REPORT

Dear Shareholders,

Your Directors have pleasure in presenting before you the 30th Annual Report of the Company together with Audited Statement of Accounts for the year ended 31st March, 2018.

FINANCIAL SUMMERY (INR in Lakh)

Particulars	Standalone	
	2017-18	2016-17
Gross Sales	**43,659.61**	41,455.68
Net Sales	**40,080.29**	39,830.15
Other Operating Income	**216.06**	3,952.80
Net Revenue from Operations	**46,486.33**	43,782.95
Other Income	**238.79**	142.71
EBIDTA	**9572.76**	7,612.12
Finance Charges	**1547.95**	1,538.66
Depreciation	**1989.98**	1,917.72
Profit Before Tax	**6034.82**	4,155.73
Taxation	**1989.39**	603.31
Profit After Tax	**4045.43**	3,552.42
Appropriations:		
Proposed Dividend	**211.63**	169.30
Dividend Tax	**43.50**	34.47
General Reserve	**1,000.00**	1,000.00
Earnings per share - Basic/Diluted	**4.78**	4.21

STATE OF COMPANY AFFAIR'S

In Financial & Production terms

During the year 2017-18 the Company had achieved production of 550.71 M.T. of APIs and their Intermediates in comparison with 594 M.T for the FY 2016-17. The net sales of the Company for the FY 2017-18 have reached 40,080.29 lakhs as against 39,830.15 lakhs for the FY 2016-17. EPS has reached to Rs. 4.78 in the FY 2017-18 as against Rs. 4.21 in the FY 2016- 17.

Subsidiaries and Associates:

Your company is having one associate company i.e., "VKT Pharma Private Limited" and is under the same management. Your Company is holding 42.62% equity shares in the said associate company and the share of loss for your company for the financial year 2017-18 was Rs. 870.46. Same specified in the previous annual report also.

The consolidated financial statements had been prepared as per Accounting Standard (AS) 23 "Accounting for Investment in Associates in Consolidated Financial Statements" specified under Section 133 of Companies Act, 2013 for considering the financials of Associate Company. The required form, as per the provisions of the Sec. 129(3) read with rule 5 of Companies (Accounts) Rules, 2014. i.e., AOC-I forms part of the Report as **Annexure - I.**

Change in Nature of Business

There is no change in Nature of Business. A detailed report on the same viz. 'Management Analysis and Discussion Report' is form part of this report as **Annexure –2**

Share Capital

During the year under review the company had neither issued fresh equity/sweat equity shares nor any debentures, Employees Stock Option Scheme or any share based employee benefits. A report on the same viz. 'Equity Buildup Report' forms part of this report as **Annexure –3**

TRANSFER TO RESERVES:

Your Company has transferred an amount Rs.1,000.00 Lakhs (previous year Rs. 1,000.00 Lakhs) to General Reserve out of the amount available for appropriations.

DIVIDEND:

Your Directors have pleasure in recommending the dividend of Re. 0.25/ (i.e. 25%) per equity share of Re. 1/- face value, aggregating to Rs. 2,11,63,007.5/- which shall be paid within 30 days after the conclusion of the Annual General meeting, subject to the approval of the shareholders of the Company.

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:

1. In preparation of the Financial Statements for the year ended 31st March, 2018 the applicable accounting standards had been followed along

with proper explanation relating to material departures, if any.

2. They had selected such accounting policies as notified & modified by ICAI and applied them consistently and made judgments and estimates that 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 and loss of the company for that period;
3. They had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 as amended form time to time for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. The Annual Accounts had been prepared on going concern basis.
5. The company has developed an effective mechanism for internal financial controls, it has been followed by the Company consistently; such internal financial controls are adequate and operating effectively.
6. They had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

LOANS, GUARANTEES AND INVESTMENTS:

Your Company had made investment in its associate company viz. M/s. VKT Pharma Private Limited for its business purpose. During the year under review, your Company had acquired 7,84,100 equity shares of face value of Rs.10/- each in the said associate at an average price of Rs.200.81

The Particulars of loans/advances given are provided in the Standalone Financial Statements.

The company is maintaining the details of investments made during the year in Statutory Form MBP – 2. The details of loans / advances given and investments made during the financial year ended on 31st March, 2018. **Annexure-4**

RELATED PARTY TRANSACTIONS:

All contracts/arrangements/transactions entered by the Company during the financial year 2017-18 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 SEBI (Listing Obligation & Disclosure Requirement) Regulation, 2015. There are no materially significant related party transactions made by the company with Promoters, Directors and Key Managerial Personnel etc. which may have potential conflict with the interest of the Company. All related party transactions are presented to the Audit Committee on quarterly basis and also placed before the aboard.

A statement of all Related Party Transactions is being presented before the Audit Committee on Quarterly basis specifying the nature, value and terms and conditions of the transactions. A Policy on Related Party Transactions approved by the Board on 14th May, 2016 is uploaded on the Company's website at the web link http://www.smspharma.com/investors/downloads/policy-on-related-party-transactions.pdf .

The particulars of contracts or arrangements entered into by the Company with related parties referred to in Section 188(1) are kept by the Company in Statutory Form AOC-2. Further details required to disclose as per Accounting Standard–18 (as issued & modified by ICAI) form part of the notes to the financial statements provided in the annual report. The Form AOC-2 is attached to the report as **Annexure-5**

STATE OF BOARD AFFAIRS

Board of Directors and Key Managerial Personnel:

Your company is maintaining an optimum combination of Independent and Executive directors in the Board, who have vast experience in Pharma and other relevant fields.

The Board had appointed Mr.Lakashmi Narayana Tammineedi as Chief Financial Officer (CFO) with effect from 13th September, 2017.

The Board had appointed Mr. V.S.Venkatish in place of Mr. Thirumalesh Tumma on 08th February, 2018 and designated him as Company Secretary and Compliance Officer of the Company pursuant to provisions of Section 203 of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015. Mr. Thirumalesh Tumma resigned as Company Secretary and Compliance Officer w.e.f 30th December, 2017.

Mr.Lakshmi Narayana T CFO has been appointed as a compliance officer of the Company from 31st December, 2017 to 7th February, 2018.

Mr. Lakshmi Narayana T CFO was appointed as a compliance officer of the Company from 31st December, 2017 to 7th February, 2018.

As per the Articles of Association of the Company all the Executive Directors are compulsorily liable to retire by rotation. Accordingly Mr. TVVS Murthy, is liable to retire by rotation at the ensuing Annual General Meeting scheduled on 20th September, 2018 and being eligible, seeks reappointment. A brief profile of directors and managers seeking re-appointment are given along with the AGM Notice for the reference of the shareholders.

Independent Directors:

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 Regulation 25(1) of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015.

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

Annual Evaluation:

Your company had conducted a separate Meeting of Independent Directors on 11th August, 2017 in which they had evaluated the performance of Executive directors and Non- Executive/Nominee Director's. Further, in the Board Meeting held on 13th September, 2017 the Board had evaluated the performance of Independent Directors and their contribution in the Board. The evaluation had been made on specified standards.

Risk Management Policy

In accordance with the provisions of the Regulation 21 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 your Company is not required to form the separate Risk Management Committee and accordingly Risk Management Policy is also not applicable to the Company.

The Company has adequate internal control systems and procedures to mitigate the financial risk (if any), arise in near future. The Risk Management procedure will be reviewed by the Audit Committee and the Board of Directors on a Quarterly basis.

KMP Appointment & Remuneration Policy

The Company had a 'Nomination and Remuneration Committee Charter' the Nomination and Remuneration Committee abide by the said Charter for appointing any Key Managerial Persons (KMP). During the year under review, the Committee had recommended for appointment of Chief Financial Officer and Company Secretary. Appointment of any KMP is made by the Nomination and Remuneration Committee in commensuration of the requirement of the position and experience of the candidate.

Composition & Number of Meetings of the Board and Audit Committee:

During the year under review the Board of Directors met six times. The dates on which the Board Meetings were held on 30th May 2017, 11th August 2017, 13th September, 2017, 27th September, 2017, 13th December, 2017, and on 8th February 2018. The Audit Committee members met 4 times. The dates on which the Audit Committee meetings were held on 27th May, 2017, 12th September, 2017, 13th December, 2017 and 8th February, 2018. A detailed report on the above mentioned along with reporting required under Sec. 177(8) and 177(10) of the Companies Act, 2013 and composition of various committees formed part of the report viz. 'Corporate Governance Report' forms part of this report as **Annexure - 6.**

Extract of Annual Return:

In accordance with the provisions of the Companies Act, 2013 and Rule 12 of Companies (Management and Administration) Rules, 2014 the extract of Annual Return is prepared in prescribed form *i.e.* 'Form MGT-9'.

DEPOSITS

Your Company had 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.

CORPORATE SOCIAL RESPONSIBILITY

As per the provisions of Section 135 and Schedule–VII of the Companies Act, 2013, and Companies (Corporate Social Responsibility Policy) Rules, 2014 your company had formulated a Corporate Social Responsibility Policy (CSR Policy). The said policy contains the scope of CSR Expenditure and provides guidance for way forward for expending the same. The composition of CSR committee and other details mentioned under 'Corporate Governance Report' is form part of this report as **Annexure – 6.**

As per the provisions of the Section 135 of the Act, the average net profits of the company during the preceding three years stands as Rs. 5512.79 lakhs hence the company is required to spend a sum of Rs. 110.26 lakhs towards CSR Expenditure in FY 2017-18. The details of it are mentioned under 'CSR Expenditure' in statutory format is which forms part of this report as **Annexure - 8.**

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 is mentioned under 'Employees Remuneration Report' is form part of this report as **Annexure – 9.**

None of the employees is receiving salary of more than Rs. 8.5 lakhs Lakh per month.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION:

The information required under Section 134(3)(m) of the Companies Act, 2013 read with the applicable Rules is form part of this report as **Annexure - 10**

FOREIGN EXCHANGE EARNINGS AND OUTGO

(Rs. in Lakhs)

Particulars	2017-18	2016-17
Earnings		
FOB Values Exports	6445.05	5014.38
Out go		
Sales Commission	54.40	42.61
Travelling Expenses	3.54	1.91
CIF Value of Imports		
Raw Materials	350.97	880.99
Capital Goods	248.22	128.99

AUDITORS:

Statutory Auditors

At the Annual General Meetin held on 27th September, 2017, M/s. Suryanarayana & Suresh Chatered Accountants, (Firm Reg No. 006631S) were appointed Statutory Auditors of the Company to hold office for five consecutive years from the conclusion of the 29th Annual General Meeting of the Company till the conclusion of 34th Annual General Meeting of the Company to be held in the year 2022. Accordingly, M/s Suryanarayan & Suresh to be continued as Statuatory Auditors of the Company till the conclusion of 34th Annual General Meeting of the Company.

Secretarial Auditor

Pursuant to Section 204 of the Companies Act, 2013, and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, M/s. SVVS & Associates Company Secretaries LLP were appointed to conduct Secretarial Audit of the Company for the Financial Year ended on 31st March, 2018. Secretarial Audit Report for the financial year 2017-18 is form part of this report as **Annexure – 11.**

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 having Registration No.–102145 and Membership No.–6875 as Cost Auditor of the Company for the financial year 2018-19. The provisions also require the remuneration of the Cost Auditor to be approved by the shareholders, as mentioned under AGM Notice under item no. 6. As a matter of record, the Cost Audit Report for the year 2016-17 was filed with the Central Government within the prescribed time limit and for the year 2017-18 will be filed within the stipulated time.

INTERNAL FINANCIAL CONTROL SYSTEMS AND THEIR ADEQUACY:

Your Company has laid down the set of standards which enables to implement internal financial control across the organization and ensure that the same are adequate and operating effectively (1) to provide reasonable assurance 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 the records that in reasonable detail, accurate and fairly reflect the transactions and dispositions of the assets of the company, (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets that could have a material effect on the Financial Statements.

WHISTEL BLOWER POLICY/VIGIL MECHANISM

The Company has established a mechanism trough which all the stakeholders can report the suspected frauds and genuine grievances to the appropriate authority. The whistle Blower Policy which has been approved by the Board of Directors of the Company has been uploaded on the Company's website of the company (http://www.smspharma.com/investors/downloads/whistle-blower-protection-policy.pdf). During the year under review the Company has not received any complaint(s) under this policy.

BOARD'S RESPONSE ON AUDITORS QUALIFICATION, RESERVATION OR ADVERSE REMARK OR DISCLAIMER MADE:

There are no qualifications, reservations or adverse remarks made by the Statuatory Auditors and Cost Auditor in their Report.

REPORTING ON SEXUAL HARRASEMENT:

The Company has zero tolerance for sexual harassment at workplace and has adopted a "Policy on Prevention, Prohibition and Redressal of Sexual Harassment of Women at Workplace" in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder for prevention and redressal of complaints of sexual harassment at workplace.

The Company is committed to providing equal opportunities without regard to their race, caste, sex, religion, colour, nationality, disability, etc. All women associates (permanent, temporary, contractual and trainees) as well as any women visiting the Company's office premises or women service providers are covered under this policy. All employees are treated with dignity with a view to maintain a work environment free of sexual harassment whether physical, verbal or psychological.

During the year under review, the Company has not received any complaints on Sexual Harrasements.

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 except the NCLT order dated 15th May, 2017 approving the scheme of arrangement resulting in demerger of semi-regulated units of the Company. Further, No material Changes and commitments which affecting the financial position of the Company.

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, customers and also shareholders of the Company, for their continued support and confidence reposed in the Company.

By the order of the Board

Ramesh Babu Potluri
Chairman and Managing Director
(DIN:00166381)

Place: Hyderabad
Date: 26-05-2018

Annexure-I

FORM NO. AOC -1

Part "A": 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	31.03.2018
2	Shares of Associate/Joint Ventures held by the company on the year end	
	No.	38,50,165 Equity Shares of Rs.10/- each.
	Amount of Investment in Associates/Joint Venture	Rs.4,449.87 Lakhs
	Extend of Holding%	42.62
3	Description of how there is significant influence	Based on the percentage of holding over these investees.
4	The associate is consolidated	Financial Statement Consolidated for FY 2017-18
5	Net worth attributable to shareholding as per latest audited Balance Sheet	Rs. 3920.38 Lakhs
6	Profit/Loss for the year	
	i. Considered in Consolidation	Rs. (2048.39) Lakhs
	ii. Not Considered in Consolidation	

By the order of the Board

Ramesh Babu Potluri
Chairman and Managing Director
(DIN:00166381)

Place: Hyderabad
Date: 26-05-2018

Annexure- 2

MANAGEMENT DISCUSSIONS AND ANALYSIS

Pharmaceutical Industry

The pharmaceutical industry in India is estimated to grow at $100 billion by 2025 and from 3.1% of the global industry (Source: IBEF Pharmaceuticals Report, March 2018). In 2017, the Indian Pharmaceuticals Market grew 5.5% over the previous year. In India, the cost of manufacturing pharma products is lower compared to other countries, which has contributed to the country having a strong manufacturing base. This is aided by technology development and availability of highly skilled and large pool of scientists and engineers who have the potential to steer the industry to an even higher level. On the macro front, factors like rising penetration of health insurance, improvement in medical infrastructure and increasing size of middle class households will drive pharmaceutical industry growth in the country.

Global Economy

The sustained and board based macroeconomic growth was firmly in the saddle in 2017-18 with pick-up in investment, stable earnings performance and gradual tightening of monetary policies of the world's leading advance economies. The US economy benefited from implementation of tax reforms, robust activity and favorable monetary policies in 2017. These reforms elevated US GDP growth to 2.3% in 2017, which is 80 basis points higher compared to 2016. The Eurozone posted a 10 year high growth of 2.5% due to strong domestic demand and higher exports. The world's second largest economy, china's GDP grew 6.9% in 2017 versus 6.7% in the previous year.

Indian Economy

According to Central Statistics office (CSO's latest estimates, India's GDP is likely to grow at 6.6% in 2017-18, which is a tad lower than the 7.1% grow registered in 2016-17. However, this steady pace shows the resilience of Indian economy to structural reforms such as Goods and Service Tax (GST) and demonetization. Slower growth in agriculture and allied industries had some bearing on the economic growth but was partly offset by the uptick seen in the services sector and rise in construction activity.

The Reserve Bank of India (RBI) adopted on accommodative policy in 2017-18 and kept rates largely unchanged. The index of consumer price inflation stood at 4.28% in March 2018, slowly for the third straight month from a 17 – month high supported by stable price components and particularly from food and beverages.

Strong output from the manufacturing segment aided growth in Index of Industrial Production (IIP), which stood at 7.5% in January, 2018 verses 7.1% in December, 2017. This metric though came down to 3.7% in April to January 2017-18 from 5.1% in the comparable period a year ago. Lower non-tax revenues led a sharp surge in fiscal deficit, which stood at Rs. 7.15 trillion or 120% of the Government's 2017-18 revised estimate of Rs. 5.95 trillion. However, the 2017-18 fiscal deficit is likely to fall below the revised estimate as RBI transfer Rs 100 billion in Surplus and the Food Corporation of India (FCI) returns the excess allocation of 500 billion back to the Government.

In the Union Budget 2018-19, the Government announced that it will launch a flagship National Health Protection scheme to cover – 100 million families or – 500 million people and provide cover of up to Rs 0.5 million per family per year for secondary and tertiary hospitalization. This is positive for hospitals as the patient base will expand.

Investments

The Union Cabinet has given its nod for the amendment of the existing Foreign Direct Investment (FDI) policy in the pharmaceutical sector in order to allow FDI up to 100 per cent under the automatic route for manufacturing of medical devices subject to certain conditions.

The drugs and pharmaceuticals sector attracted cumulative FDI inflows worth US$ 14.53 billion between April 2000 and December 2016, according to data released by the Department of Industrial Policy and Promotion (DIPP).

Various states are competing amongst themselves to attract investment by announcing sector specific SEZ's and industrial estates and easing the procedures to set up operational facilities. They are also providing huge incentives to motivate investments. The efforts are also reaping results with many of the global majors focused towards setting up their own facilities or entering into JV with Indian companies.

Government Initiatives

The Government of India has adopted a host of measures to facilitate the growth of the pharmaceutical sector in India. Allowance of 100% foreign direct investment in the sector through the automatic route and reduced approval time for new facilities are the prominent measures in this direction.

Pharma Vision 2020

Aimed at boosting end to end drug manufacturing in India, this policy could catapult India into becoming a major hub for drug discovery and manufacturing in the world.

National Health Policy, 2017

This policy is aimed at providing affordable health care services to the people of the country. It focuses on increasing public expenditure on the healthcare segment and the Government has allocated Rs. 1,200 crore ($185.36 million) towards this scheme – 1,50,000 health and wellness centers will be set up under this scheme to take quality, affordable health care facilities to every nook and corner of the country.

National Health Protection Scheme

This scheme is aimed at providing health insurance in the country and will provide a cover of up to Rs. 5 lakhs ($7,723.2) per family per year for secondary and tertiary care hospitalization. This will lead to expansion of patient base across hospitals.

Outlook:

India's economic growth is likely to pick up 2018-19. Though there are upside risks to inflation, it is expected to remain range bound in the short-term. As the global economy is expected to grow at a healthy clip. India's exports too are likely to improve in the coming year. Disruptions caused by GST implementation will smoothen out gradually and benefit economic activity across the country. Continued focus on reforms will be instrumental in boosting India's economic growth. Higher tax revenues and increasing formalization across sectors are among the key benefits of GST and will ensure long-term and consistent growth of the economy.

The Indian pharmaceutical market is well-poised for growth. Improved accessibility of drugs, increasing fatal diseases, rising penetration of health insurance, increasing incidence of lifestyle diseases such as diabetes and cancer, among others, are same factors enabling long term demand for the sector. Availability of a large pool of skilled manpower, low-cost advantage, boost to manufacturing and R&D are key supply side drivers of growth. These, coupled with continued Government support and favorable policies, will continue to aid growth of the sector in India.

COMPANY'S PERSPECTIVE

Domestic API Business:

The domestic API business is a very critical component of SMS Pharmaceuticals Limited business. The company has built an important relationship with traders and formulators and is known as the leading company in segments like Anti Magraine, Anti Diabetic, and Anti Retorvirals etc.. SMS Pharmaceuticals Limited given its product leadership in many of its focused product list and the GMP status has become preferred partner for indian formulators selling their finished dosage forms into regulatory markets. International majors like Mylan are also preferring SMS as its manufacturing partner for its major products. SMS Pharmaceutacls Ltd will continue to focus on domestic market trying to increase the capacities to meet the rising demands for API as well as for intermediates.

International Business:

SMS Pharmaceuticals Limited international business is targeted at the regulatory and ROW markets. However there is ever increasing requirements across the countries that are gradually becoming semi regulatory from the Current ROW stage. However with a strong and experienced quality team and 25 years of operating international GMP facilities before the demerger, the company is well placed and prepared to the switch over and can easily comply with the rising increasing - requirements.

Many Drug Master Files are filed for all the API's in various countries with inspection and approval by regulatory bodies like USFDA, PMDA, EU, KFDA etc. The internal processes and documentation is sturdy enough to face any kind of inspections. In product like sumatriptan Succinate, the company is leading exporter having market shares of up to 100% in few countries like Mexico.

The intermediate manufacturing is also flourishing with many API manufactures preferring to buy advanced intermediates due to pollution and capacity issues which is being exploited by the company in a right way and the customer list includes many majors like Mylan etc., who also take contract manufacturing services from the company.

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.

SMS Pharmaceuticals Limited "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.

SMS Pharmaceuticals Limited has adequate internal control systems and procedures, covering all financial and operating functions commensurate to its size and nature of operations. A strong internal control framework is among the important pillars of corporate governance and the Company strives to enhance it consistently. It is designed to provide reasonable assurance regarding maintaining of accounting controls and assets from unauthorized uses of losses. The audit committee considers all internal aspects and advises corrective actions as and when required.

Research and Development

SMS Pharmaceuticals Limited does persisted research to cut the cost of its commercial products and make it affordable. After consolidating the API manufacturing with backward integration in form of intermediates manufacturing for greater affordability.

SMS Pharmaceuticals Limited is committed to building a sound base for sustained growth in API and key starting Materials business through the Research and Development of new products innovative technology, process improvement, cost optimization and strengthening the complaince standards leveraging our collective R & D experience resulting in value of all stakeholders.

SMS Pharma's R & D delivers on both fronts of profitability and growth giving us a head start in the competitive industry. Scientists at company's research laboratories are hard at work developing cost effective process for new generic APIs, meticulously documenting and testing new and impoved processes to manufacture quality drug substances and drug intermediates.

The company continues to make fairly large investments for generic-related pharmaceutical research and technology. this research supports generic business across all the markets we're present in, and ensures to have a healthy pipeline for future growth.

Strong new product capability is an important part of our strategy, and R & D expertise helps company to maintain leadership position in the Indian and ROW market. This complete integeration for some products works to the company's advantage. These projects may offer higher value addition and revenues.

R & D is also having very strong Intellectual property rights (IPR) department team to give continuos support to research scientist for finding out the innovation and develpment of non-infringing process for Generic and future generic products.

Quality and compliance

We have been able to create consistent and credible track record of excellence due to our determined efforts to sustain world class infrastructure and quality standards. We follow the philosophy of 'one quality for all markets'. Across all our manufacturing sites, we have put in place quality systems that cover all areas of business process from supply chain to product delivery, to ensure consistent quality risk management.

Performance and operations review

During the year 2017-18 the Company had achieved production of 550.71 M.T. of APIs and their

Intermediates in comparison with 594 M.T for the FY 2016-17. The net sales of the Company for the FY 2017-18 has reached to Rs. 40,080.29 lakhs as against Rs. 39,830.15 lakhs for the FY 2016-17. EPS has reached to Rs. 4.78 in the FY 2017-18 as against Rs. 4.21 in the FY 2016- 17.

Your company has incurred Rs. 756.08 Lakhs towards R&D expenditure for the year 2017-18 as against Rs. 527.75 Lakhs in the previous year.

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 812 employees directly 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.

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.

By the order of the Board

Ramesh Babu Potluri
Chairman and Managing Director
(DIN: 00166381)

Date: 26.05.2018
Place: Hyderabad

Equity Buildup Report

Annexure-3

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-Nov-87	40	40
Further Allotment	Cash	13-Dec-88	34,960	35,000
Allotted to relatives , friends of promoters	Cash	15-Dec-88	15,000	50,000
Allotted to promoters, relatives, friends	Cash	20-Mar-89	25,000	75,000
Allotted to relatives, friends of promoters	Cash	28-Sep-89	25,000	100,000
Allotted to relatives, friends of promoters	Cash	7-May-90	22,900	122,900
Allotted to relatives, friends of promoters	Cash	7-Jun-90	27,100	150,000
Allotted to Promoters, relatives and employees	Cash	26-Mar-92	150,000	300,000
Bonus @ 8:3	Bonus	1-Nov-94	800,000	1,100,000
Allotted to Promoters	Cash	21-Nov-94	150,000	1,250,000
Allotted to employees, friends and relatives of Promotes and Promoters	Cash	30-Nov-94	350,000	1,600,000
Allotted to Corporate Body.	Cash	18-Feb-95	450,000	2,050,000
Sub – Division into Rs. 5/- per share		22-Mar-04	-	4,100,000
Bonus shares @ 1: 1	Bonus	27-Mar-04	4,100,000	8,200,000
Re-Consolidation into Rs. 10/- per share		29-Sep-04	-	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-Apr-06	2,923,000	7,023,000
Pre - IPO placement to Gulf Pharmaceutical Industries*	Cash	8-Jan-07	400,000	7,423,000
Issue shares to Public via IPO	**cash**	**22-Feb-07**	2,579,225	10,002,225
Balance as on		31-Mar-07	-	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-Nov-08	12,978	10,015,203
Balance as on		31-Mar-08	-	10,015,203
Buy Back of Shares [on various dates from 28/05/2013 to 25/07/2013]	cash		(1,550,000)	8,465,203
Balance as on		31-Mar-14	-	8,465,203
Balance as on		31-Mar-15	-	8,465,203
Sub–Division into Rs. 1/- per share [Splitting of Rs. 10 face value]**	Split @ 10:1	17-Dec-15	-	84,652,030
Balance as on		**31-Mar-18**	**-**	**84,652,030**

Note: *Shares allotted as per MOU dated 24.12.2006. **Record date 18.12.2015 whereas Ex-date17.12.2015

By the order of the Board

Ramesh Babu Potluri
(DIN:00166381)
Chairman & Managing Director

Place: Hyderabad
Date: 26-05-2018

Annexure -4

FORM NO. MBP-2

Register of loans, guarantee, security and acquisition made by the company
(Pursuant to Section 186 (9) & rule 12 (1))

Nature of transaction (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/Unlisted entities)	Number and kind of securities		Nominal value and paid up value	Premium Paid	Cost of acquisition (in case of securities how the purchased price was arrived at)	Time period for which it is made/ given	Purpose of loan / acquisition / guarantee / security
			Kind	Number					
Acquisition of Security for investment	30-04-2016	VKT Pharma Pvt. Ltd.	Equity	55000	10	175	1,01,75,000	N.A.	For making investment in ongoing projects, taken up by associate company
	17-06-2016	VKT Pharma Pvt. Ltd.	Equity	165000	10	175	3,05,25,000	N.A.	
	26-08-2016	VKT Pharma Pvt. Ltd.	Equity	50000	10	175	92,50,000	N.A.	
	19-09-2016	VKT Pharma Pvt. Ltd.	Equity	68000	10	175	1,25,80,000	N.A.	
	27-09-2016	VKT Pharma Pvt. Ltd.	Equity	35000	10	175	64,75,000	N.A.	
	05-10-2016	VKT Pharma Pvt. Ltd.	Equity	71500	10	175	1,32,27,500	N.A.	
	19-10-2016	VKT Pharma Pvt. Ltd.	Equity	9000	10	175	16,65,000	N.A.	
	24-10-2016	VKT Pharma Pvt. Ltd.	Equity	10000	10	175	18,50,000	N.A.	
	05-11-2016	VKT Pharma Pvt. Ltd.	Equity	10600	10	175	19,61,000	N.A.	
	24-03-2017	VKT Pharma Pvt. Ltd.	Equity	310000	10	215	6,97,50,000	N.A.	
	06.04.2017	VKT Pharma Pvt. Ltd.	Equity	120000	10	215	27000000	N.A.	
	05.05.2017	VKT Pharma Pvt. Ltd.	Equity	67000	10	215	15075000	N.A.	
	23.05.2017	VKT Pharma Pvt. Ltd.	Equity	169665	10	215	38174625	N.A.	

By the order of the Board

Ramesh Babu Potluri
(DIN:00166381)
Chairman & Managing Director

Place: Hyderabad
Date: 26-05-2018

Annexure-5

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

1. **Details of contracts or arrangements or transactions not at Arm's length basis: NIL**
2. **Details of contracts or arrangements or transactions at Arm's length basis**

Sl. No.	Particulars	Details
	Name (s) of the related party	**Mr. P. Vamsi Krishna (VP - Operations)**
a)	Nature of relationship	Son of Mr. Ramesh Babu Potluri (CMD of the Company).
b)	Nature of contracts /arrangements / transaction	remuneration payable to related party under place of profit in the company
c)	Duration of the contracts/arrangements/ transaction	09/08/2016 – 30/09/2019
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Re-appointed as Vice President (Operations) of the Company at a Monthly Remuneration of Rs. 3.25 lakhs 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 operational setup and achieved new level of efficiencies in its operational capacity.
f)	Date of approval by the Board	10/08/2016
g)	Amount paid as advances, if any	Not Applicable
h)	Date on which the Special Resolution was passed in General meeting as required under first proviso to section 188	30/09/2016

By the order of the Board

Ramesh Babu Potluri
(DIN:00166381)
Chairman & Managing Director

Place: Hyderabad
Date: 26-05-2018

Sl. No	Particulars	Details	Details	Details
a)	**Name (s) of the related party**	**R. Chem (Somanahalli) Private Limited**	**VKT Pharma Private Limited**	**SMS LifeSciences India Limited**
a)	Nature of relationship;	1. Mr. Suresh Babu Potluri, Managing Director is brother of Mr. Ramesh Babu Potluri. 2. Mr. TVVSN Murthy, Director of the company, is a major shareholder.	Common Directors & Associate Company	1. Sri Ramesh Babu Chairman & Managing Director 2. Sri TVVSN Murthy Director of the Company and major Shareholder of the SMS Lifesciences India Limited
b)	Nature of contracts/ arrangements/ transaction	A. Purchase of by product in the ordinary course of business B. Sale some of materials in the ordinary course of business	Purchase in ordinary course of business. Sales in ordinary course of business.	Sale & purchase of materials in Ordinary course of Business
c)	Duration of the contracts/ arrangements/ transaction	Transactions done within FY 2017-18.	Transactions done within FY 2017-18.	Transactions done within FY 2017-18
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Total amount of Purchase was Rs. 13.98 Lakhs Total amount of Sale was Rs. 0	Total amount of Purchase was Rs. 1.00 Lakhs Total amount of Sale was Rs.97.37 Lakhs.	Purchase: total amount of purchase of Rs. 1270.65 Lakhs Sales: Total amount of was Rs. 165.42 Lakhs
e)	Justification for entering into such contracts or arrangements or transactions'	Transactions are made at prevailing market rate in the ordinary course of business.	Transactions are made at prevailing market rate in the ordinary course of business.	Transactions are made at prevailing market rate in the ordinary course of business
f)	Date of approval by the Board	08.02.2018 & 26.05.2018	08.02.2018 & 26.05.2018	13.09.2017 13.12.2017 08.02.2018
g)	Amount paid as advances, if any	Not Applicable	Not Applicable	Not Applicable

By the order of the Board

Ramesh Babu Potluri
(DIN:00166381)
Chairman & Managing Director

Place: Hyderabad
Date: 26-05-2018

Annexure-6

REPORT ON CORPORATE GOVERNANCE

(Pursuant to first proviso to Regulations 34(3) & 53(f) read with Schedule V of SEBI LODR Regulation, 2015)

In compliance with Regulation 34(3) read with Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations), your Company's Report on Corporate Governance for the year ended 31st March, 2018 is as follows:

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

SMS Pharmaceuticals Limited believes that good governance goes beyond good working results & financial propriety. Good Corporate Governance is not an end in itself. It is the means to create confidence with stakeholders and establish business integrity for an organization. SMS Pharmaceuticals has come a long way in adopting some of the key principles of Corporate Governance like transparency, fairness disclosures and accountability and these principles have been strongly cemented in the pillars, it has been founded upon. The business strategies and operations of the Company are governed by these principles to ensure fiscal accountability, ethical corporate behavior and fairness to all stakeholders.

Besides complying with legal requirements, SMS Pharmaceuticals Limited has adopted best practices and set responsible standards of business. Good Corporate Governance practices have led the Company to raise its standards beyond compliance and foster commitment through-out the Company to adhere to these practices. SMS Pharmaceuticals continues to benchmark itself and strives to meet the expectations of all its stakeholders.

BOARD OF DIRECTORS:

A. Composition of Board

The Board of Directors of your Company consists of individuals having considerable professional expertise and a wide range of experience in their areas of specialization. The Company has an optimum combination of Executive, Non-executive and Independent Directors on its Board which is in conformity with the Companies Act, 2013 and SEBI Listing Regulations.

As on 31st March, 2018 the Company's Board consists of Eight (8) members, (Dr.Ayman Sahali has resigned from the Board with effect from 30th May, 2017 and Dr. Mihir K Chaudhuri has resigned from the Board with effect from 5th June, 2018) and at present Seven (7) members out of which 50% are independent directors, who are leading professionals in their respective fields. Apart from that the Board comprises of two (2) Executive Directors who are Promoter Directors too and **one (1)** nominee Director. The composition of the Board is in conformity with Regulation 17 of the SEBI Listing Regulations read with Section 149 of the Companies Act, 2013. None of the Directors are related to each other. The Board consists a woman director as required under Rule 3 of Companies (Appointment and Qualification of Directors) Rules, 2014.

In accordance with the provisions of the Sec. 165 of the Companies Act, 2013 none of the Directors on the Board hold directorships in more than ten (10) public companies. Further, as per Regulation 26(1) of the SEBI Listing Regulations none of them is a member of more than ten (10) committees or Chairman of more than five (5) committees across all the public companies in which they are Directors. The Committee membership excludes memberships in private/overseas/ Sec.8 Companies. Necessary disclosures regarding Committee positions in other public companies as on 31st March, 2018 have been made by the Directors.

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships / Memberships held by them in other public companies as on 31st March, 2018 are given herein below. Other directorships do not include directorships of Private limited Companies, foreign companies and companies under Section 8 of the Act. Chairmanships/ Memberships of Board Committees shall only include Audit Committee and Stakeholders' Relationship Committee:

Name of Director & Designation	DIN No.	Category* (Designation)	No. of Board Meetings during the Year 2017-18		Attended Last AGM 27.09.17	No. of Directorships in other Public Companies	No. of Committee Position held in Public Companies (including this company)	
			Held	Attended			Chairman	Member
Mr. Ramesh Babu Potluri (Chairman & Managing Director)	00166381	Executive Director	6	6	yes	1	0	0
Mr. T.V.V.S.N Murthy	00465198	Executive Director	6	6	Yes	1	0	2
Dr. Mihir K. Chaudhuri	00489843	Independent Director	6	1	No	0	0	0
Mr. P. Sarath Kumar	01456746	Independent Director	6	4	Yes	2	3	1
Dr. (Mrs.) T. Neelaveni	00065571	Independent Director	6	5	No	1	1	3
Mr. P. S. Rao	00099066	Independent Director	6	6	Yes	2	1	3
Mr. Utpal Gokhale	02619302	Non-Executive & Nominee Director	6	4	No	0	0	0
*Dr.Ayman Sahli	02680724	Non-Executive & Nominee Director	6	0	No	0	0	0
**Mr.Shravan Kudaravalli	06905851	Additional Director	6	NA	NA	1	0	2

*Dr.Ayman Sahli, Nominee Director of M/s Gulf Pharmaceutical Industries, U.A.E. resigned from the Board w.e.f. 30th May, 2017

**Mr.Shravan Kudaravalli has been appointed as Additional Director of the Company with effect from 26th May, 2018

Notes

B. Board Meetings:

The Board of Directors meets at least four times in a year with a maximum time gap of not more than 120 days between two consecutive meetings. Additional meetings of the Board of Directors are held as and when deemed necessary by the Board of Directors. In case of exigencies or urgency of matters, resolutions are passed by circulation and are adopted in the subsequent Meeting

During the year under the review the Board met Six (6) times at which proper quorum was present. The dates on which the said meetings were held:

30th May, 2017, 11th August, 2017, 13th September, 2017, 27th September, 2017, 13th December, 2017 and 8th February, 2018

During the year under review, information as mentioned in Schedule II Part A of the SEBI Listing Regulations had been placed before the Board for its consideration.

The terms and conditions of appointment of the Independent Directors are disclosed on the website of the Company at the following link: http://www.smspharma.com/investors/downloads/mr-psrao-appointment-letter.pdf

During the year, one meeting of the Independent Directors was held on 11th August, 2017. The Independent Directors, inter-alia, reviewed the performance of non-independent directors, Chairman of the Company and the Board as a whole.

The Board periodically reviews the compliance reports of all laws applicable to the Company, prepared by the Company.

The details of the familiarization programme of the Independent Directors are available on the website of the Company at the following link: http://www.smspharma.com/investors/downloads/independent-directors-familiarization-programme.pdf

The Company had not issued any convertible instruments. Details of equity shares of the Company held by the Directors as on March 31, 2018 are given below:

Name of Director	No. of Equity Share held as on 31-03-2018
Mr. Ramesh Babu Potluri	1,45,06,960
Mr. T.V.V.S.N Murthy	82,27,000

BOARD COMMITTEES

A. AUDIT COMMITTEE:

The composition of the Audit Committee is in alignment with provisions of Section 177 of the Companies Act, 2013 read with the Rules issued thereunder and Regulation 18 of SEBI (LODR) Regulations, 2015. The Company has formulated an "Audit Committee Charter" in accordance to changing regulatory norms. The Charter contains the elaborated procedural guidelines for conducting the Audit Committee Meeting including the terms of references / role & responsibilities of the Committee members. The said Charter is in compliance with the requirement of Section 177 of the Companies Act, 2013 and applicable rules made there under, Regulation 18 of SEBI Listing Agreement it includes the Part-C of Schedule II (i.e. Role of Audit Committee and Review of Information by Committee) as per SEBI Listing Agreement.

During the financial year 2017-18 the Audit Committee met four (4) times during the year at which proper quorum was present and the gap between two meetings did not exceed one hundred and twenty days on:

27th May, 2017, 12th September, 2017, 13th December, 2017 and 08Th February, 2018

The composition of the Audit Committee & attendance of each member of the Committee mentioned below:-

S.No.	Name of the Director	Designation	Category	Committee Meetings	
				Held	Attended
1	Mr. P. Sarath Kumar	Chairperson	Independent Director	4	3
2	Dr. (Mrs.) T. Neelaveni	Member	Independent Director	4	4
3	Mr. P.S. Rao	Member	Independent Director	4	4

NOMINATION AND REMUNERATION COMMITTEE

The composition of Nomination and Remuneration Committee of the Company has been constituted in accordance with the Section 178(1) of the Companies Act, 2013 Regulation 19 of SEBI (LODR) Regulations, 2015. The Company has formulated a "Nomination and Remuneration Committee Charter" in accordance to the changing regulatory norms. The Charter contains the elaborated procedural guidelines for conducting the Nomination and Remuneration Committee Meeting including the terms of references / role & responsibilities of the Committee members. The said Charter is in compliance with the requirements of Section 178 of the Companies Act, 2013 and applicable rules made there under, Regulation 19 of SEBI Listing Agreement it includes the Part-D(A) of Schedule II (i.e. Role of Nomination and Remuneration Committee and Review of Information by Committee) as per SEBI Listing Agreement.

During the financial year 2017-18 the Nomination and Remuneration Committee met Two (2) times during the on 12.09.2017 and 08-02-2018 at which proper quorum was present.

The constitution of the Nomination and Remuneration Committee & attendance of each member of the Committee mentioned below:-

S. No.	Name of the Director	Designation	Category	Committee Meetings	
				Held	Attended
1	Dr. (Mrs.) T. Neelaveni	Chairperson	Independent Director	2	2
2	Mr. P. Sarath Kumar	Member	Independent Director	2	2
3	Mr. P.S. Rao	Member	Independent Director	2	2

Performance Evaluation Criteria for Independent Directors:

The performance evaluation of the Independent Directors was carried out by the entire Board.

The criteria for performance evaluation are as follows:

Role & Accountability:

- Understanding the nature and role of Independent Directors' position.
- Understanding of risks associated with the business.
- Application of knowledge for rendering advice to management for resolution of business issues.
- Active engagement with the management and attentiveness to progress of decisions taken.

Objectivity:

- Non-partisan appraisal of issues.
- Own recommendations given professionally without tending to majority or popular views.

Leadership & Initiative:

- Heading Board Sub-committees.
- Driving any function or identified initiative based on domain knowledge and experience.

Personal Attributes:

- Commitment to role & fiduciary responsibilities as a Board member.
- Attendance and active participation.
- Proactive, strategic and lateral thinking.

REMUNERATION OF DIRECTORS

The remuneration details of paid/payable to the directors for the year ended on 31st March, 2018 forms part of MGT-9 annexed as **"Annexure –7"** to this Board Report.

The Company has only One Executive Directors and rest of the Board Contains 4 Independent and Non –Executive Directors and One Nominee Directors. Nominee Director, Independent Directors were paid only sitting fee, Sri. TVVSN Murthy Non Executive Director, also paid sitting fees, and no pecuniary relationship or transactions held during the year with the non-executive director's vis-à-vis the listed entity. The Company does not have any Employee Stock Option Scheme. Payments to Directors are mentioned hereunder:

Executive Directors

(Rs. in Lakhs)

Name of the Director	Salary and Allowances	Commission	Perquisites	Bonus/Stock Options	Total
Sri Ramesh Babu Potluri (Chairman & Managing Director)	198.00	111.26	7.92	-	317.18

Independent & Nominee Directors:

The details of remuneration paid/payable to the Independent/ Nominee / Executive Directors for the year ended on 31st March, 2018 as given below;

(Rs. in Lakhs)

Name of the Independent Director	Sitting Fees
*Dr. Ayman Sahli	0
Dr. Mihir K Chaudhuri	0
Sri. P. Sarath Kumar	3.25
Dr. (Mrs.) T. Neelaveni	3.75
Mr. P.S. Rao	4.25
Mr. Utpal Gokhale (Exim Bank)	1.00
Mr. TVVSN Murthy	1.25
**Mr. Shravan Kudaravalli	0
Total	**13.5**

* Dr Ayman Sahli – Nominee Director of Gulf Pharmaceuticals Industries U.A.E. (upto 30.05.2017)

** Mr.Shravan Kudaravalli appointed as Additional Director with effect from 26th May, 2018

B. STAKEHOLDERS RELATIONSHIP COMMITTEE

The composition of Stakeholder Relationship Committee of the Company has been constituted in accordance with the provisions of Section 178(5) of the Companies Act, 2013. The Company has formulated a "Stakeholder Relationship Committee Charter" in accordance to changing regulatory norms. The Charter contains the elaborated procedural guidelines for conducting the Stakeholder Relationship Committee Meeting including the terms of references / role & responsibilities of the Committee members. The said Charter is in compliance with the requirement of Section 178 of the Companies Act, 2013 and applicable rules made thereunder, Regulation 20 of SEBI Listing Agreement it includes the Part-D (B) of Schedule II (i.e. Role of Nomination and Remuneration Committee and Review of Information by Committee) as per SEBI Listing Agreement.

The constitution of the Stakeholder Relationship Committee & attendance of each member of the Committee is mentioned below:-

S. No	Name of the Director	Designation	Category	Committee Meetings	
				Held	Attended
1	Mr. P. Sarath Kumar	Member	Independent Director	1	1
2	Mr. P.S. Rao	Chairperson	Independent Director	1	1
3	Dr. (Mrs.) T. Neelaveni	Member	Independent Director	1	1
4	Mr. TVVSN Murthy	Member	Executive Director	1	1

C. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR COMMITTEE):

The composition CSR Committee of the Company is constituted in accordance with the provisions of Section 135(2) of the Companies Act, 2013. The Company has formulated a "Corporate Social Responsibility Policy" in accordance to changing regulatory norms. The Charter contains the elaborated procedural guidelines for Expenditure on the Corporate Social Responsibility, including the mode & reporting mechanism of the same to the Committee. The said Charter is in compliance with the requirement of Section 135 & Schedule – VII of the Companies Act, 2013 and applicable rules made thereunder. The Committee met on 12-09-2017 at which proper quorum was present.

The constitution of the Corporate Social Responsibility & Governance Committee and attendance of each member of the Committee mentioned below:-

S. No.	Name of the Director	Designation	Category	Committee Meetings	
				Held	Attended
1	Mr. Ramesh Babu Potluri	Chairperson	Executive Director	1	1
2	Mr. P. Sarath Kumar	Member	Independent Director	1	1
3	Mr. P.S. Rao	Member	Independent Director	1	1

Name, designation and address of Compliance Officer:

Mr. V.S.Venkatish
Company Secretary and Compliance Officer
SMS Pharmaceuticals Limited
Plot No.19-III, Road No.71, Opp. Bharatiya Vidya Public School,
Jubilee Hills, Hyderabad, Telanagana – 500033.
E-mail: complianceofficer@smspharma.com
Phone: + 91-40-6628 8888
Fax: + 91-40-2355 1401, 2355 1402
Website: www.smspharma.com

Investor Grievances

Details of investor complaints received and redressed during the year 2017- 18 are as follows

Opening Balance	Received during the year	Resolved during the year	Closing Balance
NIL	1	1	Nil

GENERAL BODY MEETINGS:

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

AGM for FY	Date	Time	Venue	No. of Special Resolutions passed.
2014-15	29th September, 2015	11.00 A.M.	Jubilee Hills Club, Jubilee Hills, Hyderabad-500 033.	1
2015-16	30th September, 2016	11.00 A.M.		3
2016-17	27th September, 2017	11.00 A.M.		2

MEANS OF COMMUNICATION

Quarterly Results:

The Quarterly, half-yearly and annual financial results of the Company are published in leading English and vernacular

Telugu language newspaper, viz., The Financial Express (All Editions) and Andhra Prabha (Hyderabad & Secunderabad Editions).

Website and News Papers:

In compliance with Regulation 46 of the Listing Regulations, a separate dedicated section under 'Investors' on the Company's website gives information on various announcements made by the Company, status of unclaimed dividend, stock quotes, Annual Report, Quarterly / Half yearly / Nine-months and Annual financial results along with the applicable policies of the Company are available on the Company's website "http://www.smspharma.com. No specific presentations made to the institutional investors and analysts after the declaration of the results.

Stock Exchange:

The Company makes timely disclosures of necessary information to BSE Limited and the National Stock Exchange of India Limited in terms of the Listing Regulations and other rules and regulations issued by the SEBI.

GENERAL SHAREHOLDERS INFORMATION

Financial calendar:

30th Annual General Meeting
Day and Date : Thursday, 20th September, 2018
Financial Year : 2017-2018
Time : 03.00 P.M.
Venue : Jubilee Hills International Center, (Jubilee Hills Club), Hyderabad, Telangana – 500033

As required under Regulation 36(3) of the SEBI Listing Regulations, particulars of Director seeking re-appointment at the forthcoming AGM are given herein and in the Annexure to the Notice of the AGM to be held on 20th September, 2018.

Date of book closure : 13th September, 2018 to 20th September, 2018

Dividend Payment Date : The dividend, if declared, will be paid/ credited on or after 24th September, 2018.

Listing on Stock Exchange & Stock Code:

BSE Limited "BSE" Phiroze Jeejeebhoy Towers Dalal Street Mumbai- 400001	National Stock Exchange of India Limited "NSE" Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051

Stock Code: BSE: 532815	Stock Code: NSE : SMSPHARMA
ISIN for equity shares: INE812G01025	

Listing Fees as applicable had paid.

Stock market 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 BSE Limited during the year 2017-18.

Month	BSE		Volume	
	High (Rs.)	Low (Rs.)	No. of Shares	Value(Rs.)
April, 2017	93.90	86.45	429107	38833069
May, 2017	93.60	78.00	214981	18901496
June, 2017	90.50	69.65	228322	18921477
July, 2017	89.90	72.20	238584	19570786
August, 2017	87.60	66.60	330228	27011437
September, 2017	120.9	75.25	340442	339752177
October, 2017	108.05	95.10	607260	62896187
November, 2017	114.3	92.50	363841	37755392
December, 2017	112.9	95.90	435110	46229435
January, 2018	110.15	97.00	698164	74087461
February, 2018	100.00	83.30	148139	13762324
March, 2018	88.00	73.00	204270	15747505

The table below shows the monthly high and low price on the NSE Limited during the year 2017-18.

Month	NSE		Volume	
	High (Rs.)	Low (Rs.)	No. of Shares	Value (Rs.)
April, 2017	94.75	86.00	3270647	295312444
May, 2017	93.50	77.90	1932376	170108069
June, 2017	89.70	71.25	2079894	174644023
July, 2017	89.70	73.00	1002923	83017963
August, 2017	86.75	65.00	2132306	170761840
September, 2017	120.70	74.70	16234457	1691807850
October, 2017	107.85	88.05	3329838	345082546
November, 2017	110.85	96.10	3217569	336998890
December, 2017	113.40	95.00	3601324	383223988
January, 2018	116.70	96.80	5714134	608647203
February, 2018	98.75	86.25	1103631	102133274
March, 2018	88.60	72.10	1073503	83580411

Performance in comparison to broad-based indices such as BSE Sensex

SMS Pharmaceuticals Limited vs. BSE

SMS Pharmaceuticals Limited vs. NSE

Share Transfer Agents:

Sri G. Bhaskara Murthy
General Manager
M/s. Aarthi Consultants Private Limited
1-2-285, Domalguda, Hyderabad-500 029, Telangana State
Phone : 040-27638111, 27642217, 27634445
Fax : 040-27632184
Email : info@aarthiconsultants.com

(For share related services/transfer of physical shares/change of address of members/nomination etc.)

Share Transfer System

The Board in pursuant to Regulation 40 of SEBI Listing Regulations had authorized Company Secretary and Company's Share Transfer Agent M/s Aarthi Consultants Private Limited to look into the transfer of securities on day to day basis and report the same to Stakeholder's Relationship Committee Meeting or Board Meeting occurred. All Shares as & when received with proper documents transferred within Statutory Time limit.

Distribution of Equity Shareholding

The table below shows the distribution of shareholding of various groups as on 31st March, 2018.

Total Nominal Value Rs. 8,46,52,030 (i.e.1/- Nominal & Paid Up Value of Each Share comprising total Number of Shares = 8,46,52,030).

Slab of shareholdings	Shareholders	%	No. of Shares	%
1 - 5000	16263	97.18	6655331	7.86
5001 - 10000	196	1.17	1608321	1.9
10001 - 20000	104	0.62	1641857	1.94
20001 - 30000	38	0.23	947531	1.12
30001 - 40000	21	0.13	761038	0.9
40001 - 50000	21	0.13	948263	1.12
50001 - 100000	37	0.22	2774996	3.28
100001 and above	55	0.33	69314693	81.88
Total	**100**	**100.00**	**84652030**	**100.00**

Pattern of shareholding as on 31st March, 2018

Sl. No.	Category of Shareholders	No. of Shareholders	No. of Shares
(A)	**Shareholding of Promoter and Promoter Group**	**10**	**50742930**
(B)	**Public shareholding**		
	B1) Institutions		
	Mutual Funds/	0	0
	Financial Institutions/ Banks	2	6202420
	Any Other (specify)		
	Sub Total B1	**2**	**56945350**
	B2) Central Government/ State Government(s)/ President of India	**0**	**0**

Sl. No.	Category of Shareholders	No. of Shareholders	No. of Shares
	B3) Non-Institutions		
	Individual share capital upto Rs. 2 Lacs	16196	16305120
	Individual share capital in excess of Rs 2 Lacs	10	6331425
	NBFCs registered with RBI	2	86975
	Any Other (specify)	7	232789
	Foreign Individuals or NRI – Reparable& Non Reparable	209	1570703
	Bodies Corporate	197	2867745
	Clearing Members	100	309423
	Overseas corporate bodies	0	0
	Trust	1	2000
	Unclaimed Suspense	1	500
	Sub Total B3	**16723**	**27706680**
	Total Public Shareholding(B)=(B1+B2+B3)	**16723**	**27706680**
	TOTAL (A) + (B)	**16735**	**84652030**

Dematerialization of Shares and liquidity

The company has made necessary arrangements with National Securities Depository Limited (NSDL) and Central Depository Services India Limited (CDSL) for dematerialization facility.

99.55 % of our equity shares representing 84274324 equity shares have been dematerialized as on 31st March, 2018.

The breakup as on 31st March, 2018 as follows:

Particulars	No. of Shares	Percentage of shares
NSDL	54158854	63.98
CDSL	30115470	35.57
Total Demat Shares	84274324	99.55
Physical	377706	0.45
Total	**8,46,52,030**	**100**

Shareholders who continue to hold shares in physical form are advised to dematerialize their shares at the earliest since it helps in immediate transfer without any payment of stamp duty. The risks pertaining to physical certificates like loss, theft, forgery, damage are eliminated when shares are held in electronic form. For any clarification, assistance or information, relating to dematerialization of shares please contact the Company's RTA.

For Commodity price risk or foreign exchange risk and hedging activities please refer to Management Discussion and Analysis Report for the same.

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, 2018 the company does not have any outstanding GDRs/ ADRs/ Warrants or any convertible instruments.

OTHER DISCLOSURE:

Related party transactions

During the year under review no materially significant transactions entered into between the company and related parties as defined under Section 185 or 188 of the Companies Act, 2013 along with Regulation 23 of SEBI Listing Regulations; which might had/may have potential conflict with the interest at large of the Company. All the related party transaction for the year ended on 31st March, 2018 formed part of **AOC-2 annexed as 5"** to the Board Report. Further the company has presented the related party transaction before the Audit Committee on quarterly basis and also before the Board. The "Policy on Related Party Transactions" is hosted on the website of the Company at the following link:http://www.smspharma.com/investors/downloads/policy-on-related-party-transactions.pdf.

Prohibition of Insider Trading:

The Company has adopted a Code of Conduct for Prevention of Insider Trading with a view to regulate trading in securities by the Directors and designated employees of the Company. The code provides for periodical disclosures from Directors and designated employees as well as pre-clearances of transactions by such persons.

Managing Director and the Chief Financial Officer have certified to the Board in accordance with Regulation 17(8) of the SEBI (LODR) Regulations, 2015 pertaining to CEO/ CFO certification for the Financial Year ended 31st March, 2018.

The Company has complied with all mandatory requirements as specified in LODR Regulations, 2015

Strictures and Penalties:

There was no non-compliance, penalties and strictures imposed on the Company during the last three financial years 2015-16, 2016-17 and 2017-18 respectively by the stock exchanges or the SEBI or any statutory authority, on any matter related to capital markets.

Vigil mechanism / Whistle Blower Policy:

In terms of the requirements of the Companies Act, 2013 and Regulation 22 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, the Company has a vigil mechanism to deal with instance of fraud and mismanagement, if any. The details of the vigil mechanism are displayed on the website of the Company. No person has been denied access to the Chairman of the audit committee. There were no allegations / disclosures / concerns received during the year under review in terms of the vigil mechanism established by the Company. The said policy has been also hosted on the website of the Company at the following link: http://www.smspharma.com/investors/downloads/whistle-blower-protection-policy.pdf

Policy for Determination of Materiality for Disclosures:

The company is following the mandatory disclosure requirement under Schedule II of the SEBI Listing Regulations.

The Company had also adopted Policy for Determination of Materiality for Disclosures. The said policy has been also hosted on the website of the Company at the following link: http://www.smspharma.com/investors/downloads/policy-for-determination-of-materiality-for-disclosure.pdf

Disclosure with Respect to Demat Suspense Account/ Unclaimed Suspense Account

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 2010-11, 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17 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 01/04/2017 to 31/03/2018.

(i)	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year.	No. of shareholders : 2 No. of shares : : 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 : 2 No. of shares : 50
(v)	That the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.	Yes

Investors Correspondence :

For institutional investors / analysts queries
Email : cs@smspharma.com
(For queries relating to Financial Performance & Announcement made by Management only)

Manufacturing Facilities

Plot No. 24 & 24B, S.V. Co.op Ind. Estate
Bachupally, I.D.A., R.R. Dist.
Telangana State - 502 325.
Phone : + 91-40-6598 6691
Email: admin_unit2@smspharma.com

Sy. No. 160, 161, 163 to 167,
Kandivalasa, Poosapatirega (Mandal),
Vijayanagaram Dist., Andhra Pradesh – 535 204
Phone :+91-08922-258051/53/54
Fax : +91-08922-258052
Email: admin_unit7@smspharma.com

R & D CENTER :

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

By the order of the Board

Ramesh Babu Potluri
Chairman & Managing Director
(DIN:00166381)

Place: Hyderabad
Date: 26-05-2018

Annexure-7

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2018

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	14th December, 1987
3	Name of the Company	SMS Pharmaceuticals Limited
4	Category/Sub-category of the Company	Company Limited by Shares
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.	Aarthi Consultants Private Limited 1-2-285, Domalguda, Hyderabad, Telangana-500 029. Phone : 040-27638111/ 27642217 Email : info@aarthiconsultants.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)

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

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S. No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	VKT Pharma Private Limited	U24100TG2006PTC050221	Associate	40.26%	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]				[No. of Shares held at the end of the year]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) **Indian**									
a) Individual/ HUF	51355470	-	51355470	60.67	50742930	-	50742930	59.94	(0.73)
b) Central Govt									
c) State Govt(s)									
d) Bodies Corp.	5867420		5867420	6.93	6202420		6202420	7.33	0.4
e) Banks / FI									
f) Any other									
Sub Total (A) (1)	**57222890**		**57222890**	**67.6**	**56945350**		**56945350**	**67.27**	**1.13**
(2) **Foreign**									
a) NRI Individuals									
b) Other Individuals									
c) Bodies Corp.									
d) Any other									
Sub Total (A) (2)	0		0	0					
TOTAL (A)	**57222890**		**57222890**	**67.6**	**56945350**		**56945350**	**67.27**	**1.13**
B. Public Shareholding									
1. Institutions									
a) Mutual Funds									
b) Banks / FI	62499		62499	0.07	166608		166608	0.19	(0.12)
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIIs									

Category of Shareholders	[No. of Shares held at the beginning of the year]				[No. of Shares held at the end of the year]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
h) Foreign Venture Capital Funds									
i) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-total (B)(1):-	**62499**		**62499**	**0.07**	**166608**		**166608**	**0.19**	**(0.12)**
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	3177766	1660	3179426	3.76	0	0	0	0	0
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital up to Rs. 1 lakh	7688654	225880	7914543	9.35	7463521	178546	7642067	9.03	(0.32)
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	13108778	-	13108778	15.49	14994478	0	14994478	17.71	2.22
c) Others (specify)	-	-	-	-	4502858		4504358	5.32	5.32
NBFCs Registered with RBI	45440	-	45440	0.05	86975	-	86975	0.10	(0.05)
Unclaimed Suspense A/c	500		500	0	500	-	500	0	0
Non Resident Indians	1815097	1980	1817077	2.15	0	-	0	0	2.15
Overseas Corporate Bodies	992633	-	992633	1.17	0	-	0	0	1.17
Foreign Nationals	0	0	0	0	271	-	271	0	0
Clearing Members	306543	0	306543	0.36	309423	-	309423	0.37	(0.01)
Trusts	0	1710	1710	0	2000	-	2000	0	0
Foreign Bodies - D R									
Sub-total (B)(2):-	**27135411**	**231230**	**2736641**	**32.33**	**27360026**	**178546**	**27540072**	**32.53**	**(0.99)**
Total Public (B)	**27197910**	**231230**	**27429140**	**32.40**	**27526634**	**178546**	**27706680**	**32.73**	**(0.33)**
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-					-
Grand Total (A+B+C)	**84420800**	**231230**	**84652030**	**100**	**84471984**	**178546**	**84652030**	**100**	-

ii) Shareholding of Promoter

Sl No	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share-holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encum-bered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encum-bered to total shares	
1	Hima Bindu Potluri	12373360	14.62	-	12373360	14.62	-	-
2	Ramesh Babu Potluri	14506960	17.14	-	14506960	17.14	-	-
3	T V V S N Murthy	8227000	9.72	-	8227000	9.72	-	-
4	Potluri Infra Projects LLP	5860000	6.92	-	5970000	7.05	--	0.13
5	T Annapurna	4390340	5.19	-	4390340	5.19	-	-
6	T V V S N Murthy (HUF)	3981340	4.70	-	3981340	4.70	-	-
7	Gopineedi Sudeepthi	1750000	2.07	-	1750000	2.07	-	-
8	Vamsi Krishna Potluri	2030590	2.40	3.55	2030590	2.40	3.55	-
9	Trilok Potluri	1431340	1.69	-	1431340	1.69	-	-
10	T V Praveen	1295340	1.53	-	1295340	1.53	-	-
11	Satya Vani Potluru	756660	0.89	-	756660	0.89	-	-
12	Potluri Laboratories Private Limited.	7420	0.01	-	232420	0.27	-	0.26
13	*Hari Kishore Potluri	430060	0.51	-				-
14	*P Suresh Babu	141440	0.17	-				--
15	*Sukumari Koneru	40000	0.05	-				--
16	*Rajeshwara Rao Gopineedi	1040	0.00					-
	Total	**57222890**	**67.60**	**3.55**	**56945350**	**67.27**	**3.55**	**0.39**

*The above four Sri.Hari Krishna Potluri, Sri.P.Suresh Babu, Smt.Sukmari Koneru, Sri.Rajeshwara Rao Gopineedi have been removed from the Promoter Group of the Company, w.e.f. 29th Annual General Meeting of the Company held on 27th September, 2017

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

SN	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	1-Apr-17		57222890	67.60		
	Changes during the year						
	Potluri Laboratories Private Limited	16 June, 2017	Purchase	225000	0.27	57447890	
	Potluri Infra Projects LLP	16 June, 2017	Purchase	110000	0.13	57557890	
	At the end of the year					57557890	67.99

The above four Sri.Hari Krishna Potluri, Sri.P.Suresh Babu, Smt.Sukmari Koneru, Sri.Rajeshwara Rao Gopineedi have been removed from the Promoter Group of the Company, w.e.f. 29th Annual General Meeting of the Company held on 27th September, 2107

(iv) Shareholding Pattern of top ten Shareholders
(Other than Directors, Promoters and Holders of GDRs and ADRs):

SN	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	**Venkata Subbaraju Penmatsa**						
	At the beginning of the year	**1-Apr-17**		**1790000**	**2.11**	**1790000**	**2.11**
	Changes during the year	-		-	-	-	-
	At the end of the year	**31-Mar-18**				**1790000**	**2.11**
2	**Madhusudan Murlidhar Kela**						
	At the beginning of the year	**1-Apr-17**		**400000**	**0.47**		
	Changes during the year		Purchase	1385599	1.63	**1385599**	**1.63**
	At the end of the year	**31-Mar-18**				**1385599**	**1.63**
3	**Vivek Mundra**						
	At the beginning of the year	**01-Apr-17**		**1162834**	**1.37**	**1162834**	**1.37**
	Changes during the year	-		-	-	-	-
	At the end of the year	31-Mar-18				**1162834**	**1.37**
4	**Aniruddh Mundra**						
	At the beginning of the year	**1-Apr-17**		**1149900**	**1.36**	**1149900**	**1.36**
	Changes during the year	-		-	-	-	-
	At the end of the year	31-Mar-18				**1149900**	**1.36**
5	**Hari Kishore Potluri**						
	At the beginning of the year	**1-Apr-17**		**430060**	**0.51**	**430060**	**0.51**
	Changes during the year	-		-	-	-	-
	At the end of the year	**31-Mar-18**				**430060**	**0.51**

SN	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
6	**AIPANA MUNDRA**						
	At the beginning of the year	**1-Apr-17**		**354170**	**0.42**	**354170**	**0.42**
	Changes during the year	-	-	-	-	-	-
	At the end of the year	31-Mar-18				**354170**	**0.42**
7	**SREENIVASULU REDDY MALLU**						
	At the beginning of the year	**1-Apr-17**		**301000**	**0.36**	**301000**	**0.36**
	Changes during the year						
	At the end of the year	**31-Mar-18**				**301000**	**0.36**
8	**CHUNDURI RAMAKRISHNA**						
	At the beginning of the year	**1-Apr-17**		**6025**	**00**		
	Changes during the year		Purchase	267677	0.32	267677	0.32
	At the end of the year	**31-Mar-18**				267677	0.32
9	**SRI MALLIKARJUNA CHEMICALS PRIVATE LIMITED**						
	At the beginning of the year	**1-Apr-17**		132000	0.16		
	Changes during the year		Purchase	247000	0.29	247000	0.29
	At the end of the year	**31-Mar-18**				247000	0.29
10	**SUNITA VARDHAN**						
	At the beginning of the year	**1-Apr-17**		25340	0.03		
	Changes during the year		Purchase	217110	0.26	217110	0.26
	At the end of the year	**31-Mar-18**					

(v) Shareholding of Directors and Key Managerial Personnel:

SN	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	Mr. Ramesh Babu Potluri						
	At the beginning of the year	01.04.2017	-	14506960	17.14	-	-
	Changes during the year	-	-	-	-	-	-
	At the end of the year	31.03.2018				14506960	17.14
2	Mr. TVVSN Murthy	01.04.2017					
	At the beginning of the year		-	8227000	9.72		
	Changes during the year		-				
	At the end of the year	31.03.2018				8227000	9.72

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	14,829.33	120.00		14,949.33
ii) Interest due but not paid				
iii) Interest accrued but not due	16.75			16.75
Total (i+ii+iii)	**14,846.08**	**120.00**	**-**	**14,966.08**
Change in Indebtedness during the financial year				
Addition				
Principal Amount	5,410.19			5,410.19
Interest Accrued but not due	10.79			10.79
Reduction				
Principal Amount	(5,712.31)			(5,712.31)
Interest Accrued but not due	(16.75)			(16.75)
Others				
Net Change	**(308.08)**	**-**	**-**	**(308.08)**
Indebtedness at the end of the financial year				
i) Principal Amount	14,527.21	120.00		14,647.21
ii) Interest due but not paid				
iii) Interest accrued but not due	10.79			10.79
Total (i+ii+iii)	**14,538.00**	**120.00**	**-**	**14,658.00**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

S N.	Particulars of Remuneration	Name of MD/WTD/ Manager		Total Amount
	Name	**Mr. Ramesh Babu Potluri**	**Mr. TVVSN Murthy**	
	Designation	**Chairman**	**Executive Director**	
1	Gross salary	In lacs	In lacs	In lacs
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	198.00	-	**198.00**
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	7.92	-	**7.92**
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961			
2	Stock Option			
3	Sweat Equity			
4	Commission	111.26	-	**111.26**
	- as % of profit			
	- others, specify			**-**
5	Others, please specify			-
	Total (A)	**317.18**	**-**	**317.18**
	Overall Ceiling as per the Act			**635.54**

B. Remuneration to other Directors

S N.	Particulars of Remuneration	Name of Directors				Total Amount (INR)
1	**Independent Directors**	**Sri. P Venkata Subba Rao**	**Dr. Mihir K. Chaudhuri**	**Sri. P. Sarath Kumar**	**Dr. (Mrs.) T. Neelaveni**	
	Fee for attending Board & committee meetings	4.25	-	3.25	3.75	11.25
	Commission	-	-	-	-	
	Others, please specify					
	Total (1)	4.25	-	3.25	3.75	11.25

S N.	Particulars of Remuneration	Name of Directors				Total Amount (INR)
2	**Other Non-Executive Directors**	Exim Bank Sri. Utpal Gokhale (Nominee Director)	*Gulf Pharmaceuticals Industries Dr. Ayman Sahli (Nominee Director)	Sri. TVVSN Murthy		-
	Fee for attending board committee meetings	1.00	0	1.25		2.25
	Commission					
	Others, please specify					
	Total (2)	1.00	0	1.25		2.25
	Total (B)=(1+2)	**5.25**	**0**	**4.50**	**3.75**	**13.5**
	Total Managerial Remuneration					**635.54**
	Overall Ceiling as per the Act					**699.09**

* Dr.Ayman Sahli Nominee Director (Gulf Pharmaceutical Industries) has resigned from the Board with w.e.f. 30.05.2017

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

S N.	Particulars of Remuneration		Name of Key Managerial Personnel				Total Amount
	Designation	**CEO**	CFO		**CS**		**(Rs)**
	Name	**N.A.**	**Mr. Rajendra Prasad** (upto May, 2017)	**Mr. Lakshmi Narayana T** From 13th September, 2017	***Mr.Thirumalesh Thumma** Upto 30th December 2017	****Mr. V.S. Venkatish -** From 8th February, 2018	
1	Gross salary		2,25,538	9,74,400	4,29,998	1,08,648	**17,38,584**
	(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	-	**2,25,538**	**9,74,400**	**4,29,998**	**1,08,648**	**17,38,584**

* Mr. **Thirumalesh Thumma** resigned as Company Secretary with effect from 30th December, 2017.

** **Mr. V.S.Venkatish** joined as Company Secretary with effect from 8th February 2018.

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				
Punishment					
Compounding					
B. DIRECTORS					
Penalty	NIL				
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty	NIL				
Punishment					
Compounding					

By the order of the Board

Ramesh Babu Potluri
(DIN:00166381)
Chairman & Managing Director

Place: Hyderabad
Date: 26-05-2018

Annexure-8

ANNUAL REPORT ON CSR ACTIVITIES

(Pursuant to the section 135 of the Companies Act, 2013 read with rule 9 of Companies (Corporate Social Responsibility Policy) Rules, 2014)

1	**A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.**	The Company shall carry its normal business in a manner that is beneficial to society & environment also in addition to propagation of business. For SMS Pharmaceutical Limited, Corporate Social Responsibility (CSR) means having business policies that are ethical, equitable, environmentally conscious, gender sensitive and sensitive towards the differently abled. We are working: i. Promoting preventive health care, sanitation making available for safe drinking water. ii. Education and rural development and related activities.
2	**The Composition of the CSR Committee.**	Mr. Ramesh Babu Potluri — Executive Director - & Chairman & Managing Director — Chairperson Mr. P.S. Rao — Non- Executive & Independent Director — Member Mr. P. Sarath Kumar — Non- Executive & Independent Director — Member
3	**Average net profit of the company for last three financial years**	Rs. 5512.79 Lakhs
4	**Prescribed CSR Expenditure (two per cent. of the amount as in item 3 above)**	Rs. 110.26 Lakhs
5	**Details of CSR spent during the financial year**	
	(a) **Total amount to be spent for the financial year**	Rs. 84.49 Lakhs
	(b) **Amount unspent, if any**	Rs. 100.64 Lakhs

(c) **Manner in which the amount spent during the financial year is detailed below.**

S. No	CSR project or activity identified	sector in which the project is covered	Location of Project or Programme	Amount outlay (budget) project or wise (Rs in Lakhs)	Amount spent on the projects or programs Sub heads: (1)Direct expenditure (2) Overheads (Rs in Lakhs)	Cumulative -expenditure upto to the reporting period (Rs in Lakhs)	Amount spent Direct or through implementing agency
1.	Donation to Tennis Academy Pvt Ltd	Encouraging Sports	M/s Lake view Tennis Academy Private Ltd	Rs. 10.00 Lakhs	Direct Expenditure Rs.10.00 Lakhs	10.00	Direct

S. No	CSR project or activity identified	sector in which the project is covered	Location of Project or Programme	Amount outlay (budget) project or wise (Rs in Lakhs)	Amount spent on the projects or programs Sub heads: (1)Direct expenditure (2) Overheads (Rs in Lakhs)	Cumulative -expenditure upto to the reporting period (Rs in Lakhs)	Amount spent Direct or through implementing agency
2.	Support to Udbhav School, Managed by IIMAAA Hyderabad Charitable Trust for education of children	Educating Girl children	Hyderabad charitable Trust for education of children, belonging to below poverty	1.50	Managed by IIMAAA Hyderabad Rs. 1.50	1.50	Through Udbhav School,
3.	Construction of School Building	Promotion of Education,	Poosapatirega Mandal, Vizinagaram Dist. A.P.	50.00	Direct Expenditure Rs.50.00	50.00	Direct
4.	Supporting for supply safe drinking water, drilling of bore wells	Safe Drinking water, sanitation	Nakkanapeta, Kanivalasa Village Poosapatirega Mandal, Vizinagaram dist, A.P.	2.12	Direct Expenditure Rs. 2.12	2.12	Direct
5	Support for open heart surgery for children & at Govt. General Hospital Guntur, Andhra Pradesh, heart and lung transplantation programme	Health care	Government General Hospital, Guntur Dist. A.P.	10.00	Through Sahrudaya Health, Medical and Educational Rs. 10.00	10.00	Through Sahrudaya Health, Medical and Educational Trust
6	Support to Rashtriya Vidya Kendra, Annojiguda, Gatkesar Mandal, Bhagyanagar	Promotion of Education	Rashtriya Vidya Kendra Annojiguda, Gatkesar Mandal, Bhagyanagar	10.00	Rashtriya Vidya Kendra Rs.10.00	10.00	Rashtriya Vidya Kendra
	TOTAL			**83.62**	**83.62**	**83.62**	-

6. The company could not spend entire two percentage of average net profits of the last three financial years. The company has initiated for construction of School building, health centers and drinking water facilities and also is making efforts to spend the unspent amount.

7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.

   The implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.

By the order of the Board

Ramesh Babu Potluri
(DIN:00166381)
Chairman & Managing Director

Place: Hyderabad
Date: 26-05-2018

Annexure-9

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

(Amount in Rs.)

NAME	DESIGNATION	Remuneration for FY 2017-18	% increase in remuneration during FY 2017-18	Ratio of remuneration of each director to the median remuneration of employees
Mr. P. Ramesh Babu	Executive Director (Chairman & Managing Director)	3,17,17,984	38.46%	18.83
Mr. TVVSN Murthy	Executive Director	-	-	-
Dr. Mihir K. Chaudhuri	Non-Executive & Independent Director	-	-	-
Sri P. Sarath Kumar	Non-Executive & Independent Director	-	-	-
Dr. (Mrs.) T. Neelaveni	Non-Executive & Independent Director	-	-	-
Mr. P. S. Rao	Non-Executive & Independent Director	-	-	-
Mr. Utpal Gokhale	Non-Executive & Nominee Director	-	-	-
Mr. N. Rajendra Prasad*	Chief Financial Officer	2,25,538	(15.44)	NA
Mr. Lakshmi Naryana T**	Chief Financial Officer	9,18,720		
Mr. Thirumalesh Tumma***	Company Secretary	4,29,998	NA	NA
Mr. V.S.Venkatish ****	Company Secretary	1,08,648	NA	NA

*Note: * Mr.N.Rajendra Prasad resigned as Chief Financial Officer with effect from 30th May, 2017*
*** Mr. Lakshmi Narayana T appointed as Chief Financial Officer with effect from 13th September, 2017*
**** Mr. Thirumalesh tumma resigned as Company Secretary with effect from 30th December, 2017.*
**** *Mr. V.S.Venkatish, joined as Company Secretary with effect from 8th February 2018.*

1. The average percentage increase in remuneration of director is 17.18 the average percentage increase / decrease in remuneration of CFO is (15.44%) from 31st May 2017 to 12th September, 2017 (total 105 days) the CFO post was vacant)
2. The average percentage Decrease in remuneration of employees except Directors & KMP is (-26.34%). The decrease is due to the decrease in number employees directly employed (1079 employees 2016-17 to 812 employees in 2017-18) on account of De-merger between (SMS Pharmacuticals Ltd and SMS LifeSciences India Limited)
3. The Change in median remuneration of employees 21.44 %.
4. At the year end the company had 812 employees directly employed.
5. Remuneration paid to the Managerial Personnel is as per remuneration policy of the Company.

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.

Annexure-10

Conservation of Energy, Technology Absorption

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

CONSERVATION OF ENERGY

The company regularly reviews power consumption patterns across all locations and implement requisite improvements/changes in the process in order to optimize power consumption, further the company is identifying cheaper power sources both in-house and external and utilizing alternative sources of energy. The Company has taken initiative of steam condensate recovery from all blocks to boiler, it reduce the consumption of coal & fresh water.

TECHNOLOGY ABSORPTION

1. **Efforts in brief, made towards technology absorption:**

   The Company is focused on has its own full-fledged R&D centre continues to build technological self- reliance by promoting in house research, innovation and creativity to design, develop and upgrade its product pipeline continuously and supported with analyst, support staff and ancillary facilities which has been developing and improving Processes for manufacture of new and existing Active Pharmaceutical Ingredients and drug intermediates. No technology absorption is involved however the company has 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.

2. **Benefits derived as a result of the above efforts:**

   a. The company has started two molecules in R&D to reduce the cost.

   b. Development of new products.

   c. During the year the Company's ten patents and two research papers were published.

   d. A large part of our external API sales is to the regulated markets of US / Europe, and earns valuable foreign exchange, as also a reputation for quality and dependability.

3. **R&D Expenditure**

   The details of expenditure incurred in R&D centre of the company for the FY 2017-18 refer Note No. 43 of notes to financial statements

By the order of the Board

Ramesh Babu Potluri
(DIN:00166381)
Chairman & Managing Director

Place: Hyderabad
Date: 26-05-2018

Annexure-11

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2018

[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** ("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, 2018 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, 2018 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, 2015;

   (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 (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)**;

(i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(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; and

(ii) The Listing Agreements entered by the Company with BSE Limited and National Stock Exchange of India Limited.

We have not examined compliance by the Company with applicable financial laws, like direct and indirect tax laws, since the same have been subject to review by statutory financial audit and other designated professionals.

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

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.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least well 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.

The agenda items are daliberated before passing the same and views (observetions made by the Directors are recorded in the mintes)

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 futher reports that during the audit peried the scheme of arrangement resulting in demerger of semi regulated units of the Company was approed by the Hon'ble NCLT, Hyderabad vide order 15-05-2017 abd accordingly Form INC - 28 was filed on 17-05-2018 with Ministry of Corporate Affairs, which is having mager bearing on the Company's affair in pursuance of the above referred laws, rules, regulations, guidelinens, and standards

For SVVS & Associates
Company Secretaries LLP

Place: Hyderabad
Date: 26-05-2018

CS C. SUDHIR BABU
Partner
FCS: 2724; C P No.: 7666

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 SVVS & Associates
Company Secretaries LLP

Place: Hyderabad
Date: 26-05-2018

C. SUDHIR BABU
Partner
FCS: 2724; C P No.: 7666

COMPLIANCE CERTIFICATE

[As per SEBI (LODR) Regulation 17(8)]

A) We have reviewed Annual audited financial statements and cash flow statement for the year ended 31st March, 2018 and that to the best of our knowledge and belief:

1) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

2) These statements together present a true and fair view of the listed entity's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

B) We are, to the best of our knowledge and belief, no transactions entered into by the Company during the financial year ended on 31st March, 2018 which are fraudulent, illegal or violative of the Company's code of conduct.

C) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of 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 they have taken or propose to take to rectify these deficiencies.

D) We have indicated to the auditors and the Audit committee

1) significant changes in internal control over financial reporting during the said financial year;

2) significant changes in accounting policies during the said financial year and that the same have been disclosed in the notes to the financial statements; and

3) There are no instances of fraud of which we have become aware and the involvement thereof by the Management or an employee having a significant role in the Company's internal control system over financial reporting.

for **SMS Pharmaceuticals Limited**

T. Lakshminaryana
Chief Financial Officer

for **SMS Pharmaceuticals Limited**

Ramesh Babu Potluri
Chairman & Managing Director
(DIN: 00166381)

Place: Hyderabad
Date: 26.05.2018

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members
SMS Pharmaceuticals Limited
Hyderabad.

We have examined the compliance of conditions of Corporate Governance by SMS Pharmaceuticals Limited ('the Company') for the year ended 31st March 2018, as per the relevant provisions of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') as referred to in Regulation 15(2) of the Listing Regulations for the period 01st April, 2017 to 31st March, 2018.

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 Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company had complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Regulations, as applicable.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **Suryanarayana & Suresh**
Chartered Accountants,
Firm Reg. No:006631S

V Nagendra Rao
Partner
M.No.227679

Place: Hyderabad
Date: 26-05-2018

DECLARATION ON CODE OF CONDUCT

The Members of
SMS Pharmaceuticals Limited

This is to confirm that the Board has laid down a Code of Conduct for all Board Members and senior management personnel of the Company. The code of conduct has also been posted on the website of the Company. It is further confirmed that all Directors and Senior Management personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the financial year ended on 31st March, 2018 as envisaged in Listing Regulations.

For SMS Pharmaceuticals Limited

Ramesh Babu Potluri
Chairman & Managing Director
(DIN: 00166381)

Place: Hyderabad
Date : 26-05-2018

Standalone Financial Statements 2017-18

Independent Auditors' Report

To
The Members of
SMS PHARMACEUTICAL LIMITED

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS Financial Statements of **SMS PHARMACEUTICALS LIMITED** (**"the Company"**) which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss, Statement of Changes in Equity and 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 Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS 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 maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting 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 adequate 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 Ind AS 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 Ind AS 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 and the Order under Section 143(11) of the Act.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS 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 Ind AS Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS 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 Ind AS Financial Statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS 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 31, 2018, and its Profit and its Cash Flow for the year ended on that date.

Other Matters

The comparative financial information of the company for the year ended 31 March 2018 and the transition date opening balance sheet as at 1 April 2016 included in these Ind AS financial statements, are based on the previously issued statutory financial statements prepared in accordance with the Companies (Accounting Standards) Rules,2006 audited by the predecessor auditor whose report for the year ended 31 March 2017 and 31 March 2016 dated 30 May 2017 and 14 May 2016 respectively expressed an unmodified opinion on those financial statements, as adjusted for the differences in the accounting principles adopted by the company on transition to the Ind AS, which have been audited by us.

Our opinion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "**Annexure A"** a statement on the matters specified in paragraphs 3 and 4 of the Order.

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 purpose 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 the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

   d. In our opinion, the aforesaid Ind AS 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 March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.

   f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in **"Annexure B**".

   g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 and 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 2018 on its financial position in its Ind AS Financial Statements as referred to in note 10.1 and 52 to the Ind AS Financial Statements.

      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

      iii. 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 there under.

For Suryanarayana & Suresh.,
Chartered Accountants
FRN: 006631S

V Nagendra Rao
Partner
M.No.227679

Place: Hyderabad
Date : 26-05-2018

"Annexure A" to the Independent Auditors' Report

Referred to in paragraph 1 under the heading 'Report on Other Legal & Regulatory Requirement' of our report of even date to the Ind AS Financial Statements of the Company for the year ended March 31, 2018:

i) 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) In respect 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) The Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability partnerships or other parties covered in the Register maintained under section 189 of the Act. Accordingly, the provisions of clause 3 (iii) (a) to (c) of the Order are not applicable to the Company and hence not commented upon.

iv) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 185 and 186 of the Companies Act, 2013 in respect of loans, investments, guarantees, and security.

v) The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.

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) a) According to information and explanations given to us and on the basis of our examination of the books of account, and records, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income-Tax, Sales tax, Service Tax, Duty of Customs, Duty of Excise, Value added Tax, Cess and any other statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the above were in arrears as at March 31, 2018 for a period of more than six months from the date on when they become payable.

b) According to the information and explanation given to us, there are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax outstanding on account of any dispute,except the following:

S. No	Name of the Statute	Nature of the dues	Forumwhere dispute is pending	Period to which the amount relates	Amount involved	Amount Unpaid
1	Telangana Tax on Entry of Goods into local Area Act, 2001	Entry Tax	APPELLATE JOINT COMMISSIONER (ST)	2013-14	1,75,023	1,53,145

c) 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 there under.

viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks. The Company has not issued any debentures.

ix) Based upon the audit procedures performed and the information and explanations given by the management, the company has not raised moneys by way of initial public offer or further public offer including debt instruments and term Loans. Accordingly, the provisions of clause 3 (ix) of the Order are not applicable to the Company and hence not commented upon.

x) Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud by the Company or on the company by its officers or employees has been noticed or reported during the year.

xi) Based upon the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

xii) In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 4 (xii) of the Order are not applicable to the Company.

xiii) In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Ind AS Financial Statements as required by the applicable accounting standards.

xiv) Based upon the audit procedures performed and the information and explanations given by the management, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company and hence not commented upon.

xv) Based upon the audit procedures performed and the information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company and hence not commented upon.

xvi) In our opinion, the company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the Order are not applicable to the Company and hence not commented upon.

For Suryanarayana & Suresh.,
Chartered Accountants
FRN: 006631S

V Nagendra Rao
Partner
M.No.227679

Place: Hyderabad
Date : 26-05-2018

"Annexure B" to the Independent Auditor's Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of SMS PHARMACEUTICALS LIMITED ("the Company") as of March 31, 2018 in conjunction with our audit of the Ind AS Financial Statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management responsible for establishing and maintaining internal financial controls base on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Ind AS Financial Statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ind AS Financial Statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

(1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind AS Financial Statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the Ind AS Financial Statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Suryanarayana & Suresh.,
Chartered Accountants
FRN: 006631S

V Nagendra Rao
Partner
M.No.227679

Place: Hyderabad
Date : 26-05-2018

Balance Sheet as at 31st March, 2018

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	Note	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016
I	**ASSETS**				
1	**Non-Current Assets**				
	(a) Property, Plant and Equipment	5	**27,889.89**	29,003.68	29,593.32
	(b) Capital Work-in-Progress	5	**819.66**	776.15	713.10
	(c) Intangible Assets	6	**36.27**	41.60	40.23
	(d) Financial Assets:				
	(i) Investments	7	**4,499.87**	3,698.37	2,122.79
	(ii) Bank Balances	8	**200.78**	190.32	176.24
	(iii) Other Financial Assets	9	**238.68**	235.43	160.56
	(e) Other Non-Current Assets	10	**1,380.46**	422.72	429.82
	Total		**35,065.61**	**34,368.27**	**33,236.06**
2	**Current Assets**				
	(a) Inventories	11	**10,747.53**	9,251.93	7,084.81
	(b) Financial Assets				
	(i) Trade Receivables	12	**2,414.92**	2,131.88	2,082.48
	(ii) Cash and Cash Equivalents	13	**1,263.08**	1,228.53	1,096.10
	(iii) Bank Balances (Other than (ii) above)	14	**8.01**	8.37	8.97
	(iv) Other Financial Assets	15	**53.52**	2.95	29.09
	(c) Other Current Assets	16	**2,361.64**	2,995.14	3,304.70
	(d) Current Tax Asset (Net)	17	**-**	116.83	25.38
	Total		**16,848.70**	15,735.63	13,631.53
	TOTAL ASSETS		**51,914.31**	**50,103.90**	**46,867.59**

(Contd.)

S. No	Particulars		Note	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016
II	**EQUITY AND LIABILITIES**					
I	**Equity:**					
	(a)	Equity Share Capital	18	**846.52**	846.52	846.52
	(b)	Other Equity	19	**29,264.04**	25,416.61	22,067.31
		Total		**30,110.56**	**26,263.13**	**22,913.83**
	2	**LIABILITIES**				
	A	**Non-Current Liabilities**				
	(a)	Financial Liabilities				
		(i) Borrowings	20	**7,139.82**	7,421.54	8,927.22
	(b)	Provisions	21	**217.87**	134.81	131.70
	(c)	Deferred Tax Liabilities (net)	22	**2,300.32**	1,584.87	1,883.81
		Total		**9,658.01**	**9,141.22**	**10,942.73**
	B	**Current Liabilities**				
	(a)	Financial Liabilities				
		(i) Borrowings	23	**5,839.71**	5,975.96	6,741.12
		(ii) Trade Payables:	24	**3,870.37**	6,675.35	3,167.93
		(iii) Other Financial Liabilities	25	**1,754.76**	1,587.11	2,146.64
	(b)	Provisions	21	**71.50**	53.70	44.02
	(c)	Other Current Liabilities	26	**592.90**	407.43	911.32
	(d)	Current Tax Liabilities (Net)	27	**16.50**	-	-
		Total		**12,145.74**	**14,699.55**	**13,011.03**
		TOTAL LIABILITIES		**21,803.75**	**23,840.77**	**23,953.76**
	TOTAL EQUITY AND LIABILITIES			**51,914.31**	**50,103.90**	**46,867.59**
	Significant Accounting Policies		4			

The accompanying notes are an integral part of the Financial Statements

as per our report of even date

for and on behalf of the Board

for **SURYANARAYANA & SURESH**
Chartered Accountants
FRN 006631S

RAMESH BABU POTLURI
Chairman and Manging Director
DIN No.: 00166381

TVVSN MURTHY
Director
DIN No.: 00465198

V NAGENDRA RAO
Partner
M.No. 227679

V.S.VENKATISH
Company Secretary

T. LAKSHMI NARAYANA
Chief Financial Officer

Place : Hyderabad
Date : 26-05-2018

Statement of Profit and Loss for the Year ended 31st March, 2018

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	Note	Current Year 2017-18	Previous Year 2016-17
1	**Income**			
	Revenue from Operations	28	**46,486.33**	44,671.98
	Other Income	29	**238.79**	144.76
	Total Income		**46,725.12**	**44,816.74**
2	**Expenses**			
	Cost of Materials Consumed	30	**29,432.23**	32,502.87
	Changes in Inventories	31	**(442.31)**	(2,918.27)
	Central Excise Duty		**218.81**	859.60
	Manufacturing Expenses	32	**3,450.40**	2,840.02
	Employee Benefits Expense	33	**3,280.34**	2,692.28
	Finance Cost	34	**1,547.96**	1,548.85
	Depreciation and Amortization Expense	35	**1,989.98**	1,917.72
	Other Expenses	36	**1,212.89**	1,215.66
	Total Expenses		**40,690.30**	**40,658.73**
3	**Profit Before Tax (1-2)**		**6,034.82**	**4,158.01**
4	**Tax Expense**			
	(a) Current Tax			
	(i) relating to Current Year	37	**1,300.00**	900.00
	(ii) relating to Earlier Year		**(23.85)**	(8.94)
	(b) Deferred Tax		**713.24**	(294.51)
			1,989.39	**596.55**
5	**Profit for the Year (3-4)**		**4,045.43**	**3,561.46**
6	**Other Comprehensive Income/(Loss)**			
	Items that will not be reclassified to Profit and Loss			
	Remeasurement Gain/(Loss) of the defined benefit plans	38	**6.31**	(12.83)
7	Income Tax effect on the above		**2.20**	(4.44)
8	**Other Comprehensive Income/(Loss) after Tax for the Year (6-7)**		**4.11**	(8.39)
9	**Total Comprehensive Income/(Loss) for the Year**		**4,049.54**	**3,553.07**
10	**Earnings Per Share (Face value of Re.1 each)**	39		
	-Basic and Diluted		**4.78**	**4.21**
	Significant Accounting Policies	4		

The accompanying notes are an integral part of the Financial Statements

as per our report of even date

for and on behalf of the Board

for **SURYANARAYANA & SURESH**
Chartered Accountants
FRN 006631S

RAMESH BABU POTLURI
Chairman and Manging Director
DIN No.: 00166381

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DIN No.: 00465198

V NAGENDRA RAO
Partner
M.No. 227679

V.S.VENKATISH
Company Secretary

T. LAKSHMI NARAYANA
Chief Financial Officer

Place : Hyderabad

Date : 26-05-2018

Statement of Cash Flow for the Year Ended 31st March, 2018

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

S No.	Particulars	Current Year 2017-18	Previous Year 2016-17
A	**Cash Flows from Operating Activities**		
	Profit before Income Tax	**6,034.82**	4,158.01
	Adjustments for:		
	Depreciation and Amortisation Expense	**1,989.98**	1,917.73
	Interest Income Classified as Investing Cash Flows	**(10.57)**	(14.56)
	Allowance for Doubtful Debts	**3.27**	0.92
	Interest on Non Current Borrowings	**977.36**	1,203.70
	Bad Debts Written Off	**-**	2.96
	Provision for Employee Benefits	**146.44**	37.25
	Amortisation of Transaction Cost on Borrowings	**1.74**	10.19
	Operating Profit before Working Capital Changes	**9,143.04**	**7,316.20**
	Change in Operating Assets and Liabilities		
	(Increase)/Decrease in Trade Receivables	**(286.31)**	(53.28)
	(Increase)/Decrease in Inventories	**(1,495.60)**	(2,167.12)
	(Increase)/Decrease in Other Non Current Financial Assets	**(3.25)**	(74.87)
	(Increase)/Decrease in Other Non Current Asset	**(957.75)**	7.10
	(Increase)/Decrease in Other Current Financial Assets	**(50.58)**	26.14
	(Increase)/Decrease in Other Current Assets	**633.50**	309.56
	(Increase)/Decrease in Prepaid Taxes	**(28.94)**	(73.56)
	Increase/(Decrease) in Trade Payables	**(2,804.97)**	3,507.41
	Increase/(Decrease) in Other Current Liabilities	**146.20**	(541.17)
		(4,847.70)	**940.21**
	Cash generated from Operations	**4,295.34**	8,256.41
	Income tax paid	**(1,113.87)**	(908.95)
	Net Cash Inflow from Operating Activities "A"	**3,181.47**	**7,347.46**

Statement of Cash Flow for the Year Ended 31st March, 2018

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

S No.	Particulars	Current Year 2017-18	Previous Year 2016-17
B	**Cash flows from Investing Activities**		
	Purchase of Property, Plant and Equipment	**(855.32)**	(2,320.50)
	Payments for Purchase of Investments	**(802.50)**	(1,575.58)
	Margin Money Deposits	**(3.97)**	(40.68)
	Interest Received on Margin Money Deposit	**4.08**	41.16
	Net Cash Outflow from Investing Activities "B"	**(1,657.71)**	**(3,895.60)**
C	**Cash Flows from Financing Activities**		
	Proceeds from Long Term Borrowings	**1,350.00**	-
	Repayment of Long Term Borrowings	**(1,515.87)**	(1,137.29)
	Proceeds from Short Term Borrowings	**4,060.19**	3,050.91
	Repayment of Short Term Borrowings	**(4,196.44)**	(3,816.07)
	Interest paid on Borrowings	**(983.32)**	(1,213.21)
	Dividend Paid to Company's Shareholders	**(203.77)**	(203.77)
	Net Cash Inflow (Outflow) from Financing Activities "C"	**(1,489.21)**	**(3,319.43)**
	Net Increase (Decrease) in Cash and Cash Equivalents (A+B+C)	**34.55**	132.43
	Cash and Cash Equivalents at the Beginning of the Financial Year (Refer Note 13)	**1,228.53**	1,125.10
	Less: Cash Equivalents on account of Demerger (Refer Note 40)	**-**	29.00
	Cash and Cash Equivalents at End of the Year (Refer Note 13)	**1,263.08**	1,228.53

The accompanying notes are an integral part of the Financial Statements
as per our report of even date

for and on behalf of the Board

for **SURYANARAYANA & SURESH**
Chartered Accountants
FRN 006631S

RAMESH BABU POTLURI
Chairman and Manging Director
DIN No.: 00166381

TVVSN MURTHY
Director
DIN No.: 00465198

V NAGENDRA RAO
Partner
M.No. 227679

V.S.VENKATISH
Company Secretary

T. LAKSHMI NARAYANA
Chief Financial Officer

Place : Hyderabad
Date : 26-05-2018

Statement of Changes in Equity for the Year Ended 31st March, 2018

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

a. Equity Share Capital

Particulars	as at 31.03.2018		as at 31.03.2017		as at 01.04.2016	
	Number of Shares	**Amount (Rs)**	Number of Shares	Amount (Rs)	Number of Shares	Amount (Rs)
As at the Beginning of the Year	**84,652,030**	**846.52**	84,652,030	846.52	84,652,030	846.52
Changes in Equity Share Capital	**-**	**-**	-	-	-	-
As at the End of the Year	**84,652,030**	**846.52**	84,652,030	846.52	84,652,030	846.52

b. Other Equity

Particulars	Reserves & Surplus				
	Securities Premium	**Capital Redemption Reserve**	**General Reserve**	**Retained Earnings**	**Total Equity**
Balance as at 01st April, 2016	**6,981.84**	**155.00**	**3,305.28**	**11,625.19**	**22,067.31**
Profit for the year	-	-	-	3,561.46	3,561.46
Other Comprehensive Income for the year, net of Income tax				(8.39)	(8.39)
Total Comprehensive Income for the year	**-**	**-**	**-**	**3,553.07**	**3,553.07**
Transfer to General Reserve			1,000.00	(1,000.00)	-
Payment of Dividends(including tax)				(203.77)	(203.77)
Balance as at 31st March, 2017	**6,981.84**	**155.00**	**4,305.28**	**13,974.49**	**25,416.60**
Balance as at 01st April, 2017	6,981.84	155.00	4,305.28	13,974.49	25,416.60
Profit for the Year				4,045.43	4,045.43
Other Comprehensive Income for the year, net of Income tax				4.11	4.11
Total Comprehensive Income for the year	**-**	**-**	**-**	**4,049.54**	**4,049.54**
Pursuant to Demerger Scheme (Refer Note 40)			(1.00)		(1.00)
Others				2.66	2.66
Transfer to General Reserve			1,000.00	(1,000.00)	
Payment of dividends (including tax)				(203.77)	(203.77)
Balance as at 31st March, 2018	**6,981.84**	**155.00**	**5,304.28**	**16,822.92**	**29,264.04**

The accompanying notes are an integral part of the Financial Statements

as per our report of even date

for and on behalf of the Board

for **SURYANARAYANA & SURESH**
Chartered Accountants
FRN 006631S

RAMESH BABU POTLURI
Chairman and Manging Director
DIN No.: 00166381

TVVSN MURTHY
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DIN No.: 00465198

V NAGENDRA RAO
Partner
M.No. 227679

V.S.VENKATISH
Company Secretary

T. LAKSHMI NARAYANA
Chief Financial Officer

Place : Hyderabad

Date : 26-05-2018

Significant Accounts

1. Corporate Information:

SMS Pharmaceuticals Limited (SMS Pharma), (the 'Company') is a Company limited by Shares domiciled in India incorporated under the Companies Act, 1956. The registered office of the Company is at Plot No. 19-III, Road No. 71, Jubliee Hills, and Hyderabad. The Equity Shares of the Company are listed in Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). The Company is engaged in the business of manufacturing of Active Pharma Ingredients and their intermediates. The Company is having manufacturing facilities at Bachupally, Hyderabad and also at Kandivalasa in Vijayanagaram Dist, apart from R&D Center at Gagillapur, Hyderabad.

These Consolidated Financial Statements for the year ended 31st March, 2018 were authorized and approved for issue by the Board of Directors on 26th May, 2018.

2. Basis of Preparation:

2.1 Compliance with Ind AS:

The consolidated financial statements of the Company have been prepared in accordance with the Indian Accounting Standards as notified under section 133 of the Companies Act 2013 ("the Act") read with the Companies (Indian Accounting Standards) Rules 2015 issued by Ministry of Corporate Affairs ('MCA'). The Company has uniformly applied the accounting policies during the years presented.

For all years up to and including the year ended 31st March 2017, the Company had prepared its consolidated financial statements in accordance with accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 ('Indian GAAP'). Effective from 01st April 2017, the Company has adopted all the Ind AS Standards and the adoption was carried out in accordance with Ind AS 101 First time adoption of Indian Accounting Standards, with transition date as 01st April 2016. The reconciliation of effects of the transition as required by Ind AS 101 is disclosed in Note No. 56 to these consolidated financial statements.

Amounts for the year ended and as at 31st March, 2017 were audited by the previous auditors M/s. Rambabu & Co, Chartered Accountants.

2.2 Historical Cost Convention:

The consolidated financial statements have been prepared on a going concern basis under the historical cost basis except for the following:

- Certain Financial Assets and Liabilities that is measured at Fair Value; (refer accounting policy regarding financial instruments).
- Defined Benefit Plans – Plan Assets measured at Fair Value.

2.3 Basis of Consolidation:

The Consolidated financial statements of the Company and its associate have been prepared in accordance with Indian Accounting Standards notified under Companies Accounting Standard rules, 2015 (as amended from time to time).

Principles of Consolidation:

The Consolidated Financial Statements relate to SMS Pharmaceuticals Limited, and its Associate Company, M/s. VKT Pharma Pvt Ltd.

(i) Investments in Associates are accounted under the equity method as per Indian Accounting Standard Ind AS 28 – "Investments in Associates".

(ii) The company accounts for its share in the change in net assets of the associate, post-acquisition, after eliminating unrealized profits and losses resulting from transactions between the company and its associates to the extent of its share, through its Profit and Loss Account to the extent such change is attributable to the associates' Profit and Loss account and through its reserves for the balance, based on available information.

(iii) The difference between the costs of investments in the associates and the share of net assets at the time of acquisition of the shares in the associates is identified in the consolidated financial statements as Goodwill or Capital Reserve as the case may be.

(iv) The Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar and are presented in the same manner as the Company's separate financial statements.

2.4 Current and Non-Current Classification:

The Company presents assets and liabilities in the balance sheet based on current and non-current classification.

(a) An asset is treated as current when it satisfies the below mentioned criteria:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period, or
- Cash or Cash Equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(b) All Other Assets are classified as non-current.

(c) A liability is classified as current when it satisfies the below mentioned criteria:

- Expected to settle the liability in normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

(d) All Other liabilities are classified as non-current.

(e) Deferred Tax Assets and Liabilities are classified as non-current assets and liabilities.

(f) The Operating Cycle is the time between the acquisition of assets for processing and their realization in Cash and Cash Equivalents. The Company has identified Twelve months as its Operating Cycle.

3. New Standards and Interpretations not yet adopted:

3.1 Appendix B to Ind AS 21, Foreign Currency Transactions and Advance Consideration:

On March 28, 2018, Ministry of Corporate Affairs (""MCA"") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign Currency Transactions and Advance Consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

The amendment will come into force from 01st April 2018. The Company is evaluating the requirement of the amendment and the effect of the consolidated financial statements.

3.2 Ind AS 115- Revenue from Contract with Customers:

On March 28, 2018, Ministry of Corporate Affairs (""MCA"") has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The standard permits two possible methods of transition:

a. Retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

b. Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach).

The effective date for adoption of Ind AS 115 is financial years beginning on or after 01st April 2018. The Company is evaluating the requirement of the amendment and the effect of the consolidated financial statements.

4. Summary of Significant Accounting Policies:

The consolidated financial statements have been prepared using the accounting policies and measurement basis summarized below:

4.1 Revenue Recognition:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

Excise duty is a liability of the Company as a manufacturer, which forms part of the cost of production, irrespective of whether the goods are sold or not. Therefore, the recovery of excise duty flows to the Company on its own account and hence revenue includes excise duty.

Sales Tax/ Value Added Tax [VAT] is not received by the Company on its own account. Rather, it is tax collected on value added to the Goods by the Company on behalf of the government. Accordingly, it is excluded from revenue.

The Goods and Services Tax (GST) Act, 2017 has come into force with effect from 01st July, 2017. Accordingly, in compliance with Indian Accounting Standard (Ind AS) 18 - 'Revenue', Revenue from operations for the year ended 31st March, 2018 includes Excise Duty and excludes Sales Tax up to 30th June, 2017. Revenue from operations of earlier years are also included Excise Duty but excluded Sales Tax which are now subsumed in GST. From 01-07-2017 onwards GST is excluded from Revenue as nature of tax was collection on behalf of the Government.

The specific recognition criteria described below must also be met before revenue is recognized.

i) Sale of Products:

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of goods have passed to the buyer, usually on delivery of the goods. Revenue from export sales is recognized on the date of bill of lading, based on the terms of export.

ii) Service Revenue:

Service income is recognized as per the terms of contracts with the customers when the related services are performed or the agreed milestones are achieved and are net of service tax, wherever applicable.

iii) Interest:

Interest Income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR) method. Interest income is included in Other Income in the Statement of Profit and Loss.

iv) Dividend Income:

Dividend income is recognized at the time when right to receive the payment is established, which is generally when the shareholders approve the dividend.

v) Export Benefits:

Export Benefits are recognized on accrual basis and Export Incentives are recognized on receipt basis.

vi) Other Sundry Income:

Income claims and conversion escalations are accounted for on realization.

4.2 Foreign Currency Transactions:

i. Functional and Reporting Currency:

The consolidated financial statements are presented in Indian Rupee ('INR' or '₹') which is also the functional and presentation currency of the Company.

ii. Initial Recognition:

Foreign currency transactions are recorded in the functional currency, by applying to the exchange rate between the functional currency and the foreign currency at the date of the transaction.

iii. Conversion on Reporting Date:

Transactions in foreign currencies are initially recorded by the Company at its functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

iv. Exchange Differences:

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the statement of profit and loss in the year in which they arise.

4.3 Property, Plant and Equipment:

(a) Recognition and Initial Measurement

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

Cost includes non-refundable taxes, duties, freight, borrowing costs and other incidental expenses related to the acquisition and installation of the respective assets.

Assets under installation or under construction as at the Balance Sheet date are shown as Capital Work in Progress. Advances paid towards acquisition of assets are shown as Capital Advances.

Borrowing Cost relating to acquisition of Property, Plant and Equipment which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to put to use.

Subsequent Costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company. All other repair and maintenance costs are recognized in statement of profit or loss as incurred.

(b) Subsequent Measurement (Depreciation and Useful Lives)

Depreciation on property, plant and equipment is provided on the straight-line method, computed on the basis of useful lives as estimated by management which coincides with rates prescribed in Schedule II to the Companies Act, 2013.

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 Rs.5,000/- purchased during the year also depreciation has been provided at normal rates on pro-rata basis from the date of purchase.

Cost of the leasehold land is amortized on a straight-line basis over the term of the lease. Depreciation on landscape is being provided @10% under straight line method.

The residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(c) De-recognition

An item of Property, Plant and Equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognized.

(d) Transition to IND AS

On transition to IND AS, the Company has elected to continue with the carrying value of all its Property, Plant and Equipment recognized as at 01st April 2016 measured as per the Provisions of previous GAAP and use that carrying value as the deemed cost of property, plant and equipment.

4.4 Investment Property:

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where its applicable borrowing costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Investment properties are depreciated using the straight-line method over their estimated useful lives. The useful life of buildings, classified as Investment properties, is considered as 30 years. The useful life has been determined based on technical evaluation performed by the management's expert.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their use. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of de- recognition.

4.5 Intangible Assets:

(a) Recognition and Initial Measurement

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

(b) Subsequent measurement (amortization):

The cost incurred on Intangible Assets is amortized over a period of 6 years in case of Computer Software and 4 years for Patents on Straight Line Method.

4.6 Leases:

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is or contains a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys the right to use the asset, even if that right is not explicitly specified in an arrangement.

Classification on inception of lease:

a. **Operating Leases:**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases.

b. **Finance Lease:**

A lease is classified as a finance lease where the lessor transfers substantially all the risks and rewards incidental to the ownership of the leased item.

Accounting of Operating Lease:

Where the Company is the Lessee:

Lease Payment in case of operating lease is charged to Statement of Profit and Loss on straight line basis over the lease term. In case the escalation in operating lease payments are in line with the expected general inflation rate then the lease payments are charged to Statement of Profit and Loss instead of Straight Line Method.

Where the Company is the Lessor:

Lease income is recognized in the Statement of Profit and Loss on a Straight line basis over the lease term. Assets subject to operating leases are included in fixed assets. Costs, including depreciation are recognized as expense in the Statement of Profit and Loss.

4.7 Inventories:

Raw material, packaging material, are carried at cost. Stores and spares are being charged to revenue as and when purchased. Cost includes purchase price excluding taxes those are subsequently recoverable by the company from the concerned authorities, freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. Cost of Raw Material, packaging material is determined using the weighted average cost method.

Finished goods and work in progress are valued at the lower of cost and net realizable value. Cost of work in progress and manufactured finished goods is determined on weighted average basis and comprises cost of direct material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition. Cost of traded goods is determined on weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Spare Parts, Stand-by Equipment and Servicing Equipment are recognized in accordance with this Ind AS-16 when they meet the definition of property, plant and

Equipment. Otherwise, such items are classified as inventory and are valued at Cost.

The carrying cost of raw materials, packing materials, stores and spare parts are appropriately written down when there is a decline in replacement cost of such materials and finished products in which they will be incorporated are expected to be sold below cost.

4.8 Cash and Cash Equivalents:

Cash and Cash equivalents include cash on hand and at bank, deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less that are readily convertible to a known amount of cash which are subject to an insignificant risk of changes in value and are held for meeting short-term cash commitments.

For the Statement of Cash Flows, cash and cash equivalents consists of short term deposits, as defined above, net of outstanding bank overdraft as they are being considered as integral part of the Company's cash management.

4.9 Financial Instruments

(a) Financial Assets

(i) Initial recognition and measurement

All financial assets are recognised initially at fair value and transaction cost that is attributable to the acquisition of the financial asset is also adjusted.

(ii) Subsequent measurement

a. Debt instruments –

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

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

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

b. Equity investments –

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

c. Mutual Funds

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

(iii) De-recognition of financial assets

A financial asset is primarily de-recognised when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset.

(b) Financial liabilities

(i) Initial Recognition and Measurement

All financial liabilities are recognized initially at fair value and transaction cost that is attributable to the acquisition of the financial liabilities is also adjusted. These liabilities are classified as amortized cost.

(ii) Subsequent Measurement

These liabilities include borrowings and deposits. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

(iii) De-recognition of Financial Liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(c) Financial Guarantee Contracts

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

(d) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(e) Impairment of Financial Assets

In accordance with Ind-AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss for financial assets.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive. When estimating the cash flows, the Company is required to consider –

- All contractual terms of the financial assets (including Prepayment and extension) over the expected life of the assets.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

(f) Trade Receivables

The Company applies approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognized from initial recognition of receivables.

(g) Other Financial Assets

For recognition of impairment loss on other financial assets and risk exposure, the Company determines whether there has been a significant increase in the credit risk since initial recognition and if credit risk has increased significantly, impairment loss is provided.

4.10 Income Taxes:

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the respective laws of the state. Current tax includes taxes to be paid on the profit earned during the year and for the prior periods.

Deferred income taxes are provided based on the balance sheet approach considering the temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where a component has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if it is probable that they can be utilised against future taxable profits.

The Carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain that sufficient future taxable income will be available.

4.11 Segment Reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Chairman and managing director has been identified as being the Chief Operating Decision Maker (CODM). The Company is engaged in manufacturing and sale of Active Pharma Ingredients and their Intermediates and operates in a single operating segment. Revenues are attributed to geographical areas based on the location of the customers. Refer note 48 for the segment information presented.

4.12 Government Grants:

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

Government grants relating to income are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and presented within other income.

Government grants relating to loans or similar assistance with an interest rate below the current applicable market rate are initially recognized and measured at fair value. The effect of this favorable interest is regarded as a government grant and is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

4.13 Borrowing Cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

4.14 Provisions

Provisions are recognized when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provisions.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provisions are reversed. Where the effect of the time of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provisions due to the passage of time is recognized as a finance cost.

Provision for litigation related obligation represents liabilities that are expected to materialize in respect of matters in appeal.

4.15 Dividends

Annual dividend distribution to the shareholders is recognized as a liability in the year in which the dividend is approved by the shareholders. Any interim dividend paid is recognized on approval by Board of Directors. Dividend paid/payable and corresponding tax on dividend distribution is recognized directly in equity.

4.16 Share Issue Expenses:

Share issue expenses are charged first against balance available in the Securities Premium.

4.17 Research and Development:

Revenue Expenditure on Research and Development is charged to revenue in the year in which it is incurred. Capital Expenditure on research and development is added to Property, Plant and Equipment and depreciated in accordance with the policies of the Company.

4.18 Retirement and Other Employee Benefits:

(a) Defined Contribution Plan:

The Company's contribution to provident fund and employee state insurance schemes is charged to the statement of profit and loss. The Company's contributions towards Provident Fund are deposited with the Regional Provident Fund Commissioner under a defined contribution plan.

(b) Defined Benefit Plan:

The Company has gratuity as defined benefit plan where the amount that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The liability recognized in the balance sheet for defined benefit plans as the present value of the defined benefit obligation (DBO) at the reporting date. Management estimates the DBO annually with the assistance of independent actuaries as per the requirements of IND AS 19 "Employee Benefits". Actuarial gains and losses resulting from re-measurements of the liability are included in other comprehensive income.

The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC). Under the said policy, the eligible employees are entitled for gratuity upon their resignation, retirement or in the event of death in lump sum after deduction of necessary taxes upto a maximum limit as per the Gratuity Act, 1972. Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Company makes contributions to the Gratuity Fund.

(c) Other Long-Term Employee Benefits

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

(d) Short-Term Employee Benefits

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

4.19 Earnings per Share:

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events including a bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

4.20 Contingent Liabilities and Commitments:

Where it is not probable that an outflow of economic resources will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statement of balance sheet and is disclosed as a contingent liability.

Possible outcomes on obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities.

Contingent Assets are neither recognized nor disclosed. However, when realization of Income is virtually certain, related asset is recognized.

4.21 Investment in Associates and Subsidaries:

In respect of Equity Investments, while preparing separate financial statements, IND AS 27 requires it to account for its Investments in Subsidaries and Associates either:

(a) At cost ; or

(b) in accordance with Ind AS 109.

If a first time adopter measures such an investment at cost in accordance with IND AS 27, it shall measure that investment one of the following amounts in its opening Ind AS Balance Sheet

(a) Cost determined in accordance with Ind AS 27; or

(b) Deemed Cost. The deemed cost of such an investment shall be its

(i) Fair Value at the entity's date of transition to Ind AS.

(ii) Previous GAAP carrying amount at that date.

A first time adopter may choose either (i) or (ii) above to measure its Investment in each Subsidiary or Associate that it elects to measure using a deemed cost.

Since the Company, is a first time adopter it has measured its Investment in Subsidiary/ Associate at deemed cost in accordance with IND AS 27 by taking previous GAAP Carrying amount.

4.22 Fair Value Measurement

The Company measures Financial Instruments at fair value at each Balance Sheet Date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for such asset or liability, or in the absence of a principal market, in the most advantageous market which is accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted market prices) in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurements is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

4.23 Estimates And Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company.

(i) Recognition of Deferred Tax Assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

(ii) Recognition of Deferred Tax Liability on Undistributed Profits:

The extent to which the Company can control the timing of reversal of deferred tax calculation on undistributed profits of its subsidiaries requires judgement.

(iii) Evaluation of Indicators for Impairment of Assets:

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

(iv) Recoverability of Advances/ Receivables:

At each balance sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding receivables and advances.

(v) Useful lives of Depreciable/ Amortisable Assets:

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

(vi) Defined Benefit Obligation (DBO):

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, medical cost trends, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

(vii) Fair Value Measurements:

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

(viii) Provisions:

At each balance sheet date the management judgment, changes in facts and legal aspects, the Company assesses the requirement of provisions against the outstanding warranties and guarantees. However, the actual future outcome may be different from this judgment.

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note 5: Property, Plant and Equipment

	Particulars	Land	Buildings	Plant & Machinery	Pollution Control Equipment	Data Processing Equipment	Furniture & Fixtures	Office Equipment	Vehicles	Others	Total	Capital Work-in-Progress
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Year ended 31st March 2017											
	Gross Carrying Amount											
1	**Deemed cost as at 01st April 2016**	**417.60**	**7,423.26**	**21,035.85**	**286.87**	**27.33**	**83.36**	**15.77**	**294.64**	**8.64**	**29,593.32**	**713.10**
2	Additions	3.70	178.57	1,090.96	-	28.35	4.03	1.23	15.12	-	1,321.96	1,171.51
3	Disposals/Transfers	-	-	(7.05)	-	-	-	-	-	-	(7.05)	(1,108.46)
4	Closing Gross Carrying Amount as at 31st March, 2017 (1+2+3)	421.30	7,601.83	22,119.76	286.87	55.68	87.39	17.00	309.76	8.64	30,908.23	776.15
	Accumulated Depreciation and Impairment											
5	Depreciation Charge during the Year	-	271.69	1,534.65	19.03	16.66	12.23	4.43	43.97	1.89	1,904.55	-
6	Disposals	-	-	-	-	-	-	-	-	-	-	-
7	Closing Accumulated Depreciation as at 31st March, 2017 (5+6)	-	271.69	1,534.65	19.03	16.66	12.23	4.43	43.97	1.89	1,904.55	-
8	**Net Carrying Amount as at 31st March, 2017 (4-7)**	**421.30**	**7,330.14**	**20,585.11**	**267.84**	**39.02**	**75.16**	**12.57**	**265.79**	**6.75**	**29,003.68**	**776.15**

Contd.

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

	Particulars	Land	Buildings	Plant & Machinery	Pollution Control Equipment	Data Processing Equipment	Furniture & Fixtures	Office Equipment	Vehicles	Others	Total	Capital Work-in-Progress
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Year Ended 31st March, 2018											
	Gross Carrying Amount											
1	Opening Gross Carrying Amount	421.30	7,601.83	22,119.76	286.87	55.68	87.39	17.00	309.76	8.64	30,908.23	776.15
2	Additions	-	22.61	804.51	-	10.65	3.61	12.39	16.77	-	870.54	234.41
3	Disposals/Transfers	-	-	(5.54)	(4.10)	-	-	-	-	-	(9.64)	(190.90)
4	Closing Gross Carrying Amount as at 31st March, 2018 (1+2+3)	421.30	7,624.44	22,918.73	282.77	66.33	91.00	29.39	326.53	8.64	31,769.13	819.66
	Accumulated Depreciation and Impairment											
5	Opening Accumulated Depreciation	-	271.69	1,534.65	19.03	16.66	12.23	4.43	43.97	1.89	1,904.55	-
6	Depreciation Charge during the Year	-	277.29	1,594.16	18.41	18.83	12.26	6.66	45.18	1.90	1,974.69	-
7	Disposals	-	-	-	-	-	-	-	-	-	-	-
8	Closing Accumulated Depreciation and Impairment as at 31st March, 2018 (5+6+7)	-	548.98	3,128.81	37.44	35.49	24.49	11.09	89.15	3.79	3,879.24	-
9	**Net Carrying Amount as at 31st March, 2018 (4-8)**	**421.30**	**7,075.46**	**19,789.92**	**245.33**	**30.84**	**66.51**	**18.30**	**237.38**	**4.85**	**27,889.89**	**819.66**

5.1 Property, Plant and Equipment pledged as Security

Refer Note 43 for information on Property, Plant and Equipment pledged as security by the Company.

5.2 As per Ind AS 101, the Company has opted to measure all property, plant and equipment at their previous GAAP carrying value. Hence, carrying value as at 01st April, 2016 was considered as deemed cost as at 01st April, 2016. (Refer Note 56.1.1).

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note 6: Intangible Assets

	Particulars	Computer Software*	Patents	Total
	(1)	(2)	(3)	(4)
	Year ended 31st March, 2017			
	Gross Carrying Amount			
1	**Deemed Cost as at 01st April, 2016**	**36.67**	**3.56**	**40.23**
2	Additions	13.80	0.74	14.54
3	Closing Gross Carrying Amount as at 31st March, 2017 (1+2)	50.47	4.30	54.77
	Accumulated Amortisation			-
4	Amortisation Charge during the year	11.91	1.26	13.17
5	Closing Accumulated Amortisation as at 31st March, 2017	11.91	1.26	13.17
6	Closing Net Carrying Amount as at 31st March, 2017 (3-5)	38.56	3.04	41.60
	Year Ended 31st March, 2018			
	Gross Carrying Amount			
1	Opening Gross Carrying Amount as at 01st April, 2017	50.47	4.30	54.77
2	Additions	9.71	0.26	9.97
3	Closing Gross Carrying Amount as at 31st March, 2018 (1+2)	60.18	4.56	64.74
	Accumulated Amortisation and Impairment			
4	Opening Accumulated Amortisation as at 01st April, 2017	11.91	1.26	13.17
5	Amortisation Charge during the year	13.95	1.35	15.30
6	Closing Accumulated Amortisation and Impairment as at 31st March, 2018 (4+5)	25.86	2.61	28.47
7	**Closing Net Carrying Amount as at 31st March, 2018 (3-6)**	**34.33**	**1.95**	**36.27**

6.1 As per Ind AS 101, the Company has opted to measure all Intangible Assets at their previous GAAP carrying value. Hence, carrying value as at 01st April, 2016 was considered as deemed cost as at 01st April, 2016. (Refer Note 56.1.1).

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Non Current Financial Assets - Unsecured, Considered good

Note	Particulars	as at 31.03.2018		as at 31.03.2017		as at 01.04.2016	
		No. of Shares	**Amount**	No. of Shares	Amount	No. of Shares	Amount
7	**Non-Current Investments**						
	(Unquoted, carried at cost)						
	Investment in Subsidiary Companies						
	Equity Shares of Rs. 10/- each in M/s. SMS Lifesciences India Limited	-	-	10,000	1.00	-	-
	Investment in Associates (fully paid up)						
	Equity Shares of Rs.10/- each in M/s. VKT Pharma Limited	**3,850,165**	**4,499.87**	3,493,500	3,697.37	2,709,400	2,122.79
	Total		**4,499.87**		**3,698.37**		**2,122.79**

7.1 Investment in 10,000 Equity Shares of Rs. 10/- each in M/s SMS LifeSciences India Ltd, a wholly owned Subsidary Company, were cancelled in Pursuance of Demerger Scheme.

7.2 During the year 2017-18 the Company has invested an amount of Rs. 802.50 Lakhs towards 3,56,665 Equity Shares of Rs. 10/- each @Rs. 225/- per share. (Previous Year 7,84,100 Equity Shares for an amount of Rs.1,574.58 Lakhs) in M/s. VKT Pharma Private Limited, an associate Company. As on 31.03.2018, the Company is holding 42.62 % (31st March, 2017 40.26%, 01st April, 2016 34.33%) of the total Paid up Capital of the said Associate Company.

Note	Particulars	**as at 31.03.2018**	as at 31.03.2017	as at 01.04.2016
8	**Bank Balances**			
	Margin Money Deposits	**200.78**	190.32	176.24
	Total	**200.78**	**190.32**	**176.24**
9	**Other Non-Current Financial Assets**			
	Deposits Recoverable	**238.68**	235.43	160.56
	Total	**238.68**	**235.43**	**160.56**
10	**Other Non-Current Assets**			
	Capital Advances	**1,380.46**	422.72	429.82
	Total	**1,380.46**	**422.72**	**429.82**

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016

10.1 The Company has paid an amount of Rs.556.79 Lakhs towards full consideration of land admeasuring Ac.42.00 in JNPC, Parwada, Visakhapatnam District to APIIC and about 80% of development cost to Ramky Pharmacity respectively. Subsequently due to disputes arose between the parties, the developer has sent a communication stating that the allotment to an extent of Ac. 23.00 was cancelled and initiated to allot the same to other companies. Aggrieved by this, the company has filed a writ petition with the High Court of Andhra Pradesh and Telangana and the Hon'ble High Court has granted stay against the alienation of land in favor of other companies and the case is pending.

Later on, the balance land of Ac.19.00 along with proportionate cost of Rs.251.88 Lakhs was assigned with SMS LifeSciences India Ltd, resulting company by virtue of scheme of arrangement approved by the NCLT. Balance amount of Rs. 304.91 Lakhs (31.03.2017 Rs.304.91 Lakhs and 01.04.2016 Rs. 304.91 Lakhs) was included in Capital Advances.

10.2 The Company has become a successful purchaser in the e-auction conducted by the State Bank of India for the property bearing plot no 737A admesuring 1,015 sq.yards together with structures thereon situated at ward no 8 Block No. 2 Jubileehills Hyderabad. The total bid amount of Rs. 10.55 Crs was already paid to SBI as per the bidding terms. The Case filed by Borrower of the Bank in respect of the said property against SBI under SARFAESI Act is pending with DRT (Debt Recovery Tribunal) Hyderabad. The Company has impleaded as second respondent in this case.

11 Inventories

(Cost or Net Realisable Value, whichever is lower and as valued and certified by the management)			
Raw Materials	**4,026.24**	2,943.89	3,702.66
Stock-in-Process	**3,394.13**	5,681.51	2,552.71
Finished Goods	**3,303.22**	573.53	784.05
Coal & Fuel	**23.94**	53.00	45.39
Total	**10,747.53**	**9,251.93**	**7,084.81**

11.1 Finished Goods includes stock in transit of Rs. 377.22 Lakhs (31st March, 2017 Rs.Nil, 01st April, 2016 Rs. Nil).

12 Trade Receivables

Current - Unsecured			
(i) Considered Good	**2,414.92**	2,131.88	2,082.48
(ii) Considered Doubtful	**43.01**	42.70	48.64
Less: Allowance for Doubtful Debts	**43.01**	39.74	38.82
Less: Bad Debts Written off	**-**	2.96	9.82
Total	**2,414.92**	**2,131.88**	**2,082.48**

12.1 The Company has computed the expected credit loss allowance for doubtful trade receivables based on past experience.

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016

12.2 Trade Receivables includes an amount of Rs. Nil (31st March, 2017 Rs. 1.87 Lakhs, 01st April, 2016 Rs. 2.06 Lakhs) due from M/s. VKT Pharma Private Limited, a related party.

12.3 Trade Receivables amounting Rs. 33.29 Lakhs (31st March, 2017 Rs. Nil, 01st April, 2016 Rs. 30.28 Lakhs) is held against letter of credit provided by customers of the Company.

Note	Particulars	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016
13	**Cash and Cash Equivalents**			
	(i) Balances with Banks			
	- in Current Accounts	**1,258.35**	1,222.59	82.97
	- in EEFC account	**0.28**	-	0.11
	(ii) Deposits with Maturity of less than three months	**-**	-	1,000.00
	(iii) Cash on Hand	**4.45**	5.94	13.02
	Total	**1,263.08**	**1,228.53**	**1,096.10**
14	**Bank Balances Other than Cash and Cash Equivalents**			
	Unclaimed Dividend	**8.01**	8.37	8.97
	Total	**8.01**	**8.37**	**8.97**
15	**Other Current Financial Assets**			
	(unsecured, considered good)			
	Export Incentives Receivable	**53.52**	2.95	29.09
	Total	**53.52**	**2.95**	**29.09**
16	**Other Current Assets**			
	(unsecured, considered good)			
	Cenvat Credit Receivable	**53.19**	2,008.18	2,294.15
	GST Credit Receivable	**1,894.33**	-	-
	VAT Refund Receivable	**109.33**	695.09	654.66
	Prepaid Expenses	**64.69**	41.42	49.63
	Interest Receivable	**11.34**	19.16	8.02
	Advances to Suppliers	**74.13**	110.32	263.24
	Export Benefits Receivable	**22.76**	80.81	-
	Other Advances and Receivables	**131.87**	40.16	35.00
	Total	**2,361.64**	**2,995.14**	**3,304.70**

16.1 Advance to Suppliers includes an amount of Rs. Nil (31st March, 2017 Rs. Nil, 01st April, 2016 Rs 162.50 Lakhs) to VKT Pharma Private Limited, a related Party.

Notes to the Financial Statements
(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016
17	**Current Tax Assets (Net)**	-	116.83	25.38
17.1	**Movement in Current Tax Assets/(Liabilities)**			
	Advance Income Tax	**1,154.37**	926.88	25.38
	TDS Receivable	**129.13**	89.95	-
	Less: Provision for Income Tax	**1,300.00**	900.00	-
	Sub Total	**(16.50)**	**116.83**	**25.38**
	Amount disclosed under current tax Liabilities (Refer Note 27)	**16.50**	-	-
	Total	**-**	**116.83**	**25.38**

18 Equity Share Capital

Note	Particulars	as at 31.03.2018		as at 31.03.2017		as at 01.04.2016	
		Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
	Authorised Share Capital						
	Equity Shares of Re. 1/- each	**120,000,000**	**1,200.00**	120,000,000	1,200.00	120,000,000	1,200.00
	Issued, Subscribed and Fully Paid Up						
	Equity Shares of Re. 1/- each	**84,652,030**	**846.52**	84,652,030	846.52	84,652,030	846.52
	Total	84,652,030	846.52	84,652,030	846.52	84,652,030	846.52
18.1	**Reconciliation of Number of Equity Shares outstanding at the Beginning and at the End of the Year**						
	Equity Shares						
	At the Beginning of the Year	**84,652,030**	**846.52**	84,652,030	846.52	84,652,030	846.52
	Add: Issued/(reduced) during the Year	**-**	**-**	-	-	-	-
	At the End of the Year	**84,652,030**	**846.52**	**84,652,030**	**846.52**	**84,652,030**	**846.52**

18.2 Rights attached to Equity Shares

The Company has only one class of equity shares having face value of Re. 1 per share. Each holder of equity shares is entitled to one vote per share at the general meetings of the Company.In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of shareholders in the ensuing Annual General Meeting.

For the Year ended 31st March, 2018, proposed dividend for distribution to equity shareholders was Re. 0.25 per share (31 March, 2017: Re. 0.20 per share).

18.3 During the last five financial years, Company has bought back 15,50,000 Equity Shares of Rs. 10/- each (equivalent to 1,55,00,000 shares of face value of Re.1/- each).

18.4 Details of Shareholders holding more than 5% shares in the Company

Particulars	as at 31.03.2018		as at 31.03.2017		as at 01.04.2016	
	Number of shares	% holding	Number of shares	% holding	Number of shares	% holding
Hima Bindu Potluri	**12,373,360**	**14.62**	12,373,360	14.62	12,373,360	14.62
Ramesh Babu Potluri	**14,506,960**	**17.14**	14,506,960	17.14	11,356,960	13.42
TVVSN Murthy*	**12,208,340**	**14.42**	12,208,340	14.42	12,208,340	14.42
Potluri Infra Projects LLP	**5,970,000**	**7.05**	5,860,000	6.92	5,860,000	6.92
T. Annapurna	**4,390,340**	**5.1**	4,390,340	5.19	4,390,340	5.19
Gulf Pharmaceutical Industries	-	-	992,633	1.17	5,239,473	6.19

* including shares held in the capacity of karta of HUF aggregating to 39,81,340 shares (31st March, 2017 39,81,340 Shares, 01st April 2016 39,81,340 Shares)

18.5 Proposed Dividend

Particulars	as at 31.03.2018	as at 31.03.2017
Dividend for the year ended March 31, 2018 : Re. 0.25 per share (March 31, 2017: Re. 0.20 per share)	**211.63**	169.30
Dividend Distribution tax on final dividend	**43.50**	34.47
Total	**255.13**	**203.77**

Note	Particulars	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016
19	**Other Equity**			
	Reserves and Surplus			
	Securities Premium Reserve	**6,981.84**	6,981.84	6,981.84
	Capital Redemption Reserve	**155.00**	155.00	155.00
	General Reserve	**5,304.28**	4,305.28	3,305.28
	Retained Earnings	**16,822.92**	13,974.49	11,625.19
	Total	**29,264.04**	**25,416.61**	**22,067.31**

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016
19.1	**Securities Premium Reserve**			
	Opening Balance	**6,981.84**	6,981.84	6,981.84
	Adjustments	**-**	-	-
	Closing Balance	**6,981.84**	**6,981.84**	**6,981.84**
19.2	**Capital Redemption Reserve**			
	Opening Balance	**155.00**	155.00	155.00
	Adjustments	**-**	-	-
	Closing Balance	**155.00**	**155.00**	**155.00**
19.3	**(a) General Reserve**			
	Opening Balance	**4,305.28**	3,305.28	3,305.28
	Cancellation of Shares in pursuant of Demerger	**(1.00)**		
	Transferred from Statement of Profit & Loss	**1,000.00**	1,000.00	
	Closing Balance	**5,304.28**	**4,305.28**	**3,305.28**

(b) Investment in 10,000 Equity Shares of Rs. 10/- each in M/s SMS LifeScience India Ltd, erstwhile a wholly owned Subsidary Company, was cancelled in Pursuance of Demerger Scheme and the same was duly effected in General Reserve.

Note	Particulars	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016
19.4	**Retained Earnings**			
	(a) Opening Balance	**13,974.49**	11,625.19	11,625.19
	(b) Net Profit for the Year	**4,045.43**	3,561.46	
	(c) Transferred to General Reserve	**(1,000.00)**	(1,000.00)	
	(d) Dividends	**(203.77)**	(203.77)	
	(e) Others	**2.66**		
	(f) Items of Other Comprehensive Income			
	Remeasurements of Post Employment Benefit Obligation, net of tax	**4.11**	(8.39)	
	Closing Balance	**16,822.92**	**13,974.49**	**11,625.19**

19.5 Nature and Purpose of Reserves

(a) Securities Premium Reserve:

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

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016

(b) Capital Redemption Reserve:

In accordance with the requirements of the Companies Act, 1956, the Company has created capital redemption reserve on buy back of shares. The Company uses capital redemption reserve for transactions in accordance with the provisions of the Act.

(c) General Reserve:

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

(d) Retained Earnings:

These are the accummulated earnings after appropriation of total comprehensive income and related transfers. The company uses retained earnings in accordance with the provisions of the Companies Act.

20	**Financial Liabilities**			
	Non Current Borrowings			
20.1	**Secured**			
	(i) Term Loans from Banks			
	(a) State Bank of India	**-**	628.09	1,472.73
	(b) IDBI Bank Ltd	**5,678.27**	6,673.45	7,268.62
	(c) Export Import Bank of India	**1,341.55**	-	-
	(ii) Hire Purchase Loans	**-**	-	65.87
	Sub Total	**7,019.82**	**7,301.54**	**8,807.22**
20.2	**Unsecured**			
	DSIR Assistance	**120.00**	120.00	120.00
	Total	**7,139.82**	**7,421.54**	**8,927.22**
20.3	**Current Maturities of Non Current Borrowings**			
	Secured			
	(a) Term Loans from Banks			
	(i) State Bank of India	**633.46**	850.00	850.00
	(ii) IDBI Bank Ltd	**1,000.00**	600.00	200.00
	(b) Hire Purchase Loans	**-**	65.87	87.29
	Total	**1,633.46**	**1,515.87**	**1,137.29**
	Amount disclosed under the head" Other Current Financial Liabilities" (Refer Note 25)	**(1,633.46)**	(1,515.87)	(1,137.29)
	Total	**-**	**-**	**-**

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

20.1.1 Security Terms

(a) Term Loans availed from State Bank of India, IDBI bank and long term working capital loan availed from Export-Import Bank of India (Exim 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.

(b) Term Loans availed from State Bank of India and IDBI Bank are also guaranteed by Sri P Ramesh Babu, Chairman and Managing Director and Sri TVVSN Murthy, Director of the company in their personal capacities.

(c) Long Term Working Capital Loan availed from Exim Bank is gauranteed by Sri P Ramesh Babu, Chairman and Managing Director in his personal capacity.

(d) 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.

Equitable mortgage of Agricultural land admeasuring 3.65 acres situated in Yalamanchili Village of West Godavari District, Andhra Pradesh belonging to Sri TVVSN Murthy, Director of the Company.

(e) The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 43.

(f) Hire Purchase Loans from BMW India Financial Services Pvt Ltd and Daimler Financial Services Pvt Ltd are secured by the respective vehicles on which loan availed.

20.1.2 Rate of Interest :

Name of the Bank	Rate of Interest
Term Loans	
State Bank of India (Base Rate + 3.2% p.a.)	10.70%
IDBI Bank (MCLR (Y) + 1.10% p.a.)	9.65%
Long Term Working Capital Loan	
Exim Bank (LTMLR+50 basis points)	9.50%

20.1.3 Terms of Repayment

(a) Term Loan availed from State Bank of India for an amount of Rs.4,250.00 Lakhs is repayable in 20 Quarterly Installments of Rs. 212.50 Lakhs each, commenced from June, 2014.

(b) The loan availed from IDBI Bank amounting to Rs.7,500.00 for funding the Expansion Project of Kandivalasa unit. The loan is repayable in 24 Quarterly Installments commencing from December, 2016, as mentioned below.

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

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

(c) The Long Term Working Capital Loan availed from Exim Bank of India amounting Rs. 1,500.00 Lakhs is to be repaid in 20 structured quarterly installments commencing from october 1, 2019, as mentioned below:

First 4 Quarters	Rs. 25 Lakhs each
Next 4 Quarters	Rs. 25 Lakhs each
Next 4 Quarters	Rs. 50 Lakhs each
Next 4 Quarters	Rs. 125 Lakhs each
Next 4 Quarters	Rs. 150 Lakhs each

20.1.4 Current Maturities of Long Term borrowings have been disclosed seperately under the head Other Current Financial Liabilities (Refer Note No.25)

20.2.1 Financial Assistance received from Department of Scientific and Industrial Research (DSIR) of Rs. 120.00 Lakhs (previous year Rs. 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.

20.4 Debt Reconciliation as required by Ind AS -7 Statement of Cash Flows

Note	Particulars	as at 31.03.2018	as at 31.03.2017
	Opening Borrowings	**7,421.54**	8,927.22
	Add: Opening Current Maturities	**1,515.87**	1,137.29
	Add: Amortisation of Transaction Cost	**1.74**	10.19
	Add: Received during the year	**1,350.00**	-
	Less: Paid during the year	**1,515.87**	1,137.29
	Closing Borrowings	**8,773.28**	8,937.41
	Less: Closing Current Maturities	**1,633.46**	1,515.87
	Non Current Borrowings as per Balance Sheet	**7,139.82**	**7,421.54**

Notes to the Financial Statements
(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

21 Provisions

Note	Particulars	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016
	Employee Benefit Obligations			
	Non Current			
	Gratuity	**144.56**	95.36	99.80
	Leave Encashment	**73.31**	39.45	31.90
	Sub Total	**217.87**	**134.81**	**131.70**
	Current			
	Gratuity	**39.30**	27.46	13.03
	Leave Encashment	**32.20**	26.24	30.99
	Sub Total	**71.50**	**53.70**	**44.02**
	Gratuity	**183.86**	122.82	112.83
	Leave Encashment	**105.51**	65.69	62.89
	Grand Total	**289.37**	**188.51**	**175.72**

21.1 For details of Post Employment Obligations. Refer Note 41

22 Deferred Tax Liabilities (net)

The Balance Comprises Temporary Differences Attributable to:

	Particulars	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016
(a)	**Deferred Tax Liability**			
(i)	Property, Plant and Equipment	**4,472.28**	4,168.76	3,497.31
(ii)	Others	**11.96**	12.44	15.97
	Total	**4,484.24**	**4,181.20**	**3,513.28**
(b)	**Deferred Tax Asset**			
(i)	Expenses allowable on the basis of Payment	**125.17**	89.22	60.81
(ii)	MAT Credit	**1,921.40**	2,386.34	1,465.29
(iii)	Others	**137.35**	120.77	103.37
	Total	**2,183.92**	**2,596.33**	**1,629.47**
	Net Deferred Tax Liabilities (a) - (b)	**2,300.32**	**1,584.87**	**1,883.81**

(c) Movement in Deferred Tax Liabilities

Particulars	Property, Plant and Equipment	Others	Total
As at 01st April, 2016	**3,497.32**	**15.97**	**3,513.29**
Charged/(Credited)	671.44	(3.53)	667.91
As at 31st March, 2017	**4,168.76**	**12.44**	**4,181.20**
Charged/(Credited)	303.52	(0.48)	303.04
As at 31st March, 2018	**4,472.28**	**11.96**	**4,484.24**

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

(d) Movement in Deferred Tax Assets

Particulars	Expenses allowable on the basis of Payment	MAT Credit	Other items	Total
As at 01st April, 2016	60.81	1,465.29	103.37	1,629.47
Charged/(Credited)	28.41	921.05	17.40	966.86
As at 31st March, 2017	89.22	2,386.34	120.77	2,596.33
Charged/(Credited)	35.95	(464.94)	16.58	(412.41)
As at 31st March, 2018	125.17	1,921.40	137.35	2,183.92

Note	Particulars	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016
23	**Current Borrowings**			
	Secured			
	Working Capital Loans from Banks			
	- State Bank of India	**4,342.69**	4,477.82	5,947.33
	- IDBI Bank Ltd	**-**	0.01	793.79
	- RBL Bank Ltd	**1,497.02**	1,498.13	-
	Total	**5,839.71**	**5,975.96**	**6,741.12**

23.1 Security Terms

(a) Working capital facilities sanctioned by State Bank of India, IDBI Bank Ltd and RBL Bank 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 TVVSN Murthy, Director of the Company, in their personal capacities.

(b) 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.

Equitable mortgage of Agricultural land admeasuring 3.65 Acres situated in Yalamanchili Village of West Godavari District, belonging to Sri TVVSN Murthy, Director of the Company.

(c) The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 43.

23.2 Debt Reconciliation as required by Ind AS -7, Statement of Cash Flows

Particulars	31.03.2018	31.03.2017
Opening Borrowings	**5,975.96**	6,741.12
Add: Received during the year	**4,060.19**	3,050.91
Less: Paid during the year	**4,196.44**	3,816.07
Closing Current Borrowings	**5,839.71**	**5,975.96**

Notes to the Financial Statements
(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016
23.3	**Rate of Interest is as follows:**			
	Name of the Bank	**Rate of Interest**		
	State Bank of India			
	Cash Credit	9.45%		
	WCDL	8.70%		
	Export Packing Credit	8.40%		
	IDBI Bank	9.30%		
	RBL Bank	9.25%		
23.4	**Terms of Repayment:** The above working capital loans are repayable on demand.			
24	**Trade Payables**			
	(a) Creditor for Supply of Materials			
	(i) Due to Micro and Small Enterprises (Refer Note 54)	**16.99**	20.65	163.57
	(ii) Due to Related Parties (Refer Note 51)	**186.34**	184.43	-
	(iii) Others	**3,065.86**	5,951.73	2,651.82
	(b) Creditor for Expenses	**601.18**	518.54	352.54
	Total	**3,870.37**	**6,675.35**	**3,167.93**
25	**Other Financial Liabilities**			
	Current			
	Current Maturities of Long-Term Debt	**1,633.46**	1,515.87	1,137.29
	Capital Creditors	**102.50**	46.12	974.11
	Interest Accrued but not due	**10.79**	16.75	26.27
	Unclaimed Dividend	**8.01**	8.37	8.97
	Total	**1,754.76**	**1,587.11**	**2,146.64**
26	**Other Current Liabilities**			
	Statutory Dues Payable	**118.80**	159.89	173.83
	Advance from Customers	**405.27**	178.24	677.62
	Employee Benefits Payable	**68.83**	69.30	59.87
	Total	**592.90**	**407.43**	**911.32**
27	**Current Tax Liabilities (Net)**	**16.50**	-	-

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

27.1 Movement in Current Tax (Assets)/Liabilities are shown in note 17.1

Note	Particulars	Current Year 2017-18	Previous Year 2016-17
28	**Revenue from Operations**		
	(a) Sale of Products		
	Gross Sales (including excise duty)	**43,659.61**	41,203.09
	Less: Sales Tax	**225.49**	736.50
	Less: Goods and Service Tax	**3,098.66**	-
	Net Revenue from Sales	**40,335.46**	**40,466.59**
	(b) Income from Services		
	(i) Conversion Charges	**6,811.03**	3,939.93
	Less: Goods and Service Tax	**876.22**	-
	Net Conversion Charges	**5,934.81**	3,939.93
	(ii) Others	**-**	12.90
	Less: Service Tax	**-**	0.03
		-	12.87
	Net Revenue from Services	**5,934.81**	**3,952.80**
	(c) Other Operating Income		
	Export Incentives	**216.06**	252.59
	Total Net Revenue from Operations (a+b+c)	**46,486.33**	**44,671.98**

28.1 Goods and Service Tax (GST) has come into force w.e.f 01st July, 2017. The revenues for the year ended 31st March, 2018 is net of such GST. However, the revenues for the year ended 31st March, 2017 and current year upto 30th June, 2017 are inclusive of Excise Duty of an amount of Rs. 8,89,02,259/- and Rs. 2,55,17,483/- respectively.

Note	Particulars	Current Year 2017-18	Previous Year 2016-17
29	**Other Income**		
	(i) Interest Income	**33.82**	29.63
	(ii) Net Gain on Foreign Exchange	**76.47**	44.00
	(iii) Miscellaneous Income (Net of GST)	**128.50**	71.13
	Total	**238.79**	**144.76**
30	**Cost of Materials Consumed**		
	Raw Material & Packing Material		
	Stock at the Beginning of the Year	**2,890.72**	3,702.66
	Add: Purchases	**30,567.75**	31,690.93
	Less: Stock at the End of the Year	**4,026.24**	2,890.72
	Total Materials Consumed	**29,432.23**	**32,502.87**

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	Current Year 2017-18	Previous Year 2016-17
31	**Changes in Inventory**		
	(a) Opening Stock of Inventory:		
	Finished Goods	**573.53**	784.06
	Stock in Process	**5,681.51**	2,552.71
	Sub Total (a)	**6,255.04**	**3,336.77**
	(b) Closing Stock of Inventory:		
	Finished Goods	**3,303.22**	573.53
	Stock in Process	**3,394.13**	5,681.51
	Sub Total (b)	**6,697.35**	**6,255.04**
	(Increase)/Decrease in Stock (a-b)	**(442.31)**	**(2,918.27)**
32	**Manufacturing Expenses**		
	Power and Fuel	**2,243.91**	1,811.89
	Consumable Stores	**377.30**	433.18
	Testing Charges	**93.76**	61.80
	Water Charges	**13.27**	11.40
	Repairs & Maintenance to Plant & Machinery	**535.17**	367.77
	Repairs & Maintenance to Buildings	**57.62**	13.58
	Factory Maintenance	**106.99**	110.91
	Effluent Treatment Charges	**22.38**	29.49
	Total	**3,450.40**	**2,840.02**
33	**Employee Benefit Expenses**		
	Salaries, Wages and Bonus	**2,895.78**	2,327.21
	Contribution to Provident Fund	**177.47**	156.81
	Contribution to ESI	**37.07**	23.98
	Staff Welfare Expenses	**170.02**	184.28
	Total	**3,280.34**	**2,692.28**
34	**Finance Costs**		
	Interest on Non Current Borrowings	**977.36**	1,203.70
	Interest on Current Borrowings	**496.11**	285.61
	Interest on Others	**3.36**	0.52
	Bank Charges	**71.13**	59.02
	Total	**1,547.96**	**1,548.85**

Notes to the Financial Statements
(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	Current Year 2017-18	Previous Year 2016-17
35	**Depreciation and Amortisation Expenses**		
	Depreciation of Property, Plant and Equipment	**1,974.68**	1,904.56
	Amortisation of Intangible Assets	**15.30**	13.17
	Total	**1,989.98**	**1,917.73**
36	**Other Expenses**		
	Rent	**52.26**	46.79
	Rates and Taxes	**34.42**	35.24
	Insurance	**72.84**	99.20
	Directors Remuneration	**317.18**	456.17
	Travelling and Conveyance	**43.29**	52.06
	Communication Expenses	**22.79**	23.25
	Printing and Stationery	**57.64**	49.16
	Repairs & Maintenance to other Assets	**6.89**	14.83
	Vehicle Maintenance	**21.02**	18.48
	Payments to Auditors - (Refer Note 36.1 below)	**11.00**	11.08
	Cost Audit Fee	**0.75**	1.00
	General Expenses	**147.96**	110.93
	Corporate Social Responsbility (Refer Note 36.3 below)	**84.49**	29.01
	Provision for Doubtful Debts	**3.27**	0.92
	Bad Debts Written off	**-**	2.96
	Interest on Indirect Taxes	**0.17**	33.61
	Loss on Sale of Assets	**3.39**	-
	Business Promotion Expenses	**171.79**	137.31
	Carriage Outward	**52.44**	43.43
	Sales Commission	**109.30**	50.22
	Total	**1,212.89**	**1,215.65**
36.1	**Details of Payments to Auditors**		
	Audit Fee	**10.00**	10.00
	Certification	**1.00**	1.00
	Re-imbursement of Expenses	**-**	0.08
	Total Payments to Auditors	**11.00**	**11.08**

36.2 Directors Remuneration up to year 2016-17 represents remuneration paid to Sri P. Ramesh Babu, CMD and Sri TVVSN Murthy, VC & JMD. Wheras for the year 2017-18 it represents remuneration paid to Sri P. Ramesh Babu, CMD. Remuneration paid to Sri TVVSN Murthy, was considered in SMS Life Sciences India Ltd, the resulting company

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	Current Year 2017-18	Previous Year 2016-17
36.3	**Corporate Social Responsibility Expenditure**		
	Balance brought forward from Previous Year	**74.87**	-
	Amount required to be spent as per section 135 of the Companies Act, 2013	**110.26**	103.88
	Amount spent during the year on		
	(i) Construction/Acquisition of an Asset	**52.30**	-
	(ii) On Purpose other than (i) above	**32.19**	29.01
	Total	**84.49**	**29.01**
	Balance Carried forward to Next Year	**100.64**	**74.87**

36.3.1 The Company has initiated for construction of School Building and Hospital and also for providing Health Care and drinking water facilities with an estimate of Rs. 108.00 Lakhs.

Note	Particulars	Current Year 2017-18	Previous Year 2016-17
37	**Income Tax Expense**		
	Current Tax		
	Current Tax on profits for the year	**1,300.00**	900.00
	Adjustments for current tax of prior periods	**(23.85)**	(8.94)
	Total Current Tax	**1,276.15**	**891.06**
	Deferred Tax		
	Increase/(Decrease) in Deferred Tax Liabilities	**303.03**	667.91
	Decrease/(Increase) in Deferred Tax Assets	**412.41**	(966.86)
	Acturial (Gain)/Loss	**(2.20)**	4.44
	Total Deferred Tax Expense/(Benefit)	**713.24**	**(294.51)**
	Total	**1,989.39**	**596.55**

37.1 During the year ended 31st March, 2018, the Company has paid dividend to its shareholders. This has resulted in payment of dividend distribution tax (DDT) to the taxation authorities. The Company believes that DDT represents additional payment to the taxation authority. Hence DDT Paid is charged to Other Equity.

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars		Current Year 2017-18	Previous Year 2016-17
37.2	**Reconciliation of Tax Expense and the Tax on Accounting Profit at normal Tax Rate:**			
	(a)	Profit before Income Tax Expenses	**6,034.82**	4,158.01
	(b)	Enacted Tax Rate in India	**34.61%**	34.61%
	(c)	**Expected Tax Expenses (a)x(b)**	**2,088.53**	**1,439.00**
	(d)	**Tax Effect on Permanent Difference:**		
		Weighted Deduction under section 35(2AB) under the Income Tax Act, 1961	**(126.59)**	(87.31)
		Expenses not allowed under Income Tax Act	**29.24**	10.04
		Other Adjustments	**22.06**	(28.30)
		MAT Credit Entitlement for earlier years	**-**	(727.94)
		Adjustment of Current Tax of Prior Periods	**(23.85)**	(8.94)
		Total Adjustments	**(99.14)**	**(842.45)**
	Current Tax Expense as per P & L		**1,989.39**	**596.55**
	Effective Tax Rate		**32.97%**	**14.35%**
38	**Other Comprehensive Income**			
	Actuarial Gain/(Loss) on Post Employment Benefit Expenses		**5.22**	(11.50)
	Return on Plan Assets excluding net interest		**1.09**	(1.33)
			6.31	**(12.83)**
	Deferred Taxes on above		**(2.20)**	4.44
		Net Comprehensive Income	**4.11**	**(8.39)**
39	**Earning Per Share (Basic and Diluted)**			
	(a)	Net profit for Basic & Diluted EPS	**4,045.43**	3,561.46
	(b)	Weighted average number of equity shares of Re.1/- each (Basic & Diluted)	**84,652,030**	84,652,030
	(c)	Earnings per share of par value Re 1/- per share -(Basic & Diluted)	**4.78**	4.21

40 Scheme of arrangement (De-Merger) between the Company and SMS LifeSciences India Ltd, Resulting Company.

The Scheme for Demerger of Semi Reguatory Units as approved by the Company in respective meetings and as sactioned by the National Company Law Tribunal (NCLT) has been implemented with appointed date as 01-04-2016 as provided in the Scheme. Accordingly, the Company has transferred all its assets and liabilities pertaining to each of the demerged undertaking at their book value appearing in the books of the Company as on 01st April, 2016.

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

41 Post Employment Benefits

41.1 Defined Contribution plans

41.1.1 Employer's Contribution to Provident Fund:

Contributions are made to provident fund in India for employees at the rate of 12% of basic salary as per regulations. The contributions are made to registered provident fund administered by the Government of India. The obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the year towards PF contribution is Rs.177.47 Lakhs (Previous Year- Rs. 156.81 Lakhs).

41.1.2 Employer's Contribution to State Insurance Scheme:

Contributions are made to State Insurance Scheme for employees at the rate of 4.75%. The Contributions are made to Employee State Insurance Corporation(ESI) to the respective State Governments of the Company's location. This Corporation is administered by the Government and the obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards ESI contribution is Rs.37.07 Lakhs (Previous Year- Rs. 23.98 Lakhs).

41.2 Defined Benefit Plans

The Company has a defined benefit gratuity plan governed by Payment of Gratuity Act, 1972. Every Employee who has completed five years or more of service is entilted to a gratuity on departure at 15 days salary for each completed year of Service. The Scheme is funded through a policy with Life Insurance Corporation of India (LIC).

The Company has a defined benefit Compensated Absence Plan governed by The Factories Act, 1948. Every Employee who has worked for a period of 240 days or more in a factory during a calendar year shall be allowed during the subsequent calendar year, leave with wages for a number of days calculated as per Act.

The following table summarise net benefit expenses recognised in the statement of profit and loss, the status of funding and the amount recognised in the Balance Sheet for both the plans:

Particulars	as at 31.03.2018		as at 31.03.2017	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
41.2.1 Net Employee Benefit Expense				
(recognised in Employee Benefit Expenses)				
Current Service Cost	**30.59**	**19.21**	22.29	22.29
Interest Cost	**8.45**	**4.18**	9.66	2.08
Past Service Cost (Vested Benefits)	**24.78**			
Adj to Opening Balance	**3.53**			
Expected Return on Plan Assets	-		4.92	
Contribution paid	-	**(6.48)**	(39.71)	(6.03)
	67.35	**16.91**	(2.84)	18.34

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Particulars	as at 31.03.2018		as at 31.03.2017	
	Gratuity (Funded)	**Leave Encashment (Unfunded)**	**Gratuity (Funded)**	**Leave Encashment (Unfunded)**
41.2.2 Other Comprehensive Income				
Acturial Gain/(Loss)	**6.31**	**22.90**	(12.83)	(15.53)
Net Employee Benefit Expenses	**6.31**	**22.90**	**(12.83)**	**(15.53)**
Actual return on plan asset	**5.40**	**-**	3.54	-
41.2.3 Amount recognised in the Balance Sheet				
Defined Benefit Obligation	**246.48**	**105.51**	197.82	65.70
Fair Value of Plan Assets	**(62.62)**	**-**	(75.00)	
	183.86	**105.51**	**122.82**	**65.70**

41.2.4 Other Comprehensive Income in case of Employees Compensated Absence Scheme not considered as it was not funded.

Particulars	Gratuity (Funded) 31.03.2018	Leave Encashment (Unfunded) 31.03.2018	Gratuity (Funded) 31.03.2017	Leave Encashment (Unfunded) 31.03.2017
41.2.5 Changed in the Present Value of the Defined Benefit Obligation				
Opening Defined Benefit Obligation	**197.82**	**65.70**	180.21	30.83
Adjustment to Opening Balance	**-**			
Current Service Cost	**30.59**	**19.21**	22.29	22.29
Interest Cost	**12.75**	**4.18**	9.66	2.08
Past Service Cost	**24.78**			
Contribution Paid		**(6.48)**		(6.03)
Benefits Paid	**(14.24)**		(27.17)	-
Net Acturial (gain)/ losses on Obligation for the year recognised under OCI	**(5.22)**	**22.90**	12.83	16.52
Closing Defined Benefit Obligation	**246.48**	**105.51**	**197.82**	**65.69**
41.2.6 Change in the Fair Value of Plan Assets				
Opening Fair Value of Plan Assets	**75.00**	**-**	62.04	-
Adjustment to Opening Fair Value of Plan Asset	**(3.53)**	**-**	(3.11)	-
Return on Plan Assets Excluding Intererst Income	**1.09**	**-**	(1.33)	-
Interest Income	**4.30**	**-**	4.86	-
Contributions	**-**	**-**	39.71	-
Benefits Paid	**(14.24)**	**-**	(27.17)	-
Closing Fair Value of Plan Assets	**62.62**	**-**	**75.00**	**-**

Notes to the Financial Statements
(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Particulars	as at 31.03.2018		as at 31.03.2017	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
41.2.7 Acturial (Gain)/Loss on Obligation				
Due to Demographic Assumption	**-**	**-**	-	-
Due to Financial Assumption	**(24.25)**		3.83	
Due to Experience	**19.03**		7.67	
Return on Plan Assets excluding Interest	**(1.09)**		1.33	
Total Acturial (Gain)/Loss	**(6.31)**	**-**	**12.83**	**-**

41.2.8 The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	31.03.2018	31.03.2017
State Govt Security	**37.09**	44.42
Central Govt Securities	**13.72**	16.43
NCD/Bonds	**8.35**	10.00
Others	**3.46**	4.15
Total	**62.62**	**75.00**

Expected Return on Assets is based on rate of return declared by fund managers.

41.2.9 Acturial Assumptions for estimating Company's Definded Benefit Obligation:

Particulars	31.03.2018	31.03.2017
Discount rate	**7.68%**	6.69%
Attrition Rate	**PS : 0 to 40 2%**	PS : 0 to 40 2%
Expescted rate of increase in Salary	**3.00%**	3.00%
Expected rate of return on Plan Assets		
Mortality Table	**IALM (2006-08)**	IALM (2006-08)
Expected average remaining working lives of Employees	**19.55**	19.41

(a) Assumptions regarding future mortality experience are set in accordance with the published statistics by the Life Insurance Corporation of India.

(b) Plan assets does not comprise any of the Company's own financial instruments or any assets used by the Company.The Company has the plan covered under a policy with the Life Insurance Corporation of India.

(c) The Significant acturial assumptions for the determination of the defined benefit obligation are the discount rate, the salary growth rate and the average life expectancy. The calculation of the net defined benefit liability is sensitive to these assumptions. However, the impact of these changes is not ascertained to be material by the management.

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

41.2.10 Sensitivity Analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Particulars	31.03.2018	31.03.2017
Defined Benefit Obligation	**183.86**	122.82
Effect of 1% change in assumed discount rate on defined benefit obligation		
Increase : +1%	**225.50**	178.78
Decrease: -1%	**270.99**	220.28
Effect of 1% change in assumed salary escalation rate on defined benefit obligation		
Increase : +1%	**270.60**	217.49
Decrease: -1%	**225.61**	180.45

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant acturial assumptions, the same method (Projected Unit Credit Method) has been applied as while calculating the defined benefit liability recognised within the Balance Sheet.

41.2.11 Other Information

(i) Expected rate of return basis

Since the scheme funds are invested with LIC of India EROA is based on rate of return declared by fund managers.

(ii) Description of Plan Assets and Reimbursement Conditions

100% of the Plan Asset is entrusted to LIC of India under their Group Gratuity Scheme. The reimbursement is subject to LIC's Surrender Policy

(iii) Discount Rate

The discount rate has increased from 6.69% to 7.68% and hence there is a decrease in liability leading to actuarial gain due to change in discount rate.

(iv) Present Value of Defined Benefit Obligation:

Present value of the defined benefit obligation is calculated by using Projected Unit Credit Method (PUC Method). Under the PUC Method, a "projected accrued benefit" is calculated at the beginning of the year and again at the end of the year for each benefit that will accrue for all active members of the Plan. The "Projected accrued benefit" is based on the Plan's accrual formula and upon service as of the beginning or end of the year, but using a member's final compensation, projected to the age at which the employee is assumed to leave active service. The Plan Liability is the acturial present value of the " Projected accrued benefits" as of the begining of the year for active members.

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

(v) Expected Average remaining service vs. Average remaining future service:

The average remaining service can be arithmatically arrived by deducting current age from normal retirement age whereas the expected average remaining service is arrived acturially by applying multiple decrements to the average remaining future service namely mortality and withdrawals. Thus, the expected average remaining service is always less than the average remaining future service.

(vi) Current and Non Current liability:

The total of current and non-current liability must be equal with the total of PVO (Present value obligation) at the end of the period plus short term compensated liability if any. It has been classified in terms of " Schedule III" of the Companies Act, 2013.

(vii) Defined Benefit Liability and Employer Contributions

The Company has purchased insurance policy to provide for payment of gratuity to the employees. Every year, the insurance company carries out a funding valuation based on the latest employee data provided by the Company. Any deficit in the assets arising as a result of such valuation is funded by the Company. The company considers that the contribution rate set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs will not increase significantly.

The Weighted Average duration of the defined benefit obligation is 10.86 years (Previous Year 11.95 years). The expected cash flows over the subsequent years is as follows:

Expected Payout Gratuity	31.03.2018	31.03.2017
1st Year	**8.53**	24.76
2nd Year	**11.81**	6.23
3rd Year	**8.66**	8.92
4th Year	**8.77**	6.32
5th Year	**20.76**	6.42
beyond 5th Year	**86.35**	73.12

41.2.12 Risk exposure

Through it is defined benefit plans, the company is exposed to a number of risks, the most significant of which are detailed below:

(a) Investment/Interest Rate Risk: The Company is exposed to Investment / Interest risk if the return on the invested fund falls below the discount rate used to arrive at present value of the benefit.

(b) Longevity Risk: The Company is not exposed to risk of the employees living longer as the benefit under the scheme ceases on the employee separating from the employer for any reason.

(c) Risk of Salary Increase: The Company is exposed to higher liability if the future salaries rise more than assumption of salary escalation.

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

42 Leases (Ind AS -17):

42.1 Operating Lease Commitments - Company as Lessee

The Company has taken certain office premises on lease, with term of 3 years and is renewable for further periods. There are escalation clauses in the office premises lease agreement to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. During the year, the Company has paid lease rental of Rs. 63.64 Lakhs (Previous Year Rs. 67.72 Lakhs). Out of this, the company has collected an amount of Rs. 22.27 Lakhs (Previous Year Rs. 22.42 Lakhs) towards sub lease rental from related party, SMS LifeSciences India Ltd, the resulting company of demerger scheme which has taken place during the previous year.

The Company has also taken lease for office premises in Vishakapatnam and the said lease is revocable by either of the parties with prior intimation. During the Year, the company has paid lease rental of Rs. 9.41 Lakhs (Previous Year Rs. 3.66 Lakhs).

The above leases are revocable. Hence, disclosure requirement under Ind AS 17 "Leases" is not required.

The Company has also taken certain equipment under non cancellable operating lease agreements for a period of 5 years. The maximum obligation on long term non-cancellable operating lease payable as per the agreement are as follows:

S No.	Particulars	Current Year 2017-18	Previous Year 2016-17
	In the case of Equipment		
i)	Obligation on Non Cancellable Operating Leases:		
	a) not later than one year	**1.34**	4.02
	b) later than one year and not later than five years		1.34
	c) later than five years	**-**	-
ii)	Total of minimum sub-lease payments expected		
iii)	Lease payments recognized in the statement of Profit & Loss for the Year	**4.03**	4.06

42.2 Operating Lease Commitments - Company as Lessor

The Company has given on Lease of its certain premises in R & D Gagilapur for a lease term of 6 Years. The Company has recognised income for an amount of Rs. 6.00 Lakhs (Previous Year Rs. Nil/-).

43 Assets Pledged as Security

For Non Current Borrowings

Secured by First Charge on Property, Plant and Equipment and Second change on Current Assets

For Current Borrwings

Secured by First Charge on Current Assets and Second Charge on PPE (Property Plant & Equipments)

Particulrs	31.03.2018	31.03.2017	01.04.2016
Property, Plant and Equipment	**27,889.89**	29,003.68	29,593.32
Current Assets	**16,848.70**	15,735.63	13,631.53
Total Assets Pledged as Security	**44,738.59**	44,739.31	43,224.85

Notes to the Financial Statements
(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

44 Research and Development

44.1 Details of Revenue Expenditure (expensed as and when incurred):

Particulars	31.03.2018	31.03.2017
Salaries & Wages	**337.18**	248.03
Materials Consumed	**48.93**	65.42
Repairs and Maintenance	**65.39**	41.95
Power and Fuel	**31.72**	21.34
Testing and analysis charges	**9.86**	8.57
Rates and Taxes	**7.73**	6.35
Insurance	**2.74**	2.00
General Expenses	**10.79**	8.51
Total	**514.34**	**402.17**

44.2 Details of Property, Plant and Equipment:

S No	Particulars	Buildings	Plant and Equipment	Furniture and Fixtures	Computers	Vehicles	Patents Filing Fee	Total
	(1)	(2)	(3)	(4)	(5)		(6)	(7)
	Gross Carrying Value							
1	**As at 01st April, 2016**	**866.96**	**598.80**	**5.43**	**5.73**	**-**	**2.43**	**1,479.35**
2	Additions	-	113.51	0.43	1.80	9.10	0.74	125.58
3	As at 31st March, 2017 (1+2)	866.96	712.31	5.86	7.53	9.10	3.17	1,604.93
4	Additions	7.41	228.06	0.88	5.14	-	0.26	241.75
5	As at 31st March, 2018 (3+4)	874.37	940.37	6.74	12.67	9.10	3.43	1,846.68
	Depreciation							
6	As at 01st April, 2016	-	-	-	-	-	-	-
7	Charge for the Year	37.01	155.71	1.79	3.24	0.92	0.75	199.42
8	**As at 31st March, 2017 (6+7)**	**37.01**	**155.71**	**1.79**	**3.24**	**0.92**	**0.75**	**199.42**
9	Charge for the Year	37.17	162.21	1.81	3.33	1.08	0.88	206.48
10	**As at 31st March, 2018 (8+9)**	**74.18**	**317.92**	**3.60**	**6.57**	**2.00**	**1.63**	**405.90**
	Net Carrying Value							
11	**As at 31st March, 2016**	**866.96**	**598.80**	**5.43**	**5.73**	**-**	**2.43**	**1,479.35**
12	**As at 31st March, 2017 (3-8)**	**829.95**	**556.60**	**4.07**	**4.29**	**8.18**	**2.42**	**1,405.51**
13	**As at 31st March, 2018 (5-10)**	**800.19**	**622.45**	**3.14**	**6.10**	**7.10**	**1.80**	**1,440.78**

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

45 Financial Instruments and Risk Management

Categories of Financial Instruments

Particulars	Note	Level	as at 31.03.2018		as at 31.03.2017		as at 01.04.2016	
			Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
A. Financial Assets								
(a) Measured at Amortised Cost								
(i) Non Current								
(a) Bank Balances	8	3	**200.78**	**200.78**	190.32	190.32	176.24	176.24
(b) Other Financial Asset	9	3	**238.68**	**238.68**	235.43	235.43	160.56	160.56
Sub - Total			**439.46**	**439.46**	**425.75**	**425.75**	**336.80**	**336.80**
(ii) Current								
(a) Trade Receivables	12	Refer Note 45.2	**2,414.92**	**2,414.92**	2,131.88	2,131.88	2,082.48	2,082.48
(b) Cash and Cash Equivalents	13		**1,263.08**	**1,263.08**	1,228.53	1,228.53	1,096.10	1,096.10
(c) Other Bank Balances	14		**8.01**	**8.01**	8.37	8.37	8.97	8.97
(d) Other Financial Assets	15		**53.52**	**53.52**	2.95	2.95	29.09	29.09
Sub - Total			**3,739.53**	**3,739.53**	**3,371.73**	**3,371.73**	**3,216.64**	**3,216.64**
Total Financial Assets			**4,178.99**	**4,178.99**	**3,797.48**	**3,797.48**	**3,553.44**	**3,553.44**
B. Financial Liabilities								
(a) Measured at Amortised Cost								
(i) Non Current								
(a) Borrowings	20	3	**7,139.82**	**7,139.82**	7,421.54	7,421.54	8,927.22	8,927.22
(ii) Current								
(a) Borrowings	23	Refer Note 45.2	**5,839.71**	**5,839.71**	5,975.96	5,975.96	6,741.12	6,741.12
(b) Trade Payables	24		**3,870.37**	**3,870.37**	6,675.35	6,675.35	3,167.94	3,167.94
(c) Other Financial Liabilities	25		**1,754.76**	**1,754.76**	1,587.11	1,587.11	2,146.64	2,146.64
Sub - Total			**11,464.84**	**11,464.84**	**14,238.42**	**14,238.42**	**12,055.70**	**12,055.70**
Total Financial Liabilities			**18,604.66**	**18,604.66**	**21,659.96**	**21,659.96**	**20,982.92**	**20,982.92**

45.1 The Company's principal financial liabilities, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations.

45.2 The carrying amounts of Trade Payables, Other Financial Liabilities, cash and cash equivalents, other bank balances, trade receivables and other financial assets are considered to be the same as their fair values due to their short term nature.

45.3 The management has assessed that fair value of borrowings approximate to their carrying amounts largely since they are carried at floating rate of interest

45.4 Other non current financial assets consists of deposits with Government authorities where the fair value is considered to be the carrying value.

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

46 Fair Value Measurements

46.1 Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data rely as little as possible on entry speciifc estimates.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

46.2 Valuation Techniques used to determine fair value:

Specific Valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of remaining financial instruments is determined using discounted cashflow analysis.

46.3 Valuation Process:

The Finance and accounts department of the Company performs the valuation of financial assets and liabilities required for financial reporting purposes, and report to the Board of Directors. The main Level 3 inputs are derived using the discounted cash flow Analysis, Market Approach, Net Assets value method as applicable.

47 Financial Risk Management Objectives and Policies

Financial Risk Management Framework

The Company is exposed primarily to credit risk, liquidity risk and market risk (fluctuations in foreign currency exchange rates and interest rate), which may adversley impact the fair value of its financial instruments. The Company assesses the unpredictability of the financial environment and seeks to mitigate potential adverse effects on the financial performance of the Company.

47.1 Credit Risk:

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk encompasses of both, the direct risk of default and the risk of deterioration of creditwrothiness as well as concentration of risks. Credit risk is controlled by analysing credit limits and creditworthiness of customers on a continuous basis to whom the credit has been granted after obtaining necessary approvals for cerdit. Financial instruments that are subject to concentrations of credit risk, principally consist of trade receivables, cash and cash equivalents, bank deposits and other financial assets. None of the financial instruments of the Company result in Material Concentration of credit risk, except for Trade Receivables.

Financial Instruments and Cash Deposits

For banks and financial institutions, only high rated banks/ institutions are accepted. Other Financial Assets (excluding Bank Deposits) majorily constitute deposits given to State Electricity Departments for supply of power, which the company considers to have negligible credit exposure. Counterparty credit limits are reviewed by the Management on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

Expected Credit Loss for Trade Receivables under simplified approach

For Trade Receivables, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Following are the Expected Credit Loss for Trade Receivables under simplified approach:

Particulars	31.03.2018	31.03.2017	01.04.2017
Gross Carrying Amount	**2,457.93**	2,171.62	2,121.30
Expected Credit Losses (Loss Allowance Provision)	**43.01**	39.74	38.82
Net Carrying Amount of Trade Receivables	**2,414.92**	2,131.88	2,082.48

Expected Credit Loss for Trade Receivables under simplified approach:

Particulars	Outstanding for < 90 days	Outstanding > 90 days & < 180 days	Outstanding for > 180 days	Total
Gross Carrying Amount of Trade Receivables	2,180.35	147.07	130.51	2,457.93
Expected Loss Rate	1.75%	1.75%	1.75%	1.75%
Expected Credit Losses (Loss allowance provision)	38.15	2.57	2.29	43.01
Net Carrying Amount of Trade Receivables	**2,142.20**	**144.50**	**128.22**	**2,414.92**

47.2 Liquidity Risk:

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continosly monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

Particulars	Upto 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	Total
31 March, 2018					
Non Current Borrowings (including Current Maturities)	1,633.46	5,063.89	1,775.93	300.00	8,773.28
Current Borrowings	5,839.71				5,839.71
Interest Accrued but not due	10.79				10.79
Trade Payables	3,870.37				3,870.37
Capital Creditors	102.50				102.50
	11,456.83	5,063.89	1,775.93	300.00	18,596.65
31 March, 2017					
Non Current Borrowings (including Current Maturities)	1,515.87	4,687.50	2,650.00	84.04	8,937.41
Current Borrowings	5,975.96				5,975.96
Interest Accrued but not due	16.75				16.75
Trade Payables	6,675.35				6,675.35
Capital Creditors	46.12				46.12
	14,230.05	4,687.50	2,650.00	84.04	21,651.59

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

47.3 Market Risk:

Market risk is the risk that the fair value or future cash flows of a financial isntrument will fluctuate because of changes in market prices. Market prices comprise three types of risk, currency rate risk, interest rate risk and other price risks such as equity risk. Financial instruments affected by market risk include loans and advances deposits investments in debt securities mutual funds and other equity funds.

47.3.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. In order to optimize the Company's position with regards to interest income and interest expenses and to manage the interest rate risk, treasury performs a comprehensive corporate interest risk management by balancing the proportion of fixed rate and floating rate financial instruments in its portfolio.

Particulars	Change in basis points		Effect on Profit before Tax	
	Increase	Decrease	Decrease	Increase
31 March, 2018	0.50%	0.50%	(73.12)	73.12
31 March, 2017	0.50%	0.50%	(74.65)	74.65

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

47.3.2 Foreign Currency Exchange Rate Risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Company has transactional currency exposures arising from services provided or availed that are denominated in a currency other than the functional currency. The foreign currencies in which these transactions are denominated are mainly in US Dollars ($). The Company's trade receivable and trade payable balances at the end of the reporting period have similar exposures

(a) Details of Unhedged Foreign Currency Exposure:

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under:

Particulars	Currency	31.03.2018			31.03.2017		
		Amount in Foreign Currency	Amount in Rs.	Conversion Rate	Amount in Foreign Currency	Amount in Rs.	Conversion Rate
Trade Receivables	USD	**19.62**	**1,276.42**	**65.07**	11.07	717.68	64.81
Trade Payables	USD	**3.20**	**208.52**	**65.07**	4.74	307.09	64.81
Advance from Customers	USD	**5.78**	**375.78**	**65.07**	1.46	94.59	64.81
Advance to Suppliers	USD	-	-		0.43	27.74	64.81

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

(b) Foreign Currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rate, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including foreign currency derivatives. The Company's exposure to foreign currency changes for all other currencies is not material.

Particulars	**Effect on Profit befor Tax**	
USD Sensitivity	**31.03.2018**	31.03.2017
	Rs.	Rs.
Rs/USD - Increases by 1%	**6.92**	3.44
Rs/USD - Decreases by 1%	**(6.92)**	(3.44)

47.3.3 Other Price Risk:

Other price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

48 Capital Management

For the purposes of the Company's Capital Management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure in consideration to the changes in economic conditions and the requirements of the financial covenants. The Company monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Company intends to keep the gearing ratio less than 1. The Company includes within net debt, borrowings including interest accrued on borrowings less cash and short term deposits.

Particulars	**31.03.2018**	**31.03.2017**	**01.04.2016**
Borrowings including interest accrued on borrowings	**14,623.77**	14,930.12	16,831.89
Less: Cash and Short Term Deposits	**1,263.08**	1,228.53	1,096.10
Net Debt	**13,360.69**	**13,701.59**	**15,735.79**
Equity	**846.52**	846.52	846.52
Other Equity	**29,264.04**	25,416.61	22,067.31
Total Equity	**30,110.56**	**26,263.13**	**22,913.83**
Total Capital	**43,471.25**	**39,964.72**	**38,649.62**
Gearing Ratio (Net Debt/((Net Debt +Total Equity))	**0.31**	0.34	0.41

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

48.1 Loan Covenants

During the tenor of the facility with the bank, the following are the actual financial covennats:

Particulars	Stipulated by Lenders	Actuals as at	
		31.03.2018	31.03.2017
Current Ratio	1.29	**1.39**	1.07
TOL/TNW	1.38	**0.72**	0.91
Interest Coverage Ratio	4.53	**5.10**	3.79

Borrower to maintain the above financial indicators at the stipulated levels during the currency of the facility. In case of non-compliance of any covenant or other terms and conditions of sanction, penal interest one percent per annum on the entire outstanding for the period of non-adherence subject to a minimum period of one year.

49 Segment Information

(a) Description of Segments and Principal Activities

The Chairman and Managing Director has been identified as being the chief operating decision maker(CODM). Operating segments are defined as components of an enterprise for which discrete financial information is available. This is evaluated regularly by the CODM, in deciding how to allocate resources and assessing the Company's performance. The Company is engaged in manufacturing and sale of Active Pharma Ingredients and Intermediates and operates in a single operating segment.

Revenues are attributed to geographical areas based on the location of the customers as detailed below:

Particulrs	Current Year 2017-18		Previous Year 2016-17	
	Revenue	%	Revenue	%
Exports	**6,218.94**	**13.38%**	5,396.20	12.08%
Deemed Exports	**29,695.71**	**63.88%**	27,650.60	61.90%
Domestic	**10,355.62**	**22.28%**	11,372.59	25.46%
Export Incentives	**216.06**	**0.46%**	252.59	0.56%
Total	**46,486.33**	**100%**	**44,671.98**	**100%**

50 Interest in Other Entities

For interest in other entities please Refer Note 50 in consolidated financial statements

51 Related Party Transactions

(a) Key Management Personnel(KMP)

Name	Relationship
Sri. P Ramesh Babu	Chairman and Managing Director
Sri. TVVSN Murthy	Director
N Rajendra Prasad	Chief Financial Officer (upto 31-05-2017)
T Lakshmi Narayana	Chief Financial Officer (from 13-09-2017)
T Thirumalesh	Company Secretary (17-10-2016 to 30-12-2017)
V.S. Venkatish	Company Secretary (from 08-02-2018)

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

(b) Relatives of KMP

Name of the Relative	Relationship with KMP
Sri. P Vamsikrishna	Son of Sri P Ramesh Babu

(c) List of Related Parties over which Control / Significant Influence exists with whom the company has transactions :

Name of the Company	Relationship
Associate Company	1. VKT Pharma Private Limited
Enterprises overwhich KMP are able to Exercise Significant Influence	2. SMS LifeSciences India Limited
	3. Potluri Laboratories Private Limited
	4. Potluri Infra Projects LLP
	5. Rchem (Somanahalli) Private Limited

(d) Transactions with Related Parties:

Name of the Company	31.03.2018 Amount	31.03.2017 Amount
Key Management Personnel		
Remuneration - Short Term Employee Benefits	**336.11**	474.22
Relatives of KMP		
Remuneration - Short Term Employee Benefits	**39.00**	31.72
Associate Company		
Purchases	**1.00**	0.38
Sales	**97.37**	14.64
Investments	**802.50**	1,574.59
Rental Income	**5.00**	-
Enterprise with Significant Influence		
Purchases	**1,284.63**	106.79
Sales	**165.42**	0.04
Rental Income	**26.28**	-
Balance (Payable)/Receivable as at 31st March, 2018		
Key Management Personnel		
Remuneration Payable	**137.54**	190.97
Relatives of KMP		
Remuneration Payable	**0.37**	0.43
Associate Company		1.87
Enterprise with Significant Influence	**(188.12)**	(91.25)

(e) Note:

Short Term Employee Benefits to KMP does not include expenditure on account of PF Contribution and also provision for gratuity and compensated absences computed for Company as a whole.

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

52 Contingent Liabilities

Particulrs	31.03. 2018	31.03.2017	01.04.2016
Letter of credits opened in favor of suppliers for which goods are yet to be received	**61.75**	-	21.54
Customs Duty against Advance Autharizations	**101.30**	-	-
Entry Tax Liability	**1.75**	-	-

53 Commitments

Particulrs	31.03. 2018	31.03.2017	01.04.2016
Capital Commitments			166.01
Export Obligations	**792.48**		1,025.68

54 Payables to Micro, Small & Medium Enterprises

The Company has certain dues to suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The disclosures pursuant to the said MSMED Act are as follows:

Particulars	31.03.2018	31.03.2017
(i) the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	**16.99**	20.65
(ii) the amount of interest paid by the buyer in terms of section 16, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year		
(iii) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;		
(iv) the amount of interest accrued and remaining unpaid at the end of each accounting year; and	**0.12**	0.52
(v) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.		

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 companies. This has been relied upon by the auditors.

55 Discolsure relating to Specified Bank Notes(SBNs) held and transacted during the period from 08-11-2016 to 30-12-2016:

Particulars	SBNs	Other Denominations Notes	Total
Closing Cash in hand as on 08-11-2016	7.09	2.75	9.84
(+) Permitted receipts		9.89	9.89
(-) Permitted payments		(10.25)	(10.25)
(-) Amount Deposited in Banks	(7.09)		(7.09)
ClosingCashBalanceason30-12-2016	**-**	**2.39**	**2.39**

* Specified Bank Notes (SBNs) mean the bank notes of denominations of the exissting series of the value of five hundred rupees and thousand rupees as defined under the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs no, S.O. 3407(E), dated the 8th November, 2016

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

56 First-Time Adoption of Ind AS

Transition to Ind AS

These are the Company's first financial statements prepared in accordance with Ind AS.

The accounting policies set out in Note 4 have been applied in preparing the financial statements for the year ended 31st March, 2018, the comparitive information presented in these financial statements for the year ended 31st March, 2017 and in the preparation of an opening Ind AS balance sheet at 01st April, 2016 (company's date of transition). In preparing its opening Ind AS balance sheet, the Company has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Companies (Accounting standards) Rules, 2006 (as amended) and other relevant provisions of the Act (previous GAAP or Indian GAAP). An explanation on how the transition from previous GAAP to Ind AS has effected the Company's financial position, financial performance and cash flows is set out in the following tables and notes.

56.1 Exemptions and Exceptions availed

Set out below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from previous GAAP to Ind AS.

56.1.1 Ind AS Optional Exemptions

Deemed Cost

Ind AS 101 permits a first-time adopter to opt to continue with the carrying value for all of its property, plant and equipment and intangible assets as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets. Accordingly, the Company has opted to measure all of its property, plant and equipment and intangible assets at their previous GAAP carrying value.

Ind AS 101 permits a first-time adopter to opt to measure its investments in subsidiaries, joint ventures and associates at fair value at the entity's date of transition to Ind ASs or continue with the carrying value as recognised in the financial statements as at the date of transition to Ind AS. Accordingly the Company has opted to measure its investment in subsidiary and associates at their previous GAAP carrying value.

56.1.2 Ind AS mandatory exceptions

(a) Estimates

An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with the estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at 01st April, 2016 are consistent with the estimates as at the same date made in confirmity with previous GAAP. The Company made estimates for following items in accordance with Ind AS at the date of transition as these were not required under previous GAAP:

- Investment in Equity instruments carried at FVPL or FVOCI
- Investments in debt instruments carried at FVPL and;
- Impairment of financial asset based on expected credit loss model.

(b) Classification and Measurement of Financial Asset

Ind AS 101 requires an entity to assess classification and measurement of financial assets on the basis of the facts and circumstances that exist on the date of transition to Ind AS

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

56.2 Reconciliations between Previous GAAP and Ind AS (as at 31st March, 2017 and 01st April, 2016)

56.2.1 Reconciliation of Equity as at Date of Transition (01st April 2016)

S No	Particulars	Notes	Previous GAAP	Adjustments	Ind AS
I	**ASSETS**				
1	**Non-Current Assets**				
	(a) Property, Plant and Equipment	5	29,593.32		29,593.32
	(b) Capital Work-in-Progress	5	713.10		713.10
	(c) Intangible Assets	6	40.23		40.23
	(d) Financial Assets				
	(i) Investments	7	2,122.79		2,122.79
	(ii) Bank Balances	8	149.00	27.24	176.24
	(iii) Other Financial Assets	9	163.03	(2.47)	160.56
	(e) Other Non-Current Assets	10	429.82	-	429.82
	Total		**33,211.29**	**24.77**	**33,236.06**
2	**Current Assets**				
	(a) Inventories	11	7,084.81		7,084.81
	(b) Financial Assets				
	(i) Trade Receivables	12	2,121.30	(38.82)	2,082.48
	(ii) Cash and Cash Equivalents	13	1,096.10		1,096.10
	(iii) Bank Balances other than (ii) above	14	8.97		8.97
	(iv) Other Financial Assets	15	29.09		29.09
	(c) Other Current Assets	16	4,797.23	(1,492.53)	3,304.70
	(d) Current Tax Asset (Net)	15	25.38		25.38
	Total		**15,162.88**	**(1,531.35)**	**13,631.53**
	Total Assets		**48,374.17**	**(1,506.58)**	**46,867.59**
II	**EQUITY AND LIABILITIES**				
1	**Equity**				
	(a) Equity Share Capital	18	846.52		846.52
	(b) Other Equity	19	21,771.28	296.03	22,067.31
	Total		**22,617.80**	**296.03**	**22,913.83**
2	**LIABILITIES**				
A	**Non-Current Liabilities**				
	(a) Financial Liabilities				
	(i) Borrowings	20	8,973.37	(46.15)	8,927.22
	(b) Provision for Employee Benefit Obligations	21	131.70		131.70
	(c) Deferred Tax Liabilities	22	3,436.50	(1,552.69)	1,883.81
	Total		**12,541.57**	**(1,598.84)**	**10,942.73**
B	**Current Liabilities**				
	(a) Financial Liabilities				
	(i) Borrowings	23	6,741.12		6,741.12
	(ii) Trade Payables	21	3,167.93		3,167.93
	(iii) Other Financial Liabilities	25	2,350.41	(203.77)	2,146.64
	(b) Provision for Employee Benefit Obligations	23	44.02		44.02
	(c) Other Current Liabilities	24	911.32		911.32
	Total		**13,214.80**	**(203.77)**	**13,011.03**
	Total Liabilities		**25,756.37**	**(1,802.61)**	**23,953.76**
	Total Equity And Liabilities		**48,374.17**	**(1,506.58)**	**46,867.59**

* The previous GAAP figures have been reclassified to confirm to Ind AS presentation requirements for the purpose of this note.

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

56.2.2 Reconciliation of Equity as at 31st March, 2017

S No	Particulars	Notes	Previous GAAP	Adjustments	Ind AS
I	**Assets**				
1	**Non-Current Assets**				
	(a) Property, Plant and Equipment	5	29,003.68		29,003.68
	(b) Capital Work-in-Progress	5	776.15		776.15
	(c) Intangible Assets	6	41.60		41.60
	(d) Financial Assets				
	(i) Investments	7	3,698.37		3,698.37
	(ii) Bank Balances	8	189.68	0.64	190.32
	(iii) Other Financial Assets	9	237.33	(1.90)	235.43
	(e) Other Non-Current Assets	10	422.72		422.72
	Total		**34,369.53**	**(1.26)**	34,368.27
2	**Current Assets**				
	(a) Inventories	11	9,251.93		9,251.93
	(b) Financial assets				
	(i) Trade Receivables	12	2,171.62	(39.74)	2,131.88
	(ii) Cash and Cash Equivalents	13	1,228.53		1,228.53
	(iii) Bank Balances other than (ii) above	14	8.37		8.37
	(iv) Other Financial Assets		2.95		2.95
	(c) Other Current Assets	15	5,382.12	(2,386.98)	2,995.14
	(d) Current Tax Asset (Net)	16	116.83		116.83
	Total Current Assets		**18,162.35**	**(2,426.72)**	**15,735.63**
	TOTAL ASSETS		**52,531.88**	**(2,427.98)**	**50,103.90**
II	**EQUITY AND LIABILITIES**				
1	**Equity**				
	(a) Equity Share capital	18	846.52		846.52
	(b) Other equity				-
	(i) Reserves & Surplus	19	25,323.70	92.91	25,416.61
	Total		**26,170.22**	**92.91**	**26,263.13**
2	**LIABILITIES**				
A	**Non-Current Liabilities**				
	(a) Financial Liabilities				
	(i) Borrowings	20	7,457.50	(35.96)	7,421.54
	(b) Provision for Employee Benefit Obligations	21	134.81		134.81
	(c) Deferred Tax Liabilities	22	4,069.80	(2,484.93)	1,584.87
	Total		**11,662.11**	**(2,520.89)**	**9,141.22**
B	**Current liabilities**				
	(a) Financial liabilities				
	(i) Borrowings	23	5,975.96	-	5,975.96
	(ii) Trade Payables	24	6,675.35	-	6,675.35
	(iii) Other Financial Liabilities	25	1,587.11	-	1,587.11
	(b) Provision for Employee Benefit Obligations	21	53.70	-	53.70
	(c) Other current liabilities	26	407.43	-	407.43
	Total		**14,699.55**	**-**	**14,699.55**
	TOTAL LIABILITIES		**26,361.66**	**(2,520.89)**	**23,840.77**
	TOTAL EQUITY AND LIABILITIES		**52,531.88**	**(2,427.98)**	**50,103.90**

* The previous GAAP figures have been reclassified to confirm to Ind AS presentation requirements for the purpose of this note.

Notes to the Financial Statements
(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

56.2.3 Reconciliation of Total Comprehensive Income for the year ended 31st March, 2017

S No.	Particulars	Notes	Previous GAAP	Adjustments	Ind AS
1	Revenue from operations	28	43,782.95	889.03	44,671.98
2	Other Income	29	142.71	2.05	144.76
3	**Total Revenue (1+2)**		**43,925.66**	**891.08**	**44,816.74**
4	**Expenses**				
	Cost of Materials Consumed	30	32,502.87		32,502.87
	Changes in Inventories	31	(2,918.27)		(2,918.27)
	Central Excise Duty			859.60	859.60
	Manufacturing Expenses	32	2,840.02		2,840.02
	Employee Benefits Expense	33	2,705.11	(12.83)	2,692.28
	Finance Cost	34	1,538.66	10.19	1,548.85
	Depreciation and Amortization Expense	35	1,917.72		1,917.72
	Other Expense	36	1,183.82	31.84	1,215.66
	Total Expenses		**39,769.93**	**888.80**	**40,658.73**
5	**Profit before Tax (3-4)**		**4,155.73**	**2.28**	**4,158.01**
6	**Income Tax Expense**				
	(i) Current tax				
	Tax Expense relating to Current Year		900.00		900.00
	Tax Expense relating to Earlier Year	37	(8.94)		(8.94)
	(ii) Deferred Tax		633.30	(927.81)	(294.51)
	(iii) MAT Credit Entitlement		(921.05)	921.05	-
			603.31	**(6.76)**	**596.55**
7	**Profit for the Year (5-6)**		**3,552.42**	**9.04**	**3,561.46**
8	Other Comprehensive Income			(8.39)	(8.39)
9	**Total Comprehensive Income for the Year**		**3,552.42**	**0.65**	**3,553.07**

* The previous GAAP figures have been reclassified to confirm to Ind AS presentation requirements for the purpose of this note.

Notes to the Financial Statements
(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

56.2.4 Reconciliation of Total Equity as at 31st March, 2017 and 01st April, 2016

Particulars	31.03.2017	01.04.16
Total Equity (Shareholder's funds) as per previous GAAP	26,170.22	22,617.80
Adjustments:		
Provision for Dividend and Dividend Distribution Tax Reversed		203.77
Deferred Tax Asset on Indexation Benefit on Land	96.62	89.08
Borrowings at Amortised Cost	35.96	46.15
Rental Deposits carried at Amortized Cost	(1.90)	(2.47)
Expected Credit Loss on Trade Receivables	(39.74)	(38.82)
Deferred Tax on Ind AS Adjustments	1.97	(1.68)
Total Adjustments	**92.91**	**296.03**
Total Equity as per Ind AS	**26,263.13**	**22,913.83**

56.2.5 Reconciliation of Total Comprehensive Income for the Year Ended 31st March, 2017

Particulars	31.03.2017
Profit after Tax as per previous GAAP	3,552.42
Adjustments:	
Deferred Tax Asset on Indexation Benefit on Land	7.55
Remeasurement of Post Employement Benefit	12.83
Rental Deposits carried at Amortized Cost	0.56
Deferred Tax on Ind AS Adjustments	(0.79)
Borrowings at Amortised Cost	(10.19)
Expected Credit Loss on Trade Receivables	(0.92)
Total Adjustments	**9.04**
Profit after Tax as per Ind As	**3,561.46**
Other Comprehensive Income	(8.39)
Total Comprehensive Income as per Ind AS	**3,553.07**

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

56.2.6 Impact of Ind AS adoption on the Cash Flow Statements for the year ended 31st March, 2017

Particulars	Previous GAAP	Adjustments	Ind AS
Net Cash Flow from Operating Activities	7,388.62	(41.16)	7,347.46
Net Cash Flow from Investing Activities	(3,936.76)	41.16	(3,895.60)
Net Cash Flow from Financing Activities	(3,319.43)		(3,319.43)
Net Increase/(Decrease) in Cash and Cash Equivalents	**132.43**		**132.43**
Cash and Cash Equivalents as at 01st April 2016	1,125.10		1,125.10
Less: Cash Equivalents on account of Demerger	29.00		29.00
Effects of Exchange Rate changes on Cash and Cash Equivalents			
Cash and Cash Equivalents as at 31st March 2017	**1,228.53**		**1,228.53**

56.2.7 Analysis of changes in Cash and Cash Equivalents for the purpose of Cash Flows under Ind AS:

Particulars	31.03.2017	01.04.2016
Cash and Cash Equivalents as per the previous GAAP	1,228.53	1,125.10
Less: Cash Equivalents on account of Demerger		29.00
Bank Over Drafts		
Cash and Cash Equivalents as per the IND AS	1,228.53	1,096.10

56.3 Notes to First-Time Adoption:

56.3.1 Intangible Assets

Under previous GAAP intangibles were generally amortised for 4 years. Based on Ind AS 38 Intangibles are amortised based on effective useful life.

56.3.2 MAT Credit Entitlement

MAT credit entitlement is to be presented under loans and advance in accordance with Guidance Note on "Accounting for Credit available in respect of MAT under the Income Tax Act, 1961" issued by ICAI. However, as per Ind AS, MAT credit entitlement is generally recognized as a deferred tax asset with a corresponding deferred tax benefit in the statement of profit and loss. Accordingly, the Company has reclassified the MAT credit entitlement from loans and advances to deferred tax assets as at 31st March, 2017 Rs. 2,386.34 Lakhs (01st April, 2016: Rs 1,465.29 Lakhs).

56.3.3 Trade Receivables

As per Ind AS 109, the Company is required to apply expected credit loss model for recognising the allowance for doubtful debts

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

56.3.4 Proposed Dividend

Under the previous GAAP, dividends proposed by the board of directors after the balance sheet date but before the approval of the financial statements were considered as adjusting events. Accordingly, provision for proposed dividend was recognised as a liability. Under Ind AS, such dividends are recognised when the same is approved by the shareholders in the general meeting. Accoridngly, the liability for proposed dividend and tax thereon of Rs. Nil as at 31st March, 2017 (01st April, 2016- Rs.- 203.77 Lakhs) included under provisions have been reversed with corresponding adjustment to retained earnings. Consequently, the total equity increased by an equivalent amount.

56.3.5 Revenue Recognition and Excise Duty

Under the previous GAAP, revenue from sale of products was presented exclusive of excise duty. Under Ind AS, revenue from sale of goods is presented inclusive of excise duty. The excise duty paid is presented on the face of the statement of profit and loss as part of expenses. This change has resulted in an increase in total revenue and total expenses for the year ended 31st March, 2017 by Rs. 889.03 Lakhs. There is no impact on the total equity and profit.

56.3.6 Remeasurements of Post-Employement Benefit Obligations

Under Ind AS, remeasurements i.e. Acturial gains and losses and the return on plan assets , excluding amounts included in the net interest expense on the net defined benefit liability are recognised in other comprehensive income instead of profit or loss. Under the previous GAAP, these remeasurements were forming part of the profit or loss for the year. As a result of this change, the profit for the year ended 31st March, 2017 decreased by RS. 12.83 Lakhs. There is no impact on the total equity as at 31st March, 2017.

56.3.7 Deferred Tax

Indian GAAP requires deferred tax accounting using the statement of profit and loss approach, which focuses on difference between taxable profits and accounting profits for the period. Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of the asset or liability in the balancesheet and its tax base.

As per Ind AS-12, the Company has recognised deferred tax asset on the indexation benefit available on free hold land as it has no plans to sell the business on a slump sale thereby increasing the retained earnings by Rs. 96.62 Lakhs as at 31st March, 2017 (01st April, 2016: Rs. 89.08 Lakhs).

Other Deferred tax adjustments amounting to (Rs. 1.97 Lakhs) as at 31st March, 2017 (01st April, 2016: Rs. (1.68) Lakhs) include deferred tax impact on account of differences between previous GAAP and Ind AS. The profit for the year ended i.e. 31st March , 2017 increased by Rs. 6.76 Lakhs due to the deferred tax adjustments made.

56.3.8 Rental Deposits

Rental deposits were recognised at transaction value under previous GAAP. Based on Ind AS 109 this security deposit has to be recognised at fair value and the difference between fair value and carrying cost is to be treated as prepaid lease rental. Further the difference amount relating to period before date of transition to Ind AS is charged to retained earnings. Accordingly, security deposit as at 31st March, 2017 has been decreased by Rs 1.91 Lakhs, as at 01st April, 2016 has been decreased by Rs. 2.47 Lakhs and profit increased by Rs. 0.56 Lakhs.

Notes to the Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Under the previous GAAP, rental deposits are recorded at their transaction value. Under Ind AS, all financial assets are required to be recognised at fair value. Accordingly the company has fair valued the rental deposits. Difference between the fair value and transaction value is recognised as prepaid rent. Consequent to this change, the amount of rental deposit decreased by Rs. 4.88 Lakhs as at 31st March, 2017 (01st April, 2016: Rs. 6.93 Lakhs). The prepaid rent increased by Rs. 2.97 Lakhs as at 31st March, 2017 (01st April, 2016: Rs. 4.46 Lakhs).

56.3.9 Borrowings

Ind AS 109 requires transaction costs incurred towards origination of borrowings to be deducted from the carrying amount of borrowings on initial recognition. These costs are recognised in the profit or loss over the tenure of the borrowing as part of the interest expense by applying the effective interest rate method. Under previous GAAP, these transaction costs were charged to profit or loss as and when incurred. Accordingly, borrowings as at 31st March, 2017 have been reduced by Rs. 35.96 Lakhs (01st April, 2016 : Rs. 46.15 Lakhs) with a corresponding adjustment to retained earnings. The total equity increased by an equivalent amount. The profit for the year ended 31st March, 2017 reduced by Rs. 10.19 Lakhs as a result of the additonal interest expense.

56.3.10 Retained Earnings

Retained earnings as at 01st April, 2016 has been adjusted consequent to the above Ind AS transition adjustments.

56.3.11 Other Comprehensive Income

Under Ind AS, all items of income and expense recognized in a year should be included in the profit or loss for the year, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in profit or loss but are shown in the statement of profit or loss as 'other comprehensive income' includes remeasurements of defined benefit plans. The concept of 'other comprehensive income' did not exist under previous GAAP.

56.3.12 Statement of Cash Flows

The transition from Indian GAAP to Ind AS has not had a material impact on the statement of cash flows.

The accompanying notes are an integral part of the Financial Statements

as per our report of even date

for and on behalf of the Board

for **SURYANARAYANA & SURESH**
Chartered Accountants
FRN 006631S

RAMESH BABU POTLURI
Chairman and Manging Director
DIN No.: 00166381

TVVSN MURTHY
Director
DIN No.: 00465198

V NAGENDRA RAO
Partner
M.No. 227679

V.S.VENKATISH
Company Secretary

T. LAKSHMI NARAYANA
Chief Financial Officer

Place : Hyderabad
Date : 26-05-2018

Consolidated Financial Statements 2017-18

Independent Auditors' Report

To
The Members of
SMS PHARMACEUTICAL LIMITED

Report on the Consolidated Ind AS Financial Statements

We have audited the accompanying consolidated Ind AS Financial Statements of SMS PHARMACEUTICALS LIMITED ("the Company") and its associate company VKT PHARMA PRIVATE LIMITED which is Audited by other Statutory Auditors (collectively referred to as "the Group") which comprise the consolidated Balance Sheet as at March 31, 2018, the consolidated Statement of Profit and Loss, the consolidated Statement of changes in Equity and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (here in referred as "the consolidated Ind AS Financial Statements")

Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these consolidated Ind AS Financial Statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated 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 maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting 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 adequate 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 consolidated Ind AS 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 consolidated Ind AS 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 and the Order under Section 143(11) of the Act.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Ind AS Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated Ind AS Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated Ind AS Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Directors, as well as evaluating the overall presentation of the consolidated Ind AS 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 consolidated Ind AS Financial Statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated Ind AS 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 31, 2018, and its consolidated Profit and its consolidated Cash Flow for the year ended on that date.

Other Matters

The comparative financial information of the company for the year ended 31 March 2018 and the transition date opening balance sheet as at 1 April 2016 included in these Ind AS financial statements, are based on the previously issued statutory financial statements prepared in accordance with the Companies (Accounting Standards) Rules,2006 audited by the predecessor auditor whose report for the year ended 31 March 2017 and 31 March 2016 dated 30 May 2017 and 14 May 2016 respectively expressed an unmodified opinion on those financial statements, as adjusted for the differences in the accounting principles adopted by the company on transition to the Ind AS, which have been audited by us.

Our opinion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

1. 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 purpose 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 consolidated Balance Sheet, the consolidated Statement of Profit and Loss, the consolidated Statement of changes in Equity and the consolidated Cash Flow Statement dealt with by this Report are in agreement with the books of account
    d. In our opinion, the aforesaid consolidated Ind AS 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 of the Company and its associates as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.
    f. With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company the operating effectiveness of such controls, refer to our separate Report in **"Annexure A"**.
    g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 and 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 2018 on its consolidated financial position in its Ind AS Financial Statements as referred to in note 10.1 and 52 to the Ind AS Financial Statements.
        ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
        iii. 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 there under.

For Suryanarayana & Suresh.,
Chartered Accountants
FRN: 006631S

V Nagendra Rao
Partner
M.No.227679

Place: Hyderabad
Date : 26-05-2018

Annexure A" to the Independent Auditor's Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of M/s. SMS PHARMACEUTICALS LIMITED in respect of standalone Ind AS Financial Statements as at March 31, 2018 in conjunction with our audit of the Ind AS Financial Statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls base on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS Financial Statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ind AS Financial Statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

(1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind AS Financial Statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the Ind AS Financial Statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Suryanarayana & Suresh.,
Chartered Accountants
FRN: 006631S

V Nagendra Rao
Partner
M.No.227679

Place: Hyderabad
Date : 26-05-2018

Consolidated Balance Sheet as at 31st March, 2018

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

S.No	Particulars	Note	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016
I	**ASSETS**				
1	**Non-Current Assets**				
	(a) Property, Plant and Equipment	5	**27,889.89**	29,003.68	29,593.32
	(b) Capital Work-in-Progress	5	**819.66**	776.15	713.10
	(c) Intangible Assets	6	**36.27**	41.60	40.23
	(d) Financial Assets:				
	(i) Investments	7	**2,838.18**	2,909.70	2,046.93
	(ii) Bank Balances	8	**200.78**	190.32	176.24
	(iii) Other Financial Assets	9	**238.68**	235.43	160.56
	(e) Other Non-Current Assets	10	**1,380.46**	422.72	429.82
	Total		**33,403.92**	**33,579.60**	**33,160.20**
2	**Current Assets**				
	(a) Inventories	11	**10,747.53**	9,251.93	7,084.81
	(b) Financial Assets				
	(i) Trade Receivables	12	**2,414.92**	2,131.88	2,082.48
	(ii) Cash and Cash Equivalents	13	**1,263.08**	1,228.53	1,096.10
	(iii) Bank Balances (Other than (ii) above)	14	**8.01**	8.37	8.97
	(iv) Other Financial Assets	15	**53.52**	2.95	29.09
	(c) Other Current Assets	16	**2,361.64**	2,995.14	3,304.70
	(d) Current Tax Asset (Net)	17	**-**	116.83	25.38
	Total		**16,848.70**	**15,735.63**	**13,631.53**
	Total Assets		**50,252.62**	**49,315.23**	**46,791.73**

(Contd.)

Consolidated Balance Sheet as at 31st March, 2018

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

S.No	Particulars	Note	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016
II	**EQUITY AND LIABILITIES**				
1	**Equity:**				
	(a) Equity Share Capital	18	**846.52**	846.52	846.52
	(b) Other Equity	19	**27,602.35**	24,627.93	21,991.45
	Total		**28,448.87**	**25,474.45**	**22,837.97**
2	**Liabilities**				
A	**Non-Current Liabilities**				
	(a) Financial Liabilities				
	(i) Borrowings	20	**7,139.82**	7,421.54	8,927.22
	(b) Provisions	21	**217.87**	134.81	131.70
	(c) Deferred Tax Liabilities (net)	22	**2,300.32**	1,584.87	1,883.81
	Total		**9,658.01**	**9,141.22**	**10,942.73**
B	**Current Liabilities**				
	(a) Financial Liabilities				
	(i) Borrowings	23	**5,839.71**	5,975.96	6,741.12
	(ii) Trade Payables:	24	**3,870.37**	6,675.35	3,167.93
	(iii) Other Financial Liabilities	25	**1,754.76**	1,587.11	2,146.64
	(b) Provisions	21	**71.50**	53.71	44.02
	(c) Other Current Liabilities	26	**592.90**	407.43	911.32
	(d) Current Tax Liabilities (Net)	27	**16.50**	-	-
	Total		**12,145.74**	**14,699.56**	**13,011.03**
	Total Liabilities		**21,803.75**	**23,840.78**	**23,953.76**
	Total Equity And Liabilities		**50,252.62**	**49,315.23**	**46,791.73**
	Significant Accounting Policies	4			

The accompanying notes are an integral part of the Financial Statements

as per our report of even date

for and on behalf of the Board

for **SURYANARAYANA & SURESH**
Chartered Accountants
FRN 006631S

RAMESH BABU POTLURI
Chairman and Manging Director
DIN No.: 00166381

TVVSN MURTHY
Director
DIN No.: 00465198

V NAGENDRA RAO
Partner
M.No. 227679

V.S.VENKATISH
Company Secretary

T. LAKSHMI NARAYANA
Chief Financial Officer

Place : Hyderabad

Date : 26-05-2018

Consolidated Statement of Profit and Loss for the year ended 31st March, 2018

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	Note	Current Year 2017-18	Previous Year 2016-17
1	**Income**			
	Revenue from Operations	28	**46,486.33**	44,671.98
	Other Income	29	**238.79**	144.76
	Total Income		**46,725.12**	44,816.74
2	**Expenses**			
	Cost of Materials Consumed	30	**29,432.23**	32,502.87
	Changes in Inventories	31	**(442.31)**	(2,918.27)
	Central Excise Duty		**218.81**	859.60
	Manufacturing Expenses	32	**3,450.40**	2,840.02
	Employee Benefits Expense	33	**3,280.34**	2,692.28
	Finance Cost	34	**1,547.96**	1,548.85
	Depreciation and Amortization Expense	35	**1,989.98**	1,917.73
	Other Expenses	36	**1,212.89**	1,215.65
	Total Expenses		**40,690.30**	40,658.73
3	**Profit Before Tax (1-2)**		**6,034.82**	4,158.01
4	**Tax Expense**			
	(a) Current Tax			
	(i) relating to Current Year	37	**1,300.00**	900.00
	(ii) relating to Earlier Year		**(23.85)**	(8.94)
	(b) Deferred Tax		**713.24**	(294.51)
			1,989.39	**596.55**
5	**Profit for the Year (3-4)**		**4,045.43**	**3,561.46**
6	Share of Profit/(Loss) in Associate Companies		**(870.46)**	(712.82)
7	**Net Profit (5-6)**		**3,174.97**	2,848.64
	Other Comprehensive Income/(Loss)			
	Items that will not be reclassified to Profit and Loss			
8	**Remeasurement Gain/(Loss) of the defined benefit plans**	38	**6.31**	(12.83)
9	Share of Other Comprehensive Income in Associates		**(3.53)**	-
10	Income Tax effect on the above		**1.22**	(4.44)
11	**Other Comprehensive Income/(Loss) after Tax for the Year (8-9)**		**1.56**	(8.39)
12	**Total Comprehensive Income/(Loss) for the Year (7+10)**		**3,176.53**	2,840.25
13	**Earnings Per Share (Face value of Re.1/- each)**	**39**		
	- **Basic and Diluted**		**3.75**	3.37
	Significant Accounting Policies	**4**		

The accompanying notes are an integral part of the Financial Statements

as per our report of even date

for and on behalf of the Board

for **SURYANARAYANA & SURESH**
Chartered Accountants
FRN 006631S

V NAGENDRA RAO
Partner
M.No. 227679

RAMESH BABU POTLURI
Chairman and Manging Director
DIN No.: 00166381

TVVSN MURTHY
Director
DIN No.: 00465198

V.S.VENKATISH
Company Secretary

T. LAKSHMI NARAYANA
Chief Financial Officer

Place : Hyderabad

Date : 26-05-2018

Consolidated Cash Flow Statement for the Year ended 31st March, 2018

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

S No.	Particulars	Current Year 2017-18	Previous Year 2016-17
A	**Cash Flows from Operating Activities**		
	Profit before Income Tax	**6,034.82**	4,158.01
	Adjustments for:		
	Depreciation and Amortisation Expense	**1,989.98**	1,917.73
	Interest Income Classified as Investing Cash Flows	**(10.57)**	(14.56)
	Allowance for Doubtful Debts	**3.27**	0.92
	Interest on Non Current Borrowings	**977.36**	1,203.70
	Bad Debts Written Off	**-**	2.96
	Provision for Employee Benefits	**146.44**	37.25
	Amortisation of Transaction Cost on Borrowings	**1.74**	10.19
	Operating Profit before Working Capital Changes	**9,143.04**	**7,316.20**
	Change in Operating Assets and Liabilities		
	(Increase)/Decrease in Trade Receivables	**(286.31)**	(53.28)
	(Increase)/Decrease in Inventories	**(1,495.60)**	(2,167.12)
	(Increase)/Decrease in Other Non Current Financial Assets	**(3.25)**	(74.87)
	(Increase)/Decrease in Other Non Current Asset	**(957.75)**	7.10
	(Increase)/Decrease in Other Current Financial Assets	**(50.58)**	26.14
	(Increase)/Decrease in Other Current Assets	**633.50**	309.56
	(Increase)/Decrease in Prepaid Taxes	**(28.94)**	(73.56)
	Increase/(Decrease) in Trade Payables	**(2,804.97)**	3,507.41
	Increase/(Decrease) in Other Current Liabilities	**146.20**	(541.17)
		(4,847.70)	940.21
	Cash generated from Operations	**4,295.34**	**8,256.41**
	Income tax paid	**(1,113.87)**	(908.95)
	Net Cash Inflow from Operating Activities "A"	**3,181.47**	**7,347.46**

Consolidated Cash Flow Statement (Contd...)

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

S No.	Particulars	Current Year 2017-18	Previous Year 2016-17
B	**Cash flows from Investing Activities**		
	Purchase of Property, Plant and Equipment	**(855.32)**	(2,320.50)
	Payments for Purchase of Investments	**(802.50)**	(1,575.58)
	Margin Money Deposits	**(3.97)**	(40.68)
	Interest Received on Margin Money Deposit	**4.08**	41.16
	Net Cash Outflow from Investing Activities "B"	**(1,657.71)**	**(3,895.60)**
C	**Cash Flows from Financing Activities**		
	Proceeds from Long Term Borrowings	**1,350.00**	-
	Repayment of Long Term Borrowings	**(1,515.87)**	(1,137.29)
	Proceeds from Short Term Borrowings	**4,060.19**	3,050.91
	Repayment of Short Term Borrowings	**(4,196.44)**	(3,816.07)
	Interest paid on Borrowings	**(983.32)**	(1,213.21)
	Dividend Paid to Company's Shareholders	**(203.77)**	(203.77)
	Net Cash Inflow (Outflow) from Financing Activities "C"	**(1,489.21)**	**(3,319.43)**
	Net Increase (Decrease) in Cash and Cash Equivalents (A+B+C)	**34.55**	**132.43**
	Cash and Cash Equivalents at the Beginning of the Financial Year (Refer Note 13)	**1,228.53**	1,125.10
	Less: Cash Equivalents on account of Demerger (Refer Note 40)	**-**	29.00
	Cash and Cash Equivalents at End of the Year (Refer Note 13)	**1,263.08**	1,228.53

The accompanying notes are an integral part of the Financial Statements

as per our report of even date

for **SURYANARAYANA & SURESH**
Chartered Accountants
FRN 006631S

V NAGENDRA RAO
Partner
M.No. 227679

Place : Hyderabad
Date : 26-05-2018

for and on behalf of the Board

RAMESH BABU POTLURI
Chairman and Manging Director
DIN No.: 00166381

TVVSN MURTHY
Director
DIN No.: 00465198

V.S.VENKATISH
Company Secretary

T. LAKSHMI NARAYANA
Chief Financial Officer

Consolidated Statement of Changes in Equity for the Year Ended 31st March, 2018

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

a. Equity Share Capital

Particulars	as at 31.03.2018		as at 31.03.2017		as at 01.04.2016	
	Number of Shares	Amount (Rs)	Number of Shares	Amount (Rs)	Number of Shares	Amount (Rs)
As at the Beginning of the Year	84,652,030	846.52	84,652,030	846.52	84,652,030	846.52
Changes in Equity Share Capital	-	-	-	-	-	-
As at the End of the Year	**84,652,030**	**846.52**	**84,652,030**	**846.52**	**84,652,030**	**846.52**

b. Other Equity

Particulars	Reserves and Surplus				
	Securities Premium	Capital Redemption Reserve	General Reserve	Retained Earnings	Total Equity
Balance as at 01st April, 2016	**6,981.84**	**155.00**	**3,305.28**	**11,549.33**	**21,991.45**
Profit for the year	-	-	-	2,848.64	2,848.64
Other Comprehensive Income for the year, net of Income tax				(8.39)	(8.39)
Total Comprehensive Income for the year	**-**	**-**	**-**	**2,840.25**	**2,840.25**
Transfer to General Reserve			1,000.00	(1,000.00)	-
Payment of Dividends(including tax)				(203.77)	(203.77)
Balance as at 31st March, 2017	**6,981.84**	**155.00**	**4,305.28**	**13,185.81**	**24,627.93**
Balance as at 01st April, 2017	6,981.84	155.00	4,305.28	13,185.81	24,627.93
Profit for the Year				3,174.97	3,174.97
Other Comprehensive Income for the year, net of Income tax				1.56	1.56
Total Comprehensive Income for the year	**-**	**-**	**-**	**3,176.53**	**3,176.53**
Pursuant to Demerger Scheme (Refer Note 40)			(1.00)		(1.00)
Others				2.66	2.66
Transfer to General Reserve			1,000.00	(1,000.00)	
Payment of dividends (including tax)				(203.77)	(203.77)
Balance as at 31st March, 2018	**6,981.84**	**155.00**	**5,304.28**	**15,161.23**	**27,602.35**

The accompanying notes are an integral part of the Financial Statements

as per our report of even date

for and on behalf of the Board

for **SURYANARAYANA & SURESH**
Chartered Accountants
FRN 006631S

RAMESH BABU POTLURI
Chairman and Manging Director
DIN No.: 00166381

TVVSN MURTHY
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DIN No.: 00465198

V NAGENDRA RAO
Partner
M.No. 227679

V.S.VENKATISH
Company Secretary

T. LAKSHMI NARAYANA
Chief Financial Officer

Place : Hyderabad
Date : 26-05-2018

Significant Accounts

1. Corporate Information:

SMS Pharmaceuticals Limited (SMS Pharma), (the 'Company') is a Company limited by Shares domiciled in India incorporated under the Companies Act, 1956. The registered office of the Company is at Plot No. 19-III, Road No. 71, Jubliee Hills, and Hyderabad. The Equity Shares of the Company are listed in Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). The Company is engaged in the business of manufacturing of Active Pharma Ingredients and their intermediates. The Company is having manufacturing facilities at Bachupally, Hyderabad and also at Kandivalasa in Vijayanagaram Dist, apart from R&D Center at Gagillapur, Hyderabad.

These Consolidated Financial Statements for the year ended 31st March, 2018 were authorized and approved for issue by the Board of Directors on 26th May, 2018.

2. Basis of Preparation:

2.1 Compliance with Ind AS:

The consolidated financial statements of the Company have been prepared in accordance with the Indian Accounting Standards as notified under section 133 of the Companies Act 2013 ("the Act") read with the Companies (Indian Accounting Standards) Rules 2015 issued by Ministry of Corporate Affairs ('MCA'). The Company has uniformly applied the accounting policies during the years presented.

For all years up to and including the year ended 31st March 2017, the Company had prepared its consolidated financial statements in accordance with accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 ('Indian GAAP'). Effective from 01st April 2017, the Company has adopted all the Ind AS Standards and the adoption was carried out in accordance with Ind AS 101 First time adoption of Indian Accounting Standards, with transition date as 01st April 2016. The reconciliation of effects of the transition as required by Ind AS 101 is disclosed in Note No. 56 to these consolidated financial statements.

Amounts for the year ended and as at 31st March, 2017 were audited by the previous auditors M/s. Rambabu & Co, Chartered Accountants.

2.2 Historical Cost Convention:

The consolidated financial statements have been prepared on a going concern basis under the historical cost basis except for the following:

- Certain Financial Assets and Liabilities that is measured at Fair Value; (refer accounting policy regarding financial instruments).
- Defined Benefit Plans – Plan Assets measured at Fair Value.

2.3 Basis of Consolidation:

The Consolidated financial statements of the Company and its associate have been prepared in accordance with Indian Accounting Standards notified under Companies Accounting Standard rules, 2015 (as amended from time to time).

Principles of Consolidation:

The Consolidated Financial Statements relate to SMS Pharmaceuticals Limited, and its Associate Company, M/s. VKT Pharma Pvt Ltd.

(i) Investments in Associates are accounted under the equity method as per Indian Accounting Standard Ind AS 28 – "Investments in Associates".

(ii) The company accounts for its share in the change in net assets of the associate, post-acquisition, after eliminating unrealized profits and losses resulting from transactions between the company and its associates to the extent of its share, through its Profit and Loss Account to the extent such change is attributable to the associates' Profit and Loss account and through its reserves for the balance, based on available information.

(iii) The difference between the costs of investments in the associates and the share of net assets at the time of acquisition of the shares in the associates is identified in the consolidated financial statements as Goodwill or Capital Reserve as the case may be.

(iv) The Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar and are presented in the same manner as the Company's separate financial statements.

2.4 Current and Non-Current Classification:

The Company presents assets and liabilities in the balance sheet based on current and non-current classification.

(a) An asset is treated as current when it satisfies the below mentioned criteria:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period, or
- Cash or Cash Equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(b) All Other Assets are classified as non-current.

(c) A liability is classified as current when it satisfies the below mentioned criteria:

- Expected to settle the liability in normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

(d) All Other liabilities are classified as non-current.

(e) Deferred Tax Assets and Liabilities are classified as non-current assets and liabilities.

(f) The Operating Cycle is the time between the acquisition of assets for processing and their realization in Cash and Cash Equivalents. The Company has identified Twelve months as its Operating Cycle.

3. New Standards and Interpretations not yet adopted:

3.1 Appendix B to Ind AS 21, Foreign Currency Transactions and Advance Consideration:

On March 28, 2018, Ministry of Corporate Affairs (""MCA"") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign Currency Transactions and Advance Consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

The amendment will come into force from 01st April 2018. The Company is evaluating the requirement of the amendment and the effect of the consolidated financial statements.

3.2 Ind AS 115- Revenue from Contract with Customers:

On March 28, 2018, Ministry of Corporate Affairs (""MCA"") has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The standard permits two possible methods of transition:

a. Retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

b. Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach).

The effective date for adoption of Ind AS 115 is financial years beginning on or after 01st April 2018. The Company is evaluating the requirement of the amendment and the effect of the consolidated financial statements.

4. Summary of Significant Accounting Policies:

The consolidated financial statements have been prepared using the accounting policies and measurement basis summarized below:

4.1 Revenue Recognition:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

Excise duty is a liability of the Company as a manufacturer, which forms part of the cost of production, irrespective of whether the goods are sold or not. Therefore, the recovery of excise duty flows to the Company on its own account and hence revenue includes excise duty.

Sales Tax/ Value Added Tax [VAT] is not received by the Company on its own account. Rather, it is tax collected on value added to the Goods by the Company on behalf of the government. Accordingly, it is excluded from revenue.

The Goods and Services Tax (GST) Act, 2017 has come into force with effect from 01st July, 2017. Accordingly, in compliance with Indian Accounting Standard (Ind AS) 18 - 'Revenue', Revenue from operations for the year ended 31st March, 2018 includes Excise Duty and excludes Sales Tax up to 30th June, 2017. Revenue from operations of earlier years are also included Excise Duty but excluded Sales Tax which are now subsumed in GST. From 01-07-2017 onwards GST is excluded from Revenue as nature of tax was collection on behalf of the Government.

The specific recognition criteria described below must also be met before revenue is recognized.

i) Sale of Products:

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of goods have passed to the buyer, usually on delivery of the goods. Revenue from export sales is recognized on the date of bill of lading, based on the terms of export.

ii) Service Revenue:

Service income is recognized as per the terms of contracts with the customers when the related services are performed or the agreed milestones are achieved and are net of service tax, wherever applicable.

iii) Interest:

Interest Income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR) method. Interest income is included in Other Income in the Statement of Profit and Loss.

iv) Dividend Income:

Dividend income is recognized at the time when right to receive the payment is established, which is generally when the shareholders approve the dividend.

v) Export Benefits:

Export Benefits are recognized on accrual basis and Export Incentives are recognized on receipt basis.

vi) Other Sundry Income:

Income claims and conversion escalations are accounted for on realization.

4.2 Foreign Currency Transactions:

i. Functional and Reporting Currency:

The consolidated financial statements are presented in Indian Rupee ('INR' or '`') which is also the functional and presentation currency of the Company.

ii. Initial Recognition:

Foreign currency transactions are recorded in the functional currency, by applying to the exchange rate between the functional currency and the foreign currency at the date of the transaction.

iii. Conversion on Reporting Date:

Transactions in foreign currencies are initially recorded by the Company at its functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

iv. Exchange Differences:

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the statement of profit and loss in the year in which they arise.

4.3 Property, Plant and Equipment:

(a) Recognition and Initial Measurement

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

Cost includes non-refundable taxes, duties, freight, borrowing costs and other incidental expenses related to the acquisition and installation of the respective assets.

Assets under installation or under construction as at the Balance Sheet date are shown as Capital Work in Progress. Advances paid towards acquisition of assets are shown as Capital Advances.

Borrowing Cost relating to acquisition of Property, Plant and Equipment which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to put to use.

Subsequent Costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company. All other repair and maintenance costs are recognized in statement of profit or loss as incurred.

(b) Subsequent Measurement (Depreciation and Useful Lives)

Depreciation on property, plant and equipment is provided on the straight-line method, computed on the basis of useful lives as estimated by management which coincides with rates prescribed in Schedule II to the Companies Act, 2013.

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 Rs.5,000/- purchased during the year also depreciation has been provided at normal rates on pro-rata basis from the date of purchase.

Cost of the leasehold land is amortized on a straight-line basis over the term of the lease. Depreciation on landscape is being provided @10% under straight line method.

The residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(c) De-recognition

An item of Property, Plant and Equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognized.

(d) Transition to IND AS

On transition to IND AS, the Company has elected to continue with the carrying value of all its Property, Plant and Equipment recognized as at 01st April 2016 measured as per the Provisions of previous GAAP and use that carrying value as the deemed cost of property, plant and equipment.

4.4 Investment Property:

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where its applicable borrowing costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Investment properties are depreciated using the straight-line method over their estimated useful lives. The useful life of buildings, classified as Investment properties, is considered as 30 years. The useful life has been determined based on technical evaluation performed by the management's expert.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their use. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of de- recognition.

4.5 Intangible Assets:

(a) Recognition and Initial Measurement

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

(b) Subsequent measurement (amortization):

The cost incurred on Intangible Assets is amortized over a period of 6 years in case of Computer Software and 4 years for Patents on Straight Line Method.

4.6 Leases:

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is or contains a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys the right to use the asset, even if that right is not explicitly specified in an arrangement.

Classification on inception of lease:

a. Operating Leases:

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases.

b. Finance Lease:

A lease is classified as a finance lease where the lessor transfers substantially all the risks and rewards incidental to the ownership of the leased item.

Accounting of Operating Lease:

Where the Company is the Lessee:

Lease Payment in case of operating lease is charged to Statement of Profit and Loss on straight line basis over the lease term. In case the escalation in operating lease payments are in line with the expected general inflation rate then the lease payments are charged to Statement of Profit and Loss instead of Straight Line Method.

Where the Company is the Lessor: Lease income is recognized in the Statement of Profit and Loss on a Straight line basis over the lease term. Assets subject to operating leases are included in fixed assets. Costs, including depreciation are recognized as expense in the Statement of Profit and Loss.

4.7 Inventories:

Raw material, packaging material, are carried at cost. Stores and spares are being charged to revenue as and when purchased. Cost includes purchase price excluding taxes those are subsequently recoverable by the company from the concerned authorities, freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. Cost of Raw Material, packaging material is determined using the weighted average cost method.

Finished goods and work in progress are valued at the lower of cost and net realizable value. Cost of work in progress and manufactured finished goods is determined on weighted average basis and comprises cost of direct material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition. Cost of traded goods is determined on weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale

Spare Parts, Stand-by Equipment and Servicing Equipment are recognized in accordance with this Ind AS-16 when they meet the definition of property, plant and

Equipment. Otherwise, such items are classified as inventory and are valued at Cost.

The carrying cost of raw materials, packing materials, stores and spare parts are appropriately written down when there is a decline in replacement cost of such materials and finished products in which they will be incorporated are expected to be sold below cost.

4.8 Cash and Cash Equivalents:

Cash and Cash equivalents include cash on hand and at bank, deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less that are readily convertible to a known amount of cash which are subject to an insignificant risk of changes in value and are held for meeting short-term cash commitments.

For the Statement of Cash Flows, cash and cash equivalents consists of short term deposits, as defined above, net of outstanding bank overdraft as they are being considered as integral part of the Company's cash management.

4.9 Financial Instruments

(a) Financial Assets

(i) Initial recognition and measurement

All financial assets are recognised initially at fair value and transaction cost that is attributable to the acquisition of the financial asset is also adjusted.

(ii) Subsequent measurement

a. Debt instruments –

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

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

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

b. Equity investments –

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

c. Mutual Funds

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

(iii) De-recognition of financial assets

A financial asset is primarily de-recognised when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset.

(b) Financial liabilities

(i) Initial Recognition and Measurement

All financial liabilities are recognized initially at fair value and transaction cost that is attributable to the acquisition of the financial liabilities is also adjusted. These liabilities are classified as amortized cost.

(ii) Subsequent Measurement

These liabilities include borrowings and deposits. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

(iii) De-recognition of Financial Liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(c) Financial Guarantee Contracts

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

(d) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(e) Impairment of Financial Assets

In accordance with Ind-AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss for financial assets.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive. When estimating the cash flows, the Company is required to consider –

- All contractual terms of the financial assets (including Prepayment and extension) over the expected life of the assets.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

(f) Trade Receivables

The Company applies approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognized from initial recognition of receivables.

(g) Other Financial Assets

For recognition of impairment loss on other financial assets and risk exposure, the Company determines whether there has been a significant increase in the credit risk since initial recognition and if credit risk has increased significantly, impairment loss is provided.

4.10 Income Taxes:

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the respective laws of the state. Current tax includes taxes to be paid on the profit earned during the year and for the prior periods.

Deferred income taxes are provided based on the balance sheet approach considering the temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where a component has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if it is probable that they can be utilised against future taxable profits.

The Carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain that sufficient future taxable income will be available.

4.11 Segment Reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Chairman and managing director has been identified as being the Chief Operating Decision Maker (CODM). The Company is engaged in manufacturing and sale of Active Pharma Ingredients and their Intermediates and operates in a single operating segment. Revenues are attributed to geographical areas based on the location of the customers. Refer note 48 for the segment information presented.

4.12 Government Grants:

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

Government grants relating to income are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and presented within other income.

Government grants relating to loans or similar assistance with an interest rate below the current applicable market rate are initially recognized and measured at fair value. The effect of this favorable interest is regarded as a government grant and is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

4.13 Borrowing Cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

4.14 Provisions

Provisions are recognized when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provisions.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provisions are reversed. Where the effect of the time of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provisions due to the passage of time is recognized as a finance cost.

Provision for litigation related obligation represents liabilities that are expected to materialize in respect of matters in appeal.

4.15 Dividends

Annual dividend distribution to the shareholders is recognized as a liability in the year in which the dividend is approved by the shareholders. Any interim dividend paid is recognized on approval by Board of Directors. Dividend paid/payable and corresponding tax on dividend distribution is recognized directly in equity.

4.16 Share Issue Expenses:

Share issue expenses are charged first against balance available in the Securities Premium.

4.17 Research and Development:

Revenue Expenditure on Research and Development is charged to revenue in the year in which it is incurred. Capital Expenditure on research and development is added to Property, Plant and Equipment and depreciated in accordance with the policies of the Company.

4.18 Retirement and Other Employee Benefits:

(a) Defined Contribution Plan:

The Company's contribution to provident fund and employee state insurance schemes is charged to the statement of profit and loss. The Company's contributions towards Provident Fund are deposited with the Regional Provident Fund Commissioner under a defined contribution plan.

(b) Defined Benefit Plan:

The Company has gratuity as defined benefit plan where the amount that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The liability recognized in the balance sheet for defined benefit plans as the present value of the defined benefit obligation (DBO) at the reporting date. Management estimates the DBO annually with the assistance of independent actuaries as per the requirements of IND AS 19 "Employee Benefits". Actuarial gains and losses resulting from re-measurements of the liability are included in other comprehensive income.

The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC). Under the said policy, the eligible employees are entitled for gratuity upon their resignation, retirement or in the event of death in lump sum after deduction of necessary taxes upto a maximum limit as per the Gratuity Act, 1972. Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Company makes contributions to the Gratuity Fund.

(b) Other Long-Term Employee Benefits

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

(c) Short-Term Employee Benefits

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

4.19 Earnings per Share:

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events including a bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

4.20 Contingent Liabilities and Commitments:

Where it is not probable that an outflow of economic resources will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statement of balance sheet and is disclosed as a contingent liability.

Possible outcomes on obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities.

Contingent Assets are neither recognized nor disclosed. However, when realization of Income is virtually certain, related asset is recognized.

4.21 Investment in Associates and Subsidaries:

In respect of Equity Investments, while preparing separate financial statements, IND AS 27 requires it to account for its Investments in Subsidaries and Associates either:

(a) At cost ; or

(b) in accordance with Ind AS 109.

If a first time adopter measures such an investment at cost in accordance with IND AS 27, it shall measure that investment one of the following amounts in its opening Ind AS Balance Sheet

(a) Cost determined in accordance with Ind AS 27; or

(b) Deemed Cost. The deemed cost of such an investment shall be its

  (i) Fair Value at the entity's date of transition to Ind AS.

  (ii) Previous GAAP carrying amount at that date.

A first time adopter may choose either (i) or (ii) above to measure its Investment in each Subsidiary or Associate that it elects to measure using a deemed cost.

Since the Company, is a first time adopter it has measured its Investment in Subsidiary/ Associate at deemed cost in accordance with IND AS 27 by taking previous GAAP Carrying amount.

4.22 Fair Value Measurement

The Company measures Financial Instruments at fair value at each Balance Sheet Date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for such asset or liability, or in the absence of a principal market, in the most advantageous market which is accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted market prices) in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurements is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

4.23 Estimates And Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company.

(i) Recognition of Deferred Tax Assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

(ii) Recognition of Deferred Tax Liability on Undistributed Profits:

The extent to which the Company can control the timing of reversal of deferred tax calculation on undistributed profits of its subsidiaries requires judgement.

(iii) Evaluation of Indicators for Impairment of Assets:

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

(iv) Recoverability of Advances/ Receivables:

At each balance sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding receivables and advances.

(v) Useful lives of Depreciable/ Amortisable Assets:

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

(vi) Defined Benefit Obligation (DBO):

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, medical cost trends, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

(vii) Fair Value Measurements:

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

(viii) Provisions:

At each balance sheet date the management judgment, changes in facts and legal aspects, the Company assesses the requirement of provisions against the outstanding warranties and guarantees. However, the actual future outcome may be different from this judgment.

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note 5: Property, Plant and Equipment

Particulars	Land	Buildings	Plant & Machinery	Pollution Control Equipment	Data Processing Equipment	Furniture & Fixtures	Office Equipment	Vehicles	Others	Total	Capital Work-in-Progress
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Year ended 31st March, 2017											
Gross Carrying Amount											
1 Deemed cost as at 01st April, 2016	**417.60**	**7,423.26**	**21,035.85**	**286.87**	**27.33**	**83.36**	**15.77**	**294.64**	**8.64**	**29,593.32**	**713.10**
2 Additions	3.70	178.57	1,090.96	-	28.35	4.03	1.23	15.12	-	1,321.96	1,171.51
3 Disposals/Transfers	-	-	(7.05)	-	-	-	-	-	-	(7.05)	(1,108.46)
4 Closing Gross Carrying Amount as at 31st March, 2017 (1+2+3)	421.30	7,601.83	22,119.76	286.87	55.68	87.39	17.00	309.76	8.64	30,908.23	776.15
Accumulated Depreciation and Impairment											
5 Depreciation Charge during the Year	-	271.69	1,534.65	19.03	16.66	12.23	4.43	43.97	1.89	1,904.55	-
6 Disposals	-	-	-	-	-	-	-	-	-	-	-
7 Closing Accumulated Depreciation as at 31st March, 2017 (5+6)	-	271.69	1,534.65	19.03	16.66	12.23	4.43	43.97	1.89	1,904.55	-
8 Net Carrying Amount as at 31st March, 2017 (4-7)	**421.30**	**7,330.14**	**20,585.11**	**267.84**	**39.02**	**75.16**	**12.57**	**265.79**	**6.75**	**29,003.68**	**776.15**

(Contd.)

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note 5: Property, Plant and Equipment

	Particulars	Land	Buildings	Plant & Machinery	Pollution Control Equipment	Data Processing Equipment	Furniture & Fixtures	Office Equipment	Vehicles	Others	Total	Capital Work-in-Progress
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Year Ended 31st March, 2018											
	Gross Carrying Amount											
1	Opening Gross Carrying Amount	421.30	7,601.83	22,119.76	286.87	55.68	87.39	17.00	309.76	8.64	30,908.23	776.15
2	Additions	-	22.61	804.51	-	10.65	3.61	12.39	16.77	-	870.54	234.41
3	Disposals/Transfers	-	-	(5.54)	(4.10)	-	-	-	-	-	(9.64)	(190.90)
4	Closing Gross Carrying Amount as at 31st March, 2018 (1+2+3)	421.30	7,624.44	22,918.73	282.77	66.33	91.00	29.39	326.53	8.64	31,769.13	819.66
	Accumulated Depreciation and Impairment											
5	Opening Accumulated Depreciation	-	271.69	1,534.65	19.03	16.66	12.23	4.43	43.97	1.89	1,904.55	-
6	Depreciation Charge during the Year	-	277.29	1,594.16	18.41	18.83	12.26	6.66	45.18	1.90	1,974.69	-
7	Disposals	-	-	-	-	-	-	-	-	-	-	-
8	Closing Accumulated Depreciation and Impairment as at 31st March, 2018 (5+6+7)	-	548.98	3,128.81	37.44	35.49	24.49	11.09	89.15	3.79	3,879.24	-
9	**Net Carrying Amount as at 31st March, 2018 (4-8)**	**421.30**	**7,075.46**	**19,789.92**	**245.33**	**30.84**	**66.51**	**18.30**	**237.38**	**4.85**	**27,889.89**	**819.66**

5.1 Property, Plant and Equipment pledged as Security

Refer Note 43 for information on Property, Plant and Equipment pledged as security by the Company.

5.2 As per Ind AS 101, the Company has opted to measure all property, plant and equipment at their previous GAAP carrying value. Hence, carrying value as at 01st April, 2016 was considered as deemed cost as at 01st April, 2016. (Refer Note 56.1.1).

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note 6: Intangible Assets

	Particulars	Computer Software*	Patents	Total
	(1)	(2)	(3)	(4)
	Year ended 31st March, 2017			
	Gross Carrying Amount			
1	**Deemed Cost as at 01st April, 2016**	**36.67**	**3.56**	**40.23**
2	Additions	13.80	0.74	14.54
3	Closing Gross Carrying Amount as at 31st March, 2017 (1+2)	50.47	4.30	54.77
	Accumulated Amortisation			-
4	Amortisation Charge during the year	11.91	1.26	13.17
5	Closing Accumulated Amortisation as at 31st March, 2017	11.91	1.26	13.17
6	Closing Net Carrying Amount as at 31st March, 2017 (3-5)	38.56	3.04	41.60
	Year ended 31st March, 2018			
	Gross Carrying Amount			
1	Opening Gross Carrying Amount as at 01st April, 2017	50.47	4.30	54.77
2	Additions	9.71	0.26	9.97
3	Closing Gross Carrying Amount as at 31st March, 2018 (1+2)	60.18	4.56	64.74
	Accumulated Amortisation and Impairment			
4	Opening Accumulated Amortisation as at 01st April, 2017	11.91	1.26	13.17
5	Amortisation Charge during the year	13.95	1.35	15.30
6	Closing Accumulated Amortisation and Impairment as at 31st March, 2018 (4+5)	25.86	2.61	28.47
7	**Closing Net Carrying Amount as at 31st March, 2018 (3-6)**	**34.32**	**1.95**	**36.27**

6.1 As per Ind AS 101, the Company has opted to measure all Intangible Assets at their previous GAAP carrying value. Hence, carrying value as at 01st April, 2016 was considered as deemed cost as at 01st April, 2016. (Refer Note 56.1.1).

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Non Current Financial Assets - Unsecured, Considered good

Note	Particulars	as at 31.03.2018		as at 31.03.2017		as at 01.04.2016	
		No. of Shares	Amount	No. of Shares	Amount	No. of Shares	Amount
7	**Non-Current Investments**						
	(Unquoted, carried at cost)						
	Investment in Subsidiary Companies						
	Equity Shares of Rs. 10/- each in M/s. SMS Lifesciences India Limited	-	-	10,000	1.00	-	-
	Investment in Associates (fully paid up)						
	Equity Shares of Rs.10/- each in M/s. VKT Pharma Limited	**3,850,165**	**2,838.18**	3,493,500	2,908.70	2,709,400	2,046.93
	Total		**2,838.18**		**2,909.70**		**2,046.93**

7.1 Investment in 10,000 Equity Shares of Rs. 10/- each in M/s SMS LifeScience India Ltd, a wholly owned Subsidary Company, were cancelled in Pursuance of Demerger Scheme.

7.2 During the year 2017-18 the Company has invested an amount of Rs. 802.50 Lakhs towards 3,56,665 Equity Shares of Rs. 10/- each @ Rs. 225/- per share. (Previous Year 7,84,100 Equity Shares for an amount of Rs.1,574.58 Lakhs) in M/s. VKT Pharma Private Limited, an associate Company. As on 31.03.2018, the Company is holding 42.62 % (31st March, 2017 40.26%, 01st April, 2016 34.33%) of the total Paid up Capital of the said Associate Company. The above carrying amount includes Goodwill of Rs. 2,133.34 Lakhs (31st March, 2017, Rs. 1,543.31 Lakhs, 01st April, 2016 Rs. 501.76 Lakhs).

Note	Particulars	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016
8	**Bank Balances**			
	Margin Money Deposits	**200.78**	190.32	176.24
	Total	**200.78**	**190.32**	**176.24**
9	**Other Non-Current Financial Assets**			
	Deposits Recoverable	**238.68**	235.43	160.56
	Total	**238.68**	**235.43**	**160.56**
10	**Other Non-Current Assets**			
	Capital Advances	**1,380.46**	422.72	429.82
	Total	**1,380.46**	**422.72**	**429.82**

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

10.1 The Company has paid an amount of Rs.556.79 Lakhs towards full consideration of land admeasuring Ac.42.00 in JNPC, Parwada, Visakhapatnam District to APIIC and about 80% of development cost to Ramky Pharmacity respectively. Subsequently due to disputes arose between the parties, the developer has sent a communication stating that the allotment to an extent of Ac. 23.00 was cancelled and initiated to allot the same to other companies. Aggrieved by this, the company has filed a writ petition with the High Court of Andhra Pradesh and Telangana and the Hon'ble High Court has granted stay against the alienation of land in favor of other companies and the case is pending.

Later on, the balance land of Ac.19.00 along with proportionate cost of Rs.251.88 Lakhs was assigned with SMS LifeSciences India Ltd, resulting company, by virtue of scheme of arrangement approved by the NCLT. Balance amount of Rs. 304.91 Lakhs (31st March,2017 Rs.304.91 Lakhs and 01st April, 2016 Rs. 304.91 Lakhs) was included in Capital Advances.

10.2 The Company has become a successful purchaser in the e-auction conducted by the State Bank of India for the property bearing plot No 737A admesuring 1,015 sq.yards together with structures thereon situated at ward No 8 Block No. 2 Jubileehills Hyderabad. The total bid amount of Rs. 10.55 Crs was already paid to SBI as per the bidding terms. The Case filed by Borrower of the Bank in respect of the said property against SBI under SARFAESI Act is pending with DRT (Debt Recovery Tribunal) Hyderabad. The Company has impleaded as second respondent in this case.

Note	Particulars	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016
11	**Inventories**			
	(Cost or Net Realisable Value, whichever is lower and as valued and certified by the management)			
	Raw Materials	**4,026.24**	2,943.89	3,702.66
	Stock-in-Process	**3,394.13**	5,681.51	2,552.71
	Finished Goods	**3,303.22**	573.53	784.05
	Coal & Fuel	**23.94**	53.00	45.39
	Total	**10,747.53**	**9,251.93**	**7,084.81**

11.1 Finished Goods includes stock in transit of Rs. 377.22 Lakhs (31st March, 2017 Rs.Nil, 01st April, 2016 Rs. Nil).

Note	Particulars	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016
12	**Trade Receivables**			
	Current - Unsecured			
	(i) Considered Good	**2,414.92**	2,131.88	2,082.48
	(ii) Considered Doubtful	**43.01**	42.70	48.64
	Less: Allowance for Doubtful Debts	**43.01**	39.74	38.82
	Less: Bad Debts Written off	**-**	2.96	9.82
	Total	**2,414.92**	**2,131.88**	**2,082.48**

12.1 The Company has computed the expected credit loss allowance for doubtful trade receivables based on past experience.

Notes to the Conosolidated Financial Statements
(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016

12.2 Trade Receivables includes an amount of Rs. Nil (31st March, 2017 Rs. 1.87 Lakhs, 01st April, 2016 Rs. 2.06 Lakhs) due from M/s. VKT Pharma Private Limited, a related party.

12.3 Trade Receivables amounting Rs. 33.29 Lakhs (31st March, 2017 Rs. Nil, 01st April, 2016 Rs. 30.28 Lakhs) is held against letter of credit provided by customers of the Company.

Note	Particulars	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016
13	**Cash and Cash Equivalents**			
	(i) Balances with Banks			
	- in Current Accounts	**1,258.35**	1,222.59	82.97
	- in EEFC account	**0.28**	-	0.11
	(ii) Deposits with Maturity of less than three months	**-**	-	1,000.00
	(iii) Cash on Hand	**4.45**	5.94	13.02
	Total	**1,263.08**	**1,228.53**	**1,096.10**
14	**Bank Balances Other than Cash and Cash Equivalents**			
	Unclaimed Dividend	**8.01**	8.37	8.97
	Total	**8.01**	**8.37**	**8.97**
15	**Other Current Financial Assets**			
	(unsecured, considered good)			
	Export Incentives Receivable	**53.52**	2.95	29.09
	Total	**53.52**	**2.95**	**29.09**
16	**Other Current Assets**			
	(unsecured, considered good)			
	Cenvat Credit Receivable	**53.19**	2,008.18	2,294.15
	GST Credit Receivable	**1,894.33**	-	-
	VAT Refund Receivable	**109.33**	695.09	654.66
	Prepaid Expenses	**64.69**	41.42	49.63
	Interest Receivable	**11.34**	19.16	8.02
	Advances to Suppliers	**74.13**	110.32	263.24
	Export Benefits Receivable	**22.76**	80.81	-
	Other Advances and Receivables	**131.87**	40.16	35.00
	Total	**2,361.64**	**2,995.14**	**3,304.70**

16.1 Advance to Suppliers includes an amount of Rs. Nil (31st March, 2017 Rs. Nil, 01st April, 2016 Rs 162.50 Lakhs) to VKT Pharma Private Limited, a related Party.

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016
17	**Current Tax Assets (Net)**	-	116.83	25.38
17.1	**Movement in Current Tax Assets/(Liabilities)**			
	Advance Income Tax	**1,154.37**	926.88	25.38
	TDS Receivable	**129.13**	89.95	-
	Less: Provision for Income Tax	**1,300.00**	900.00	-
	Sub Total	**(16.50)**	**116.83**	**25.38**
	Amount disclosed under current tax Liabilities (Refer Note 27)	**16.50**	-	-
	Total	-	116.83	25.38

18 Equity Share Capital

Particulars	as at 31.03.2018		as at 31.03.2017		as at 01.04.2016	
	No. of Shares	Amount	No. of Shares	Amount	No. of Shares	Amount
Authorised Share Capital						
Equity Shares of Re. 1/- each	**120,000,000**	**1,200.00**	120,000,000	1,200.00	120,000,000	1,200.00
Issued, Subscribed and fully Paid Up						
Equity Shares of Re. 1/- each	**84,652,030**	**846.52**	84,652,030	846.52	84,652,030	846.52
Total	**84,652,030**	**846.52**	**84,652,030**	**846.52**	**84,652,030**	**846.52**

18.1 Reconciliation of Number of Equity Shares outstanding at the Beginning and at the End of the Year

Particulars	as at 31.03.2018		as at 31.03.2017		as at 01.04.2016	
	No. of Shares	Amount	No. of Shares	Amount	No. of Shares	Amount
Equity Shares						
At the beginning of the Year	**84,652,030**	**846.52**	84,652,030	846.52	84,652,030	846.52
Add: Issued/(reduced) during the Year	**-**	**-**	-	-	-	-
At the end of the Year	**84,652,030**	**846.52**	**84,652,030**	**846.52**	**84,652,030**	**846.52**

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

18.2 Rights attached to Equity Shares

The Company has only one class of equity shares having face value of Re. 1/- per share. Each holder of equity shares is entitled to one vote per share at the general meetings of the Company. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of shareholders in the ensuing Annual General Meeting.

For the Year ended 31st March, 2018, proposed dividend for distribution to equity shareholders was Re. 0.25/- per share (31 March, 2017: Re. 0.20/- per share).

18.3 During the last five financial years, Company has bought back 15,50,000 Equity Shares of Rs. 10/- each (equivalent to 1,55,00,000 shares of face value of Re.1/- each).

18.4 Details of Shareholders holding more than 5% shares in the Company

Particulars	as at 31.03.2018		as at 31.03.2017		as at 01.04.2016	
	Number of Shares	% holding	Number of Shares	% holding	Number of Shares	% holding
Hima Bindu Potluri	**12,373,360**	**14.62**	12,373,360	14.62	12,373,360	14.62
Ramesh Babu Potluri	**14,506,960**	**17.14**	14,506,960	17.14	11,356,960	13.42
TVVSN Murthy*	**12,208,340**	**14.42**	12,208,340	14.42	12,208,340	14.42
Potluri Infra Projects LLP	**5,970,000**	**7.05**	5,860,000	6.92	5,860,000	6.92
T. Annapurna	**4,390,340**	**5.19**	4,390,340	5.19	4,390,340	5.19
Gulf Pharmaceutical Industries	-	-	992,633	1.17	5,239,473	6.19

* including shares held in the capacity of karta of HUF aggregating to 39,81,340 shares (31st March 2017, 39,81,340 Shares, 01st April 2016, 39,81,340 Shares)

18.5 Proposed Dividend

Particulars	as at 31.03.2018	as at 31.03.2017
Dividend for the year ended March 31, 2018 : Re. 0.25 per share (March 31, 2017: Re. 0.20 per share)	**211.63**	169.30
Dividend Distribution tax on such proposed dividend	**43.50**	34.47
Total	**255.13**	**203.77**

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016
19	**Other Equity**			
	Reserves and Surplus			
	Securities Premium Reserve	**6,981.84**	6,981.84	6,981.84
	Capital Redemption Reserve	**155.00**	155.00	155.00
	General Reserve	**5,304.28**	4,305.28	3,305.28
	Retained Earnings	**15,161.23**	13,185.81	11,549.33
	Total	**27,602.35**	**24,627.93**	**21,991.45**
19.1	**Securities Premium Reserve**			
	Opening Balance	**6,981.84**	6,981.84	6,981.84
	Adjustments	**-**	-	-
	Closing Balance	**6,981.84**	**6,981.84**	**6,981.84**
19.2	**Capital Redemption Reserve**			
	Opening Balance	**155.00**	155.00	155.00
	Adjustments	**-**	-	-
	Closing Balance	**155.00**	**155.00**	**155.00**
19.3	**(a) General Reserve**			
	Opening Balance	**4,305.28**	3,305.28	3,305.28
	Cancellation of Shares in pursuance of Demerger	**(1.00)**		
	Transferred from Statement of Profit & Loss	**1,000.00**	1,000.00	
	Closing Balance	**5,304.28**	**4,305.28**	**3,305.28**

(b) Investment in 10,000 Equity Shares of Rs. 10/- each in M/s SMS LifeScience India Ltd, erstwhile a wholly owned Subsidary Company, was cancelled in pursuance of Demerger Scheme and the same was duly effected in General Reserve.

Note	Particulars	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016
19.4	**Retained Earnings**			
	(a) Opening Balance	**13,185.81**	11,549.33	11,625.19
	(b) Net Profit for the Year	**4,045.43**	3,561.46	
	(c) Transferred to General Reserve	**(1,000.00)**	(1,000.00)	
	(d) Dividends	**(203.77)**	(203.77)	
	(e) Others	**2.66**		
	(f) Accumulated Share of Profit/(Loss) in Associate	**(870.46)**	(712.82)	(75.86)
	(g) Items of Other Comprehensive Income			
	Remeasurements of Post Employment Benefit Obligation, net of tax	**1.56**	(8.39)	
	Closing Balance	**15,161.23**	**13,185.81**	**11,549.33**

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016
19.5	**Nature and Purpose of Reserves**			
	(a) Securities Premium Reserve:			
	Securities Premium Reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Act.			
	(b) Capital Redemption Reserve:			
	In accordance with the requirements of the Companies Act, 1956, the Company has created capital redemption reserve on buy back of shares. The Company uses capital redemption reserve for transactions in accordance with the provisions of the Act.			
	(c) General Reserve:			
	The Company generally appropriates a portion of its earnings to the general reserve to be used for contingencies. These reserves are freely available for use by the Company.			
	(d) Retained Earnings:			
	These are the accummulated earnings after appropriation of total comprehensive income and related transfers. The company uses retained earnings in accordance with the provisions of the Companies Act.			
20	**Financial Liabilities**			
	Non-Current Borrowings			
20.1	**Secured**			
	(i) Term Loans from Banks			
	(a) State Bank of India	**-**	628.09	1,472.73
	(b) IDBI Bank Ltd	**5,678.27**	6,673.45	7,268.62
	(c) Export Import Bank of India	**1,341.55**	-	-
	(ii) Hire Purchase Loans	**-**	-	65.87
	Sub Total	**7,019.82**	**7,301.54**	**8,807.22**
20.2	**Unsecured**			
	DSIR Assistance	**120.00**	120.00	120.00
	Total	**7,139.82**	**7,421.54**	**8,927.22**
20.3	**Current Maturities of Non Current Borrowings**			
	Secured			
	(a) Term Loans from Banks			
	(i) State Bank of India	**633.46**	850.00	850.00
	(ii) IDBI Bank Ltd	**1,000.00**	600.00	200.00
	(b) Hire Purchase Loans	**-**	65.87	87.29
	Total	**1,633.46**	**1,515.87**	**1,137.29**
	Amount disclosed under the head" Other Current Financial Liabilities" (Refer Note 25)	**(1,633.46)**	(1,515.87)	(1,137.29)
	Total	**-**	-	-

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

20.1.1 Security Terms

(a) Term Loans availed from State Bank of India, IDBI bank and long term working capital loan availed from Export-Import Bank of India (Exim 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.

(b) Term Loans availed from State Bank of India and IDBI Bank are also guaranteed by Sri P Ramesh Babu, Chairman and Managing Director and Sri TVVSN Murthy, Director of the company in their personal capacities.

(c) Long Term Working Capital Loan availed from Exim Bank is gauranteed by Sri P Ramesh Babu, Chairman and Managing Director in his personal capacity.

(d) 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.

Equitable mortgage of Agricultural land admeasuring 3.65 acres situated in Yalamanchili Village of West Godavari District, Andhra Pradesh belonging to Sri TVVSN Murthy, Director of the Company.

(e) The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 43.

(f) Hire Purchase Loans from BMW India Financial Services Pvt Ltd and Daimler Financial Services Pvt Ltd are secured by the respective vehicles on which loan availed.

20.1.2 Rate of Interest :

Name of the Bank	Rate of Interest
Term Loans	
State Bank of India (Base Rate + 3.2% p.a.)	10.70%
IDBI Bank (MCLR (Y) + 1.10% p.a.)	9.65%
Long Term Working Capital Loan	
Exim Bank (LTMLR+50 basis points)	9.50%

20.1.3 Terms of Repayment

(a) Term Loan availed from State Bank of India for an amount of Rs.4,250.00 Lakhs is repayable in 20 Quarterly Installments of Rs. 212.50 Lakhs each, commenced from June, 2014.

(b) The loan availed from IDBI Bank amounting to Rs.7,500.00 for funding the Expansion Project of Kandivalasa unit. The loan is repayable in 24 Quarterly Installments commencing from December, 2016, as mentioned below.

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

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

(c) The Long Term Working Capital Loan availed from Exim Bank of India amounting Rs. 1,500.00 Lakhs is to be repaid in 20 structured quarterly installments commencing from october 1, 2019, as mentioned below:

First 4 Quarters	Rs. 25 Lakhs each
Next 4 Quarters	Rs. 25 Lakhs each
Next 4 Quarters	Rs. 50 Lakhs each
Next 4 Quarters	Rs. 125 Lakhs each
Next 4 Quarters	Rs. 150 Lakhs each

20.1.4 Current Maturities of Long Term borrowings have been disclosed seperately under the head Other Current Financial Liabilities (Refer Note No.25)

20.2.1 Financial Assistance received from Department of Scientific and Industrial Research (DSIR) of Rs. 120.00 Lakhs (previous year Rs. 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.

20.4 Debt Reconciliation as required by Ind AS - 7, Statement of Cash Flows

Note	Particulars	as at 31.03.2018	as at 31.03.2017
	Opening Borrowings	**7,421.54**	8,927.22
	Add: Opening Current Maturities	**1,515.87**	1,137.29
	Add: Amortisation of Transaction Cost	**1.74**	10.19
	Add: Received during the year	**1,350.00**	-
	Less: Paid during the year	**1,515.87**	1,137.29
	Closing Borrowings	**8,773.28**	8,937.41
	Less: Closing Current Maturities	**1,633.46**	1,515.87
	Non Current Borrowings as per Balance Sheet	**7,139.82**	**7,421.54**

Notes to the Conosolidated Financial Statements
(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016
21	**Provisions**			
	Employee Benefit Obligations			
	Non Current			
	Gratuity	**144.56**	95.36	99.80
	Leave Encashment	**73.31**	39.45	31.90
	Sub Total	**217.87**	**134.81**	**131.70**
	Current			
	Gratuity	**39.30**	27.46	13.03
	Leave Encashment	**32.20**	26.25	30.99
	Sub Total	**71.50**	**53.71**	**44.02**
	Gratuity	**183.86**	122.82	112.83
	Leave Encashment	**105.51**	65.70	62.89
	Grand Total	**289.37**	**188.52**	**175.72**

21.1 For details of Post Employment Obligations. Refer Note 41

Note	Particulars	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016
22	**Deferred Tax Liabilities (net)**			
	The Balance Comprises Temporary Differences Attributable to:			
	(a) Deferred Tax Liability			
	(i) Property, Plant and Equipment	**4,472.28**	4,168.76	3,497.31
	(ii) Others	**11.96**	12.44	15.97
	Total	**4,484.24**	**4,181.20**	**3,513.28**
	(b) Deferred Tax Asset			
	(i) Expenses allowable on the basis of Payment	**125.17**	89.22	60.81
	(ii) MAT Credit	**1,921.40**	2,386.34	1,465.29
	(iii) Others	**137.35**	120.77	103.37
	Total	**2,183.92**	**2,596.33**	**1,629.47**
	Net Deferred Tax Liabilities (a) - (b)	**2,300.32**	**1,584.87**	**1,883.81**

(c) Movement in Deferred Tax Liabilities

Particulars	Property, Plant and Equipment	Others	Total
As at 01st April, 2016	**3,497.31**	**15.97**	**3,513.28**
Charged/(Credited)	671.45	(3.53)	667.92
As at 31st March, 2017	**4,168.76**	**12.44**	**4,181.20**
Charged/(Credited)	303.52	(0.48)	303.04
As at 31st March, 2018	**4,472.28**	**11.96**	**4,484.24**

Notes to the Conosolidated Financial Statements
(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

(d) Movement in Deferred Tax Assets

Particulars	Expenses allowable on the basis of Payment	MAT Credit	Other items	Total
As at 01st April, 2016	**60.81**	**1,465.29**	**103.37**	**1,629.47**
Charged/(Credited)	28.41	921.05	17.40	966.86
As at 31st March, 2017	**89.22**	**2,386.34**	**120.77**	**2,596.33**
Charged/(Credited)	35.95	(464.94)	16.58	(412.41)
As at 31st March, 2018	**125.17**	**1,921.40**	**137.35**	**2,183.92**

Note	Particulars	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016
23	**Current Borrowings**			
	Secured			
	Working Capital Loans from Banks			
	- State Bank of India	**4,342.69**	4,477.82	5,947.33
	- IDBI Bank Ltd	**-**	0.01	793.79
	- RBL Bank Ltd	**1,497.02**	1,498.13	-
	Total	**5,839.71**	**5,975.96**	**6,741.12**

23.1 Security Terms

(a) Working capital facilities sanctioned by State Bank of India, IDBI Bank Ltd and RBL Bank 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 TVVSN Murthy, Director of the Company, in their personal capacities.

(b) 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.

Equitable mortgage of Agricultural land admeasuring 3.65 Acres situated in Yalamanchili Village of West Godavari District, belonging to Sri TVVSN Murthy, Director of the Company.

(c) The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 43.

23.2 Debt Reconciliation as required by Ind AS -7, Statement of Cash Flows

Particulars	31.03.2018	31.03.2017
Opening Borrowings	**5,975.96**	6,741.12
Add: Received during the year	**4,060.19**	3,050.91
Less: Paid during the year	**4,196.44**	3,816.07
Closing Current Borrowings	**5,839.71**	**5,975.96**

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

23.3 Rate of Interest is as follows:

Name of the Bank	Rate of Interest
State Bank of India	
Cash Credit	9.45%
WCDL	8.70%
Export Packing Credit	8.40%
IDBI Bank	9.30%
RBL Bank	9.25%

23.4 Terms of Repayment: The above working capital loans are repayable on demand.

Note	Particulars	as at 31.03.2018	as at 31.03.2017	as at 01.04.2016
24	**Trade Payables**			
	(a) Creditor for Supply of Materials			
	(i) Due to Micro and Small Enterprises (Refer Note 54)	**16.99**	20.65	163.57
	(ii) Due to Related Parties (Refer Note 51)	**186.34**	184.43	-
	(iii) Others	**3,065.86**	5,951.73	2,651.82
	(b) Creditor for Expenses	**601.18**	518.54	352.54
	Total	**3,870.37**	**6,675.35**	**3,167.93**
25	**Other Financial Liabilities**			
	Current			
	Current Maturities of Long-Term Debt	**1,633.46**	1,515.87	1,137.29
	Capital Creditors	**102.50**	46.12	974.11
	Interest Accrued but not due	**10.79**	16.75	26.27
	Unclaimed Dividend	**8.01**	8.37	8.97
	Total	**1,754.76**	**1,587.11**	**2,146.64**
26	**Other Current Liabilities**			
	Statutory Dues Payable	**118.80**	**159.89**	173.83
	Advance from Customers	**405.27**	**178.24**	677.62
	Employee Benefits Payable	**68.83**	**69.30**	59.87
	Total	**592.90**	**407.43**	**911.32**
27	**Current Tax Liabilities (Net)**	**16.50**	-	-

27.1 Movement in Current Tax (Assets)/Liabilities are shown in note 17.1

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	Current Year 2017-18	Previous Year 2016-17
28	**Revenue from Operations**		
	(a) Sale of Products		
	Gross Sales (including excise duty)	**43,659.61**	41,203.09
	Less: Sales Tax	**225.49**	736.50
	Less: Goods and Service Tax	**3,098.66**	-
	Net Revenue from Sales	**40,335.46**	40,466.59
	(b) Income from Services		
	(i) Conversion Charges	**6,811.03**	3,939.93
	Less: Goods and Service Tax	**876.22**	-
	Net Conversion Charges	**5,934.81**	3,939.93
	(ii) Others	**-**	12.90
	Less: Service Tax	**-**	0.03
		-	12.87
	Net Revenue from Services	**5,934.81**	3,952.80
	(c) Other Operating Income		
	Export Incentives	**216.06**	252.59
	Total Net Revenue from Operations (a+b+c)	**46,486.33**	**44,671.98**

28.1 Goods and Service Tax (GST) has come into force w.e.f 01st July, 2017. The revenues for the year ended 31st March, 2018 is net of such GST. However, the revenues for the year ended 31st March, 2017 and current year upto 30th June, 2017 are inclusive of Excise Duty of an amount of Rs. 8,89,02,259/- and Rs. 2,55,17,483/- respectively.

Note	Particulars	Current Year 2017-18	Previous Year 2016-17
29	**Other Income**		
	(i) Interest Income	**33.82**	29.63
	(ii) Net Gain on Foreign Exchange	**76.47**	44.00
	(iii) Miscellaneous Income (Net of GST)	**128.50**	71.13
	TOTAL	**238.79**	**144.76**
30	**Cost of Materials Consumed**		
	Raw Material & Packing Material		
	Stock at the Beginning of the Year	**2,890.72**	3,702.66
	Add: Purchases	**30,567.75**	31,690.93
	Less: Stock at the End of the Year	**4,026.24**	2,890.72
	Total Materials Consumed	**29,432.23**	**32,502.87**

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	Current Year 2017-18	Previous Year 2016-17
31	**Changes in Inventory**		
	(a) Opening Stock of Inventory:		
	Finished Goods	**573.53**	784.06
	Stock in Process	**5,681.51**	2,552.71
	Sub Total (a)	**6,255.04**	**3,336.77**
	(b) Closing Stock of Inventory:		
	Finished Goods	**3,303.22**	573.53
	Stock in Process	**3,394.13**	5,681.51
	Sub Total (b)	**6,697.35**	**6,255.04**
	(Increase)/Decrease in Stock (a-b)	**(442.31)**	**(2,918.27)**
32	**Manufacturing Expenses**		
	Power and Fuel	**2,243.91**	1,811.89
	Consumable Stores	**377.30**	433.18
	Testing Charges	**93.76**	61.80
	Water Charges	**13.27**	11.40
	Repairs & Maintenance to Plant & Machinery	**535.17**	367.77
	Repairs & Maintenance to Buildings	**57.62**	13.58
	Factory Maintenance	**106.99**	110.91
	Effluent Treatment Charges	**22.38**	29.49
	TOTAL	**3,450.40**	**2,840.02**
33	**Employee Benefit Expenses**		
	Salaries, Wages and Bonus	**2,895.78**	2,327.21
	Contribution to Provident Fund	**177.47**	156.81
	Contribution to ESI	**37.07**	23.98
	Staff Welfare Expenses	**170.02**	184.28
	TOTAL	**3,280.34**	**2,692.28**
34	**Finance Costs**		
	Interest on Non Current Borrowings	**977.36**	1,203.70
	Interest on Current Borrowings	**496.11**	285.61
	Interest on Others	**3.36**	0.52
	Bank Charges	**71.13**	59.02
	TOTAL	**1,547.96**	**1,548.85**

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	Current Year 2017-18	Previous Year 2016-17
35	**Depreciation and Amortisation Expenses**		
	Depreciation of Property, Plant and Equipment	**1,974.68**	1,904.56
	Amortisation of Intangible Assets	**15.30**	13.17
	Total	**1,989.98**	**1,917.73**
36	**Other Expenses**		
	Rent	**52.26**	46.79
	Rates and Taxes	**34.42**	35.24
	Insurance	**72.84**	99.20
	Directors Remuneration	**317.18**	456.17
	Travelling and Conveyance	**43.29**	52.06
	Communication Expenses	**22.79**	23.25
	Printing and Stationery	**57.64**	49.16
	Repairs & Maintenance to other Assets	**6.89**	14.83
	Vehicle Maintenance	**21.02**	18.48
	Payments to Auditors - (Refer Note 36.1 below)	**11.00**	11.08
	Cost Audit Fee	**0.75**	1.00
	General Expenses	**147.96**	110.93
	Corporate Social Responsbility (Refer Note 36.3 below)	**84.49**	29.01
	Provision for Doubtful Debts	**3.27**	0.92
	Bad Debts Written off	**-**	2.96
	Interest on Indirect Taxes	**0.17**	33.61
	Loss on Sale of Assets	**3.39**	-
	Business Promotion Expenses	**171.79**	137.31
	Carriage Outward	**52.44**	43.43
	Sales Commission	**109.30**	50.22
	Total	**1,212.89**	**1,215.65**
36.1	**Details of Payments to Auditors**		
	Audit Fee	**10.00**	10.00
	Certification	**1.00**	1.00
	Re-imbursement of Expenses	**-**	0.08
	Total Payments to Auditors	**11.00**	**11.08**

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars	Current Year 2017-18	Previous Year 2016-17
36.2	Directors Remuneration up to year 2016-17 represents remuneration paid to Sri P. Ramesh Babu, CMD and Sri TVVSN Murthy, VC & JMD. Wheras for the year 2017-18 it represents remuneration paid to Sri P. Ramesh Babu, CMD. Remuneration paid to Sri TVVSN Murthy, was considered in SMS Life Sciences India Ltd, the resulting company		
36.3	**Corporate Social Responsibility Expenditure**		
	Balance brought forward from Previous Year	**74.87**	-
	Amount required to be spent as per section 135 of the Companies Act, 2013	**110.26**	103.88
	Amount spent during the year on		
	(i) Construction/Acquisition of an Asset	**52.30**	-
	(ii) On Purpose other than (i) above	**32.19**	29.01
	Total	**84.49**	**29.01**
	Balance Carried forward to Next Year	**100.64**	**74.87**
36.3.1	The Company has initiated for construction of School Building and Hospital and also for providing Health Care and drinking water facilities with an estimate of Rs. 108.00 Lakhs.		
37	**Income Tax Expense**		
	Current Tax		
	Current Tax on profits for the year	**1,300.00**	900.00
	Adjustments for current tax of prior periods	**(23.85)**	(8.94)
	Total Current Tax	**1,276.15**	**891.06**
	Deferred Tax		
	Increase/(Decrease) in Deferred Tax Liabilities	**303.03**	667.91
	Decrease/(Increase) in Deferred Tax Assets	**412.41**	(966.86)
	Acturial (Gain)/Loss	**(2.20)**	4.44
	Total Deferred Tax Expense/(Benefit)	**713.24**	**(294.51)**
	Total	**1,989.39**	**596.55**

37.1 During the year ended 31st March, 2018, the Company has paid dividend to its shareholders. This has resulted in payment of dividend distribution tax (DDT) to the taxation authorities. The Company believes that DDT represents additional payment to the taxation authority. Hence DDT Paid is charged to Other Equity.

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Note	Particulars		Current Year 2017-18	Previous Year 2016-17
37.2	**Reconciliation of Tax Expense and the Tax on Accounting Profit at normal Tax Rate:**			
	(a)	Profit before Income Tax Expenses	**6,034.82**	4,158.01
	(b)	Enacted Tax Rate in India	**34.61%**	34.61%
	(c)	**Expected Tax Expenses (a)x(b)**	**2,088.53**	**1,439.00**
	(d)	**Tax Effect on Permanent Difference:**		
		Weighted Deduction under section 35(2AB) under the Income Tax Act, 1961	**(126.59)**	(87.31)
		Expenses not allowed under Income Tax Act	**29.24**	10.04
		Other Adjustments	**22.06**	(28.30)
		MAT Credit Entitlement for earlier years	**-**	(727.94)
		Adjustment of Current Tax of Prior Periods	**(23.85)**	(8.94)
		Total Adjustments	**(99.14)**	**(842.45)**
	Current Tax Expense as per P & L		**1,989.39**	**596.55**
	Effective Tax Rate		**32.97%**	**14.35%**
38	**Other Comprehensive Income**			
	Parent Company			
	Actuarial Gain/(Loss) on Post Employment Benefit Expenses		**5.22**	(11.50)
	Return on Plan Assets excluding net interest		**1.09**	(1.33)
			6.31	(12.83)
	Associate Company		**(3.53)**	-
		Total	**2.78**	**(12.83)**
	Deferred Taxes on above		**(1.22)**	4.44
		Net Comprehensive Income	**1.56**	**(8.39)**
39	**Earning Per Share (Basic and Diluted)**			
	(a)	Net profit for Basic & Diluted EPS	**4,045.43**	3,561.46
	(b)	Weighted average number of equity shares of Re.1/- each (Basic & Diluted)	**84,652,030**	84,652,030
	(c)	Earningspershareofparvalue Re 1/-pershare-(Basic&Diluted)	**4.78**	4.21

40 Scheme of arrangement (De-Merger) between the Company and SMS LifeSciences India Ltd, Resulting Company.

The Scheme for Demerger of Semi Reguatory Units as approved by the Company in respective meetings and as sactioned by the National Company Law Tribunal (NCLT) has been implemented with appointed date as 01-04-2016 as provided in the Scheme. Accordingly, the Company has transferred all its assets and liabilities pertaining to each of the demerged undertaking at their book value appearing in the books of the Company as on 01st April, 2016.

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

41 Post Employment Benefits

41.1 Defined Contribution plans

41.1.1 Employer's Contribution to Provident Fund:

Contributions are made to provident fund in India for employees at the rate of 12% of basic salary as per regulations. The contributions are made to registered provident fund administered by the Government of India. The obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the year towards PF contribution is Rs.177.47 Lakhs (Previous Year- Rs. 156.81 Lakhs).

41.1.2 Employer's Contribution to State Insurance Scheme:

Contributions are made to State Insurance Scheme for employees at the rate of 4.75%. The Contributions are made to Employee State Insurance Corporation(ESI) to the respective State Governments of the Company's location. This Corporation is administered by the Government and the obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards ESI contribution is Rs.37.07 Lakhs (Previous Year- Rs. 23.98 Lakhs).

41.2 Defined Benefit Plans

The Company has a defined benefit gratuity plan governed by Payment of Gratuity Act, 1972. Every Employee who has completed five years or more of service is entilted to a gratuity on departure at 15 days salary for each completed year of Service. The Scheme is funded through a policy with Life Insurance Corporation of India (LIC).

The Company has a defined benefit Compensated Absence Plan governed by The Factories Act, 1948. Every Employee who has worked for a period of 240 days or more in a factory during a calendar year shall be allowed during the subsequent calendar year, leave with wages for a number of days calculated as per Act.

The following table summarise net benefit expenses recognised in the statement of profit and loss, the status of funding and the amount recognised in the Balance Sheet for both the plans:

Particulars	as at 31.03.2018		as at 31.03.2017	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
41.2.1 Net Employee Benefit Expense				
(recognised in Employee Benefit Expenses)				
Current Service Cost	**30.59**	**19.21**	22.29	22.29
Interest Cost	**8.45**	**4.18**	9.66	2.08
Past Service Cost (Vested Benefits)	**24.78**			
Adj to Opening Balance	**3.53**			
Expected Return on Plan Assets	**-**		4.92	
Contribution paid	**-**	**(6.48)**	(39.71)	(6.03)
	67.35	**16.91**	(2.84)	18.34

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Particulars	as at 31.03.2018		as at 31.03.2017	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
41.2.2 Other Comprehensive Income				
Acturial Gain/(Loss)	**6.31**	**22.90**	(12.83)	(15.53)
Net Employee Benefit Expenses	**6.31**	**22.90**	**(12.83)**	**(15.53)**
Actual return on plan asset	**5.40**	**-**	3.54	-
41.2.3 Amount recognised in the Balance Sheet				
Defined Benefit Obligation	**246.48**	**105.51**	197.82	65.70
Fair Value of Plan Assets	**(62.62)**	**-**	(75.00)	
	183.86	**105.51**	**122.82**	**65.70**

41.2.4 Other Comprehensive Income in case of Employees Compensated Absence Scheme not considered as it was not funded.

41.2.5 Change in the Present Value of the Defined Benefit Obligation				
Opening Defined Benefit Obligation	**197.82**	**65.70**	180.21	30.83
Adjustment to Opening Balance	**-**			
Current Service Cost	**30.59**	**19.21**	22.29	22.29
Interest Cost	**12.75**	**4.18**	9.66	2.08
Past Service Cost	**24.78**			
Contribution Paid		**(6.48)**		(6.03)
Benefits Paid	**(14.24)**		(27.17)	-
Net Acturial (gain)/ losses on Obligation for the year recognised under OCI	**(5.22)**	**22.90**	12.83	16.52
Closing Defined Benefit Obligation	**246.48**	**105.51**	**197.82**	**65.69**
41.2.6 Change in the Fair Value of Plan Assets				
Opening Fair Value of Plan Assets	**75.00**	**-**	62.04	-
Adjustment to Opening Fair Value of Plan Asset	**(3.53)**	**-**	(3.11)	-
Return on Plan Assets Excluding Intererst Income	**1.09**	**-**	(1.33)	-
Interest Income	**4.30**	**-**	4.86	-
Contributions	**-**	**-**	39.71	-
Benefits Paid	**(14.24)**	**-**	(27.17)	-
Closing Fair Value of Plan Assets	**62.62**	**-**	**75.00**	**-**

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

	Particulars	as at 31.03.2018		as at 31.03.2017	
		Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
41.2.7	Acturial (Gain)/Loss on Obligation				
	Due to Demographic Assumption	**-**	**-**	-	-
	Due to Financial Assumption	**(24.25)**		3.83	
	Due to Experience	**19.03**		7.67	
	Return on Plan Assets excluding Interest	**(1.09)**		1.33	
	Total Acturial (Gain)/Loss	**(6.31)**	**-**	**12.83**	**-**

41.2.8 The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	31.03.2018	31.03.2017
State Govt Security	**37.09**	44.42
Central Govt Securities	**13.72**	16.43
NCD/Bonds	**8.35**	10.00
Others	**3.46**	4.15
Total	**62.62**	**75.00**

Expected Return on Assets is based on rate of return declared by fund managers.

41.2.9 Acturial Assumptions for estimating Company's Definded Benefit Obligation:

Particulars	31.03.2018	31.03.2017
Discount rate	**7.68%**	6.69%
Attrition Rate	**PS : 0 to 40 2%**	PS : 0 to 40 2%
Expescted rate of increase in Salary	**3.00%**	3.00%
Expected rate of return on Plan Assets		
Mortality Table	**IALM (2006-08)**	IALM (2006-08)
Expected average remaining working lives of Employees	**19.55**	19.41

(a) Assumptions regarding future mortality experience are set in accordance with the published statistics by the Life Insurance Corporation of India.

(b) Plan assets does not comprise any of the Company's own financial instruments or any assets used by the Company. The Company has the plan covered under a policy with the Life Insurance Corporation of India.

(c) The Significant acturial assumptions for the determination of the defined benefit obligation are the discount rate, the salary growth rate and the average life expectancy. The calculation of the net defined benefit liability is sensitive to these assumptions. However, the impact of these changes is not ascertained to be material by the management.

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

41.2.10 Sensitivity Analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Particulars	31.03.2018	31.03.2017
Defined Benefit Obligation	**183.86**	122.82
Effect of 1% change in assumed discount rate on defined benefit obligation		
Increase : +1%	**225.50**	178.78
Decrease: -1%	**270.99**	220.28
Effect of 1% change in assumed salary escalation rate on defined benefit obligation		
Increase : +1%	**270.60**	217.49
Decrease: -1%	**225.61**	180.45

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant acturial assumptions, the same method (Projected Unit Credit Method) has been applied as while calculating the defined benefit liability recognised within the Balance Sheet.

41.2.11 Other Information

(i) Expected rate of return basis

Since the scheme funds are invested with LIC of India EROA is based on rate of return declared by fund managers.

(ii) Description of Plan Assets and Reimbursement Conditions

100% of the Plan Asset is entrusted to LIC of India under their Group Gratuity Scheme. The reimbursement is subject to LIC's Surrender Policy

(iii) Discount Rate

The discount rate has increased from 6.69% to 7.68% and hence there is a decrease in liability leading to actuarial gain due to change in discount rate.

(iv) Present Value of Defined Benefit Obligation:

"Present value of the defined benefit obligation is calculated by using Projected Unit Credit Method (PUC Method). Under the PUC Method, a "projected accrued benefit" is calculated at the beginning of the year and again at the end of the year for each benefit that will accrue for all active members of the Plan. The "Projected accrued benefit" is based on the Plan's accrual formula and upon service as of the beginning or end of the year, but using a member's final compensation, projected to the age at which the employee is assumed to leave active service. The Plan Liability is the acturial present value of the " Projected accrued benefits" as of the begining of the year for active members."

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

(v) Expected Average remaining service vs. Average remaining future service:

The average remaining service can be arithmatically arrived by deducting current age from normal retirement age whereas the expected average remaining service is arrived acturially by applying multiple decrements to the average remaining future service namely mortality and withdrawals. Thus, the expected average remaining service is always less than the average remaining future service.

(vi) Current nd Non Current liability:

The total of current and non-current liability must be equal with the total of PVO (Present value obligation) at the end of the period plus short term compensated liability if any. It has been classified in terms of " Schedule III" of the Companies Act, 2013.

(vii) Defined Benefit Liability and Employer Contributions

The Company has purchased insurance policy to provide for payment of gratuity to the employees. Every year, the insurance company carries out a funding valuation based on the latest employee data provided by the Company. Any deficit in the assets arising as a result of such valuation is funded by the Company. The company considers that the contribution rate set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs will not increase significantly.

The Weighted Average duration of the defined benefit obligation is 10.86 years (Previous Year 11.95 years). The expected cash flows over the subsequent years is as follows:

Expected Payout Gratuity	31.03.2018	31.03.2017
1st Year	**8.53**	24.76
2nd Year	**11.81**	6.23
3rd Year	**8.66**	8.92
4th Year	**8.77**	6.32
5th Year	**20.76**	6.42
beyond 5th Year	**86.35**	73.12

41.2.12 Risk exposure

Through it is defined benefit plans, the company is exposed to a number of risks, the most significant of which are detailed below:

(a) **Investment/Interest Rate Risk:** The Company is exposed to Investment / Interest risk if the return on the invested fund falls below the discount rate used to arrive at present value of the benefit.

(b) **Longevity Risk:** The Company is not exposed to risk of the employees living longer as the benefit under the scheme ceases on the employee separating from the employer for any reason.

(c) **Risk of Salary Increase:** The Company is exposed to higher liability if the future salaries rise more than assumption of salary escalation.

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

42 Leases (Ind AS -17):

42.1 Operating Lease Commitments - Company as Lessee

The Company has taken certain office premises on lease, with term of 3 years and is renewable for further periods. There are escalation clauses in the office premises lease agreement to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. During the year, the Company has paid lease rental of Rs. 63.64 Lakhs (Previous Year Rs. 67.72 Lakhs). Out of this, the company has collected an amount of Rs. 22.27 Lakhs (Previous Year Rs. 22.42 Lakhs) towards sub lease rental from related party, SMS LifeSciences India Ltd, the resulting company of demerger scheme which has taken place during the previous year.

The Company has also taken lease for office premises in Vishakapatnam and the said lease is revocable by either of the parties with prior intimation. During the Year, the company has paid lease rental of Rs. 9.41 Lakhs (Previous Year Rs. 3.66 Lakhs).

The above leases are revocable. Hence, disclosure requirement under Ind AS 17 "Leases" is not required.

The Company has also taken certain equipment under non cancellable operating lease agreements for a period of 5 years. The maximum obligation on long term non-cancellable operating lease payable as per the agreement are as follows:

S No.	Particulars	Current Year 2017-18	Previous Year 2016-17
In the case of Equipment			
i)	Obligation on Non Cancellable Operating Leases:		
	a) not later than one year	**1.34**	4.02
	b) later than one year and not later than five years		1.34
	c) later than five years	**-**	-
ii)	Total of minimum sub-lease payments expected		
iii)	Lease payments recognized in the statement of Profit & Loss for the Year	**4.03**	4.06

42.2 Operating Lease Commitments - Company as Lessor

The Company has given on Lease of its certain premises in R & D Gagilapur for a lease term of 6 Years. The Company has recognised income for an amount of Rs. 6.00 Lakhs (Previous Year Rs. Nil/-).

43 Assets Pledged as Security

For Non Current Borrowings

Secured by First Charge on Property, Plant and Equipment and Second Charge on Current Assets.

For Current Borrowings

Secured by First Charge on Current Assets and Second Charge on Property, Plant and Equipment.

The carrying amounts on Company's assets pledged as security for Non Current and Current Borrowings are as follows:

Particulrs	31.03. 2018	31.03.2017	01.04.2016
Property, Plant and Equipment	**27,889.89**	29,003.68	29,593.32
Current Assets	**16,848.7**	15,735.63	13,631.53
Total Assets Pledged as Security	**44,738.59**	**44,739.31**	**43,224.85**

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

44 Research and Development

44.1 Details of Revenue Expenditure (expensed as and when incurred):

Particulars	31.03.2018	31.03.2017
Salaries & Wages	**337.18**	248.03
Materials Consumed	**48.93**	65.42
Repairs and Maintenance	**65.39**	41.95
Power and Fuel	**31.72**	21.34
Testing and analysis charges	**9.86**	8.57
Rates and Taxes	**7.73**	6.35
Insurance	**2.74**	2.00
General Expenses	**10.79**	8.51
Total	**514.34**	**402.17**

44.2 Details of Property, Plant and Equipment:

	Particulars	Buildings	Plant and Equipment	Furniture and Fixtures	Com-puters	Vehicles	Patents Filing Fee	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Gross Carrying Value							
1	**As at 01st April, 2016**	**866.96**	**598.80**	**5.43**	**5.73**	**-**	**2.43**	**1,479.35**
2	Additions	-	113.51	0.43	1.80	9.10	0.74	125.58
3	As at 31st March, 2017 (1+2)	866.96	712.31	5.86	7.53	9.10	3.17	1,604.93
4	Additions	7.41	228.06	0.88	5.14	-	0.26	241.75
5	As at 31st March, 2018 (3+4)	874.37	940.37	6.74	12.67	9.10	3.43	1,846.68
	Depreciation							
6	As at 01st April, 2016	-	-	-	-	-	-	-
7	Charge for the Year	37.01	155.71	1.79	3.24	0.92	0.75	199.42
8	**As at 31st March, 2017 (6+7)**	**37.01**	**155.71**	**1.79**	**3.24**	**0.92**	**0.75**	**199.42**
9	Charge for the Year	37.17	162.21	1.81	3.33	1.08	0.88	206.48
10	**As at 31st March, 2018 (8+9)**	**74.18**	**317.92**	**3.60**	**6.57**	**2.00**	**1.63**	**405.90**
	Net Carrying Value							
11	**As at 31st March, 2016**	**866.96**	**598.80**	**5.43**	**5.73**	**-**	**2.43**	**1,479.35**
12	**As at 31st March, 2017 (3-8)**	**829.95**	**556.60**	**4.07**	**4.29**	**8.18**	**2.42**	**1,405.51**
13	**As at 31 March, 2018 (5-10)**	**800.19**	**622.45**	**3.14**	**6.10**	**7.10**	**1.80**	**1,440.78**

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Financial Instruments and Risk Management

45 Categories of Financial Instruments

Particulars	Note	Level	as at 31.03.2018		as at 31.03.2017		as at 01.04.2016	
			Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
A. Financial Assets								
(a) Measured at Amortised Cost								
(i) Non Current								
(a) Bank Balances	8	3	200.78	200.78	190.32	190.32	176.24	176.24
(b) Other Financial Asset	9	3	238.68	238.68	235.43	235.43	160.56	160.56
Sub - Total			**439.46**	**439.46**	**425.75**	**425.75**	**336.80**	**336.80**
(ii) Current								
(a) Trade Receivables	12	Refer Note 45.2	2,414.92	2,414.92	2,131.88	2,131.88	2,082.48	2,082.48
(b) Cash and Cash Equivalents	13		1,263.08	1,263.08	1,228.53	1,228.53	1,096.10	1,096.10
(c) Other Bank Balances	14		8.01	8.01	8.37	8.37	8.97	8.97
(d) Other Financial Assets	15		53.52	53.52	2.95	2.95	29.09	29.09
Sub - Total			**3,739.53**	**3,739.53**	**3,371.73**	**3,371.73**	**3,216.64**	**3,216.64**
Total Financial Assets			**4,178.99**	**4,178.99**	**3,797.48**	**3,797.48**	**3,553.44**	**3,553.44**
B. Financial Liabilities								
(a) Measured at Amortised Cost								
(i) Non Current								
(a) Borrowings	20	3	7,139.82	7,139.82	7,421.54	7,421.54	8,927.22	8,927.22
(ii) Current								
(a) Borrowings	23	Refer Note 45.2	5,839.71	5,839.71	5,975.96	5,975.96	6,741.12	6,741.12
(b) Trade Payables	24		3,870.37	3,870.37	6,675.35	6,675.35	3,167.93	3,167.93
(c) Other Financial Liabilities	25		1,754.76	1,754.76	1,587.11	1,587.11	2,146.64	2,146.64
Sub - Total			**11,464.84**	**11,464.84**	**14,238.42**	**14,238.42**	**12,055.69**	**12,055.69**
Total Financial Liabilities			**18,604.66**	**18,604.66**	**21,659.96**	**21,659.96**	**20,982.91**	**20,982.91**

45.1 The Company's principal financial liabilities, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations.

45.2 The carrying amounts of Trade Payables, Other Financial Liabilities, cash and cash equivalents, other bank balances, trade receivables and other financial assets are considered to be the same as their fair values due to their short term nature.

45.3 The management has assessed that fair value of borrowings approximate to their carrying amounts largely since they are carried at floating rate of interest

45.4 Other non current financial assets consists of deposits with Government authorities where the fair value is considered to be the carrying value.

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

46 Fair Value Measurements

46.1 Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data rely as little as possible on entry speciifc estimates.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

46.2 Valuation Techniques used to determine fair value:

Specific Valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.

- The fair value of remaining financial instruments is determined using discounted cashflow analysis.

46.3 Valuation Process:

The Finance and accounts department of the Company performs the valuation of financial assets and liabilities required for financial reporting purposes, and report to the Board of Directors. The main Level 3 inputs are derived using the discounted cash flow analysis, Market Approach, Net Assets Value method as applicable.

47 Financial Risk Management Objectives and Policies

Financial Risk Management Framework

The Company is exposed primarily to credit risk, liquidity risk and market risk (fluctuations in foreign currency exchange rates and interest rate), which may adversley impact the fair value of its financial instruments. The Company assesses the unpredictability of the financial environment and seeks to mitigate potential adverse effects on the financial performance of the Company.

47.1 Credit Risk:

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk encompasses of both, the direct risk of default and the risk of deterioration of creditwrothiness as well as concentration of risks. Credit risk is controlled by analysing credit limits and creditworthiness of customers on a continuous basis to whom the credit has been granted after obtaining necessary approvals for cerdit. Financial instruments that are subject to concentrations of credit risk, principally consist of trade receivables, cash and cash equivalents, bank deposits and other financial assets. None of the financial instruments of the Company result in Material Concentration of credit risk, except for Trade Receivables.

Financial Instruments and Cash Deposits

For banks and financial institutions, only high rated banks/ institutions are accepted. Other Financial Assets (excluding Bank Deposits) majorily constitute deposits given to State Electricity Departments for supply of power, which the company considers to have negligible credit exposure. Counterparty credit limits are reviewed by the Management on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

Expected Credit Loss for Trade Receivables under simplified approach

For Trade Receivables, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Following are the Expected Credit Loss for Trade Receivables under simplified approach:

Particulars	31.03.2018	31.03.2017	01.04.2016
Gross Carrying Amount	**2,457.93**	2,171.62	2,121.30
Expected Credit Losses (Loss Allowance Provision)	**43.01**	39.74	38.82
Net Carrying Amount of Trade Receivables	**2,414.92**	2,131.88	2,082.48

Expected Credit Loss for Trade Receivables under simplified approach:

Particulars	Outstanding for < 90 days	Outstanding > 90 days & < 180 days	Outstanding for > 180 days	Total
Gross Carrying Amount of Trade R.eceivables	2,180.35	147.07	130.51	2,457.93
Expected Loss Rate	1.75%	1.75%	1.75%	1.75%
Expected Credit Losses (Loss allowance provision)	38.15	2.57	2.29	43.01
Net Carrying Amount of Trade Receivables	**2,142.20**	**144.50**	**128.22**	**2,414.92**

47.2 Liquidity Risk:

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	Upto 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	Total
31 March, 2018					
Non Current Borrowings (including Current Maturities)	1,633.46	5,063.89	1,775.93	300.00	8,773.28
Current Borrowings	5,839.71				5,839.71
Interest Accrued but not due	10.79				10.79
Trade Payables	3,870.37				3,870.37
Capital Creditors	102.50				102.50
	11,456.83	5,063.89	1,775.93	300.00	18,596.65
31 March, 2017					
Non Current Borrowings (including Current Maturities)	1,515.87	4,687.50	2,650.00	84.04	8,937.41
Current Borrowings	5,975.96				5,975.96
Interest Accrued but not due	16.75				16.75
Trade Payables	6,675.35				6,675.35
Capital Creditors	46.12				46.12
	14,230.05	4,687.50	2,650.00	84.04	21,651.59

Notes to the Conosolidated Financial Statements
(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

47.3 Market Risk:

Market risk is the risk that the fair value or future cash flows of a financial isntrument will fluctuate because of changes in market prices. Market prices comprise three types of risk, currency rate risk, interest rate risk and other price risks such as equity risk. Financial instruments affected by market risk include loans and advances deposits investments in debt securities mutual funds and other equity funds.

47.3.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. In order to optimize the Company's position with regards to interest income and interest expenses and to manage the interest rate risk, treasury performs a comprehensive corporate interest risk management by balancing the proportion of fixed rate and floating rate financial instruments in its portfolio.

	Change in basis points		Effect on Profit before Tax	
	Increase	**Decrease**	**Decrease**	**Increase**
31 March, 2018	0.50%	0.50%	(73.12)	73.12
31 March, 2017	0.50%	0.50%	(74.65)	74.65

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

47.3.2 Foreign Currency Exchange Rate Risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Company has transactional currency exposures arising from services provided or availed that are denominated in a currency other than the functional currency. The foreign currencies in which these transactions are denominated are mainly in US Dollars ($). The Company's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

(a) Details of Unhedged Foreign Currency Exposure:

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under:

Particulars	Currency	31.03.2018			31.03.2017		
		Amount in Foreign Currency	**Amount in Rs.**	**Conversion Rate**	**Amount in Foreign Currency**	**Amount in Rs.**	**Conversion Rate**
Trade Receivables	USD	**19.62**	**1,276.42**	**65.07**	11.07	717.68	64.81
Trade Payables	USD	**3.20**	**208.52**	**65.07**	4.74	307.09	64.81
Advance from Customers	USD	**5.78**	**375.78**	**65.07**	1.46	94.59	64.81
Advance to Suppliers	USD	-	-		0.43	27.74	64.81

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

(b) Foreign Currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rate, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including foreign currency derivatives. The Company's exposure to foreign currency changes for all other currencies is not material.

Particulars	Effect on Profit befor Tax	
	31.03.2018	31.03.2017
USD Sensitivity		
Rs/USD - Increases by 1%	**6.92**	3.44
Rs/USD - Decreases by 1%	**(6.92)**	(3.44)

47.3.3 Other Price Risk:

Other price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

48 Capital Management

For the purposes of the Company's Capital Management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure in consideration to the changes in economic conditions and the requirements of the financial covenants. The Company monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Company intends to keep the gearing ratio less than 1. The Company includes within net debt, borrowings including interest accrued on borrowings less cash and short term deposits.

Particulars	31.03.2018	31.03.2017	01.04.2016
Borrowings including interest accrued on borrowings	**14,623.78**	14,930.12	16,831.89
Less: Cash and Short Term Deposits	**1,263.08**	1,228.53	1,096.10
Net Debt	**13,360.70**	**13,701.59**	**15,735.79**
Equity	**846.52**	846.52	846.52
Other Equity	**27,602.35**	24,627.93	21,991.45
Total Equity	**28,448.87**	**25,474.45**	**22,837.97**
Total Capital	**41,809.57**	**39,176.04**	**38,573.76**
Gearing Ratio (Net Debt/((Net Debt +Total Equity))	**0.32**	0.35	0.41

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

48.1 Loan Covenants

During the tenor of the facility with the bank, the following are the actual financial covennats:

Particulars	Stipulated by Lenders	Actuals as at 31.03.2018
Current Ratio	1.29	1.39
TOL/TNW	1.38	0.77
Interest Coverage Ratio	4.53	5.10

Borrower to maintain the above financial indicators at the stipulated levels during the currency of the facility. In case of non-compliance of any covenant or other terms and conditions of sanction, penal interest one percent per annum on the entire outstanding for the period of non-adherence subject to a minimum period of one year.

49 Segment Information

(a) Description of Segments and Principal Activities

The Chairman and Managing Director has been identified as being the chief operating decision maker(CODM). Operating segments are defined as components of an enterprise for which discrete financial information is available. This is evaluated regularly by the CODM, in deciding how to allocate resources and assessing the Company's performance. The Company is engaged in manufacturing and sale of Active Pharma Ingredients and Intermediates and operates in a single operating segment.

Revenues are attributed to geographical areas based on the location of the customers as detailed below:

Particulrs	Current Year 2017-18		Previous Year 2016-17	
	Revenue	%	Revenue	%
Exports	**6,218.94**	**13.38**	5,396.20	12.08
Deemed Exports	**29,695.71**	**63.88**	27,650.60	61.90
Domestic	**10,355.62**	**22.28**	11,372.59	25.46
Export Incentives	**216.06**	**0.46**	252.59	0.56
Total	**46,486.33**	**100.00**	**44,671.98**	**100.00**

50 Interest in Other Entities

The Company's subsidiaries and associates as at March 31, 2018

Name of the entity	Place of Business/Country of incorporation	Ownership Interest held by the Company			Ownership interest held by Non-Controlling interests			Principal activity
		31.03.2018	31.03.2017	01.04.2016	31.03.2018	31.03.2017	01.04.2016	
SMS Lifesciences India Limited	India	-	100.00%	100%	100%	-	-	Manufacture of Active Pharma Ingradients (API) and their Intermediaries.
VKT Pharma Private Limited	India	**42.62%**	40.26%	34.33%	57.38%	59.74%	65.67%	Manufacture and sale of API and Formulations

As per the Scheme of arrangement demerger of semi regulated units was completed during the current financial year and Investment in Subsidary was cancelled in pursuance of the Demerger Scheme. (Refer Note 40)

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

51 Related Party Transactions

(a) Key Management Personnel(KMP)

Name	Relationship
Sri. P Ramesh Babu	Chairman and Managing Director
Sri. TVVSN Murthy	Director
N Rajendra Prasad	Chief Financial Officer (upto 31-05-2017)
T Lakshmi Narayana	Chief Financial Officer (from 13-09-2017)
T Thirumalesh	Company Secretary (17-10-2016 to 30-12-2017)
V.S. Venkatish	Company Secretary (from 08-02-2018)

(b) Relatives of KMP

Name of the Relative	Relationship with KMP
Sri. P Vamsikrishna	Son of Sri P Ramesh Babu

(c) List of Related Parties over which Control / Significant Influence exists with whom the company has transactions :

Name of the Company	Relationship
Associate Company	1. VKT Pharma Private Limited
Enterprises overwhich KMP are able to Exercise Significant Influence	2. SMS LifeSciences India Limited
	3. Potluri Laboratories Private Limited
	4. Potluri Infra Projects LLP
	5. Rchem (Somanahalli) Private Limited

(d) Transactions with Related Parties:

Name of the Company	31.03.2018	31.03.2017
	Amount	Amount
Key Management Personnel		
Remuneration - Short Term Employee Benefits	**336.11**	474.22
Relatives of KMP		
Remuneration - Short Term Employee Benefits	**39.00**	31.72
Associate Company		
Purchases	**1.00**	0.38
Sales	**97.37**	14.64
Investments	**802.50**	1,574.59
Rental Income	**5.00**	-
Enterprise with Significant Influence		
Purchases	**1,284.63**	106.79
Sales	**165.42**	0.04
Rental Income	**26.28**	-
Balance (Payable)/Receivable as at 31st March, 2018		
Key Management Personnel		
Remuneration Payable	**137.54**	190.97
Relatives of KMP		
Remuneration Payable	**0.37**	0.43
Associate Company		1.87
Enterprise with Significant Influence	**(188.12)**	(91.25)

(e) **Note:** Short Term Employee Benefits to KMP does not include expenditure on account of PF Contribution and also provision for gratuity and compensated absences computed for Company as a whole.

Notes to the Conosolidated Financial Statements
(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

52 Contingent Liabilities

Particulrs	31.03. 2018	31.03.2017	01.04.2016
Letter of credits opened in favor of suppliers for which goods are yet to be received	**61.75**	-	21.54
Customs Duty against Advance Autharizations	**101.30**		
Entry Tax Liability	**1.75**	-	-

53 Commitments

Particulrs	31.03. 2018	31.03.2017	01.04.2016
Capital Commitments	**-**	-	166.01
Export Obligations	**792.48**	-	1,025.68

54 Payables to Micro, Small & Medium Enterprises

The Company has certain dues to suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The disclosures pursuant to the said MSMED Act are as follows:

	Particulars	31.03.2018	31.03.2017
(i)	the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	**16.99**	20.65
(ii)	the amount of interest paid by the buyer in terms of section 16, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year		
(iii)	the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;		
(iv)	the amount of interest accrued and remaining unpaid at the end of each accounting year; and	**0.12**	0.52
(v)	the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.		

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 companies. This has been relied upon by the auditors.

55 Discolsure relating to Specified Bank Notes(SBNs) held and transacted during the period from 08-11-2016 to 30-12-2016:

Particulars	SBNs	Other Denominations Notes	Total
Closing Cash in hand as on 08-11-2016	7.09	2.75	9.84
(+) Permitted receipts		9.89	9.89
(-) Permitted payments		(10.25)	(10.25)
(-) Amount Deposited in Banks	(7.09)		(7.09)
Closing Cash Balance as on 30-12-2016	**-**	**2.39**	**2.39**

* Specified Bank Notes (SBNs) mean the bank notes of denominations of the exissting series of the value of five hundred rupees and thousand rupees as defined under the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs no, S.O. 3407(E), dated the 8th November, 2016

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

56 First-Time Adoption of Ind AS

Transition to Ind AS

These are the Company's first financial statements prepared in accordance with Ind AS.

The accounting policies set out in Note 4 have been applied in preparing the financial statements for the year ended 31st March, 2018, the comparitive information presented in these financial statements for the year ended 31st March, 2017 and in the preparation of an opening Ind AS balance sheet at 01st April, 2016 (company's date of transition). In preparing its opening Ind AS balance sheet, the Company has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Companies (Accounting standards) Rules, 2006 (as amended) and other relevant provisions of the Act (previous GAAP or Indian GAAP). An explanation on how the transition from previous GAAP to Ind AS has effected the Company's financial position, financial performance and cash flows is set out in the following tables and notes.

56.1 Exemptions and Exceptions availed

Set out below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from previous GAAP to Ind AS.

56.1.1 Ind AS Optional Exemptions

Deemed Cost

Ind AS 101 permits a first-time adopter to opt to continue with the carrying value for all of its property, plant and equipment and intangible assets as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets. Accordingly, the Company has opted to measure all of its property, plant and equipment and intangible assets at their previous GAAP carrying value.

Ind AS 101 permits a first-time adopter to opt to measure its investments in subsidiaries, joint ventures and associates at fair value at the entity's date of transition to Ind ASs or continue with the carrying value as recognised in the financial statements as at the date of transition to Ind AS. Accordingly the Company has opted to measure its investment in subsidiary and associates at their previous GAAP carrying value.

56.1.2 Ind AS mandatory exceptions

(a) Estimates

An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with the estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at 01st April, 2016 are consistent with the estimates as at the same date made in confirmity with previous GAAP. The Company made estimates for following items in accordance with Ind AS at the date of transition as these were not required under previous GAAP:

- Investment in Equity instruments carried at FVPL or FVOCI
- Investments in debt instruments carried at FVPL and;
- Impairment of financial asset based on expected credit loss model.

(b) Classification and Measurement of Financial Asset

Ind AS 101 requires an entity to assess classification and measurement of financial assets on the basis of the facts and circumstances that exist on the date of transition to Ind AS

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

56.2 Reconciliations between Previous GAAP and Ind AS (as at 31st March, 2017 and 01st April, 2016)

56.2.1 Reconciliation of Equity as at Date of Transition (01st April, 2016)

S No	Particulars	Notes	Previous GAAP	Adjustments	Ind AS
I	**ASSETS**				
1	**Non-Current Assets**				
	(a) Property, Plant and Equipment	5	29,593.32	-	29,593.32
	(b) Capital Work-in-Progress	5	713.10	-	713.10
	(c) Intangible Assets	6	40.23		40.23
	(d) Financial Assets		-		-
	(i) Investments	7	2,046.93	-	2,046.93
	(ii) Bank Balances	8	149.00	27.24	176.24
	(iii) Other Financial Assets	9	163.03	(2.47)	160.56
	(e) Other Non-Current Assets	10	429.82	-	429.82
	Total		**33,135.43**	**24.77**	**33,160.20**
2	**Current Assets**				-
	(a) Inventories	11	7,084.81	-	7,084.81
	(b) Financial Assets		-		-
	(i) Trade Receivables	12	2,121.30	(38.82)	2,082.48
	(ii) Cash and Cash Equivalents	13	1,096.10	-	1,096.10
	(iii) Bank Balances other than (ii) above	14	8.97	-	8.97
	(iv) Other Financial Assets	15	29.09	-	29.09
	(c) Other Current Assets	16	4,797.23	(1,492.53)	3,304.70
	(d) Current Tax Asset (Net)	15	25.38	-	25.38
	Total		**15,162.88**	**(1,531.35)**	**13,631.53**
	TOTAL ASSETS		**48,298.31**	**(1,506.58)**	**46,791.73**
II	**EQUITY AND LIABILITIES**				-
1	**Equity**				-
	(a) Equity Share Capital	18	846.52		846.52
	(b) Other Equity	19	21,695.42	296.03	21,991.45
	Total		**22,541.94**	**296.03**	**22,837.97**
2	**LIABILITIES**				
A	**Non-Current Liabilities**				
	(a) Financial Liabilities				
	(i) Borrowings	20	8,973.37	(46.15)	8,927.22
	(b) Provision for Employee Benefit Obligations	21	131.70	-	131.70
	(c) Deferred Tax Liabilities	22	3,436.50	(1,552.69)	1,883.81
	Total		**12,541.57**	**(1,598.84)**	**10,942.73**
B	**Current Liabilities**				
	(a) Financial Liabilities				
	(i) Borrowings	23	6,741.12	-	6,741.12
	(ii) Trade Payables	21	3,167.93	-	3,167.93
	(iii) Other Financial Liabilities	25	2,350.41	(203.77)	2,146.64
	(b) Provision for Employee Benefit Obligations	23	44.02	-	44.02
	(c) Other Current Liabilities	24	911.32	-	911.32
	Total		**13,214.80**	**(203.77)**	**13,011.03**
	TOTAL LIABILITIES		**25,756.37**	**(1,802.61)**	**23,953.76**
	TOTAL EQUITY AND LIABILITIES		**48,298.31**	**(1,506.58)**	**46,791.73**

* The previous GAAP figures have been reclassified to confirm to Ind AS presentation requirements for the purpose of this note.

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

56.2.2 Reconciliation of Equity as at 31st March, 2017

S No	Particulars	Notes	Previous GAAP	Adjustments	Ind AS
I	**Assets**				
I	**Non-Current Assets**				
	(a) Property, Plant and Equipment	5	29,003.68	-	29,003.68
	(b) Capital Work-in-Progress	5	776.15	-	776.15
	(c) Intangible Assets	6	41.60	-	41.60
	(d) Financial Assets				-
	(i) Investments	7	2,909.70	-	2,909.70
	(ii) Bank Balances	8	189.68	0.64	190.32
	(iii) Other Financial Assets	9	237.33	(1.90)	235.43
	(e) Other Non-Current Assets	10	422.72	-	422.72
	Total		**33,580.86**	**(1.26)**	**33,579.60**
2	**Current Assets**				
	(a) Inventories	11	9,251.93	-	9,251.93
	(b) Financial assets				
	(i) Trade Receivables	12	2,171.62	(39.74)	2,131.88
	(ii) Cash and Cash Equivalents	13	1,228.53	-	1,228.53
	(iii) Bank Balances other than (ii) above	14	8.37	-	8.37
	(iv) Other Financial Assets		2.95	-	2.95
	(c) Other Current Assets	15	5,382.12	(2,386.98)	2,995.14
	(d) Current Tax Asset (Net)	16	116.83	-	116.83
	Total Current Assets		**18,162.35**	**(2,426.72)**	**15,735.63**
	TOTAL ASSETS		**51,743.21**	**(2,427.98)**	**49,315.23**
II	**EQUITY AND LIABILITIES**				
I	**Equity**				
	(a) Equity Share capital	18	846.52	-	846.52
	(b) Other equity				
	(i) Reserves & Surplus	19	24,535.02	92.91	24,627.93
	Total		**25,381.54**	**92.91**	**25,474.45**
2	**LIABILITIES**				
A	**Non-Current Liabilities**				
	(a) Financial Liabilities				
	(i) Borrowings	20	7,457.50	(35.96)	7,421.54
	(b) Provision for Employee Benefit Obligations	21	134.81	-	134.81
	(c) Deferred Tax Liabilities	22	4,069.80	(2,484.93)	1,584.87
	Total		**11,662.11**	**(2,520.89)**	**9,141.22**
B	**Current liabilities**				
	(a) Financial liabilities				
	(i) Borrowings	23	5,975.96	-	5,975.96
	(ii) Trade Payables	24	6,675.35	-	6,675.35
	(iii) Other Financial Liabilities	25	1,587.11	-	1,587.11
	(b) Provision for Employee Benefit Obligations	21	53.71	-	53.71
	(c) Other current liabilities	26	407.43	-	407.43
	Total		**14,699.56**	**-**	**14,699.56**
	TOTAL LIABILITIES		**26,361.67**	**(2,520.89)**	**23,840.78**
	TOTAL EQUITY AND LIABILITIES		**51,743.21**	**(2,427.98)**	**49,315.23**

* The previous GAAP figures have been reclassified to confirm to Ind AS presentation requirements for the purpose of this note.

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

56.2.3 Reconciliation of Total Comprehensive Income for the year ended 31st March, 2017

S No.	Particulars	Notes	Previous GAAP	Adjustments	Ind AS
1	Revenue from operations	28	43,782.95	889.03	44,671.98
2	Other Income	29	142.71	2.05	144.76
3	**Total Revenue (1+2)**		**43,925.66**	**891.08**	**44,816.74**
4	**Expenses**				
	Cost of Materials Consumed	30	32,502.87	-	32,502.87
	Changes in Inventories	31	(2,918.27)	-	(2,918.27)
	Central Excise Duty		-	859.60	859.60
	Manufacturing Expenses	32	2,840.02	-	2,840.02
	Employee Benefits Expense	33	2,705.11	(12.83)	2,692.28
	Finance Cost	34	1,538.66	10.19	1,548.85
	Depreciation and Amortization Expense	35	1,917.73	-	1,917.73
	Other Expense	36	1,183.81	31.84	1,215.65
	Total Expenses		**39,769.93**	**888.80**	**40,658.73**
5	**Profit before Tax (3-4)**		**4,155.73**	**2.28**	**4,158.01**
6	**Income Tax Expense**				
	(i) Current tax				
	Tax Expense relating to Current Year		900.00	-	900.00
	Tax Expense relating to Earlier Year		(8.94)	-	(8.94)
	(ii) Deferred Tax		633.30	(927.81)	(294.51)
	(iii) MAT Credit Entitlement		(921.05)	921.05	-
			603.31	**(6.76)**	**596.55**
7	**Profit for the Year (5-6)**		**3,552.42**	**9.04**	**3,561.46**
8	Share of Profit/(Loss) in Associate Companies		**(712.82)**	**-**	**(712.82)**
9	Net Profit (7+8)		**2,839.60**	**9.04**	**2,848.64**
10	Other Comprehensive Income		-	(8.39)	(8.39)
11	**Total Comprehensive Income for the Year (9+11)**		**2,839.60**	**0.65**	**2,840.25**

* The previous GAAP figures have been reclassified to confirm to Ind AS presentation requirements for the purpose of this note.

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

56.2.4 Reconciliation of Total Equity as at 31st March, 2017 and 01st April, 2016

Particulars	31.03.2017	01.04.2016
Total Equity (Shareholder's funds) as per previous GAAP	25,381.54	22,541.94
Adjustments:		
Provision for Dividend and Dividend Distribution Tax Reversed	-	203.77
Deferred Tax Asset on Indexation Benefit on Land	96.62	89.08
Borrowings at Amortised Cost	35.96	46.15
Rental Deposits carried at Amortized Cost	(1.90)	(2.47)
Expected Credit Loss on Trade Receivables	(39.74)	(38.82)
Deferred Tax on Ind AS Adjustments	1.97	(1.68)
Total Adjustments	**92.91**	**296.03**
Total Equity as per Ind AS	**25,474.45**	**22,837.97**

56.2.5 Reconciliation of Total Comprehensive Income for the Year Ended 31st March, 2017

Particulars	31.03.2017
Profit after Tax as per previous GAAP	2,839.60
Adjustments:	
Deferred Tax Asset on Indexation Benefit on Land	7.55
Remeasurement of Post Employement Benefit	12.83
Rental Deposits carried at Amortized Cost	0.56
Deferred Tax on Ind AS Adjustments	(0.79)
Borrowings at Amortised Cost	(10.19)
Expected Credit Loss on Trade Receivables	(0.92)
Total Adjustments	**9.04**
Profit after Tax as per Ind As	**2,848.64**
Other Comprehensive Income	(8.39)
Total Comprehensive Income as per Ind AS	**2,840.25**

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

56.2.6 Impact of Ind AS adoption on the Cash Flow Statements for the year ended 31st March, 2017

Particulars	Previous GAAP	Adjustments	Ind AS
Net Cash Flow from Operating Activities	7,388.62	(41.16)	7,347.46
Net Cash Flow from Investing Activities	(3,936.76)	41.16	(3,895.60)
Net Cash Flow from Financing Activities	(3,319.43)	-	(3,319.43)
Net Increase/(Decrease) in Cash and Cash Equivalents	**132.43**	**-**	**132.43**
Cash and Cash Equivalents as at 01st April 2016	1,125.10	-	1,125.10
Less: Cash Equivalents on account of Demerger	29.00		29.00
Effects of Exchange Rate changes on Cash and Cash Equivalents			
Cash and Cash Equivalents as at 31st March 2017	**1,228.53**	**-**	**1,228.53**

56.2.7 Analysis of changes in Cash and Cash Equivalents for the purpose of Cash Flows under Ind AS:

Particulars	31.03.2017	01.04.2016
Cash and Cash Equivalents as per the previous GAAP	1,228.53	1,125.10
Less: Cash Equivalents on account of Demerger	-	29.00
Bank Over Drafts		
Cash and Cash Equivalents as per the IND AS	1,228.53	1,096.10

56.3 Notes to First-Time Adoption:

56.3.1 Intangible Assets

Under previous GAAP intangibles were generally amortised for 4 years. Based on Ind AS 38 Intangibles are amortised based on effective useful life.

56.3.2 MAT Credit Entitlement

MAT credit entitlement is to be presented under loans and advance in accordance with Guidance Note on "Accounting for Credit available in respect of MAT under the Income Tax Act, 1961" issued by ICAI. However, as per Ind AS, MAT credit entitlement is generally recognized as a deferred tax asset with a corresponding deferred tax benefit in the statement of profit and loss. Accordingly, the Company has reclassified the MAT credit entitlement from loans and advances to deferred tax assets as at 31st March, 2017 Rs. 2,386.34 Lakhs (01st April, 2016: Rs 1,465.29 Lakhs).

56.3.3 Trade Receivables

As per Ind AS 109, the Company is required to apply expected credit loss model for recognising the allowance for doubtful debts

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

56.3.4 Proposed Dividend

Under the previous GAAP, dividends proposed by the board of directors after the balance sheet date but before the approval of the financial statements were considered as adjusting events. Accordingly, provision for proposed dividend was recognised as a liability. Under Ind AS, such dividends are recognised when the same is approved by the shareholders in the general meeting. Accoridngly, the liability for proposed dividend and tax thereon of Rs. Nil as at 31st March, 2017 (01st April, 2016- Rs.- 203.77 Lakhs) included under provisions have been reversed with corresponding adjustment to retained earnings. Consequently, the total equity increased by an equivalent amount.

56.3.5 Revenue Recognition and Excise Duty

Under the previous GAAP, revenue from sale of products was presented exclusive of excise duty. Under Ind AS, revenue from sale of goods is presented inclusive of excise duty. The excise duty paid is presented on the face of the statement of profit and loss as part of expenses. This change has resulted in an increase in total revenue and total expenses for the year ended 31st March, 2017 by Rs. 889.03 Lakhs. There is no impact on the total equity and profit.

56.3.6 Remeasurements of Post-Employement Benefit Obligations

Under Ind AS, remeasurements i.e. Acturial gains and losses and the return on plan assets , excluding amounts included in the net interest expense on the net defined benefit liability are recognised in other comprehensive income instead of profit or loss. Under the previous GAAP, these remeasurements were forming part of the profit or loss for the year. As a result of this change, the profit for the year ended 31st March, 2017 decreased by RS. 12.83 Lakhs. There is no impact on the total equity as at 31st March, 2017.

56.3.7 Deferred Tax

Indian GAAP requires deferred tax accounting using the statement of profit and loss approach, which focuses on difference between taxable profits and accounting profits for the period. Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of the asset or liability in the balancesheet and its tax base.

As per Ind AS-12, the Company has recognised deferred tax asset on the indexation benefit available on free hold land as it has no plans to sell the business on a slump sale thereby increasing the retained earnings by Rs. 96.62 Lakhs as at 31st March, 2017 (01st April, 2016: Rs. 89.08 Lakhs).

Other Deferred tax adjustments amounting to (Rs. 1.97 Lakhs) as at 31st March, 2017 (01st April, 2016: Rs. (1.68) Lakhs) include deferred tax impact on account of differences between previous GAAP and Ind AS. The profit for the year ended i.e. 31st March , 2017 increased by Rs. 6.76 Lakhs due to the deferred tax adjustments made.

56.3.8 Rental Deposits

Rental deposits were recognised at transaction value under previous GAAP. Based on Ind AS 109 this security deposit has to be recognised at fair value and the difference between fair value and carrying cost is to be treated as prepaid lease rental. Further the difference amount relating to period before date of transition to Ind AS is charged to retained earnings. Accordingly, security deposit as at 31st March, 2017 has been decreased by Rs 1.91 Lakhs, as at 01st April, 2016 has been decreased by Rs. 2.47 Lakhs and profit increased by Rs. 0.56 Lakhs.

Notes to the Conosolidated Financial Statements

(All amounts: Indian Rupees in Lakhs, unless otherwise stated)

Under the previous GAAP, rental deposits are recorded at their transaction value. Under Ind AS, all financial assets are required to be recognised at fair value. Accordingly the company has fair valued the rental deposits. Difference between the fair value and transaction value is recognised as prepaid rent. Consequent to this change, the amount of rental deposit decreased by Rs. 4.88 Lakhs as at 31st March, 2017 (01st April, 2016: Rs. 6.93 Lakhs). The prepaid rent increased by Rs. 2.97 Lakhs as at 31st March, 2017 (01st April, 2016: Rs. 4.46 Lakhs).

56.3.9 Borrowings

Ind AS 109 requires transaction costs incurred towards origination of borrowings to be deducted from the carrying amount of borrowings on initial recognition. These costs are recognised in the profit or loss over the tenure of the borrowing as part of the interest expense by applying the effective interest rate method. Under previous GAAP, these transaction costs were charged to profit or loss as and when incurred. Accordingly, borrowings as at 31st March, 2017 have been reduced by Rs. 35.96 Lakhs (01st April, 2016 : Rs. 46.15 Lakhs) with a corresponding adjustment to retained earnings. The total equity increased by an equivalent amount. The profit for the year ended 31st March, 2017 reduced by Rs. 10.19 Lakhs as a result of the additonal interest expense.

56.3.10 Retained Earnings

Retained earnings as at 01st April, 2016 has been adjusted consequent to the above Ind AS transition adjustments.

56.3.11 Other Comprehensive Income

Under Ind AS, all items of income and expense recognized in a year should be included in the profit or loss for the year, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in profit or loss but are shown in the statement of profit or loss as ‘other comprehensive income’ includes remeasurements of defined benefit plans. The concept of ‘other comprehensive income’ did not exist under previous GAAP.

56.3.12 Statement of Cash Flows

The transition from Indian GAAP to Ind AS has not had a material impact on the statement of cash flows.

The accompanying notes are an integral part of the Financial Statements

as per our report of even date

for **SURYANARAYANA & SURESH**
Chartered Accountants
FRN 006631S

V NAGENDRA RAO
Partner
M.No. 227679

Place : Hyderabad
Date : 26-05-2018

for and on behalf of the Board

RAMESH BABU POTLURI
Chairman and Manging Director
DIN No.: 00166381

TVVSN MURTHY
Director
DIN No.: 00465198

V.S.VENKATISH
Company Secretary

T. LAKSHMI NARAYANA
Chief Financial Officer

sms 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 : 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 30th Annual General Meeting of the company at “Jubilee Hills International Centre (Jubilee Hills Club), Jubilee Hills, Hyderabad -500 033 on the 20th day of September, 2018 at 03.00 p.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.

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

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 30th Annual General Meeting, SMS Pharmaceuticals Limited to be held on the 20th day of September, 2018 At 03.00 p.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:

Res. No.	Resolution	Vote for	Vote against
Ordinary Business			
01.	To receive, consider and adopt the Audited Standalone and Consolidated Balance Sheet as at 31st March, 2018, Statement of Profit and Loss and Cash Flow Statement for the financial year ended 31st March, 2018 and reports of Directors' and Auditors' thereon.		
02.	To declare the dividend on Equity Shares for the financial year 2017-18.		
03.	To re-appoint Sri TVVSN Murthy (DIN : 00465198) who retires by rotation, and being eligible, offers himself for re-appointment		
Special Business			
04.	Appointment of Mr. Shravan Kudaravalli as Independent Director		
05.	To Ratify/Approve the Related Party Contracts / Arrangements/ Transactions of the Company		
06.	Ratification of remuneration payable to the cost auditor for the financial year ending on 31st March, 2019.		

Please Affix
₹ 1/-
Revenue
Stamp

Signed this…………..............……….................... day of……....................… 2018.

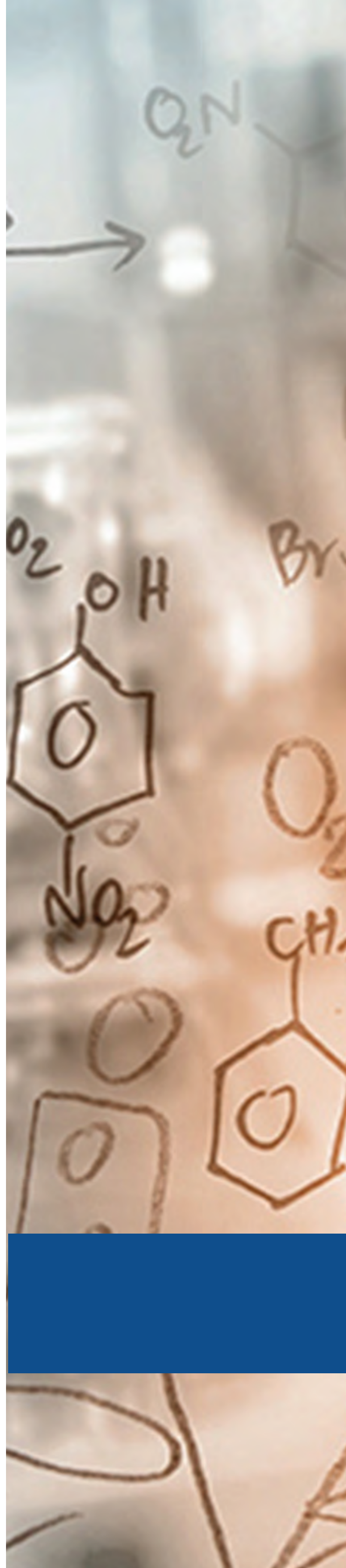
Signature of shareholder(s)

Signature of Proxy holder(s)

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:

SMS Pharmaceuticals ltd.

Regd. Off: Plot No. 19-III,
Opp. Bharatiya Vidya Bhavan Public School,
Road No. 71, Jubilee Hills,
Hyderabad, Telangana State - 500 096
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E-mail: info@smspharma.com

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