



Pharmaceuticals Ltd.

NOTICE

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

Notice is hereby given that the 26th Annual General Meeting of the Company will be held on Tuesday the 30th day of September, 2014 at 11.00 A.M. at the Jubilee Hills International Centre (Jubilee Hills Club), Jubilee Hills, Hyderabad-500 033 to transact the following business :

ORDINARY BUSINESS:

- (1) To receive, consider and adopt the Audited Statement of Profit & Loss for the year ended 31st March, 2014, the Balance Sheet as on that date along with the Reports of the Directors' and Auditors' thereon.
- (2) To declare dividend for the financial year 2013-14.
- (3) To appoint a Director in place of Dr. Ayman Sahli (DIN: 02680724) who retires by rotation, and being eligible, offers himself for re-appointment.
- (4) To appoint a Director in place of Sri T.V.V.S.N. Murthy (DIN: 00465198) who retires by rotation, and being eligible, offers himself for re-appointment.
- (5) To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013, and the Rules framed thereunder, and pursuant to the recommendations of the Audit Committee of the Board, M/s. Rambabu & Co., (Firm Registration No. 002976S) be and are hereby re-appointed as Statutory Auditors of the Company for a period of One year to hold office from the conclusion of this Annual General Meeting (AGM) till the conclusion of the next AGM of the Company to be held in the year 2015, at such remuneration as may be agreed upon by the Board of Directors and the Auditors, in addition to reimbursement of all out of pocket expenses.”

SPECIAL BUSINESS:

(6) Appointment of Sri A.P. Rao, as an Independent Director.

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

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (“Act”) and the Rules framed thereunder read with Schedule IV to the Act, as amended from time to time, Sri A.P. Rao (DIN: 00027847), Director of the Company and in respect of whom the Company has received a notice in writing from a member under 160 of the Act proposing his candidature for the office of the Director of the Company and who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and is eligible for appointment, be and is hereby appointed as an Independent Director of the Company for a period of 5 years with effect from 30th September, 2014, not liable to retire by rotation.”

(7) Appointment of Dr. Mihir K. Chaudhuri as an Independent Director.

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

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (“Act”) and the Rules framed thereunder read with Schedule IV to the Act, as amended from time to time, Dr. Mihir K. Chaudhuri (DIN: 00489843), Director of the Company and in respect of whom the Company has received a notice in writing from a member under 160 of the Act proposing his candidature for the office of the Director of the Company



and who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and is eligible for appointment, be and is hereby appointed as an Independent Director of the Company for a period of 5 years with effect from 30th September, 2014, not liable to retire by rotation.”

(8) Appointment of Sri K.S.Rao, as an Independent Director.

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

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (“Act”) and the Rules framed thereunder read with Schedule IV to the Act, as amended from time to time, Sri K.S. Rao (DIN: 00038416), Director of the Company and in respect of whom the Company has received a notice in writing from a member under 160 of the Act proposing his candidature for the office of the Director of the Company and who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and is eligible for appointment, be and is hereby appointed as an Independent Director of the Company for a period of 5 years with effect from 30th September, 2014, not liable to retire by rotation.”

(9) Appointment of Sri P. Sharath Kumar as an Independent Director.

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

“RESOLVED THAT pursuant to the provisions of Sections 149, 152, 161 and other applicable provisions, if any, of the Companies Act, 2013 (“Act”) and the Rules framed thereunder read with Schedule IV to the Act, as amended from time to time, Sri P. Sharath Kumar, (DIN:01456746), who was appointed as Additional Director of the Company pursuant to provisions of Section 161 of the Act and in respect of whom the Company has received a notice in writing from

a member under 160 of the Act proposing his candidature for the office of the Director of the Company and who has submitted a declaration that he meets the criteria for independence as provided in Section 149 (6) of the Act and is eligible for appointment, be and is hereby appointed as an Independent Director of the Company for a period of 5 years with effect from 30th September, 2014, not liable to retire by rotation.”

(10) Appointment of Dr. (Mrs)Thummala Neelaveni as an Independent Director.

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

“RESOLVED THAT pursuant to the provisions of Sections 149, 152, 161 and other applicable provisions, if any, of the Companies Act, 2013 (“Act”) and the Rules framed thereunder read with Schedule IV to the Act, as amended from time to time, Dr. (Mrs.) Thummala Neelaveni (DIN: 00065571), who was appointed as Additional Director of the Company pursuant to provisions of Section 161 of the Act and in respect of whom the Company has received a notice in writing from a member under 160 of the Act proposing her candidature for the office of the Director of the Company and who has submitted a declaration that she meets the criteria for independence as provided in Section 149 (6) of the Act and is eligible for appointment, be and is hereby appointed as an Independent Director of the Company for a period of 5 years with effect from 30th September, 2014, not liable to retire by rotation.”

“RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to take all such steps, acts and deeds as may be necessary, proper and expedient to give effect to all the above Resolutions and file necessary forms with Registrar of Companies.”

(11) Approval of Remuneration of the Cost Auditor for the financial year 2014-15

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



“RESOLVED THAT pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) of re-enactment thereof, for the time being in force) made there under, Sri K.S.N. Sarma, the Cost Auditor, appointed by the Board of Directors of the company, to conduct the audit of the cost records of the company for the financial year 2014-15 be paid a remuneration of ₹ 75,000/- (₹ Seventy Five Thousand Only) in addition to reimbursement of out of pocket expenses, at actuals.”

(12) To approve borrowing powers.

To consider and if thought fit to pass, with or without modification the following resolution as a Special Resolution:

“RESOLVED THAT in supersession of the Resolutions adopted by the Company in earlier years with respect to the borrowing powers of the Board of Directors, and pursuant to Section 180(1)(c) and other applicable provisions, if any, of the Companies Act, 2013 (hereinafter referred to as the “Act”) read with the Rules made hereunder, or any statutory modification thereof, consent of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as the “Board”, which expression shall also include a Committee thereof) of the Company to borrow any sum(s) of money or moneys from time to time not withstanding that the moneys to be borrowed, together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company’s Bankers in the ordinary course of business) may exceed the aggregate of the paid-up share capital of the Company and its free reserves provided that the aggregate of the monies borrowed by the Board and outstanding at any time does not exceed ₹ 750 Crores or the aggregate of paid-up share capital of the Company and its free reserves, whichever is higher.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this Resolution.”

(13) Creation of mortgage/Charge.

To consider and if thought fit to pass, with or without modification, the following resolution as a Special Resolution:

“RESOLVED THAT in supersession of the Resolutions adopted by the Company in previous years with respect to creation of mortgage/charge in favour of Banks/Financial Institutions and others by the Board of Directors for the borrowings of the Company, and pursuant to Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 (hereinafter referred to as the “Act”), and the rules made thereunder or any statutory modification thereof, consent of the Company be and is hereby accorded to the creation by the Board of Directors of the Company of such mortgages, charges and hypothecation in addition to the existing mortgages, charges and hypothecation created by the Company as the Board may direct, on such assets of the Company, both present and future, in such manner as the Board may direct, together with power to take over the management/undertaking of the Company in certain events to or in favour of all or any of the financial institutions, investment institutions and their subsidiaries, Export Import Bank of India, public sector banks, private sector banks, mutual funds, any other companies or bodies corporate and any other lenders (hereinafter collectively referred to as ‘the lending agencies’) and/or Trustees for the holders of debentures/bonds/other instruments which may be issued on a paripassu basis or otherwise not exceeding ₹ 750-00 Crores or the aggregate of paid-up share capital of the Company and its free reserves, whichever is higher, which have been/are proposed to be obtained from or privately placed with the lending agencies together with interest thereon at the agreed rates, further interest, liquidated damages, premium on prepayment or on redemption, costs, charges, expenses and all other monies payable by the Company to the Trustees under the trust deeds and/or to the lending agencies under the respective agreements / loan agreements / debenture trust deeds entered into/to be



entered into by the Company in respect of the said borrowings.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with the lending agencies/ trustees or any of them, the documents for creating the mortgages/charges/hypothecation and to accept or make any alterations/changes/ variations to or in the terms and conditions and to do all such acts, deeds, matters and things and to execute all such documents and writings as it may consider necessary for the purpose of giving effect to this resolution.”

By Order of the Board
Ramesh Babu Potluri
Chairman & Managing Director

Place : Hyderabad
Date : 26.08.2014

Notes:

1. The relative Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 in respect of Item Nos. 6 to 13 is annexed hereto. Information under Clause 49 of the listing agreement relating to Directors proposed to be appointed/reappointed is provided as an Annexure to this Notice.
2. The Register of Members and Transfer Books of the Company will be closed from Thursday, 25th September, 2014 to Tuesday 30th September, 2014, both days inclusive.
3. The dividend that may be declared by the Company will be paid on or after 30th September, 2014, to those members of the Company holding shares in physical form whose names appear on the Register of Members as on 30th September, 2014. In respect of shares held in electronic form, the dividend will be paid to the beneficial owners of the shares as per details that may be provided by the Depositories for this purpose.
4. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself/herself and the proxy need not be a Member of the Company. Proxies, in order to be effective must be received at the Company’s registered office not less than 48 hours before the meeting. 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.
5. Corporate members intending to send their authorized representative(s) to attend the meeting are requested to send a certified copy of the Board resolution authorizing their representative(s) to attend and vote on their behalf at the meeting.
6. The shareholders are requested to intimate immediately any change in their address or bank mandates to their depository participants with whom they are maintaining their demat accounts or to the Company’s Share Transfer Agent M/s. Aarthi Consultants Private Limited, if the shares are held in physical form.
7. 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 sing at the place provided on the attendance slip and hand it over at the entrance of the venue.
8. Shareholders desiring any information relating to the accounts are requested to write to the Company at an early date so as to enable the management to keep the information ready.
9. The annual report for the 2013-14 is being sent by electronic mode only to the Members whose Email addresses are registered with the Company/Depository Participant(s) for communication purpose unless any member has requested for a hard copy of the same. For members who have not registered their Email addresses physical copies of the annual report 2013-14 are being sent by the permitted mode.



Pharmaceuticals Ltd.

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

As required by Section 102 of the Companies Act, 2013 (“the Act”) the following Explanatory Statement sets out the material facts relating to Item Nos. 6-13 mentioned in the Notice:

Item Nos. 6 to 8

Appointment of Independent Directors

Sri A.P. Rao, Dr. Mihir K. Chaudhuri and Sri K.S. Rao were appointed as non- executive directors from time to time and were considered as independent directors for the purpose of Clause 49 of the listing agreement and also as per the provisions of Companies Act, 1956.

As per the provisions of Section 149 of the Companies Act, 2013 (“Act”) which has come into force with effect from 1st April, 2014, an Independent Director shall hold office for a term upto five consecutive years on the Board of a company and they are not liable to retire by rotation.

Sri A.P. Rao, Dr. Mihir K. Chaudhuri and Sri K.S. Rao have given a separate declaration to the Board that they will meet the criteria of independence as provided under Section 149(6) of the Act.

The Company has received a notice in writing from a member along with the deposit of requisite amount under Section 160 of the Act proposing the candidature of Sri A. P. Rao, Dr. Mihir K. Chaudhuri and Sri K. S. Rao for the office of Director of the Company.

The Nomination & Remuneration Committee has recommended their appointment as Independent Directors for a period of five years with effect from 30th September, 2014. The Board has also considered and recommended their appointment. In the opinion of the Board, the Independent Directors proposed to be appointed fulfills the conditions specified in the Companies Act, 2013 and the Rules made there under and the proposed Directors are independent of the management.

In compliance with the provisions of Sections 161(1) and 149 read with Schedule IV of the Act, the appointment of Sri A. P. Rao, Dr. Mihir K. Choudhari and Sri K. S. Rao as Independent Directors, being proposed before the Members in general meeting for approval.

The terms and conditions of appointment of the above Independent Directors shall be open for inspection by the members at the Registered Office during normal business hours on any working day of the Company.

None of the Directors, key managerial personnel or their relatives, except Sri A. P. Rao, Dr. Mihir K. Choudhari and Sri K. S. Rao, is concerned or interested in these Resolutions.

A brief profile of the independent directors is given below:

Sri A.P. Rao

Sri A.P. Rao, aged 71 years an MBA and Cost Accountant by qualification, is a senior management expert in the financial sector. He has been on the Board of Directors of the Company since 1994. He is on the Board of M/s. Sri Cybertech Private Limited, M/s. APR Investments and Leasing Private Limited, M/s. Vision Financial Services Private Limited and M/s. Pioneer Spinning & Weaving Mills Limited.

Dr. Mihir K. Chaudhuri

Dr. Mihir K. Chaudhuri aged 68 years has a Doctorate from IIT, Kharagpur, India and Ruhr University, Bochum, West Germany. He has been a fellow of various academic bodies and has been recognized as one of the best Chemists & Chemical Engineers by ISI, USA. Presently he is the Vice-Chancellor of Tezpur University, Tezpur (Assam). He has been on the Board of the Company since 2004.

Sri K.S. Rao

Sri K.S. Rao aged 70 years is a Chartered Accountant and he is a partner in M/s. Brahmaya & Co., a renowned Chartered Accountants firm in Southern India. He has been on the Board of the Company since 2005. He is on the Board of M/s. CMH Tools Limited and M/s. Thermal Systems (Hyderabad) Private Limited.

Item No. 09

Appointment of Sri P. Sharath Kumar, as an Independent Director.

Sri P. Sharath Kumar aged 58 years is a Chartered Accountant and is the senior partner of M/s. Sharath & Associates, Chartered Accountants. He has



about 32 years of professional experience, has a Degree in Law, is a Certified fraud examiner. He specializes in Financial Strategy, Restructuring, personal Financial Management, Red Flag Studies, Forensic investigations and preventive Fraud Risk Management.

The Board of Directors of the Company had appointed him as an Additional Director of the Company with effect from 12th August, 2014.

In terms of the provisions of Section 161(1) of the Act, Sri P. Sharath Kumar would hold office up to the date of ensuing Annual General Meeting.

The Company has received a notice in writing from a member along with the deposit of requisite amount under Section 160 of the Act proposing the candidature of Sri P. Sharath Kumar for the office of Director of the Company.

As per the provisions of Section 149 of the Companies Act, 2013 an Independent Director shall hold office for a term upto five consecutive years on the Board of a company and is not liable to retire by rotation. Sri P. Sharath Kumar has given a declaration to the Board that he meets the criteria of independence as provided under Section 149(6) of the Act.

The matter regarding appointment of Sri P. Sharath Kumar as an Independent Director was placed before the Nomination & Remuneration Committee, which commends his appointment as an Independent Director for a term of 5 years with effect from 30th September, 2014. The Board has also considered and recommended his appointment. In the opinion of the Board, the Independent Directors proposed to be appointed fulfills the conditions specified in the Companies Act, 2013 and the Rules made there under and the proposed Directors are independent of the management.

In compliance with the provisions of Sections 161(1) and 149 read with Schedule IV of the Act, the appointment of Sri P. Sharath Kumar as an Independent Director is now being placed before the Members in general meeting for approval.

The terms and conditions of appointment of Sri P. Sharath Kumar shall be open for inspection by the members at the Registered Office during normal business hours on any working day of the Company.

None of the Directors, key managerial personnel or their relatives, except Sri P. Sharath Kumar, are concerned or interested in the Resolution.

Item No. 10

Appointment of Dr. (Mrs.) Thummala Neelaveni, as an Independent Director.

Dr. (Mrs.) Thummala Neelaveni aged 50 years is a medical doctor by profession. The Board of Directors of the Company had appointed her as an Additional Director with effect from 12th August, 2014.

In terms of the provisions of Section 161(1) of the Act, Dr. (Mrs.) Thummala Neelaveni would hold office up to the date of ensuing Annual General Meeting.

The Company has received a notice in writing from a member along with the deposit of requisite amount under Section 160 of the Act proposing the candidature of Dr. (Mrs.) Thummala Neelaveni for the office of Director of the Company.

As per the provisions of Section 149 of the Companies Act, 2013 an Independent Director shall hold office for a term upto five consecutive years on the Board of a company and is not liable to retire by rotation. Dr. (Mrs.) Thummala Neelaveni has given a declaration to the Board that she meets the criteria of independence as provided under Section 149 (6) of the Act.

The matter regarding appointment of Dr. (Mrs.) Thummala Neelaveni as Independent Director was placed before the Nomination & Remuneration Committee, which commends her appointment. In the opinion of the Board, the Independent Director proposed to be appointed fulfills the conditions specified in the Companies Act, 2013 and the Rules made there under and the proposed Director is independent of the management.

In compliance with the provisions of Sections 161(1) and 149 read with Schedule IV of the Act, the appointment of Dr. (Mrs.) Thummala Neelaveni as an Independent Director is now being placed before the Members in general meeting for approval.

The terms and conditions of appointment of Dr. (Mrs.) Thummala Neelaveni shall be open for inspection by the members at the Registered Office during normal business hours on any working day of the Company.

None of the Directors, key managerial personnel or their relatives, except Dr. (Mrs.) Thummala



Neelaveni, is concerned or interested in the Resolution.

Item No. 11

The Board of Directors on the recommendation of the Audit Committee has approved the appointment and remuneration of the Cost Auditors to conduct the audit of the cost records of the company for the financial year 2014-15.

In accordance with the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the company. Accordingly, consent of the members is sought for passing an Ordinary Resolution for ratification of the remuneration payable to the Cost Auditors for the financial year 2014-15.

None of the directors, key managerial personnel or their relatives is interested or concerned in the Resolution.

The Board recommends the Resolution for approval of the Members.

Item No. 12

The Company at its Annual General Meeting held on 29th September 2012, authorised the Board of Directors of the Company by way of Ordinary Resolution under Section 293(1)(d) of the Companies Act, 1956 to borrow for the purpose of the Company moneys in excess of the paid-up capital of the Company and its free reserves provided the sum or sums so borrowed and remaining outstanding at any point of time shall not exceed ₹ 500 Crores.

As per the provisions of Section 180(1)(c) of the Companies Act, 2013 the above powers can be exercised by the Board only with the consent of the shareholders obtained by a Special Resolution. Further, as per a clarification dated 25th March, 2014 issued by the Ministry of Corporate Affairs, the Ordinary Resolution earlier passed under Section 293(1)(d) of the Companies Act, 1956 will remain valid for a period of one year from the date of notification of Section 180 of the Act, i.e. upto 11th September, 2014. As such, it is necessary to obtain fresh approval of the shareholders by means of a Special Resolution, to enable the Board of Directors of the Company to borrow moneys, apart from temporary loans obtained from the Company's Bankers in the ordinary course of business, in excess

of the aggregate of paid-up share capital and free reserves of the Company.

Whilst with an increase in the said limits is currently being proposed, members' approval is being sought pursuant to Section 180 of the Act by way of a Special Resolution.

None of the Directors / key Managerial Personnel of the Company / their relatives are concerned or interested, in the resolution.

The Board recommends the Resolution.

Item No. 13

The Company at its Extra-Ordinary General Meeting held on 25th February 2000, authorised the Board of Directors of the Company by way of Ordinary Resolution under Section 293(1)(a) of the Companies Act, 1956, to create mortgage and / or charge on the immovable and movable properties of the Company in favour of the lenders to secure their financial assistance as mentioned in the said Resolution.

However, pursuant to the provisions of Section 180(1)(a) of the Companies Act, 2013 the above powers can be exercised by the Board only with the consent of the shareholders obtained by a Special Resolution. Further, as per a clarification dated 25th March, 2014 issued by the Ministry of Corporate Affairs, the Ordinary Resolution earlier passed under Section 293(1)(a) of the Companies Act, 1956 will remain valid for a period of one year from the date of notification of Section 180 of the Act, i.e. upto 11th September, 2014. As such, it is required to obtain fresh approval of the shareholders by means of a Special Resolution, to enable the Board of Directors of the Company to create charge / mortgage on the Company's assets as indicated in Resolution.

None of the Directors / key Managerial Personnel of the Company / their relatives are concerned or interested in the resolution.

The Board recommends the Resolution for the approval of the Members.

By Order of the Board
Ramesh Babu Potluri
Chairman & Managing Director

Place : Hyderabad
Date : 26.08.2014