

**CODE OF BUSINESS CONDUCT AND ETHICS FOR  
DIRECTOR(S) & SENIOR MANAGEMENT PERSONNEL**

**Originally adopted by the Board of Directors on 8<sup>th</sup> August, 2015**

**Amended by the Board of Directors on 5<sup>th</sup> December, 2015**

**Amended by the Board of Directors on 14<sup>th</sup> May, 2016**

**Amended by the Board of Directors on 10<sup>th</sup> August, 2016**

**Amended by the Board of Directors on 30<sup>th</sup> May, 2017**

**1. INTRODUCTION:**

- 1.1. The Code of Business Conduct and Ethics for Director(s) & Senior Management Personnel hereinafter referred to as “the Code”) of SMS Pharmaceuticals limited (hereinafter referred to as “SMS Pharmaceuticals”) represents the values and core principles that guide the conduct of SMS Pharmaceuticals and its business. The Code lays down the ethical standards that SMS Pharmaceuticals colleagues need to observe in their professional lives. The Code is a living document. It could be amended over the years to stay aligned with changing cultural and regulatory norms across the multiple jurisdictions in which we conduct our business.
- 1.2. We have prepared this Code of Conduct in keeping with global best practices and regulatory changes in key markets in which we operate. It explicitly references our group’s values, and linked with our group’s mission to improve the quality of life of the communities we serve globally through long-term stakeholder value creation; it clarifies the duties and responsibilities of SMS Pharmaceuticals and colleagues in relation to these stakeholder groups.
- 1.3. The Code is intended to be a contemporary and relevant guide for our times. It cannot, however, provide an answer to all possible questions or ethical dilemmas that may arise at the workplace. SMS Pharmaceuticals colleagues who feel uncertain about the appropriate professional conduct in any situation must seek guidance from the Chairman and utilise appropriate channels or platforms to discuss the same.
- 1.4. We must not only comply with the laws and regulations that govern our business, but strive to go beyond and set an example of business conduct that meets the highest ethical standards. Each SMS Pharmaceuticals colleague has the ability to make a vital difference to the quality of life of the communities we serve. This Code represents our individual and mutual commitment to discharge our responsibilities through the most sustainable and ethical means, and our shared determination to reinforce the SMS Pharmaceuticals reputation of leadership with Trust.
- 1.5. The Code is intended to provide guidance and help in recognizing and dealing with ethical issues and to help foster a culture of honesty and accountability. Every Director is expected to read and understand this Code and its application to the performance of his or her duties, functions and responsibilities.

**2. PRINCIPLES GOVERNING DISCLOSURES AND OBLIGATIONS:**

The Governing Principles of disclosures and dissemination of information by The Board of Directors of SMS Pharmaceuticals are mentioned hereunder:



- 2.1. Information shall be prepared and disclosed in accordance with applicable standards of accounting and financial disclosure.
- 2.2. The listed entity **shall implement the prescribed accounting standards in letter and spirit** in the preparation of financial statements taking into consideration the interest of all stakeholders and shall also ensure that the annual audit is conducted by an independent, competent and qualified auditor.
- 2.3. The listed entity shall refrain from misrepresentation and ensure that the information provided to recognised stock exchange(s) and investors is not misleading.
- 2.4. The listed entity shall provide adequate and timely information to recognised stock exchange(s) and investors.
- 2.5. The listed entity shall ensure that disseminations made under provisions of these regulations and circulars made thereunder, are adequate, accurate, explicit, timely and presented in a simple language.
- 2.6. Channels for disseminating information shall provide for equal, timely and cost efficient access to relevant information by investors.
- 2.7. **The listed entity shall abide by all the provisions of the applicable laws including the securities laws and also such other guidelines as may be issued from time to time by the Board and the recognised stock exchange(s) in this regard and as may be applicable.**
- 2.8. **The listed entity shall make the specified disclosures and follow its obligations in letter and spirit taking into consideration the interest of all stakeholders.**
- 2.9. Filings, reports, statements, documents and information which are event based or are filed periodically shall contain relevant information.
- 2.10. Periodic filings, reports, statements, documents and information reports shall contain information that shall enable investors to track the performance of a listed entity over regular intervals of time and shall provide sufficient information to enable investors to assess the current status of a listed entity.

### **3. DUTIES & RESPONSIBILITIES OF THE BOARD OF DIRECTORS:**

The Board of Directors of the listed entity shall have the following duties and responsibilities:

#### **3.1. DISCLOSURE OF INFORMATION TO THE BOARD OF DIRECTORS:**

- i. **Members** of Board of Directors and **Key Managerial Personnel** shall disclose to the Board of Directors whether they, **directly, indirectly**, or on behalf of third parties, have a material interest in any transaction or matter directly affecting the listed entity.
- ii. The Board of Directors and Senior Management shall conduct themselves so as to meet the expectations of **operational transparency to stakeholders** while at the same time maintaining confidentiality of information in order to foster a culture of good decision-making.

#### **3.2. DUTIES OF DIRECTORS, AS STIPULATED THE COMPANIES ACT, 2013 IS MENTIONED HEREUNDER:**

- i. **Subject to the provisions of this Com. Act**, a director of a company shall act in accordance with the **articles of the company**.
- ii. As a Member of Board of Directors, they shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole,



and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.

- iii. As a Member of Board of Directors, they shall exercise their duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- iv. As a Member of Board of Directors, they shall not involve in a situation in which they may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.
- v. As a Member of Board of Directors, they shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.
- vi. As a Member of Board of Directors, they shall not assign his office and any assignment so made shall be void.**

### 3.3. **KEY FUNCTIONS OF THE BOARD OF DIRECTORS:**

- i. Reviewing and guiding the
  - (a) corporate strategy,
  - (b) major plans of action,
  - (c) risk policy,
  - (d) annual budgets and business plans,
  - (e) setting performance objectives,
  - (f) monitoring implementation and
  - (g) corporate performance, and
  - (h) overseeing major capital expenditures,
  - (i) acquisitions and divestments.
- ii. Monitoring the effectiveness of the listed entity's governance practices and making changes as needed.
- iii. Selecting, compensating, monitoring and, when necessary, replacing Key Managerial Personnel and overseeing succession planning.**
- iv. Aligning Key Managerial Personnel and remuneration of Board of Directors with the longer term interests of the listed entity and its shareholders.
- v. Ensuring a transparent nomination process to the Board of Directors with the diversity of thought, experience, knowledge, perspective and gender in the Board of Directors.**
- vi. Monitoring and managing potential conflicts of interest of management, members of the Board of Directors and shareholders, including misuse of corporate assets and abuse in related party transactions.**
- vii. Ensuring the integrity of the listed entity's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.
- viii. Overseeing the process of disclosure and communications.
- ix. Monitoring and Reviewing Board of Director's Evaluation Framework.**

### 3.4. **OTHER RESPONSIBILITIES:**

- i. The Board of Directors shall provide strategic guidance to the listed entity, ensure effective monitoring of the management and shall be accountable to the listed entity and the shareholders.



- ii. The Board of Directors shall set a corporate culture and the values by which executives throughout a group shall behave.**
- iii. The Board of Directors shall encourage continuing directors training to ensure that the members of Board of Directors are kept up to date.
- iv. Where decisions of the Board of Directors may affect different shareholder groups differently, the Board of Directors shall treat all shareholders fairly.
- v. The Board of Directors shall maintain high ethical standards and shall take into account the interests of stakeholders.
- vi. The Board of Directors shall ensure that, while rightly encouraging positive thinking, these do not result in over-optimism that either leads to significant risks not being recognised or exposes the listed entity to excessive risk.
- vii. The Board of Directors shall consider assigning a sufficient number of non-executive members of the Board of Directors capable of exercising independent judgement to tasks where there is a potential for conflict of interest.
- viii. The Board of Directors shall have ability to 'step back' to assist executive management by challenging the assumptions underlying: strategy, strategic initiatives (such as acquisitions), risk appetite, exposures and the key areas of the listed entity's focus.
- ix. The Board of Directors shall exercise objective independent judgement on corporate affairs.
- x. Members of the Board of Directors shall be able to commit themselves effectively to their responsibilities.
- xi. The Board of Directors and Senior Management shall facilitate the independent directors to perform their role effectively as a member of the Board of Directors and also a member of a committee of board of directors.
- xii. In order to fulfil their responsibilities, members of the Board of Directors shall have access to accurate, relevant and timely information.**
- xiii. Members of the Board of Directors shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the listed entity and the shareholders.**

***As per Part 'A' of Schedule II (Corporate Governance) of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 Chief Financial Officer or Chief Executive officer of the Company is liable to place before the Board of Directors the minimum information as specified hereunder:***

- (a) Annual operating plans and budgets and any updates.
- (b) Capital budgets and any updates.**
- (c) Quarterly results for the listed entity and its operating divisions or business segments.
- (d) Minutes of meetings of **audit committee** and other committees of the Board of Directors.



- (e) **The information on recruitment and remuneration of senior officers just below the level of Board of Directors, including appointment or removal of Chief Financial Officer and the Company Secretary.**
- (f) **Show cause, demand, prosecution notices and penalty notices, which are materially important.**
- (g) **Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.**
- (h) **Any material default in financial obligations to and by the listed entity, or substantial non-payment for goods sold by the listed entity.**
- (i) **Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the listed entity or taken an adverse view regarding another enterprise that may have negative implications on the listed entity.**
- (j) Details of any joint venture or collaboration agreement.
- (k) Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- (l) Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
- (m) Sale of investments, subsidiaries, assets which are material in nature and not in normal course of business.
- (n) **Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.**
- (o) **Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.**

**xiv. MEMBERS OF AUDIT COMMITTEE, NOMINATION AND REMUNERATION COMMITTEE AND STAKEHOLDER'S RELATIONSHIP COMMITTEE OF THE BOARD OF DIRECTORS ARE ABIDING BY THE RESPECTIVE CHARTER OF THE COMMITTEE.**

#### **4. ADDITIONAL DUTIES OF INDEPENDENT DIRECTORS:**

- 4.1. **Independent Director means a Director who fulfills the criteria mentioned under section 149(6) of Companies Act, 2013 and submitted a declaration regarding the same before appointment.**
- 4.2. undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- 4.3. **seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;**
- 4.4. strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
- 4.5. participate constructively and actively in the committees of the Board in which they are chairpersons or members;



- 4.6. strive to attend the general meetings of the company;
- 4.7. **where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;**
- 4.8. keep themselves well informed about the company and the external environment in which it operates;
- 4.9. not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- 4.10. pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;
- 4.11. **ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;**
- 4.12. report concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- 4.13. acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
- 4.14. **NOT DISCLOSE CONFIDENTIAL INFORMATION, INCLUDING COMMERCIAL SECRETS, TECHNOLOGIES, ADVERTISING AND SALES PROMOTION PLANS, UNPUBLISHED PRICE SENSITIVE INFORMATION, UNLESS SUCH DISCLOSURE IS EXPRESSLY APPROVED BY THE BOARD OR REQUIRED BY LAW.**

## **5. OBLIGATIONS WITH RESPECT TO DIRECTORS AND SENIOR MANAGEMENT.**

- 5.1. A director **shall not be a member in more than 10 (ten) committees** or act as **chairperson of more than 5 (five) committees across all listed entities** in which he is a director which shall be determined as follows:
  - i. **the limit of the committees** on which a director may serve in **all public limited** companies, whether listed or not, **shall be included** and **all other companies** including private limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013 **shall be excluded;**
  - ii. for the purpose of determination of limit, chairpersonship and membership of the **audit committee and the Stakeholders' Relationship Committee** alone shall be considered.
- 5.2. **Every director shall inform the listed entity about the committee positions he or she occupies in other listed entities and notify changes as and when they take place.**
- 5.3. **Non-executive directors** shall disclose **their shareholding**, held either by **them** or on a **beneficial basis** for any other persons in the listed entity in which they are proposed to be appointed as directors, in the notice to the general meeting called for appointment of such director
- 5.4. **Senior Management shall make disclosures to the Board of Directors relating to all material, financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the listed entity at large.**





**Explanation-** For the purpose of this sub-regulation, conflict of interest relates to dealing in the shares of listed entity, commercial dealings with bodies, **which have shareholding of management and their relatives etc.**

- 5.5. **ALL MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT PERSONNEL SHALL AFFIRM COMPLIANCE WITH THE CODE OF CONDUCT OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT ON AN ANNUAL BASIS.**

**6. OBLIGATIONS WITH RESPECT TO INDEPENDENT DIRECTORS.**

- 6.1. A person **shall not serve as an Independent Director in more than 7 (seven) listed entities. Provided that** any person who is serving as a whole time director in any listed entity shall serve as an independent director in not more than three listed entities.
- 6.2. The maximum **tenure of Independent Directors** shall be in accordance with the Companies Act, 2013 and rules made thereunder, in this regard, from time to time.
- 6.3. The Independent Directors of the listed entity **shall hold at least one meeting in a year, without the presence of Non-Independent Directors** and members of the management and all the independent directors shall strive to be present at such meeting.
- 6.4. The Independent Directors in the meeting referred above shall, inter alia-
- i. Review the performance of Non-Independent Directors and the Board of Directors as a whole;
  - ii. Review the performance of the Chairperson of the listed entity, taking into account the views of executive directors and non-executive directors;
  - iii. **Assess the quality, quantity and timeliness of flow of information between the management of the listed entity and the Board of Directors that is necessary for the Board of Directors to effectively and reasonably perform their duties.**
- 6.5. An Independent Director who **resigns or is removed** from the Board of Directors of the listed entity **shall be replaced by a New Independent Director** by listed entity at the earliest but **not later than**
- (a) **the immediate next meeting of the Board of Directors or**
  - (b) **three months from the date of such vacancy,**
- whichever is later.**

**Provided that,** where the listed entity fulfils the requirement of independent directors in its Board of Directors without filling the vacancy created by such resignation or removal, the requirement of replacement by a new independent director shall not apply.

- 6.6. The listed entity shall familiarise the independent directors through various programmes about the listed entity, including the following:
- i. nature of the industry in which the listed entity operates;
  - ii. business model of the listed entity;
  - iii. roles, rights, responsibilities of independent directors; and
  - iv. any other relevant information.
- 6.7. **AN INDEPENDENT DIRECTOR SHALL BE HELD LIABLE, ONLY IN RESPECT OF SUCH ACTS OF OMISSION OR COMMISSION BY THE LISTED ENTITY WHICH HAD OCCURRED WITH HIS KNOWLEDGE, ATTRIBUTABLE THROUGH PROCESSES OF BOARD OF DIRECTORS, AND WITH HIS CONSENT OR CONNIVANCE OR WHERE HE HAD NOT ACTED DILIGENTLY WITH RESPECT TO THE PROVISIONS CONTAINED IN THESE REGULATIONS.**

- 7. APART FROM ABOVE THE ALL MEMBERS OF THE BOARD OF DIRECTORS SHALL AFFIRM DIRECTORS' RESPONSIBILITY STATEMENT REFERRED TO IN CLAUSE (C) OF SUB-SECTION (3) OF SECTION 134 OF THE COMPANIES ACT, 2013 ON AN ANNUAL BASIS WHICH STATE:**



- 7.1. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 7.2. the directors had selected such accounting policies 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;
- 7.3. the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- 7.4. the directors had prepared the annual accounts on a going concern basis; and
- 7.5. the directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.  
**Explanation:** For the purposes of this clause, the term “internal financial controls” means the policies and procedures adopted by the company 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;
- 7.6. the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.
- 8. The listed entity shall lay down procedures to inform members of Board of Directors about risk assessment and minimization procedures.**
- 9. The Board of Directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.**
- 10. The performance evaluation of independent directors shall be done by the entire Board of Directors. Provided that, in the above evaluation the directors who are subject to evaluation shall not participate.**

#### **11. OBLIGATIONS ON CHIEF FINANCIAL OFFICER & CHIEF EXECUTIVE OFFICER**

The Chief Financial Officer & Chief Executive Officer shall place before the Board of Directors minimum information as mentioned under Para 3.4.(xiii).

***Apart from that they shall provide the compliance certificate to the Board of Directors as specified in Part B of Schedule II of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 as specified hereunder:***

#### **COMPLIANCE CERTIFICATE**

- 11.1. They have reviewed financial statements and the cash flow statement **for the quarter/year** and that to the best of their knowledge and belief:
- i. these statements **do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;**
  - ii. 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.
- 11.2. There are, to the best of their knowledge and belief, no transactions entered into by the listed entity during the year which are fraudulent, illegal or violate the listed entity’s code of conduct.





- 11.3. **They accept responsibility** for establishing and maintaining **internal controls for financial reporting** and that they have evaluated the effectiveness of internal control systems of the listed entity pertaining to financial reporting and they have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- 11.4. **They have indicated to the auditors and the Audit committee**
- i. significant changes in internal control over financial reporting during the year;
  - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii. instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the listed entity's internal control system over financial reporting.

## **12. OBLIGATIONS OF COMPLIANCE OFFICER:**

12.1. The compliance officer of the listed entity shall be responsible:

- i. for ensuring conformity with the regulatory provisions applicable to the listed entity in letter and spirit.**
- ii. for co-ordination with and reporting to the Board, recognised stock exchange(s) and depositories with respect to compliance with rules, regulations and other directives of these authorities in manner as specified from time to time.
- iii. for ensuring that the correct procedures have been followed that would result in the correctness, authenticity and comprehensiveness of the information, statements and reports filed by the listed entity under these regulations.
- iv. for monitoring email address of grievance redressal division as designated by the listed entity for the purpose of registering complaints by investors.**
- v. to facilitate the convening of meetings and attend Board, Committee and General Meetings and maintain the Minutes of these meetings and to obtain approvals from the Board, general meeting, the government and such other authorities as required under the provisions of the Act;
- vi. to represent before various regulators, and other authorities under the Act in connection with discharge of various duties under the Act;
- vii. to assist the Board in the conduct of the affairs of the company;
- viii. to assist and advise the Board in ensuring good corporate governance and in complying with the corporate governance requirements and best practices; and
- ix. to discharge such other duties as have been specified under the Act or rules; and
- x. such other duties as may be assigned by the Board from time to time.**

12.2. **The Company has appointed Company Secretary as Compliance Officer (CO) who shall report to the Board of Directors.**

## **13. COMPOSITION OF BOARD OF DIRECTORS:**

The composition of the listed entity shall be as follows:

- i. Board of Directors shall have an optimum combination of executive and non-executive directors with **at least one woman director and not less than fifty per cent. of the Board of Directors shall comprise of non-executive directors;**

- ii. where the **chairperson of the Board of Directors is a non-executive director, at least one-third of the Board of Directors shall comprise of independent directors** and **where the listed entity does not have a regular non-executive chairperson, at least half of the Board of Directors shall comprise of independent directors:**
- iii. **Provided that** where the regular non-executive chairperson is a promoter of the listed entity or is related to any promoter or person occupying management positions at the level of board of director or at one level below the Board of Directors, at least half of the Board of Directors of the listed entity shall consist of independent directors.
- Explanation:** For the purpose of this clause, the expression "related to any promoter" shall have the following meaning:
- iv. if the promoter is a listed entity, its directors other than the independent directors, its employees or its nominees shall be deemed to be related to it;
- v. if the promoter is an unlisted entity, its directors, its employees or its nominees shall be deemed to be related to it.

#### **14. MEETING OF DIRECTORS**

- 14.1. **The Board of Directors shall meet at least 4 (four) times a year, with a maximum time gap of 120 (one hundred and twenty) days between any two meetings.**
- 14.2. The Board of Directors shall periodically review compliance reports pertaining to all laws applicable to the listed entity, prepared by the listed entity as well as steps taken by the listed entity to rectify instances of non-compliances.
- 14.3. The Board of Directors of the listed entity shall satisfy itself that plans are in place for orderly succession for appointment to the Board of Directors and senior management.

#### **15. QUORUM**

- 15.1. The quorum for a meeting of the Board of Directors of a company shall be **one third of its total strength or two directors, whichever is higher, and the participation of the directors by video conferencing or by other audio visual means shall also be counted for the purposes of quorum under this sub-section.**
- 15.2. The continuing directors may act **notwithstanding any vacancy in the Board;** but, if and so long as their number is reduced below the quorum fixed by the Act for a meeting of the Board, the continuing directors or director may act for the purpose of increasing the number of directors to that fixed for the quorum, or of summoning a general meeting of the company and for no other purpose.
- 15.3. Where at any time **the number of interested directors exceeds or is equal to two thirds of the total strength of the Board of Directors,** the number of directors who are not interested directors and present at the meeting, **being not less than two, shall be the quorum during such time.**  
Explanation: for the purposes of this sub-section, "interested director" means a director within the meaning of sub-section (2) of section 184.
- 15.4. Where a meeting of the Board could not be held for want of quorum, the meeting shall automatically stand adjourned to the same day at the same time and place in the next week or **if that day is a national holiday, till the next succeeding day, which is not a national holiday,** at the same time and place.



15.5. Explanation: For the purposes of this section,—

- (i) any fraction of a number shall be rounded off as one;
- (ii) “total strength” shall not include directors whose places are vacant.

## **16. SECRETARY**

The Company Secretary shall act as Secretary to the Committee.

## **17. MANAGERIAL REMUNERATION & SITTING FEE ENTITLEMENT**

**17.1. Payment of Managerial Remuneration is Subject to provision of Article 75-77 of Article of Association and Sec. 197 of the Companies Act, 2013 along with The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and any amendment made thereof from time to time.**

17.2. The total managerial remuneration payable by SMS Pharmaceuticals, to its directors, including managing director and whole-time director, and its manager in respect of **any financial year shall not exceed 11% (eleven percent) of the net profits of that company for that financial year** computed in the manner laid down in section 198 except that the remuneration of the directors shall not be deducted from the gross profits:

**Provided that**, the company in general meeting may, with the approval of the Central Government, authorise the payment of remuneration exceeding 11% (eleven percent) of the net profits of the company, subject to the provisions of Schedule V;

**Provided further that**, except with the approval of the company in general meeting:

- i. the remuneration payable to **any one managing director; or whole-time director** or manager **shall not exceed 5% (five percent) of the net profits of the company and**
- ii. **if there is more than one such director remuneration shall not exceed 10% (ten percent) of the net profits to all such directors and manager taken together;**

17.3. the remuneration payable to directors who are neither managing directors nor whole-time directors i.e. Non-Executive Directors **shall not exceed,**

- i. **1% (one percent) of the net profits** of the company, **if there is a managing or whole-time director or manager;**
- ii. **3% (three percent)** of the net profits in any other case.

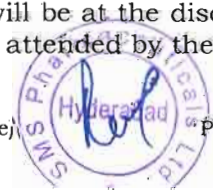
17.4. **The percentages aforesaid shall be exclusive of any sitting fees payable to directors.**

17.5. **The net profits for the purposes of this section shall be computed in the manner referred to in section 198**

17.6. SMS Pharmaceuticals Limited shall pay the sitting fee to each independent director for attending meetings of the Board or any committee made there under, as mentioned hereunder:

- |                                       |                            |
|---------------------------------------|----------------------------|
| • For Audit Committee Meetings        | = Rs. 50,000/- per meeting |
| • For other Committee Meetings        | = Rs. 25,000/- per meeting |
| • For Board Meetings                  | = Rs. 25,000/- per meeting |
| • For Independent Directors' Meetings | = NIL                      |

**Provided that**, sitting fee payable to the Nominee Directors will be at the discretion of the Board of the Directors of the Company for each meeting attended by them.





- 17.7. The remuneration payable to a director determined aforesaid shall be inclusive of the remuneration payable to him for the services rendered by him in any other capacity. **Provided that**, any remuneration for services rendered by any such director in other capacity **shall not be so included if—**
- i. the services rendered are of a professional nature; and
  - ii. in the opinion of the Nomination and Remuneration Committee, if the company is covered under sub-section (1) of section 178, or the Board of Directors in other cases, the director possesses the requisite qualification for the practice of the profession.
- 17.8. **WHOLE TIME DIRECTOR'S NOT ENTITLED TO SITTING FEE.**
- 17.9. **THE BOARD OF DIRECTORS SHALL RECOMMEND ALL FEES OR COMPENSATION, IF ANY, PAID TO NON-EXECUTIVE DIRECTORS, INCLUDING INDEPENDENT DIRECTORS.**
- 17.10. **INDEPENDENT DIRECTORS SHALL NOT BE ENTITLED TO ANY STOCK OPTION.**
- 17.11. **SUBJECT TO THE PROVISIONS OF SECTION 197 OF COMPANIES ACT, 2013 ANY DIRECTOR WHO IS IN RECEIPT OF ANY COMMISSION FROM THE COMPANY AND WHO IS A MANAGING OR WHOLE-TIME DIRECTOR OF THE COMPANY SHALL NOT BE DISQUALIFIED FROM RECEIVING ANY REMUNERATION OR COMMISSION FROM ANY HOLDING COMPANY OR SUBSIDIARY COMPANY OF SUCH COMPANY SUBJECT TO ITS DISCLOSURE BY THE COMPANY IN THE BOARD'S REPORT.**
- 17.12. SMS Pharmaceutical having an insurance policy name as Keyman Insurance Policy taken by the company on behalf of its managing director, whole-time director, manager, Chief Executive Officer, Chief Financial Officer or Company Secretary **for indemnifying any of them against any liability in respect of any negligence, default, misfeasance, breach of duty or breach of trust for which they may be guilty in relation to the company up to Rs. 10 Crore**, the premium paid on such insurance **shall not be treated as part of the remuneration payable to any such personnel.**  
**Provided that**, if such person is **proved to be guilty**, the premium paid on such insurance **shall be treated as part of the remuneration.**

## **18. DECLARATION AT THE TIME OF JOINING**

- 18.1. Every Director of SMS Pharmaceuticals shall furnish DIR-2 for Consent to act as a director of a company and submit Form DIR-8 & MBP-1 mentioning requisite details therein before joining the Board. Apart from that they will furnish Form-B of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 as specified by Securities Exchange Board of India.
- 18.2. Every Director of SMS Pharmaceuticals shall abide by other policies and code as adopted by the Company from time to time.

## **19. DETERMINATION OF MATERIALITY**

- 19.1. Pursuant to Regulation 30 (5) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 Mr. Ramesh Babu Potluri (Chairman and Managing Director), Mr. T.V.V.S.N. Murthy (Vice-Chairman and Joint Managing Director) and Chief Financial Officer are authorized to determine the materiality of an event or information.

Additionally, the Company Secretary also authorized to report and clarifies any event or information to the Stock Exchanges.

## **20. OBLIGATIONS ON SENIOR MANAGEMENT PERSONNEL(s)**

The term "Senior Management Personnel" shall mean personnel of the Company who are members of its core management team excluding the Board of Directors. Normally,



this would comprise of all members of management one level below the executive directors, including all functional heads/ Head of Departments (HODs).

#### 20.1. **Accountability:**

The Senior Management personnel shall discharge their duties in good faith and integrity in business judgment and in the best interests of the Company and its stakeholders. They are expected to use their best endeavors and organize the resources for advancing the Company's objectives. They shall act ethically, honestly, diligently and in good faith to protect the Company's properties, brand equity and image. They shall act in good faith, responsibly, with due care, competence and diligence and without allowing their independent judgment to be subordinated. They shall act in the best interests of the Company and fulfill their fiduciary obligations.

##### Conflict of Interest:

Directors/Senior Management personnel shall not engage in any business, relationship or activity, which may be in conflict with the interests of the Company. Notwithstanding anything contain herein, an Independent / Non- Executive Director shall have the full liberty to pursue his/ her independent professional/ business/ employment activities and/ or to assume office(s) of director/ trustee.

Conflicts can arise in many situations. It is not possible to cover every possible conflict situation and at times, it will not be easy to distinguish between proper and improper activity. Set forth are some of the common circumstances that may lead to a conflict of interest, actual or potential: -

- a) They should not engage in any activity/employment that interferes with the performance or responsibility to the Company or is otherwise in conflict with or prejudicial to the Company.
- b) They and their immediate families should generally refrain from investments in such companies/ entities whereby their responsibility to the Company is compromised.
- c) They should avoid conducting Company business with a relative or with a firm/company in which a relative/related party is associated in any significant role.

If such related party transaction is unavoidable, it must be fully disclosed to the Audit Committee and the Board of the Company.

Transactions/ dealing done on arm's length basis shall not be considered to be conflict of interest.

#### 20.2. **Confidentiality of Information:**

Any information concerning the Company's business, performance, its customers, suppliers, etc., which is not in the public domain and to which the Directors/Senior Management personnel have access or possesses such information must be considered confidential and held in confidence, unless authorized to do so and when disclosure is required under any law. No Director /Senior Management personnel shall provide any information either formally or informally, to any person, press or any other publicity media, unless specially authorized.

Examples of confidential information include but are not restricted to:

- Information not yet released to the public
- Unpublished company strategy
- Current or future R&D programs, technical breakthroughs and/or inventions
- Investments, planned mergers or acquisitions
- Information received from customers or partners
- Unpublished Financial data either actual or forecasted
- Employee information



**20.3. Team work and Spirit:**

The principles of mutual trust, teamwork and spirit shall be appreciated and maintained. Best efforts shall be made to contribute to an environment that builds confidence and empowers people through personal and professional growth. They shall attempt that the teams grow together through collaborative working, skills development, knowledge sharing and learning from each other. Employees being invaluable assets shall be motivated to achieve higher goals.

**21. FURNISHING OF THE DECLARATION TO THE BOARD**

Each Director and Senior Management Personnel shall furnish at the end of each financial year a declaration to the Compliance officer as mentioned hereunder as Annexure – 1 & Annexure – 2 respectively.

**22. AMENDMENT OF THE POLICY**

The Board of Directors of the Company on its own shall review the policy periodically and amend or modify this Policy in whole or in part, as required to commensurate with the legislative amendments, if any, and within the ambit of the legal provisions applicable to the related party transactions.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

This Policy will be communicated to all operational director/senior employees and other concerned persons of the Company and shall be placed on the website of the company at [www.smspharma.com](http://www.smspharma.com).

**This Code (as amended from time to time) shall be deemed to have come into force with effect from 8<sup>th</sup> Day of August, 2015.**

Ramesh Babu Potluri  
(CHAIRMAN)

Place : Hyderabad  
Dated : 30.05.2017





**SMS PHARMACEUTICALS LIMITED**

**CODE OF BUSINESS CONDUCT AND ETHICS FOR  
Director(s) & Senior Management Personnel (Code)**  
*(Pursuant to Regulation 26(3) of the SEBI (LODR) Regulation, 2015)*

**ANNUAL CONFIRMATION TO CODE BY DIRECTOR'S**  
(Submitted by 10<sup>th</sup> April each year)

To,  
The Compliance Officer,  
SMS Pharmaceuticals Limited  
CIN : L24239AP1987PLC008066  
Plot No: 19-III, Road No:71, Jubilee Hills,  
Opp.BharatiyaVidyaBhavan Public School,  
Hyderabad - 500034, Telangana State, India.  
Phone : + 91-40-6628 8888  
Email : [complianceofficer@smspharma.com](mailto:complianceofficer@smspharma.com)

I, ....., son of Mr. .... resident of ..... being a  
Director (DIN: .....) of SMS Pharmaceuticals Limited, do hereby solemnly affirm  
that I have, in letter and in spirit and to the best of my knowledge and belief, complied with  
the provisions of the "Code of Business Conduct and Ethics for Director(s) & Senior  
Management Personnel" during the financial year ending on 31<sup>st</sup> March, 20.....

.....  
(Name)

Place:

Date:



**SMS PHARMACEUTICALS LIMITED**

**CODE OF BUSINESS CONDUCT AND ETHICS FOR  
Director(s) & Senior Management Personnel (Code)**  
*(Pursuant to Regulation 26(3) of the SEBI (LODR) Regulation, 2015)*

**ANNUAL CONFIRMATION TO CODE BY SENIOR MANAGEMENT PERSONNEL**  
(Submitted by 10<sup>th</sup> April each year)

To,  
The Compliance Officer,  
SMS Pharmaceuticals Limited  
CIN : L24239AP1987PLC008066  
Plot No: 19-III, Road No:71, Jubilee Hills,  
Opp.BharatiyaVidyaBhavan Public School,  
Hyderabad - 500034, Telangana State, India.  
Phone : + 91-40-6628 8888  
Email : [complianceofficer@smspharma.com](mailto:complianceofficer@smspharma.com)

I, ....., son of Mr. ...., resident of ..... being a Senior Management Personnel and designated as ..... of the Company at its ....., do hereby solemnly affirm that I have received and read the Company's "Code of Business Conduct and Ethics for Director(s) & Senior Management Personnel" as applicable to all the senior management personnel. I have understood the provisions and policies contained in this Code. I have to the best of my knowledge and belief complied with this Code in letter and in spirit as applicable to me, during the financial year ending on 31<sup>st</sup> March, 20.....

.....  
(Name)

Place:

Date:

