



pharmaceuticals ltd.

**Registered & Corporate Office :**

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**CORPORATE SOCIAL RESPONSIBILITY POLICY**

**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**

**1. INTRODUCTION**

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

Section 135 & Schedule-VII of the Companies Act, 2013, which is related to CSR activities has been published in the Gazette of India (Ref. No. 27 dt. 30.08.2013). It has been notified on 27.02.2014 by Ministry of Corporate Affairs, to be made effective from 01.04.2014. In view of the above this policy on CSR is prepared.

**2. OUR CSR VISION**

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:

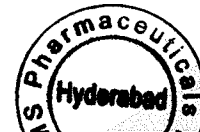
- i. To promote social and economic inclusion by ensuring that marginalized communities have equal access to healthcare services, educational opportunities, and rural development.
- ii. To bridge the gap of gender disparity in education, healthcare and employment.

**3. OUR PHILOSOPHY**

- 3.1. SMS Pharmaceuticals Limited seeks to continue its contribution to the society through its distinct value proposition that meets the needs of many people, enhancing their lives through healthcare, improving quality of living by providing education and enabling livelihoods by creating employment opportunities –
  - i. **For the Business-** value created for the society through business (including employment generation, market growth, creating opportunities etc.)
  - ii. **By the Business-** value created through CSR initiatives across different operating facilities with appropriate linkages to local communities in which they operate.
  - iii. **Beyond Business-** value created through interventions for the communities in diverse geographies across India.
- 3.2. The key philosophy of all CSR initiatives of the Company is guided by two core commitments of **impact & sustainability**.
- 3.3. SMS Pharmaceuticals Limited believes that in order to make meaningful impact, we need to partner with the government and like-minded organizations. Accordingly, we will engaged in several public-private partnership (PPP) projects aimed at effectively and transparently implementing welfare schemes for marginalized communities.

**4. OUR CSR APPROACH**

SMS Pharmaceuticals Limited



The Company firmly believes that CSR is primarily, the responsibility of the Company in relation to the impact of its decisions and activities on the society and also the environment, through a transparent and ethical behavior. This is consistent with sustainable development and welfare of society, stakeholders and in compliance with applicable law.

- i. Demonstrate commitment to the common good through responsible business practices and good governance.
- ii. Actively support the state's development agenda to ensure sustainable change and attain development of the nearby society.
- iii. Set high standards of quality in the delivery of services in the social sector by creating robust processes and replicable models.

## 5. SCOPE AND EXCLUSION

This policy is applicable to SMS Pharmaceuticals Ltd. in India. In furtherance of its CSR objects, the following are the key elements of the policy:

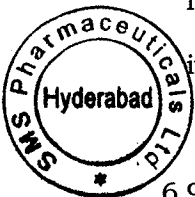
- 5.1. CSR activities implemented by the Company on its own,
- 5.2. Key focus areas of inclusive development.
- 5.3. CSR activities implemented by the Company through own trust/society or group company trust/society or any external trust/society.

## 6. TERMS AND REFERENCES

In this Policy, unless the context otherwise requires:

- 6.1. **"Act" shall mean** the Companies Act 2013, including any modifications, amendments or re-enactment thereof.
- 6.2. **"Agency" (or Agencies) means** any Section 8 Company or a registered trust/society/NGO/ institution, performing social services for the benefit of the society and excluding a registered trust/society/ NGO/institution/ Section 8 Company which is formed by the Company or its holding or subsidiary company/companies.
- 6.3. **"Approved Budget" shall mean** the total budget as approved by the Board of the Company upon the recommendation of the CSR Committee, which is to be utilized for CSR Projects.
- 6.4. **"Board" shall mean** the Board of Directors of the Company.
- 6.5. **"Company" shall mean** SMS Pharmaceuticals Limited and wherever the context requires, shall signify the Company acting through its Board.
- 6.6. **"CSR Annual Plan" shall mean** the annual plan detailing the CSR expenditure for the year.
- 6.7. **"CSR Committee" shall mean** the Corporate Social Responsibility Committee of the Board referred to in section 135 of the Companies Act, 2013.
- 6.8. **"CSR expenditure" means** all CSR expenditure of the Company as approved by the Board upon recommendation of the CSR committee, including the following:
  - i. contribution to CSR Projects which shall be implemented and/or executed by the Company;
  - ii. contribution to CSR Projects (including for corpus as required) which shall be implemented and/or executed by its Trust or Society; and
  - iii. contribution to CSR Projects (including for corpus as required) which shall be implemented and/or executed by an Agency.
  - iv. Any other contributions covered under Schedule VII.

**Contribution of any amount directly or indirectly to any political party under section 182 of the Act, shall not be considered as CSR expenditure.**
- 6.9. **"CSR Policy" shall mean** this policy.



6.10. **“CSR Projects” or “Projects” means** Corporate Social Responsibility projects/activities/ programs/ initiatives, instituted in India, either new or ongoing, and include, but are not limited to those undertaken by the Board in pursuance of recommendations of the CSR Committee as per the declared CSR Policy of the Company.

**Projects/activities/ programs/ initiatives undertaken in pursuance of normal course of business of the Company and projects which benefit only the employees of the Company and their families shall not be considered as CSR Projects.**

6.11. **“Financial Year” shall mean** the period beginning from 1st April of every year to 31st March of the succeeding year.

6.12. **“Group Companies” means** holding and subsidiaries of the Company, including their respective holding and subsidiary companies.

6.13. **“Net profit” shall mean** the net profit as per the Act and Rules based on which the specific percentage for CSR expenditure has to be calculated.

6.14. **“Rules” shall mean** the Companies (Corporate Social Responsibility) Rules 2014, including any re-enactment, modifications or amendments thereof.

6.15. **“Society” means** a Society formed and registered under the Societies Registration act, 1860 by the Company and includes a society jointly formed and registered by the Company with all or any of its Group Companies.

6.16. **“Trust” means** a Trust created and registered under the India Trusts Act, 1882 by the Company and includes a Trust jointly created and registered by the Company with all or any of its Group Companies.

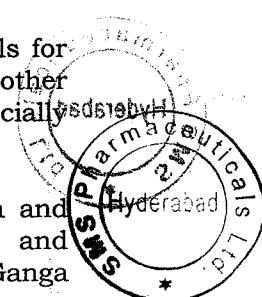
Words and expressions used and not defined in the Policy shall have the same meanings respectively assigned to them in the Act and/or Rules.

## 7. AREAS OF OPERATION

The Company is a fully integrated Pharma Company manufacturing finished dose formulations and active pharmaceutical ingredients and having its manufacturing facilities in the state of Andhra Pradesh and Telengana. Therefore, the Company will give preference to the areas in the states of Andhra Pradesh and Telengana for spending the amount earmarked for CSR activities.

**Thrust area of projects will be in accordance with Schedule VII (as amended by Govt. from time to time) and includes any or all of the following:**

- 7.1. eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation “including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation” and making available safe drinking water;
- 7.2. promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- 7.3. promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- 7.4. ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund setup by the Central Government for rejuvenation of river Ganga;



- 7.5. protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;
- 7.6. measures for the benefit of armed forces veterans, war widows and their dependents;
- 7.7. training to promote rural sports, nationally recognised sports, paralympic sports and Olympic sports;
- 7.8. contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Caste, the Scheduled Tribes, other backward classes, minorities and women;
- 7.9. contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government.
- 7.10. rural development projects.
- 7.11. slum area development.

**Explanation.—** For the purposes of this item, the term 'slum area' shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force.

#### 8. IDENTIFICATION & APPROVAL OF CSR ROGRAMS

Programs to be supported via CSR will be selected by the CSR committee through a transparent process and the selected programs will meet the regulatory requirements. All the CSR Projects/activities shall be identified by the CSR Committee of the Board and approved by the Board of Directors of the company.

#### 9. CORPORATE SOCIAL RESPONSIBILITY AND GOVERNANCE COMMITTEE (CSR&G COMMITTEE)

As per legal requirement CSR committee of the Board should consist 3 (three) or more Directors out of which 1 (one) should be Independent Director. Your Company had formulated a CSR&G Committee for proper governance of CSR spending under chairmanship of Mr. Ramesh Babu Potluri (Chairman & Managing Director) other than him two independent directors are also nominated as member of this committee. The present status of committee is as follows:

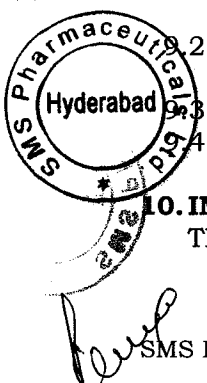
Sr. No.	Name of Director	Nature of Directorship	Designation in Committee
1	Mr. Ramesh Babu Potluri	Executive Director	Chairman
2	Mr. P.S. Rao	Non- Executive & Independent Director	Member
3	Mr. P. Sarath Kumar	Non- Executive & Independent Director	Member

The Corporate Social Responsibility Committee shall,—

- 9.1. formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;
- 9.2. recommend the amount of expenditure to be incurred on the activities referred to in clause (a);
- 9.3. approve the budgetary allocation of funds to monitor the CSR Activities; and
- 9.4. Monitor the Corporate Social Responsibility Policy of the company from time to time.

#### 10. IMPLEMENTATION OF CSR PROJECTS

The Company shall implement the identified CSR Projects by the following means:



**10.1. Direct Method**

- i. The Company may itself implement the identified CSR Projects presently within the scope and ambit of the Thrust Areas as defined in the Policy;
- ii. The Company may also implement the identified Projects presently through its Trust or Society or a Sec. 8 company which is involved in CSR activities, within the scope and ambit of the CSR Focus Areas as defined in the Policy.
- iii. The CSR Committee/Officer may engage external professionals/firms/agencies if required, for the purpose of implementation of its CSR Projects.

**10.2. Indirect Method**

The Company may implement the identified CSR Projects through Agencies, subject to the condition that:

- i. The activities pursued by the Agency are covered within the scope and ambit of Schedule VII of the Act provided
- ii. The Agency has an established track record of at least three years in undertaking similar programs or projects, and
- iii. The Company has specified the Project to be undertaken through the Agency which shall preferably be in CSR Focus Areas, the modalities of utilization of funds on such Projects and the monitoring and reporting mechanism which shall be at least once in three months.
- iv. The Company may collaborate with other companies, including its holding and subsidiary Companies and Group Companies if required, for fulfilling its CSR objects through the indirect method provided that the CSR Committees of respective companies are in a position to monitor separately such Projects.

**11. BUDGETING AND SPEND**

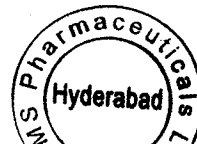
- 11.1. For each financial year, the minimum amount available for CSR spending will be defined in accordance with the applicable provisions of the statute. **Any surplus arising out of CSR projects shall not form part of business profit of the company.**
- 11.2. As per the statute, any unspent budget shall be reported in the Annual Report.
- 11.3. the Board of Directors and of the Company is authorise to do, all such acts, matters, deeds and things arise from CSR Policy, as may be considered necessary, proper or expedient to give effect to this policy and CSR expenditure.

**12. REPORTING**

CSR initiatives of the Company will be reported in the Annual Report in the format specified as "**Annexure - A**". Further, all spending made under CSR head will be reported to Board as per format specified under Companies (Corporate Social Responsibility Policy) Rules, 2014 and the same will be part of the Board's Report.

**13. Planning, Implementation & Monitoring**

- 13.1. In case of Direct method adopted by company the day-to-day implementation shall be under the overall supervision of a senior level executive, who shall act as the Nodal Officer. The Nodal officer along with a team of officials/employees drawn from different sections covering all levels (called the CSR coordination cell) shall coordinate & implement the CSR activities. The above group of officials/employees within the organization who shall execute the CSR activities shall be approved by the CSR committee.
- 13.2. The CSR Policy is implemented as per the Act and the Rules. The CSR policy will be implemented ensuring that all projects/programs as budgeted are duly carried out. CSR spends will be closely monitored and funds shall be released against verified utilizations as per the approved work plans. This may include monthly field visits, comprehensive documentation, and regular interaction with beneficiary communities. Further, CSR spends will be audited in an accountable and transparent manner.

- 13.3. In order to fulfill the objectives, the various CSR activities shall be assigned to different groups, each headed by a Convener along with supporting members. **It shall also be ensured to include few local representatives as link-man/coordinator in the sub-committee. For projects in Villages, persons/representatives from Villages/Gram Sabah's/Ward Members shall also be engaged.** This will help in achieving the target as well as participation of the local representatives in formulating the various activities to obtain maximum benefit by community.
- 13.4. Activities shall, as far as a possible, be implemented in a project mode. For easy implementation, long-term CSR projects shall be broken down into medium-term and short-term plans. Each plan shall specify the CSR activities planned to be undertaken for each year. Accordingly, the budget shall be allocated for the implementation of these activities and achievement of targets set for each successive year, till the final completion of the project.
- 13.5. Projects especially the construction/civil activities and other projects which require specialized knowledge and skills shall be executed by the external specialized agencies. Specialized agencies may include Government departments, semi-government or non-government organizations (NGOs), autonomous organizations, professional consultancy organizations registered trusts/Missions, community based organization, self-help groups, not-for-profit organization, local bodies such as Panchayat Raj institutions, academic institutes etc. Engagement of external specialized agencies/NGOs shall be normally from the available panels of such agencies maintained by the Government Ministries/Departments, **Planning Commission**, autonomous organizations, or the National/Regional CSR Hub or as per the Standard Purchase procedure/entering into a MOU.
- 13.6. Further, close co-ordination shall also be done with Central/State/Local Governments/NGOs to synergize the activities with their developmental programs.
- 13.7. All the CSR activities shall be monitored regularly by the Chairman, CSR Committee and In-Charge, CSR Cell. Review discussions shall be held amongst the CSR Cell employees/committee members and suggestions for further improvements shall be discussed in details. Feedback shall be regularly obtained from local area representative/link-man/coordinator about benefits of various activities and/or their suggestions. The Convener of the Committee shall also work in close liaison with them and ensure that benefits of all the activities reaches to the total cross section of the Community.

#### 14. Reporting

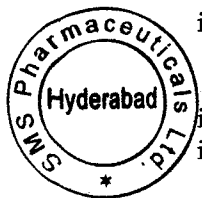
The Nodal Officer shall regularly submit reports regarding the progress in implementation of CSR activities and utilization of annual budget to the CSR Committee. The CSR committee will in turn, periodically submit the reports to the Board of Directors for their information, consideration and necessary directions.

**The periodicity of submission of reports shall be on quarterly basis for review by the CSR committee and 6 (six) monthly reviews by the Board.** Additionally, with effect from FY 2014-15 and Annual Report on CSR activities shall be included in the Board's Report as per the provisions of the Companies Act 2013.

#### 15. Documentation

The CSR Committee will prepare the annual CSR report to be filed by the company on approval of the Board. This report will ensure;

- i. CSR projects and programmes are being properly documented.
- ii. An MIS is maintained on expenditure across sectors and geographies and beneficiaries impacted. The MIS structure will be in alignment with the prescribed report format.
- iii. Accountability is fixed at each level of CSR process and implementation.
- iv. A repository of case studies and good practices is being maintained.



**16. CONTINGENCY**

Certain projects/activities which are not approved by CSR Committee but are required to be implemented on an urgent basis in unforeseen circumstances relating to Natural calamity, can be taken up for implementation after approval from Managing Director and/or Vice Chairman. The CSR Committee and Board of Directors would be appraised about such projects/activities during their next meeting.

**17. GENERAL**

- 17.1. The Company reserves the right to modify, cancel, add, or amend any of the above rules/guidelines, with the approval of CSR Committee & ratification of Board of Directors.
- 17.2. Any or all provisions of the CSR policy shall be subject to revision/amendment in accordance with the guidelines on the subject as may be issued from Government of India, from time to time.
- 17.3. In case of doubt with regard to any of the provision of the policy and also in respect of matters not covered herein, the interpretation & decision of the CSR Committee shall be final.

**18. REVIEW PERIODICITY AND AMENDMENT:**

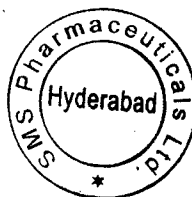
19. CSR Plan may be revised/modified/amended by the CSR Committee at such intervals as it may deem fit. The CSR Committee shall review the Policy every two years unless such revision is necessitated earlier.

**20. Commitment & Involvement of Management & Employees**

The philosophy and sprit of CSR is to be spread across the organization through sensitization & awareness program for cross-section of employees. The program would be arranged by HRD section. The HRD Section shall maintain records of evidence in the form of documents, reports, photographs, videos etc. in respect of internalizing socially responsible policies in the organization. Further, a CSR cell will be constituted by the Committee to co-ordinate the CSR activities.

**This policy (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.**

Place : Hyderabad  
Dated : 05.12.2015



A handwritten signature in black ink, appearing to read "Ramesh Babu Potluri".

Ramesh Babu Potluri  
(CHAIRMAN)



**“ANNEXURE – A”****FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD'S REPORT**

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.
2. The Composition of the CSR Committee.
3. Average net profit of the company for last three financial years
4. Prescribed CSR Expenditure (two per cent. Of the amount as in item 3 above)
5. Details of CSR spent during the financial year.
  - (a) Total amount to be spent for the financial year;
  - (b) Amount unspent, if any;
  - (c) Manner in which the amount spent during the financial year is detailed below.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No.	CSR project or activity identified.	sector in which the project is covered	Projects or programs(1) Local area or other (2) Specify the State and district where projects or Programs Was undertaken	Amount outlay (budget) project or wise	Amount spent on the projects or programsSub heads: (1)Direct expenditure on projects or programs. (2)Overheads :	Cumulative - expenditure upto to the reporting period	Amount spent Direct or through implementing agency
1.							
2.							
3.	<b>TOTAL</b>						

\*Give details of implementing agency:

6. In case the company has failed to spend the two per cent, of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.

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.

Sd/-	Sd/-	Sd-
(Chief Executive Officer or Managing Director or Director)	(Chairman CSR Committee)	(Person specified under clause (d) of sub-section (1) of section 380 of the Act)(wherever applicable)

