



pharmaceuticals ltd.

**Dated: 08.11.2015**

To,  
Mr. P. Venkata Subba Rao,  
Plot No.626, Road No.35  
Jubilee Hills  
Hyderabad-500 033

**Registered & Corporate Office :**

Plot No. 19-111, Road No. 71,  
Opp. Bharatiya Vidya Bhavan Public School,  
Jubilee Hills Hyderabad - 500 096.Telangana. INDIA,  
Tel : +91-40-6628 8888, Fax : +91-40-2355 1402  
CIN : L24239AP1987PLC008066  
Email : info@smspharma.com, www.smspharma.com

Dear Sir,

**Sub: Appointment of Additional Independent Director of  
SMS Pharmaceuticals Limited (The "Company").**

**Ref: Your consent under DIR-2 dated 05.11.2015.**

We are pleased to confirm your appointment as an Additional Independent Director of the Company (the "appointment") with effect from 7<sup>th</sup> November, 2015. Which is pursuant to the provisions of Companies Act, 2013 and the Rules made thereunder and as approved by the Board of Directors in their meeting held on 7<sup>th</sup> November, 2015.

As required under section 149(7) of the Companies Act, 2013, we now request you to provide a declaration that you meet the criteria of independence as provided under section 149(6). For this purpose, we are suggesting a format as enclosed as **Annexure A**, which would meet the requirements of both Companies Act, 2013, Regulation 16(2) of the SEBI (Listing Obligations & Disclosure Requirements) Regulation, 2015 & current clause 49(B) of the Listing Agreement respectively as amended till date.

Further, as stipulated under the Companies Act, 2013, the appointment of Independent Directors shall be governed by the **Schedule IV to the Companies Act, 2013 - 'Code For Independent Directors'**, enclosed to this letter as **Annexure B**, which primarily covers -

- I. Guidelines of professional conduct
- II. Role and functions
- III. Duties
- IV. Manner of appointment
- V. Re-appointment
- VI. Resignation or removal
- VII. Separate meetings
- VIII. Evaluation mechanism

The terms of the appointment, which in any event shall be subject to Companies Act, 2013 and Rules made thereunder and the Articles of Association of the Company are set out below, as stipulated in Schedule IV to the said Act.

**Appointment**

1. The appointment is valid up to the period of next AGM subject to reappointment as per Sec. 161 & 149 of the Companies Act, 2013 and rules made thereunder.
2. During your tenure as an Independent Director, you may be asked to serve on one or more of the Board Committees. Copies of the terms of reference for each of those Committees would be provided to you at an appropriate time, if not already provided for.
3. You will strictly abide by the Code for Independent Directors referred to above. In compliance with provisions of Section 149(13) of the Companies Act 2013, your directorship is not subject to retirement by rotation.

4. Upon termination or upon your resignation for any reason, duly intimated to the Company, you will not be entitled to any compensation for loss of office.

#### **Board & Committees**

5. The Company expects a commitment of sufficient time and attention as necessary in order to perform your duties under the appointment. This will include attendance at regular and emergency Board & Committee Meetings and any annual meeting of Independent Directors. You may also be required to attend the Annual General Meeting and Extra-ordinary General Meetings. In addition, you will be expected to devote appropriate preparation time ahead of each meeting.
6. Ordinarily all meetings are held in Hyderabad, unless determined otherwise. By accepting the appointment, you confirm that you are able to allocate sufficient time to perform your role.
7. Recommendations/Minutes of the Meetings of the Committees are submitted to the Board for approval.

#### **Role & Duties**

8. As an Additional Independent Director you have the same general legal responsibilities to the Company as any other Director, except that you shall be held liable only in respect of such acts of omission or commission by a company which had occurred with your knowledge, attributable through board processes and with your consent or connivance or where you had not acted diligently.
9. You will adhere to the following duties of directors, which are more specifically stipulated in Section 166 of the Companies Act, 2013, as under –
  - i. Subject to the provisions of this Act, a director of a company shall act in accordance with the articles of the company.
  - ii. A director of a company 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. A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
  - iv. A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.
  - v. A director of a company 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. A director of a company shall not assign his office and any assignment so made shall be void.
10. As a member of the Board, Independent Directors along with the other Directors will be collectively responsible for meeting the objectives of the Board which include:
  - a. Compliance with Sec. 166 and other applicable provisions of Companies Act, 2013 and rules made thereunder.
  - b. Responsibilities and Obligations as outlined under Clause 49 of the Listing Agreement along with Regulation 17 and 25 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015.
  - c. Accountability under the Director's Responsibility Statement.
  - d. You will also be responsible for providing guidance in the area of expertise.

#### **Fees / Commission**

11. Unless decided otherwise, you will be paid sitting fee for your services as an Additional Independent Director as per Company's Policy.
12. You will have no entitlement to any bonus during the appointment and no entitlement to participate in any share scheme and no stock options will be issued to you by the Company.

#### **Reimbursement of Expenses**

13. In addition to the fee described in 11 above, the Company will reimburse you such fair and reasonable expenditure, as may have been incurred by you while performing your role as an Independent Director of the Company.



14. During the appointment, circumstances may arise in the furtherance of your duties as a Director when it will be appropriate for you to seek advice from independent advisors at the Company's expense. The Company will reimburse the full cost of expenditure incurred as deemed necessary.

#### **Other directorships and business interests**

15. The Company acknowledges that you may have business interests other than those of the Company and that you may have declared any conflicts that are apparent at present. In the event that you become aware of any potential conflicts of interest, not declared so far, those may be disclosed to the Chairman and Company Secretary as soon as they become apparent.

16. During the appointment, you may please inform us prior to accepting any other (or further) directorships of publicly quoted companies or any major external appointments, to avoid any conflict of interest with your current position in the Company.

#### **Code of Conduct & other compliances**

17. During the appointment, you will comply with any relevant regulations as may be issued by the Government of India and such other authorized bodies as set up by the Government on its behalf, including the Various Policies and Code of Conduct along with such other requirements as the Board of Directors may from time to time specify.

18. At the **first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect your status as an independent director**, you shall give a declaration to that effect confirming that you meet the criteria of independence as provided in Section 149(6), in the format as per **Annexure A** to this Letter.

#### **Confidentiality**

19. You must apply the highest standards of confidentiality and not disclose to any person or company (whether during the course of the appointment or at any time after its termination) any confidential information concerning the Company and any Group Companies with which you come into contact by virtue of your position as an Additional Independent Director of the Company.

20. Your attention is drawn to the requirements under both legislation and regulation as to the **disclosure of price-sensitive information**. Consequently you should avoid making any statements that might risk a breach of these requirements without prior clearance from the Chairman or Company Secretary.

21. All information acquired during the tenure of appointment is confidential and should not be released/communicated, either during appointment or following termination (by whatever means) to third parties without prior clearance from the Chairman unless required by law or by the rules of any stock exchange or regulatory body. The obligation of confidentiality shall survive termination or cessation of directorship with the Company.

22. On termination of the appointment, you will deliver to the Company all books, document, papers and other property of or relating to the business of the Company which are in your possession, custody or power by virtue of your position as an Additional Independent Director of the Company.

#### **Performance Review Process**

23. Performance of the Independent Directors as well as the performance of the entire Board and the Committees will be evaluated annually as may be required under the provisions of the law. The appointment and reappointment on the Board shall be subject to the outcome of the yearly evaluation process. If, in the interim, there are any matters arising in connection with your role as an Additional Independent Director which cause you concern, you may discuss with us as soon as appropriate.

#### **Termination**

24. **You may resign from the position of Independent Director at any time and should if you wish to do so; you are requested to serve a reasonable written notice on the Board. In terms of provisions of the Companies Act, 2013, the Independent Director is required to file a copy of resignation letter with the Registrar of Companies.**



25. The directorship on the Board of the Company shall terminate or cease in accordance with the law. Apart from the grounds of termination as specified in the Companies Act, 2013, the directorship may be terminated for violation of any provision of the Code of Conduct as applicable to the Directors.
26. Notwithstanding other provisions of this letter, the appointment may be terminated in accordance with the provisions of the Articles of Association of the Company or on failure to meet the parameters of Independence as defined in section 149(6) or on the occurrence of any event as defined in Section 167 of the Companies Act, 2013 or on any other statutory requirement.

#### **Changes of personal details**

27. During the term, the Independent Director shall promptly intimate the Company Secretary and the Registrar of Companies in the prescribed manner, of any change in address or other contact and personal details provided to the Company

#### **Publication of the letter of appointment**

28. In line with the provisions of the Companies Act, 2013, the Company may make public a generic copy of this letter on its website at <http://www.smspharma.com/downloads.php> and the same shall be open for inspection at the registered office of the company by any member during normal business hours.

#### **Cooperation**

29. In the event of any claim or litigation against the Company, based upon any alleged conduct, act or omission on your part during your term, you agree to render all reasonable assistance and cooperation to the Company and provide such information and documents as are necessary and reasonably requested by the Company or its counsel.

#### **Governing Law**

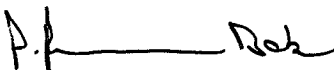
30. This letter is governed by, and shall be construed in accordance with, the laws of India, and the parties agree to submit to the exclusive jurisdiction of the courts of Hyderabad, India.
31. This letter constitutes neither a contract for services nor a service contract.

#### **Acceptance of Appointment**

32. We are confident that the Company will benefit immensely from your rich experience and we are eager to have you as an integral part of the growth of our Company. If these terms of appointment are acceptable to you, please confirm your agreement to the above by signing and returning the enclosed duplicate of this letter.

Yours sincerely,

For SMS Pharmaceuticals Limited

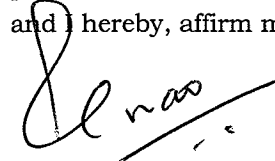


Ramesh Babu Potaluri  
Chairman and Managing Director



#### **AGREED AND ACCEPTED**

I have read and understood the terms of my appointment as an Independent Director of the Company and I hereby, affirm my acceptance to the same.



Signature  
DIN:

Place: Hyderabad  
Date: 9.11.2015

Date: 09.11.2015

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

Dear Sir(s)

**Sub: Declaration of Independence/Status Quo as an Independent Director**

I, **Potluri Venkata Subba Rao**, son of **Mr. Potluri Seshagiri Rao** resident of **Plot No.626, Road No.35, Jubilee Hills, Hyderabad-500033**, having **DIN: 00099066** being an Independent Director in **SMS Pharmaceuticals Limited** ("the Company") hereby certify that I meet all the requirements specified under sub section (6) of Section 149 of Companies Act, 2013 for holding the position of Independent Director:

1. I am not holding any position as a Whole Time Director or a Nominee Director in the Company.
2. I am/was neither a promoter nor related to any promoters or directors of the company or its holding, subsidiary or associate company.
3. I did not have or had any pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the **two immediately preceding financial years or during the current financial year.**
4. None of my relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, lower of the following:
  - a. amounting to two percent or more of its gross turnover or total income or
  - b. fifty lakh rupees or
  - c. such higher amount as may be prescribed,during the **two immediately preceding financial years or during the current financial year.**
5. **I, neither myself nor any of my relatives—**
  - a. holds or has held the position of a **key managerial personnel** or is or has been employee of the company or its holding, subsidiary or associate company in **any of the three financial years immediately preceding the financial year of the company of my appointment.**
  - b. **is or has been an employee or proprietor or a partner**, in any of the three financial years immediately preceding the financial year of my appointment.
    - i. **a firm of auditors or company secretaries in practice or cost auditors** of the company or its holding, subsidiary or associate company; or
    - ii. **any legal or a consulting firm that has or had any transaction with the company**, its holding, subsidiary or associate company amounting to ten percent or more of the gross turnover of such firm;
  - c. **do not holds** together with his relatives **2% (two percent)** or more of the total voting power of the company; or
  - d. I am not a Chief Executive or director, by whatever name called, of any non-profit organization(NGO) that **receives 25%(twenty-five percent) or more** of its receipts from **the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds 2% (two percent) or more of the total voting power of the company.**
6. I am not less than 21 years of age.
7. In pursuant to Regulation 25(1) of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, I affirm that, am not serving as an Independent Director in more than 7 listed entities.

I undertake to keep the Board informed immediately about any change in the circumstances which may affect my status of independence as per Section 149(6) of the Act.

**SCHEDULE IV - CODE FOR INDEPENDENT DIRECTORS**

[See section 149(8)]

*The Code is a guide to professional conduct for independent directors. Adherence to these standards by independent directors and fulfilment of their responsibilities in a professional and faithful manner will promote confidence of the investment community, particularly minority shareholders, regulators and companies in the institution of independent directors.*

**I. Guidelines of professional conduct:**

An independent director shall:

- (1) uphold ethical standards of integrity and probity;
- (2) act objectively and constructively while exercising his duties;
- (3) exercise his responsibilities in a *bona fide* manner in the interest of the company;
- (4) devote sufficient time and attention to his professional obligations for informed and balanced decision making;
- (5) not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
- (6) not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- (7) refrain from any action that would lead to loss of his independence;
- (8) where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
- (9) assist the company in implementing the best corporate governance practices.

**II. Role and functions:**

The independent directors shall:

- (1) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
- (2) bring an objective view in the evaluation of the performance of board and management;
- (3) scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- (4) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- (5) safeguard the interests of all stakeholders, particularly the minority shareholders;
- (6) balance the conflicting interest of the stakeholders;
- (7) determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management;
- (8) moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

**III. Duties :**

The independent directors shall—

- (1) undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- (2) 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;
- (3) strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
- (4) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- (5) strive to attend the general meetings of the company;

- (6) 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;
- (7) keep themselves well informed about the company and the external environment in which it operates;
- (8) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- (9) 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;
- (10) 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;
- (11) report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- (12) acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
- (13) 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.

#### **IV. Manner of appointment:**

- (1) Appointment process of independent directors shall be independent of the company management; while selecting independent directors the Board shall ensure that there is appropriate balance of skills, experience and knowledge in the Board so as to enable the Board to discharge its functions and duties effectively.
- (2) The appointment of independent director(s) of the company shall be approved at the meeting of the shareholders.
- (3) The explanatory statement attached to the notice of the meeting for approving the appointment of independent director shall include a statement that in the opinion of the Board, the independent director proposed to be appointed fulfils the conditions specified in the Act and the rules made thereunder and that the proposed director is independent of the management.
- (4) The appointment of independent directors shall be formalised through a letter of appointment, which shall set out :
  - (a) the term of appointment;
  - (b) the expectation of the Board from the appointed director; the Board-level committee(s) in which the director is expected to serve and its tasks;
  - (c) the fiduciary duties that come with such an appointment along with accompanying liabilities;
  - (d) provision for Directors and Officers (D and O) insurance, if any;
  - (e) the Code of Business Ethics that the company expects its directors and employees to follow;
  - (f) the list of actions that a director should not do while functioning as such in the company; and
  - (g) the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any.
- (5) The terms and conditions of appointment of independent directors shall be open for inspection at the registered office of the company by any member during normal business hours.
- (6) The terms and conditions of appointment of independent directors shall also be posted on the company's website.

#### **V. Re-appointment:**

The re-appointment of independent director shall be on the basis of report of performance evaluation.

#### **VI. Resignation or removal:**

- (1) The resignation or removal of an independent director shall be in the same manner as is provided in sections 168 and 169 of the Act.
- (2) An independent director who resigns or is removed from the Board of the company shall be replaced by a new independent director within a period of not more than one hundred and eighty days from the date of such resignation or removal, as the case may be.
- (3) Where the company fulfils the requirement of independent directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new independent director shall not apply.

**VII. Separate meetings:**

- (1) The independent directors of the company shall hold at least one meeting in a year, without the attendance of non-independent directors and members of management;
- (2) All the independent directors of the company shall strive to be present at such meeting;
- (3) The meeting shall:
  - (a) review the performance of non-independent directors and the Board as a whole;
  - (b) review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
  - (c) assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

**VIII. Evaluation mechanism:**

- (1) The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.
- (2) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.



**ANNEXURE - B**

**Date: 09.11.2015**

To,  
The Board of Directors,  
**SMS Pharmaceuticals Limited,**  
Plot No: 19-III, Road No:71, Jubilee Hills,  
Opp.BharatiyaVidyaBhavan Public School,  
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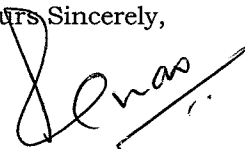
**Dear Sir(s)**

**Subject: Affirmation on Compliance of Code of Conduct provisions as specified in  
schedule IV of the Companies Act, 2013.**

I, **Potluri Venkata Subba Rao**, son of **Mr. Potluri Seshagiri Rao** resident of **Plot No.626, Road No.35, Jubilee Hills, Hyderabad-500033**, having **DIN: 00099066** being an Independent Director in **SMS Pharmaceuticals Limited** ("the Company") hereby confirm that I will comply with the code of conduct provisions as specified in Schedule IV of the Companies Act, 2013 for the financial year ended on 31<sup>st</sup> March, 2015.

Thanking You

Yours Sincerely,



Signature  
**(Potluri Venkata Subba Rao)**

Date: 09.11.2015

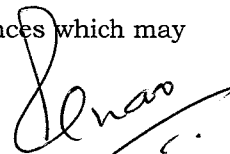
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I, **Potluri Venkata Subba Rao**, son of **Mr. Potluri Seshagiri Rao** resident of **Plot No.626, Road No.35, Jubilee Hills, Hyderabad-500033**, having **DIN: 00099066** being an Independent Director in **SMS Pharmaceuticals Limited** ("the Company") hereby certify that I meet all the requirements specified under sub section (6) of Section 149 of Companies Act, 2013 for holding the position of Independent Director:

8. I am not holding any position as a Whole Time Director or a Nominee Director in the Company.
  9. I am/was neither a promoter nor related to any promoters or directors of the company or its holding, subsidiary or associate company.
  10. I did not have or had any pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the **two immediately preceding financial years or during the current financial year.**
  11. None of my relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, lower of the following:
    - a. amounting to two percent or more of its gross turnover or total income or
    - b. fifty lakh rupees or
    - c. such higher amount as may be prescribed,during the **two immediately preceding financial years or during the current financial year.**
  12. **I, neither myself nor any of my relatives—**
    - a. holds or has held the position of a **key managerial personnel** or is or has been employee of the company or its holding, subsidiary or associate company in **any of the three financial years immediately preceding the financial year of the company of my appointment.**
    - b. **is or has been an employee or proprietor or a partner**, in any of the three financial years immediately preceding the financial year of my appointment.
      - i. **a firm of auditors or company secretaries in practice or cost auditors** of the company or its holding, subsidiary or associate company; or
      - ii. **any legal or a consulting firm that has or had any transaction with the company**, its holding, subsidiary or associate company amounting to ten percent or more of the gross turnover of such firm;
    - c. **do not holds** together with his relatives **2% (two percent)** or more of the total voting power of the company; or
    - d. I am not a Chief Executive or director, by whatever name called, of any non-profit organization(NGO) that **receives 25%(twenty-five percent) or more** of its **receipts** from **the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds 2% (two percent) or more of the total voting power of the company.**
  13. I am not less than 21 years of age.
  14. In pursuant to Regulation 25(1) of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, I affirm that, am not serving as an Independent Director in more than 7 listed entities.
- I undertake to keep the Board informed immediately about any change in the circumstances which may affect my status of independence as per Section 149(6) of the Act.



Signature