



Pharmaceuticals Ltd.



ANNUAL REPORT
2018-19



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CORPORATE INFORMATION

Board of Directors:

Sri. Ramesh Babu Potluri	Chairman and Managing Director
Sri. TVVSN Murthy	Director
Sri. P. Sharath Kumar	Independent Director
Dr. (Smt.) T. Neelaveni	Independent Director
Sri. Sharvan Kudaravalli	Independent Director
Sri. Sarvepalli Srinivas	Additional Director (w.e.f 12/08/2019)
Smt. Shilpa R Waghmare	Nominee Director of Exim Bank (w.e.f 31/01/2019)
Dr. Mihir K. Chaudhuri	Independent Director (upto 05/06/2018)
Sri. Utpal Gokhale	Nominee Director of Exim wBank (upto 31/01/2019)
Sri. P. S. Rao	Independent Director (Upto 10/08/2019)

Chief Financial Officer:

Sri. Lakshmi Narayana T

Company Secretary

Sri V S Venkatish

Registered Office:

Plot No. 72, H.No. 8-2-334 / 3 & 4,
Road No. 5, Opp. SBI Executive Enclave,
Banjara Hills, Hyderabad – 500034
Telangana, India
Tel: 040-25259999 Fax: 040 - 25259889
CIN: L24239TG987PLC008066
www.smspharma.com Email:info@smspharma.com

Auditors:

M/s Suryanarayana & Suresh

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

Internal Auditors:

M/s. Adusumilli and Associates
Chartered Accountants
Flat No.302, Sri Sai Residency, Balkampet Main Road
Hyderabad-500 038, Telangana State

Cost Auditors:

Sri K.S.N. Sarma
Cost Accountant
216, Rangadhamamu, HMT Satavahana Nagar,
Kukatpally, Hyderabad-500 072, Telangana State.

Secretarial Auditors:

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

Registrar & Share Transfer Agents:

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

Bankers:

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

Manufacturing facilities at:

1. Plot No.24 & 24 B and 36 & 37
S.V. Co.operative Industrial Estate
Bachupally, Medchal Malkajgiri District
Hyderabad-500 090
Telangana State, India
Phone: 040-65986691
Email: admin_unit2@smspharma.com
2. Sy. No.160, 161, 163 to 167
Kandivalasa (V), Poosapatirega (M)
Vizianagaram District,
Andhra Pradesh-535 204
Phone: 08922 0 308887 / 89
Fax: 08922 – 258052
Email: admin_unit7@smspharma.com
3. R & D Center
Sy. No.186, 189 & 190, Gagillapur (V)
Qutubullapur (M),
Medchal Malkajgiri District
Hyderabad-500 043,
Telangana State, India
Phone: 8374452494
Email: rnd@smspharma.com

NOTICE OF ANNUAL GENERAL MEETING

CIN: L24239TG1987PLC008066

Registered Office: Plot No. 72, H.no. 8-2-334/3&4, Road No: 5,
Opp. SBI Executive Enclave, Banjara Hills, Road No. 5, Hyderabad, Telangana – 500034, India.
Tel: 040-25259999, Fax: 040-25259889, website: www.smspharma.com Email: info@smspharma.com

Notice is hereby given that the **31st Annual General Meeting** of the members of SMS Pharmaceuticals Limited will be held on **Monday, the 30th day of September, 2019 at 09.00 A.M.** at the JRC Conventions and Trade Fairs, Survey No. 4, Narne Road, Adjacent to Whisper Valley, Jubilee Hills, Hyderabad -500 008 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Standalone and Consolidated Balance Sheet as at 31st March, 2019, Statement of Profit and Loss and Cash Flow Statement for the financial year ended 31st March, 2019 and reports of Directors' and Auditors' thereon.
2. To declare Dividend on the equity shares for the financial year 2018-19.
3. To re-appoint Sri. Ramesh Babu Potluri (DIN: 00166381) who retires by rotation, and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS:

4. **APPOINTMENT OF Sri. Sarvepalli Srinivas (DIN. 02292051) AS AN INDEPENDENT DIRECTOR:**

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

“RESOLVED THAT pursuant to the provisions of Sections 149, 152, read with Schedule IV of the Act and all other applicable provisions, if any, of the Companies Act, 2013, and the Rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force) Sri. Sarvepalli Srinivas (DIN:02292051), who has been appointed as an Additional Director pursuant to the provisions of Section 161(1) of the Companies Act, 2013 and the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold

office for a term of Five (5) consecutive years with effect from 12th August, 2019 not liable to retire by rotation.”

RESOLVED FURTHER THAT the Board of Directors of the Company be hereby authorized to do, all such acts, matters, deeds and things, settle any queries/difficulties/doubts arise from it, including delegate to such authority as may be deemed necessary, proper or expedient to give effect to this resolution and for matter connected herewith or incidental there to in the best interest of the Company.”

5. **Re-Appointment of Sri. P. Sarath Kumar as an Independent Director**

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

“RESOLVED THAT Pursuant to the provisions of Section 149, 150, 152, and other applicable provisions, if any, of the Companies Act, 2013 (“ACT”) and the Companies (Appointment and qualifications of Directors) Rules, 2014 (including any Statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Act and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Sri. P. Sarath Kumar (DIN 01456746), Independent Non-Executive Director of the Company who has submitted a declaration that he meets the criteria of Independence as provided in Section 149(6) of the Act and Regulation 16 of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, as amended from time to time and who is eligible for reappointment, be and is hereby re-appointed as an Independent Non-executive Director of the Company to hold office for second term up to 11th August, 2024 not be liable to retire by rotation.”

RESOLVED FURTHER THAT the Board of Directors of the Company be hereby authorized to do, all such acts, matters, deeds and things, settle any queries/difficulties/doubts arise from it, including delegate to such authority as may be deemed necessary, proper or expedient to give effect to this resolution and for

matter connected herewith or incidental there to in the best interest of the Company.”

6. Re-appointment of Dr. (Smt.) Thummala Neelaveni as an Independent Director

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

“**RESOLVED THAT** Pursuant to the provisions of Section 149, 150, 152, and other applicable provisions, if any, of the Companies Act, 2013 (“ACT”) and the Companies (Appointment and qualifications of Directors) Rules, 2014 (including any Statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Act and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Smt. Dr. T. Neelaveni (DIN 00065571), Independent Non-Executive Director of the Company who has submitted a declaration that she meets the criteria of Independence as provided in Section 149(6) of the Act and Regulation 16 of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, as amended from time to time and who is eligible for reappointment, be and is hereby re-appointed as an Independent Non-executive Director of the Company hold office for second term up to 11th August, 2024 not be liable to retire by rotation.”

RESOLVED FURTHER THAT the Board of Directors of the Company be hereby authorized to do, all such acts, matters, deeds and things, settle any queries/difficulties/doubts arise from it, including delegate to such authority as may be deemed necessary, proper or expedient to give effect to this resolution and for matter connected herewith or incidental there to in the best interest of the Company.”

7. Re-appointment of Sri. P. Vamsi Krishna as Senior Vice-President (Operations) of the Company

To consider and if thought fit, pass, with or without modification(s), the following resolution as a **Special Resolution**.

“**RESOLVED THAT** Pursuant to the provisions of Section 188(1)(f) and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder and regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended from time to time), and pursuant to the recommendations of the Nomination and Remuneration Committee and the Board, consent of

the members of the Company, be hereby accorded for the re-appointment of Sri. Vamsi Krishna designated as **Senior Vice-President (Operations)** of the Company, for a further period of three years from 1st October, 2019 to 30th September, 2022 to hold office of profit, with a Remuneration of Rs. 5,50,000/- PM. (Rs Five Lakhs Fifty Thousand only) per month and other perquisites as per the Company’s policy in force.

RESOLVED FURTHER THAT pursuant to the applicable provisions of the Companies Act, 2013 (as amended from time to time), the Board of Directors of the Company or any committee thereof, be hereby, authorized to vary, alter or modify the designation and revisions in the remuneration and/or perquisites payable or to be provided (including any monetary value thereof) to Sri. P. Vamsi Krishna to the extent the Board of Directors deem fit, subject to overall remuneration ceiling of related party as approved by members.

RESOLVED FURTHER THAT the Board of Directors of the Company be hereby authorized to do, all such acts, matters, deeds and things, settle any queries/difficulties/doubts arise from it, including delegate to such authority as may be deemed necessary, proper or expedient to give effect to this resolution and for matter connected herewith or incidental there to in the best interest of the Company.”

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

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

“**RESOLVED THAT** pursuant to the provisions of Section 188 and all other applicable provisions, if any of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 (as amended from time to time) and as per Regulation 23(8) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the approval / ratification of the members of the Company, be hereby, accorded to all the arrangements / transactions entered by the Company with related parties in the financial year 2018-19 or earlier year, whether by way of continuation / extension / renewal / modification of earlier arrangements / transactions or otherwise, and entering into further contracts / arrangements / transactions with ‘Related Parties’ as defined under Section 2(76) of the Companies Act, 2013, within

the prescribed limits of Rule 15(3) of Companies (Meetings of Board and its Powers) rules, 2014 and Regulation 23(1) of SEBI (LODR) Regulations, whether material or not, for the FY 2018-19 as set out in the Explanatory Statement.

“RESOLVED FURTHER THAT the Board of Directors of the Company, be and is hereby, authorized to do, all such acts, matters, deeds and things, settle any queries / delegate such authority as may be deemed necessary and execute such addendum contracts / arrangements / transactions as may be considered necessary, proper or expedient to give effect to this resolution and for matters connected herewith or incidental there to in the best interest of the Company.”

9. RATIFICATION OF REMUNERATION PAYABLE TO THE COST AUDITOR FOR THE FINANCIAL YEAR ENDING ON 31ST MARCH, 2020.

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

Resolved That pursuant to Section 148 of the Companies Act, 2013 ('Act') and Rule 6 of the Companies (Cost Records and Audit) Rules, 2014 and all other applicable provisions, if any, of the Act and

the rules made thereunder, as amended, the members be and hereby ratify the remuneration of Rs. 75,000/- (Rupees Seventy Five thousand only) and taxes as applicable plus out of pocket expenses payable to Mr. K.S.N.Sarma, Cost Accountant having registration No. 102145 and Membership No. 6875 appointed by the Board of Directors of the Company to conduct the Cost Audit for the financial year ending 31st March, 2020.

“RESOLVED FURTHER THAT the Board of Directors of the Company be hereby authorized to do, all such acts, matters, deeds and things, settle any queries/difficulties/doubts arise from it, including delegate such authority as may be deemed necessary, proper or expedient to give effect to this resolution and for matters connected herewith or incidental there to in the best interest of the Company.”

By the order of the Board
Ramesh Babu Potluri
Chairman and Managing Director
(DIN:00166381)

Place: Hyderabad
Date: 12-08-2019

Notes:

1. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, relating to special business to be transacted at the Meeting, wherever applicable is annexed hereto.
2. **A MEMBER OF THE COMPANY ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT OF PROXY, IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY DULY COMPLETED AND SIGNED, NOT LESS THAN 48 HOURS BEFORE THE MEETING.**
3. A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the company carrying voting rights. A member holding more than ten percent of the total share capital of the company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder/member.
4. Corporate members intending to send their authorized representative(s) to attend the meeting are requested to send to the company a certified copy of the board resolution authorizing their representative(s) to attend and vote on their behalf at the meeting.
5. **Only bonafide members of the Company whose names appear on the Register of Members/ Proxyholders, in possession of valid attendance slips duly filled and signed will be permitted to attend the Meeting. The Company reserves it's right to take all steps as may be deemed necessary to restrict non-members from attending the meeting.**
6. In order to enable us to register your attendance at the venue of AGM, we request you to bring your folio number/demat account number/ DP ID-Client ID to enable us to give you a attendance slip for your signature and participation at the meeting.
7. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
8. During the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled to inspect the proxies lodged with the Company, at any time during the business hours of the Company, provided that not less than three days of notice in writing is given to the Company.
9. The Registers under the Companies Act, 2013, will be available for inspection at the Registered Office of the Company during business hours between 11:00 a.m. to 1:00 p.m. except on holidays. The said Registers will also be available for inspection by the members at the venue of the AGM.
10. The Register of Members and Transfer Books of the Company will remain closed from 23rd September, 2019 to 30th September, 2019, both days inclusive.
11. The Board of Directors of the Company at their meeting held on 27th May 2019 has recommended a dividend of Re. 0.25 per equity share of Re.1/- face value, aggregating to Rs.2,11,63,007/- as dividend for the financial year 2018-19. Dividend, if declared, at the AGM, will be deposited on or before 4th October, 2019. The dividend, if approved at the 31st AGM, will be paid to those members whose names appear on the register of members of the Company as on Saturday, 21st September, 2019.
12. Pursuant to Section 108 and 109 of the Companies Act, 2013, read with Rules 20 of the Companies (Management and Administration) Rules, 2014 as substituted by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), the Company has provided voting by electronic means to the members to cast their votes electronically on all resolutions set forth in this notice.
13. The Company will provide the "Remote e-Voting" facility to all the members, whose names appear on the register of members of the Company as on Saturday, 21st September, 2019. The Company will provide the Voting by way of ballot or polling paper at the AGM Venue to those members who have not cast their vote by Remote e-Voting facility. The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again. The detailed instructions for e-voting are given as a separate attachment to this notice.
14. The e-Voting facility will be available during the following period:

Commencement of e-Voting	From 9:00 A.M. (IST) on Friday, 27 th September, 2019
End of e-Voting	On 05:00 P.M. (IST) on Sunday, 29 th September, 2019

15. The Company has appointed Sri. C. Sudhir Babu, Practicing Company Secretary,(Proprietor, CSB Associates) to act as the Scrutinizer, to scrutinize the e-voting process in a fair and transparent manner.
16. The Notice of the AGM along with the Annual Report 2018-19 is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company / Depositories, unless any Member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode at their address. A copy of the notice of the AGM along with the Annual Report is also available for download on the website of the Company www.smspharma.com. To support the 'Green Initiative' Members who have not registered their e-mail addresses are requested to register the same with Aarthi Consultants Private Limited/ Depositories. The members will be entitled to a physical copy of the annual report for the financial year 2018-19, free of cost, upon sending a request to the Company Secretary at Plot No: 72, H.No: 8-2-334/3&4, Road No: 5, Opp. SBI Executive Enclave, Banjara Hills, Hyderabad 500034, Telangana, India.
17. The members are requested to intimate immediately any change in their address or bank mandate to their depository participants with whom they are maintaining their accounts **or** to the Company's Share Transfer Agent M/s. Aarthi Consultants Private Limited at their office, 1-2-285, Domalguda, Hyderabad, Telangana 500029" or mail them at info@aarthicconsultants.com stating their details, if the shares are held in physical form.
18. The business set out in the notice will be transacted through electronic voting system and the Company is providing facility for voting through electronic means.
19. Instructions and other information relating to e-voting are given separately.
19. For the convenience of members and for proper conduct of the meeting, entry to the place of meeting will be regulated by attendance slip, which is part of the annual report. Members are requested to duly fill in and sign at the place provided on the attendance slip and hand it over at the entrance of the venue.
20. Shareholder/member desiring any information relating to the accounts are requested to write to the Company at least 7 days before the date of AGM so as to enable the management to keep the information ready.
21. Relevant documents referred to in the notice and the Explanatory Statement is open for inspection by the members at the Registered Office of the Company on all working days during business hours up to the date of Annual General Meeting.
22. The Company has transferred the unpaid or unclaimed dividends declared up to financial years 2010-11, from time to time on due dates, to the Investor Education and Protection Fund (the IEPF) established by the Central Government. Pursuant to the provisions of Sec. 124 of Companies Act, 2013 and Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on September 20, 2018 (date of last Annual General Meeting) on the website of the Company (www.smspharma.com).
23. Members who have not encashed the dividend warrant(s) for the financial year ended March 31, 2011 onwards are requested to make their claims directly to the Company or to M/s Aarthi Consultants Pvt. Ltd. at info@aarthicconsultants.com & aarthicconsultants@gmail.com, without any delay.

Due date for transfer of unclaimed dividend to IEPF

Year	Dividend per share (Rs.)	Date of declaration	Due date for transfer to IEPF	Amount of Unpaid Dividend(Rs.)
2011-12	-	-	-	0
2012-13	2	30/09/2013	07/10/2020	1,05,452
2013-14	2	30/09/2014	07/10/2021	1,55,702
2014-15	2	29/09/2015	06/10/2022	1,78,174
2015-16	Re.0.20	30/09/2016	07/10/2023	1,93,310
2016-17	Re 0.20	27/09/2017	05/10/2024	57,563
2017-18	Re. 0.25	20/09/2018	27/09/2025	99,613

24. In the event of transfer of equity shares and the unclaimed dividends to IEPF, members are entitled to claim the same from IEPF authority by submitting an online application in the prescribed form IEPF-V available on the website of www.iepf.gov.in and sending a physical copy of the same duly signed to the Company along with requisite documents enumerated in said Form.
25. In accordance with the proviso to Regulation 40 (1) of the SEBI (LODR) Regulations, 2015, effective from April 1, 2019, transfer of shares of the Company shall not be processed unless the shares are held in dematerialized form with a depository. Accordingly, shareholders holding equity shares in physical forms are requested to have their shares dematerialized so as to be able to freely transfer them and participate in various corporate actions.

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

The following statement sets out all material facts relating to certain ordinary business and the special businesses mentioned in the Notice:

Item No. 4

The Board of Directors of the Company had appointed Sri. Sarvepalli Srinivas (DIN No: 02292051) as an Additional Director w.e.f. 12th August, 2019 in the category of independent director. In terms of the provisions of Sec. 161(1) of the Companies Act, 2013, he would hold office up to the date of ensuing annual general meeting. As per the provision of Sec. 149 of the Companies Act, 2013 an Independent Director shall hold office for a term not exceeding five consecutive years in the Board of the Company and is not liable to retire by rotation.

A notice under Section 160 of the Companies Act, 2013 has been received from a member of the Company proposing candidature of Sri. Sarvepalli Srinivas. The Company has received consent in writing to act as a Director in Form DIR – 2 pursuant to Rule 8 of the Companies (Appointment and Qualification of Directors) Rules, 2014, from Sri. Sarvepalli Srinivas to the effect that he meets the criteria of independence as provided under Section 149 of the Companies Act, 2013.

In the opinion of the Board, Sri. Sarvepalli Srinivas, fulfills the conditions specified in the Companies Act, 2013 and the Rules framed there under and Securities and Exchange Board of India (Listing obligations and Disclosure Requirements) Regulations, 2015 for appointment as an Independent Director and he is Independent of the management. The Resolution set out at item No. 4 of the notice is put forth for consideration of the members as an Ordinary Resolution pursuant to Section 149 read with Schedule IV of the Companies Act, 2013 for appointment of Sri. Sarvepalli Srinivas as an Independent Director.

The Board recommends the resolution for approval of the members.

Except Sri. Sarvepalli Srinivas none of the other Directors/ Key Managerial Personnel/ their relatives are in any way, concerned or interested, financially or otherwise, in this resolution.

Item No.5

Sri. P Sarath Kumar is a Chartered Accountant and is the senior partner of M/s Sarath & Associates, Chartered Accountants. He has about 36 years of professional experience and has a Degree in Law, besides a certified fraud examiner. He specializes in Financial Strategy, Restructuring, personal Financial Management, Red Flag Studies, Forensic Investigations and preventive Fraud Risk Management.

The Board of Directors of the Company had appointed him as an Additional Director of the Company with effect from 12th August, 2014 and was appointed by the Shareholders at the 26th Annual General Meeting held on 30th September, 2014 for a period of five years. As per section 149(10) of the Companies Act, 2013 an Independent Director shall hold office for a term of five (5) consecutive years on the Board of the Company, but shall be eligible for reappointment on passing a special resolution by the Company for another term of five (5) consecutive years on the Board of the Company. The Board of Directors recommended for the re-appointment of Sri. P. Sarath Kumar as an Independent Director for a further period of five years with effect from 12th August, 2019 subject to the approval of the Members in the ensuing General Meeting of the Company.

As per the provisions of Section 149 of the Companies Act, 2013 an Independent Director shall hold office for a term up to five years on the Board of a Company and is not liable to retire by rotation. Sri. P. Sarath Kumar has given a declaration to the Board that he meets the criteria of Independence as provided under Section 149(6) of the Act and Regulation 16(1) of SEBI (LODR) Regulations, 2015. He also given his consent to continue to act as the Director of the Company, if so appointed by the Members.

The Board has also considered and recommended his appointment. In the opinion of the Board, the Independent Directors proposed to be appointed fulfills the Conditions specified in the Companies Act, 2013 and the Rules made there under and the proposed Directors are independent of the Management.

In the opinion of the Board, the Independent Director proposed to be appointed fulfills the conditions specified in the Companies Act, 2013 and the Rules made there under and the proposed Director is independent of the management.

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

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

None of the Directors, Key managerial personnel or their relatives, except Sri. P. Sarath Kumar, is concerned or interested in the Resolution.

Item No.6

Dr. (Smt.) Thummala Neelaveni is a medical doctor by profession. She is a graduate in BDS, from Osmania University, Hyderabad and is one of the reputed dental surgeons in Hyderabad. She has vast experience of more than 20 years in the profession.

The Board of Directors of the Company had appointed her as an Additional Director of the Company with effect from 12th August, 2014 and was appointed by the Shareholders at the 26th Annual General Meeting held on 30th September, 2014 for a period of five years. As per section 149(10) of the Companies Act, 2013 an Independent Director shall hold office for a term of five (5) consecutive years on the Board of the Company, but shall be eligible for reappointment on passing a special resolution by the Company for another term of five (5) consecutive years on the Board of the Company. The Board of Directors recommended for the re-appointment of Dr. (Smt.) Thummala Neelaveni as an Independent Director for a further period of five years with effect from 12th August, 2019 subject to the approval of the Members in the ensuing General Meeting of the Company.

As per the provisions of Section 149 of the Companies Act, 2013 an Independent Director shall hold office for a term up to five years on the Board of a Company and is not liable to retire by rotation. Dr. (Smt.) Thummala Neelaveni has given a declaration to the Board that she meets the criteria of Independence as provided under Section 149(6) of the Act and Regulation 16(1)(b) of SEBI (LODR) Regulations, 2015. She also given her consent to continue to act as the Director of the Company, if so appointed by the Members.

The Board has also considered and recommended her appointment. In the opinion of the Board, the Independent

Directors proposed to be appointed fulfills the Conditions specified in the Companies Act, 2013 and the Rules made there under and the proposed Directors are independent of the Management.

In the opinion of the Board, the Independent Director proposed to be appointed fulfills the conditions specified in the Companies Act, 2013 and the Rules made there under and the proposed Director is independent of the management.

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

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

None of the Directors, Key managerial personnel or their relatives, except Dr. (Smt.) Thummala Neelaveni, is concerned or interested in the Resolution.

Item No. 7

Sri. P. Vamsi Krishna son of Sri. Ramesh Babu Potluri (Chairman & Managing Director) was appointed as Vice-President (Operations) of the Company by the members of the Company at the 28th Annual General Meeting of the Company held on 30th September, 2016 for a period of three (3) years at a remuneration of Rs. 3,25,000/- (Rs. Three Lakh Twenty Five thousand only) per month inclusive of all perquisites and allowances.

He had studied B. Tech (EEE) in Birla Institute of Technology and Science (BITS) Pilani, Dubai, and University of Missouri, St. Louis, Rola, U.S.A.. Prior to joining SMS Pharmaceuticals Limited, he had worked in Ranbaxy Laboratories, Jacksonville, Florida, U.S.A. He is focusing on improvement of operations of the Company and to improve operational efficiency.

Based on the recommendations of the Nomination and Remuneration Committee, the Board of Directors of the Company has re-appointed him as Senior Vice-President (Operations) from 1st October, 2019 to 30th September, 2022 subject to the approval of the members, on revised remuneration as set out in the Notice.

The Board recommends the resolution for approval of the members.

None of the Directors/Key Managerial Personnel / their relatives is of the Company except Sri. Ramesh Babu Potluri, is in any way concerned or interested, financially or otherwise, in this resolution.

Item No. 8

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

- Purchase and sale of products/ by-products/ material at arm's length price from R. Chem (Somanahalli) Private Limited.
- Sales and purchase of products/by-products/material at arm's length price to VKT Pharma Private Limited and SMS Lifesciences India Limited.
- A detail description of the same as set out in form AOC -2 of Board's Report of this Annual Report.
- The Board recommends the resolution for approval of the members.

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

Item No. 9

The Board, on the recommendation of the Audit Committee has re-appointed the Cost Auditor Sri. K.S.N. Sarma, to conduct the Audit of the cost records of the Company for the Financial Year 2019-20.

In terms of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules 2014, the remuneration of the Cost Auditor needs ratification from the members of the Company. Accordingly, consent of the members is accorded, for ratification of the remuneration payable to the Cost Auditor for the financial year ending 31st March, 2020 as set out in the Notice.

The Board recommends the resolution for approval of the members.

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

Details of Directors seeking appointment / re-appointment at the forthcoming Annual General Meeting.

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

I. Sri. Ramesh Babu Potluri (DIN. 00166381)

Brief profile and Nature of Expertise in Specific Functional Areas:

He is a Post-graduate Technocrat. In 1990 he acquired SMS Pharmaceuticals Limited which

at that point of time was a sick unit and had become the Managing Director of the Company. After taking charge as Managing Director, he changed the product mix of the Company. This gave the Company a boost in sales and helped the Company in achieving profitability in the first year of operations itself. Under his guidance the Company introduced many other series of API's. He helped the company in reaching a level wherein the Company became one of the largest producers of Ranitidine HCl. He had served on boards of Organizations like Chemexcil and had been advisor to AP State Government for Pharma Sector.

Inter-se relationship between Directors: None of the directors is related to Mr, Ramesh Babu Potluri.

2. Sri. P. Sarath Kumar (DIN. 01456746)

Brief Profile and Nature of Expertise in Specific Functional Areas:

Sri. P. Sarath Kumar is the founder partner of the Sarath & Associates. He is a Chartered Accountant with about more than 30 years of standing in the Profession of Chartered Accountancy and Consultancy. He is a Graduate in Commerce and a Bachelor of Law. He is also a Certified Fraud Examiner & Certified Forensic Accounting Professional. He had been a Partner of a leading Firm of Chartered Accountants in Hyderabad earlier and established this Firm in the year 1990.

He was Advisor to C.I.D. of AP Police and Central Bureau of Investigation in investigation of major Economic Offence cases and is a Member of Multi-Disciplinary Investigation team, which investigated the famous Satyam Computers fraud case. He is one of the leading Consultants for Business Analysis, System Study and other areas of Consulting. He has been the guiding force behind the successful completion of every task in-front of S & A. He is an expert in Investigation Audits and is a visiting faculty at CBI Academy, Sardar Vallabhbhai Patel National Police Academy, Andhra Pradesh Police Academy, A P Judicial Academy, National Academy of Direct Taxes, National Academy of Customs & Excise, ECIL, Midhani, HAL and other Public Sector Undertakings and deliver lectures on White Collar Crimes, Forensic Accounting, Anti-Corruption case investigations, Fraud Investigations etc., He had lead teams to carryout various types of Consulting and Audits, with specialization in Fraud Investigation and Forensic Accounting.

Inter-se relationship between Directors: None of the directors is related to Sri. P. Sarath Kumar.

3. **Smt. Dr. T. Neelaveni (DIN: 00065571)**

Brief Profile and Nature of Expertise in Specific Functional Areas:

She is Graduate in BDS, from Osmania University, Hyderabad and she is one of the reputed dental surgeons in Hyderabad. She has vast experience of more than 20 years in the profession.

Inter-se relationship between Directors: None of the directors is related to Smt. T. Neelaveni.

4. **Smt. Shilpa R Waghmare as Nominee Director of Export Import Bank of India**

Brief profile and Nature of Expertise in Specific Functional Areas:

Smt. Shilpa Waghmare holds a Bachelor's degree in Commerce and has a Master's degree in Management Studies from the University of Mumbai with specialisation in Finance. She is a Certified Associate of the Indian Institute of Bankers and is currently associated with the Loan Administration Group at the Bank's Head Office. She has served across various functions in the Bank including Risk Analysis, Credit Management and Stressed Assets. Before joining the Bank, Smt. Waghmare worked with SICOM Ltd. for 12 years and its subsidiary SICOM ARC Ltd., for over 4 years. She has over 23 years of experience in the areas of stressed assets, management / resolution of non-performing assets, sale and purchase of stressed assets, legal matters, project finance and compliance.

Her areas of interest include music, dance, cooking and travel.

Inter-se relationship between Directors: None of the directors is related to Smt. Shilpa R Waghmare.

5. **Sri. Sarvepalli Srinivas (DIN: 02292051)**

Brief profile and nature of Expertise in specific functional Areas:

Sri. Sarvepalli Srinivas holds a B.Com., degree from the University of Delhi. He is an accomplished Business leader with over 3 decades of proven leadership experience in leading Public/Private Sector enterprises with decisive and forward thinking with a strong vision and strategic capability. He has excellent people skills and problem-solving capability, exceptional blend of fiscal and management capabilities, financially astute, strategic thinking and highly analytical. He has a consistent track record of increasing sales and growing bottom line, while spearheading operational improvements in varied business verticals, cross-sector exposure with effective vision, excel in dynamic, demanding environments, while remaining pragmatic and focused.

Professional Experience (Over 32 years of experience in leading Public / Private Sectors)-National Handloom Development Corporation Ltd (NHDC) – Managing Director -National Textile Corporation Ltd (NTC) – Chairman & Managing Director

Inter-se relationship between Directors: None of the directors is related to Sri. Sarvepalli Srinivas.

The brief particulars of the Directors and the names of the Companies in which the directors hold directorships and chairmanships of the Board /Committees and their shareholding in the Company are provided below:

Name of Director	Sri. Ramesh Babu Potluri	Sri. P. Sharath Kumar	Dr.(Smt.) T. Neelaveni	Smt. Shilpa R Waghmare as Nominee Director of Export Import Bank of India	Sri. Sarvepalli Srinivas
Date of Birth	23.06.1959	15.08.1957	01.07.1963	01.07.1972	29.06.1962
Date of Appointment	01.12.2008	12.08.2014	12.08.2014	31.01.2019	12.08.2019
Qualification	M.Sc.	Chartered Accountant	BDS - Doctor	MBA	B.Com.
Expertise in Specific functional areas	Chemical	Finance & Accounts	In Medicine	Banker by profession	Banker by Profession
No. of shares held	1,45,06,960	Nil	Nil	Nil	Nil
List of Companies in Which Directorship held as on 31/03/2019	1. SMS Pharmaceuticals Limited 2. SMS Lifesciences India Limited 3. Pharmaceuticals Export Promotion Council Of India 4. VKT Pharma Private Limited 5. Mahi Drugs Private Limited	1. SMS Pharmaceuticals Limited 2. SMS Lifesciences India Limited 3. Shreyas Management And Services Private Limited 4. Nischaya Insolvency Professionals Private Limited	1. SMS Pharmaceuticals Limited 2. SMS Lifesciences India Limited	1. SMS Pharmaceuticals Limited	Nil
Chairman / Member of the Mandatory committees of the Board of the Companies on which he is director as on 31.03.2019	Chairman of the Board. Chairman CSR Committee.	Audit Committee – Chairman Nomination and Remuneration Committee – Member Stakeholder relationship Committee – Member CSR Committee – Member	Audit Committee – Member Nomination and Remuneration Committee – Chairman Stakeholder relationship Committee – Member CSR Committee – Member	NIL	Nil

Notes:

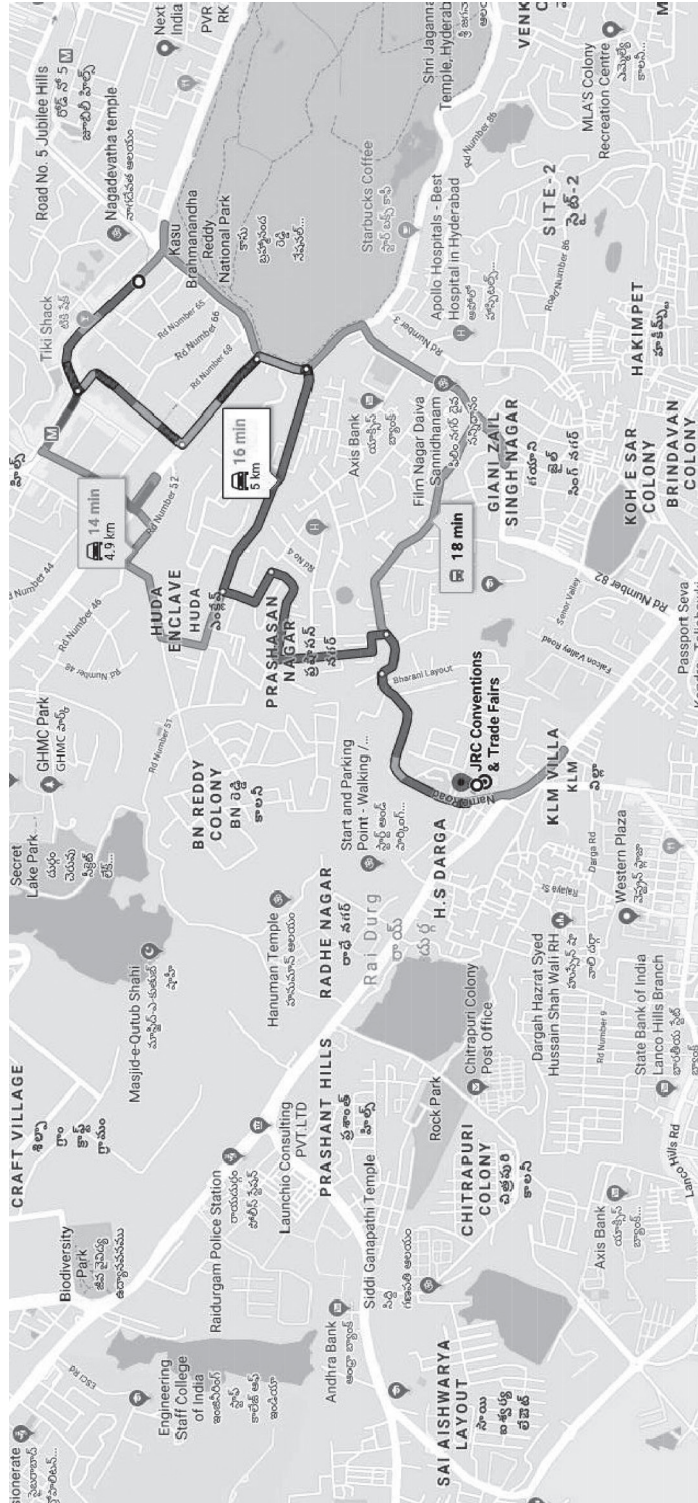
- The Directorships, Committee memberships and Chairmanships do not include unlisted Companies and Private Companies, position as an advisory Board Member and position in Companies incorporated under Section 8 of Companies Act, 2013.
- Information pertaining to the remuneration paid to the directors who are being appointed / re-appointed and the number of Board Meetings attended by them during the year 2018-19 have been provided in the Corporate Governance Report forming part of the Annual Report.

By the order of the Board
Ramesh Babu Potluri
Chairman and Managing Director
(DIN:00166381)

Place: Hyderabad
Date: 12-08-2019

Annual General Meeting VENUE ROUTE MAP

JRC Conventions & Trade Fairs
Survey No. 4, Narne Road, Adjacent to Whisper valley,
Jubilee Hills, Film Nagar, Hyderabad, Telangana – 500008.
Phone. No: 040-45549999



INSTRUCTIONS FOR E-VOTING

The instructions for shareholders voting electronically are as under:

- (i) The voting period begins on Friday, **27-09-2019 at 09:00 A.M.** and ends on Sunday, **29-09-2019 at 05:00 P.M.** During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of **21-09-2019**, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iii) Click on Shareholders.
- (iv) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form	
PAN	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> • Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field. • In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.
DOB	Enter the Date of Birth as recorded in your demat account or in the company records for the said Demat account or folio in dd/mm/yyyy format.
Dividend Bank Details	Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio. <ul style="list-style-type: none"> • Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).

- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN for the relevant <Company Name> on which you choose to vote.

-
- (xii) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xv) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.
- (xvii) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) Shareholders can also cast their vote using CDSL’s mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile.
- (xix) Note for Non – Individual Shareholders and Custodians
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favor of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xx) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com or you may contact 18002005533.

BOARD'S REPORT

To,
The Members of
SMS Pharmaceuticals Limited.

Your Directors are please to present the 31st Annual Report of SMS Pharmaceuticals Limited ("The Company") along with the audited financial statements for the financial year ended 31st March, 2019. The Consolidated performance of the Company has been referred to wherever required.

FINANCIAL SUMMERY (INR in Lakh)

Particulars	Standalone	
	2018-19	2017-18
Gross Sales	44813.56	43659.61
Net Sales	41076.28	40080.29
Other Operating Income	308.73	216.06
Net Revenue from Operations	46491.08	46486.33
Other Income	340.31	238.79
EBIDTA	9350.05	9572.76
Finance Charges	1187.34	1547.95
Depreciation	1927.28	1989.98
Profit Before Tax	6235.43	6034.82
Taxation	2090.08	1989.39
Profit After Tax	4145.35	4045.43
Earnings per share - Basic/Diluted	4.90	4.78

STATE OF COMPANY AFFAIRS

In Financial & Production terms

During the year 2018-19 the Company had achieved production of 501 M.T of APIs and their Intermediates in comparison with 551 M.T for the Year 2017-18. The net sales of the Company for the Year 2018-19 have reached 40,076.29 lakhs as against 40,080 lakhs for the Year 2017-18. The Company has achieved an EPS of Rs. 4.90 in the Year 2018-19 as against Rs. 4.78 in the Year 2017-18.

Subsidiaries and Associates:

Your company is having one associate company i.e., "VKT Pharma Private Limited". Your Company is holding 42.62% equity shares in the said associate company and the share of Profit / loss for your company for the financial year 2018-19 was ₹ 1042.52.

The consolidated financial statements had been prepared as per Accounting Standard (AS) 23 "Accounting for Investment in Associates in Consolidated Financial Statements" specified under Section 133 of Companies Act, 2013 for considering the financials of Associate Company.

The required form, as per the provisions of the Sec. 129(3) read with rule 5 of Companies (Accounts) Rules, 2014 i.e., AOC-I forms part of the Report as **Annexure - 1**.

Change in Nature of Business

There is no change in Nature of Business.

Management Discussion & Analysis

A detailed report on the same viz. 'Management Analysis and Discussion Report' is form part of this report as **Annexure - 2**.

Share Capital

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

TRANSFER TO RESERVES:

Your Company has transferred an amount ₹ 1,000 Lakhs (previous year ₹ 1,000 Lakhs) to General Reserve out of the amount available for appropriations.

DIVIDEND

Your Directors have pleasure in recommending the dividend of Re. 0.25/ (i.e. 25%) per equity share of Re. 1/- face value, aggregating to ₹ 2,11,63,007.50/- which shall be paid within 30 days after the conclusion of the Annual General meeting, subject to the approval of the shareholders of the Company.

STRUCTURE OF THE BOARD

Board of Directors and Key Managerial Personnel:

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

As per the Articles of Association of the Company all the Executive Directors are compulsorily liable to retire by rotation. Accordingly Sri. Ramesh Babu Potluri is liable to retire by rotation at the ensuing Annual General Meeting scheduled on 30th September, 2019 and being eligible, seeks reappointment. A brief profile of directors and managers seeking re-appointment are given along with the AGM Notice for the reference of the shareholders.

Independent Directors:

In accordance with the provisions of the Section 149 (7) of the Companies Act, 2013, each independent director had confirmed to the Company that he/she meets the criteria of Independence laid down in the Section 149 (6) of the Companies Act, 2013 and Regulation 25(1) of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015.

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

Annual Evaluation:

Your company had conducted a separate Meeting of Independent Directors on 26th May, 2018 in which they had evaluated the performance of Executive directors and Non- Executive/Nominee Director's. Further, in the Board Meeting held on 28th July, 2018 the Board had evaluated the performance of Independent Directors and their contribution in the Board. The evaluation had been made on specified standards.

The Board of Directors has carried out an annual evaluation of its own performance, board committees and individual Directors pursuant to applicable provisions of the Act and the corporate governance requirements as prescribed by applicable regulations of Listing Regulations 2015.

The performance of the board was evaluated by the board after seeking inputs from all the Directors present in the meeting on the basis of criteria such as the board composition and structure, effectiveness of board processes, information and functioning, etc. The Nomination and Remuneration Committee had evaluated the performance of individual Directors on the basis of criteria such as the contribution of the individual Director to the board and committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc.

Risk Management Policy

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

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

KMP Appointment & Remuneration Policy

The Nomination and Remuneration Committee has the criteria for appointing any Key Managerial Person (KMP) and nominating directors on the Board. During the year under review, the Committee had recommended the appointment of Sri. Sarvepalli Srinivas as an Additional Director on

12th August, 2019 in the category of Independent Director subject to the approval of the members at the ensuing Annual General Meeting of the Company. The appointment of any KMP is made by the Nomination and Remuneration Committee based on the requirement of the position and experience and skill sets of the candidate.

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

During the year under review the Board of Directors met four times. The dates on which the Board Meetings were held on 26th May 2018, 28th July 2018, 10th November, 2018, and 14th February, 2019. The Audit Committee members met 4 times. The dates on which the Audit Committee meetings were held on 26th May, 2018, 28th July, 2018, 10th November, 2018 and 14th February, 2019. A detailed report on the above mentioned along with reporting required under Sec. 177(8) and 177(10) of the Companies Act, 2013 and composition of various committees formed part of the report viz. 'Corporate Governance Report' forms part of this report.

Extract of Annual Return:

In accordance with the provisions of the Companies Act, 2013 and Rule 12 of Companies (Management and Administration) Rules, 2014 the extract of Annual Return is prepared in prescribed form i.e. 'Form MGT-9' as **Annexure - 7.**

CORPORATE GOVERNANCE

A separate section on Corporate Governance practices followed by your Company, as stipulated under Schedule V of the SEBI (LODR) Regulations, 2015 is enclosed forming part of this report. The certificate of M/s. CSB Associates, Company Secretaries, with regard to compliance of conditions of corporate governance as stipulated under the SEBI (LODR) Regulations, 2015 is annexed to the Report on Corporate Governance.

DEPOSITS

Your Company had not accepted/invited any deposits from the public during the year under review. As such no amount of principal or interest was outstanding on the date of the Balance Sheet.

LOANS, GUARANTEES AND INVESTMENTS:

Your Company had made investment in its associate company viz. M/s. VKT Pharma Private Limited for its business purpose. The Company holds 38,50,165 Equity shares of Rs 10/- each in VKT Pharma Private Limited as on 31st March, 2019 as investments.

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

The company is maintaining the details of investments made during the year in Statutory Form MBP – 2. The details of loans / advances given and investments made during the financial year ended on 31st March, 2019 are provided as **Annexure - 4**.

RELATED PARTY TRANSACTIONS:

All contracts/arrangements/transactions entered by the Company during the financial year 2018-19 with related parties were in the ordinary course of business and on an arm's length basis and are in compliance with the provisions of the Companies Act and the SEBI (Listing Obligation & Disclosure Requirement) Regulation, 2015. There are no materially significant related party transactions made by the company with Promoters, Directors and Key Managerial Personnel etc., which may have potential conflict with the interest of the Company. All related party transactions are presented to the Audit Committee on quarterly basis and also placed before the board.

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

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

CORPORATE SOCIAL RESPONSIBILITY

Your Company believes in giving back to the society in some measure that is proportionate to its success in business. Corporate Social Responsibility (CSR) aims at balancing the needs of all stakeholders. The Company's CSR initiative goes beyond charity and believes that as a responsible company it should take into account its impact on society as much as creating business impact.

As per the provisions of Section 135 and Schedule-VII of the Companies Act, 2013, and Companies (Corporate Social Responsibility Policy) Rules, 2014 your company had formulated a Corporate Social Responsibility Policy (CSR Policy). The said policy contains the scope of CSR Expenditure and provides guidance for way forward for expending the same. The composition of CSR committee

and other details mentioned under 'Corporate Governance Report' forms part of this report as **Annexure - 8**.

As per the provisions of the Section 135 of the Act, the average net profits of the company during the preceding three years stands as ₹ 5274.77 lakhs hence the company is required to spend a sum of ₹ 105.50 lakhs towards CSR Expenditure in FY 2018-19. The details of it are mentioned under 'CSR Expenditure' in statutory format which forms part of this report as **Annexure - 8**.

PARTICULARS OF EMPLOYEES:

Disclosures pertaining to remuneration and other details as required under Section 197 (12) of the Companies Act, 2013 read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is mentioned under 'Employees Remuneration Report' which forms part of this report as **Annexure - 9**

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

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION

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

FOREIGN EXCHANGE EARNINGS AND OUTGO:

(₹ in Lakhs)

Particulars	2018-19	2017-18
Earnings		
FOB Value of Exports	6028.82	6445.05
Outgo		
Sales Commission	17.34	54.40
Travelling Expenses	0.18	3.54
CIF Value of Imports		
Raw Materials	651.82	350.97
Capital Goods	713.06	248.22

AUDITORS:

Statutory Auditors

Pursuant to Section 139 of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014 the members of the Company at its AGM held on 27th September, 2017 had approved the appointment of M/s Suranarayana & Suresh, Chartered Accountants, (Firm Registration No. 006631S) as the Statutory Auditor for a period of 5 years for the auditing of accounts of the Company from the conclusion of 29th Annual General Meeting (AGM) till the Conclusion of the 34th Annual General Meeting of the Company to be held in the year 2022. Pursuant to

amendments in Section 139 of the Companies Act 2013, the requirements to place the matter relating to such appointment for ratification by members at every AGM has been omitted with effect from 7th May, 2018. The Board of Directors is empowered to fix the remuneration of the Statutory Auditor on yearly basis.

Internal Auditor:

The Board has appointed M/s. Adusumilli and Associates as an Internal Auditors for the Financial Year 2018-19 under Section 138 of the Companies Act, 2013 as per the scope as defined by the Audit Committee.

Secretarial Auditor

Pursuant to Section 204 of the Companies Act, 2013, and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, M/s. SVVS & Associates Company Secretaries LLP were appointed to conduct Secretarial Audit of the Company for the Financial Year ended on 31st March, 2019. Secretarial Audit Report for the financial year 2018-19 forms part of this report as **(Annexure - 11)**

Annual Secretarial Compliance Report:

Pursuant to SEBI circular no. CIR/CFD/CMD1/27/2019 dated 08th February, 2019, the Company has obtained Annual Secretarial Compliance Report forms part of this Report as **Annexure - 12** from Sri. C. Sudhir Babu, Practicing Company Secretary (Proprietor, CSB Associates) and the same was also submitted to the Stock Exchanges where the shares of the Company are listed.

Certificate of Non disqualification of Director' under Regulation 34(3) of SEBI (LODR) 2015:

The Company has obtained a certificate forms part of this Report as **Annexure - 13** from Sri. C. Sudhir Babu, Practicing Company Secretary (Proprietor, CSB Associates) confirming that none of the Directors of the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority.

Cost Auditor

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, and the Companies (Cost Records & Audit) Amendment Rules, 2014, the Company maintains Cost Records. Your Board has on the recommendations of the Audit Committee, appointed Sri. K.S.N. Sarma (Registration No. 102145 and Membership No. 6875) as Cost Auditor of the Company for the financial year 2018-19. The provisions also require the remuneration of the Cost Auditor to be approved by the shareholders. As a matter of record, the Cost Audit

Report for the year 2017-18 was filed with the Central Government within the prescribed time limit and for the year 2018-19 also it will be filed within the stipulated time.

INTERNAL FINANCIAL CONTROL SYSTEMS AND THEIR ADEQUACY:

Your Company has laid down the set of standards which enables to implement internal financial control across the organization and ensure that the same are adequate and operating effectively (1) to provide reasonable assurance that: transactions are executed in conformity with generally accepted accounting principles/standards or any other criteria applicable to such statements, (2) to maintain accountability for assets; access to assets is permitted only in accordance with management's general or specific authorization and the maintenance of the records are in reasonable detail, accurate and fairly reflect the transactions and dispositions of the assets of the company, (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets that could have a material effect on the Financial Statements.

WHISTEL BLOWER POLICY/VIGIL MECHANISM

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

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

There are no qualifications, reservations or adverse remarks made by the Statutory Auditor, Secretarial Auditor and Cost Auditor in their reports.

REPORTING ON SEXUAL HARRASEMENT:

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

The Company is committed to providing equal opportunities without regard to their race, caste, sex, religion, colour, nationality, disability, etc. All women associates (permanent, temporary, contractual and trainees) as well as any women

visiting the Company's office premises or women service providers are covered under this policy. All employees are treated with dignity with a view to maintain a work environment free of sexual harassment whether physical, verbal or psychological.

During the year under review, the Company has not received any complaints on sexual harassments.

PREVENTION OF INSIDER TRADING CODE

As per the SEBI (Prohibition of Insider Trading) Regulation, 2015, the Company has adopted a Code of Conduct of Insider Trading. The Company has appointed Sri. V. S. Venkatesh, Company Secretary of the Company as Compliance Officer for setting forth the procedures and implementation of the Code for trading in Company's Equity Shares. During the year under review, there has been a due compliance of the said Code.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the provisions of Section 134(3)(c) of the Companies Act, 2013 as amended, the Board of Directors confirm that:

1. In preparation of the Financial Statements for the year ended 31st March, 2018 the applicable accounting standards had been followed along with proper explanation relating to material departures, if any.
2. They had selected such accounting policies as notified & modified by ICAI and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
3. They had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 as amended from time to time for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. The Annual Accounts had been prepared on going concern basis.
5. The company has developed an effective mechanism for internal financial controls, it has been followed by the Company consistently; such internal financial controls are adequate and operating effectively.

6. They had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE:

No significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

Acknowledgements:

Your Company has been able to operate efficiently because of the culture of professionalism, creativity, integrity and continuous improvement in all functions and areas as well as the efficient utilization of the Company's resources for sustainable and profitable growth.

The Board of Directors would like to express their sincere appreciation for the assistance and co-operation received from the financial institutions, banks, Government authorities, customers, vendors and members during the year under review. The Board of Directors also wish to place on record its deep sense of appreciation for the dedicated and committed services by the Company's executives, staff and workers.

Last but not least, your Directors wish to place on record their warm appreciation to you for your continuous support and encouragement.

By the order of the Board
Ramesh Babu Potluri
Chairman and Managing Director
(DIN:00166381)

Place: Hyderabad
Date: 12-08-2019

FORM AOC - I

Part "A": Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Sl. No.	Name of associates/Joint Ventures	VKT Pharma Private Limited
1	Latest audited Balance Sheet Date	31.03.2019
2	Shares of Associate/Joint Ventures held by the company on the year end	
	No.	38,50,165 Equity Shares of ₹ 10/- each.
	Amount of Investment in Associates/Joint Venture	₹ 4,499.87 Lakhs
	Extend of Holding%	42.62
3	Description of how there is significant influence	Based on the percentage of holding over these investees.
4	The associate is consolidated	Financial Statement Consolidated for FY 2018-19
5	Net worth attributable to shareholding as per latest audited Balance Sheet	₹ 2057.92 Lakhs
6	Profit/Loss for the year	
	i. Considered in Consolidation	₹ (140.51) Lakhs
	ii. Not Considered in Consolidation	

Place: Hyderabad
Date: 12-08-2019

By the order of the Board
Ramesh Babu Potluri
Chairman and Managing Director
(DIN:00166381)

MANAGEMENT DISCUSSIONS AND ANALYSIS

Pharmaceutical Industry

Global healthcare spending is estimated to increase at an annual rate of 4.1% during 2017-2021, up from just 1.3% during 2012-2016. Factors such as ageing and increasing population in key economies, developing markets expansion, advanced medical treatment needs and rising labor costs will contribute to an increase in the spending. Thus, combined healthcare spending in the world's major regions is expected to reach \$8.7 trillion by 2020, up from \$7 trillion in 2015. (Source: 2018 Global Health Care Outlook: The evolution of smart health care by Deloitte.

The US pharma market recorded a nominal drug spending of \$452.6 billion in revenue in 2017. Despite the US administration's continuing public scrutiny of drug pricing, the industry recorded a slight growth of 1.4% in nominal spending over the previous year.

In the US pharma market, pricing pressure is fuelled by factors such as increasing competition, payer consolidation and restrictive reimbursement policies. This is further aggravated by cost control tools such as exclusionary formularies and price protection clauses. As a result, the health plan designs are changing and patients may experience a possible increase in both premiums and out-of-pocket payments for their branded medications.

Spending on traditional medicines has declined primarily due to patent expiries and associated losses of brand exclusivity, as well as a general shift in the focus of medical innovation towards next-generation medicines. In the US market, innovation and technological advances have fast-tracked the growth of specialty medicines; they account for nearly half of the market's current medical spends. According to IQVIA, the largest proportion of new medicines launched in the last five years has been specialty drugs. Also, specialty share of spending has risen, while traditional net medicine spending has declined by more than \$133 per person over the past decade. In non-retail settings, specialty drugs represent 60% of invoice spending and 2.3% of standard unit volumes.

Global Economy

After the robust and integrated growth of 2017, the growth in global economy moderated and softened to 3.6% in 2018. The lagged impact of shrinking financial conditions in the world (Particularly in China) and the rising global trade tensions affected business sentiments and investment. China's growth weakened following a combination of regulatory tightening and an increase in trade tensions with US. The US economy benefitted from implementation of tax reforms and expanded by 2.9% in 2018 compared to

2.2% in 2017. However, growth weakened towards the end of the year due to diminished consumer spending and decreased business investment. The eurozone economy lost impetus as consumer and business confidence faded, investment fell in Italy as sovereign spreads expanded and external demand, especially from the emerging markets in Asia, eased.

Indian Economy

Overall growth for 2018-19 slumped to five-year low of 6.8% compared with 7% projected in the second advance estimates released in February, 2019. This could be attributed to the sustained rise in consumption and a gradual revival in investments, especially with a greater focus on infrastructure development. The improving macroeconomic fundamentals have been further boosted by the execution of reform measures, which has helped foster an environment conducive for investments and for banking sector. Despite softer growth, in the Indian Economy remains one of the fastest growing economies and, possibly, one least affected by global turmoil. The growth of eight core industries (Coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity) remained sluggish in February at 2.1% due to fall in the output of crude oil and refinery products.

Investments

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

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

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

Government Initiatives

The Indian Pharmaceuticals market is the third-largest in terms of volume and thirteenth-largest in terms of value. It has the highest number of USFDA plants outside the US. It is among the global leaders in providing quality generics to the

world. The industry is preparing for the next level of growth driven by inclination towards specialty products, customer centricity, improving quality, operational proficiency and productivity, and selective mergers & acquisitions. India's domestic pharmaceutical market turnover reached '129,015 crore (in 2018, growing 9.4% year-on-year from '11638' crore in 2017.

India is among the leading global producers of cost-effective generic medicines and vaccines, supplying 20% of the total global demand by volume. The pharmaceutical industry in India produces a range of bulk drugs, with medicinal properties that form the basic raw materials for formulations. Bulk drugs account for roughly one-fifth of the industry output, while formulations account for the rest. India is also developing its expertise in APIs and has significant opportunities for value-creation in the segment. In India, the cost of manufacturing pharma products is lower compared to other country which has contributed to the country having a strong manufacturing base. This aided by technology development and availability of highly skilled scientists and engineers who have the potential to steer the industry to an even higher level.

The Indian pharmaceutical industry has shown great potential and is well-poised for growth. The Indian generic drug sector is robust and is establishing its presence in foreign markets as well. On the domestic front, there is significant under penetration of pharmaceuticals, especially in chronic therapy, resulting in a large demand-supply gap. New initiatives such as Ayyshman Bharat, rising penetration of health insurance, improvement in medical infrastructure, growth of diagnostic networks and increased awareness will lead to growth in the sector in the long term. The government has taken various steps to reduce costs and bring down healthcare expenses. Speedy introduction of generic drugs in the expected to benefit the Indian Pharmaceutical companies. In addition, the push on rural health programmes lifesaving drugs and preventive vaccines also promises well for pharmaceutical Companies.

Export Trends

Viewed as a high-quality generic manufacturer across the globe, Indian exports half of its total production of pharmaceuticals to more than 200 countries in the world. In 2017-18, India exported pharma products worth \$17.27 billion and by 2020, the industry estimates the exports to grow by 30% to reach \$ 20 billion. The US is the most profitable generics market for India's pharma industry. It is valued at around \$ 60 billion and accounts for about 25% of India's total shipment. In 2017-18, India exported about \$3.21 billion worth of generic drugs to the US, despite the tough regulatory environment in the country. With branded drugs going off patent during 2017-19, research agencies estimate the export of generic drugs to the US to rise by about \$ 55 billion.

Outlook:

Fostering Private investment and careful management of public finances could help the economy go a long way. With key economic policies on tract, the government is likely to focus on faster policy implementation in the year ahead, concentrating on infrastructure development. In the near term, sustained fiscal consolidation will be need of the hour to bring down India's elevated public debt. This should be reinforced by ensuring compliance with the Goods and Services tax (GST) and further reducing subsidies. Here are some trends that the economy is likely to witness in future.

- Momentum of capex in roads, railways, etc, is likely to sustain
- Signs of private capex recovery are visible due to increasing capacity utilization
- GST has largely stabilised and should increase the formalisation of the economy
- Earnings are likely to improve due to Non-performing Assets (NPAs), peaking provision costs and fast-tracked capex and credit growth

Business Outlook:

The changing business landscape provides opportunity for innovation and technology adoption. As we embark on this journey we see immense opportunities for us in the future. As an organization, we will strive towards our aspirations without compromising on our core values. Our outlook for financial year 2020 continues to remain strong. We are confident of a strong performance through the year

COMPANY'S PERSPECTIVE

Domestic API Business:

The domestic API business continues to be an important component of SMS Pharmaceuticals Limited business. Considering India to be the pharma capital of the world, not just the manufacturers here but even traders are very crucial as the worldwide customers rely on them for sourcing the quality products.

The company has built an important relationship with traders who buy material from us and then export it to semi regulatory and ROW markets predominantly. We also have direct relationship with domestic formulators. SMS is known as the leading company in segments like Anti Migraine, Anti Diabetic, and Anti Retrovirals etc. SMS Pharmaceuticals Limited, given its product leadership in many of its focused product list and the GMP status has become preferred partner for Indian formulators selling their finished dosage forms into regulatory markets.

International majors like Mylan also prefer SMS as its preferred manufacturing partner to rely on not just our product range but utilize our services for their contract

manufacturing requirements. SMS Pharmaceuticals Ltd will continue to focus on domestic market trying to increase the capacities to meet the rising demands for API as well as for intermediates.

International Business:

SMS Pharmaceuticals Limited built a slew of relationships in international business predominantly into regulatory markets given the strength of the international GMP and the trust off the customers from regulatory markets. The business model is also targeting ROW markets. However there is ever increasing requirements across the countries that are gradually becoming semi regulatory from the current ROW stage. However with a strong and experienced quality team and 25 years of operating international GMP facilities before the demerger, the company is well placed and prepared to switch over and can easily comply with the increasing requirements.

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

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

Internal Control systems and their adequacy:

Our Organization values "Values FIRST" are defined, communicated and constantly reinforced to ensure that we adhere to these values as our guiding principles. The Company has in place adequate systems of internal control commensurate with its size and the nature of operations. These have been designed to provide reasonable assurance with regards to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuing compliance of corporate policies. The Company has well-deigned manual for delegation of authority for approving revenue and expenditure. The Company uses Tally system, to record data for accounting, consolidation and management information purposes, which connects to different locations for exchange of information.

The Audit Committee reviews audit reports submitted by the internal auditors. Suggestions, for improvement are considered and the audit committee follows up on the

implementation of corrective actions. The Committee also meets the Company's statutory auditors to ascertain, inter alia, their views on the adequacy of internal control systems in the Company and keeps the Board of Directors informed of its key observations from time to time.

Research and Development

SMS Pharmaceuticals Limited was always strong on R&D since inception as it realized the importance of development of products and then making it cost competitive is the only way of sustaining in business. Hence it does persisted research to cut the cost of its commercial products and make it affordable. After consolidating the API manufacturing with backward integration in form of intermediates manufacturing for greater affordability

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

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

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

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

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

Quality and compliance

We have been able to create consistent and credible track record of excellence due to our determined efforts to sustain world class infrastructure and quality standards. We follow the philosophy of 'one quality for all markets'. Across all our manufacturing sites, we have put in place quality

systems that cover all areas of business process from supply chain to product delivery, to ensure consistent quality risk management.

Human Resources

Pharmaceutical industry sector is facing global competition and most effected by a high attrition rate in India. Since this industry needs trained manpower who has the requisite experience to meet the compliances with statutory requirements, good manufacturing practices, good laboratory practices, QA and QC personnel along with research personnel, your company focuses on these aspects in human resources management.

Your company continuously implements its training programmes that help in identifying the potential talent from employees and sharpen their talent skills and motivating them to do right things in the right way.

At the year end the company had 932 employees directly employed. Industrial relations continue to be peaceful and harmonious. The management has initiated various measures.

Safety, Health and Environment

SMSPL is in the business of design, manufacture and supply of Bulk Drugs, Drug Intermediates & Fine Chemicals, and is committed to protect its employees, the environment and public in all phases of its business activities.

SMSPL employ's Environment Management System (EMS) to measure its progress in Safety, Health and Environment (SHE) systems, considered an integral part of its business. Under EMS, the policy provides frame work for compliance with applicable laws and regulations and commitment to the continuous improvement of Environment, personnel skills and conservation of natural resources.

Cautionary Statement

The management of SMS Pharmaceuticals Ltd. has prepared and is responsible for the financial statements that appear in this report. These financial statements are in conformity with Indian Accounting Standards and Other Applicable Standards, as and when issued by the various regulatory authorities and therefore include amounts based on informed judgments and estimates. Certain statements in this report may be forward-looking statements. We have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. Such forward looking statements are subject to certain risks and uncertainties like regulatory changes, local, political or economic developments, technological risks, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. Important factors that could make a difference to your Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which your Company operates, changes in the Government regulations, tax laws, statutes and other incidental factors. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

By the order of the Board

Ramesh Babu Potluri

Chairman and Managing Director
(DIN: 00166381)

Place: Hyderabad
Date: 12.08.2019

Equity Buildup Report

Reason of Allotment	Nature of payment of consideration	Date on which Equity Shares were allotted/ made fully paid-up	Number of Equity Shares allotted	Cumulative Equity Shares
Subscription to Memorandum of Association	Cash	14-Nov-87	40	40
Further Allotment	Cash	13-Dec-88	34,960	35,000
Allotted to relatives , friends of promoters	Cash	15-Dec-88	15,000	50,000
Allotted to promoters, relatives, friends	Cash	20-Mar-89	25,000	75,000
Allotted to relatives, friends of promoters	Cash	28-Sep-89	25,000	100,000
Allotted to relatives, friends of promoters	Cash	7-May-90	22,900	122,900
Allotted to relatives, friends of promoters	Cash	7-Jun-90	27,100	150,000
Allotted to Promoters, relatives and employees	Cash	26-Mar-92	150,000	300,000
Bonus @ 8:3	Bonus	1-Nov-94	800,000	1,100,000
Allotted to Promoters	Cash	21-Nov-94	150,000	1,250,000
Allotted to employees, friends and relatives of Promotes and Promoters	Cash	30-Nov-94	350,000	1,600,000
Allotted to Corporate Body.	Cash	18-Feb-95	450,000	2,050,000
Sub – Division into ₹ 5/- per share		22-Mar-04	-	4,100,000
Bonus shares @ 1: 1	Bonus	27-Mar-04	4,100,000	8,200,000
Re-Consolidation into ₹ 10/- per share		29-Sep-04	-	4,100,000
Allotted to Shareholders of Sreenivasa Pharma Pvt. Limited after Sreenivasa Pharma Pvt Ltd. became a subsidiary of SMS Pharma Limited.	Issued for consideration Other than cash	28-Apr-06	2,923,000	7,023,000
Pre - IPO placement to Gulf Pharmaceutical Industries*	Cash	8-Jan-07	400,000	7,423,000
Issue shares to Public via IPO	cash	22-Feb-07	2,579,225	10,002,225
Balance as on		31-Mar-07	-	10,002,225
Allotment of shares to erstwhile Plant Organics Limited (POL) Shareholder's [@ 1 share of SMS Pharmaceuticals Ltd. for every 50 shares of POL]	Issued as per exchange ratio Other than cash	29-Nov-08	12,978	10,015,203
Balance as on		31-Mar-08	-	10,015,203
Buy Back of Shares [on various dates from 28/05/2013 to 25/07/2013]	cash		(1,550,000)	8,465,203
Balance as on		31-Mar-14	-	8,465,203
Balance as on		31-Mar-15	-	8,465,203
Sub-Division into ₹ 1/- per share [Splitting of ₹ 10 face value]**	Split @ 10:1	17-Dec-15	-	84,652,030
Balance as on		31-Mar-19	-	84,652,030

Note: *Shares allotted as per MOU dated 24.12.2006.

**Record date 18.12.2015 whereas Ex-date 17.12.2015

Place: Hyderabad
Date: 12-08-2019

By the order of the Board
Ramesh Babu Potluri
(DIN:00166381)
Chairman & Managing Director

FORM NO. MBP-2

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

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

Place: Hyderabad
Date: 12-08-2019

By the order of the Board
Ramesh Babu Potluri
(DIN:00166381)
Chairman & Managing Director

FORM NO. AOC -2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso thereto.

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

2. Details of contracts or arrangements or transactions **at Arm's length basis**

SI. No.	Particulars	Details
	Name (s) of the related party	Sri. P. Vamsi Krishna (Senior VP - Operations)
a)	Nature of relationship	Son of Sri. Ramesh Babu Potluri (CMD of the Company).
b)	Nature of contracts /arrangements / transaction	remuneration payable to related party under place of profit in the company
c)	Duration of the contracts/arrangements/ transaction	12/08/2019 – 30/09/2022
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Re-appointed as Senior Vice President (Operations) of the Company at a Monthly Remuneration of ₹ 5.50 lakhs per month
e)	Justification for entering into such contracts or arrangements or transactions	Joined the company from 09/08/2013, under his leadership company had established new operational setup and achieved new level of efficiencies in its operational capacity.
f)	Date of approval by the Board	12/08/2019
g)	Amount paid as advances, if any	Not Applicable
h)	Date on which the Special Resolution was passed in General meeting as required under first proviso to section 188	Proposed for the consideration in the 31 st Annual General Meeting to be held on 30 th September, 2019.

SI. No	Particulars	Details	Details	Details
	Name (s) of the related party	R. Chem (Somanahalli) Private Limited	VKT Pharma Private Limited	SMS LifeSciences India Limited
a)	Nature of relationship	1. Sri. Suresh Babu Potluri, Managing Director is brother of Sri. Ramesh Babu Potluri. 2. Sri. TVVSN Murthy, Director of the company, is a major shareholder.	Common Directors & Associate Company	1. Sri Ramesh Babu Director 2. Sri TVVSN Murthy Managing Director of the Company in SMS Lifesciences India Limited
b)	Nature of contracts/ arrangements/ transaction	A. Purchase of by product in the ordinary course of business B. Sale of materials in the ordinary course of business	Purchases in the ordinary course of business. Sales in ordinary course of business.	Sale & purchase of materials in ordinary course of Business
c)	Duration of the contracts/ arrangements/ transaction	Transactions done within FY 2018-19.	Transactions done within FY 2018-19.	Transactions done within FY 2018-19

Sl. No	Particulars	Details	Details	Details
	Name (s) of the related party	R. Chem (Somanahalli) Private Limited	VKT Pharma Private Limited	SMS LifeSciences India Limited
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Total amount of Purchase was ₹ 2,51,10,788/- Total amount of Sale was ₹ 15,93,000/-	Total amount of Purchase was ₹ 19,15,213/- Total amount of Sale was ₹ 1,63,04,228/- Rent ₹ 7,08,000/-	Purchase: total amount of purchase of ₹ 21,47,84,993/- Sales: Total amount of was ₹ 45,56,936/- Rent ₹ 21,84,774/- Expenses Reimbursement ₹13,51,890/-
e)	Justification for entering into such contracts or arrangements or transactions'	Transactions are made at prevailing market rate in the ordinary course of business.	Transactions are made at prevailing market rate in the ordinary course of business.	Transactions are made at prevailing market rate in the ordinary course of business
f)	Date of approval by the Board	10/11/2018	26/05/2018, 28/07/2018, 10/11/2018, 14/02/2019	26/05/2018, 28/07/2018, 10/11/2018, 14/02/2019
g)	Amount paid as advances, if any	Not Applicable	Not Applicable	Not Applicable

Place: Hyderabad
Date: 12-08-2019

By the order of the Board
Ramesh Babu Potluri
Chairman & Managing Director
(DIN:00166381)

REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

Corporate governance is about internalizing and manifesting a firm commitment to the adoption of best practices across the Company to deliver value in all of its dealings with a wide group of stakeholders encompassing associates, customers, vendors, regulators and shareholders at all time. It is the evolution of a system by which the values, principles, management policies and procedures of the company are inculcated.

It is in this background that the company endeavors to embrace and imbibe good governance practices. The Company believes that corporate governance is an integral means for the existence of the Company. It ensures adherence to the moral and ethical values, legal and regulatory frame work and the adoption of good practices beyond the realms of law.

Good corporate governance is an intrinsic part of the Company's fiduciary responsibility as a responsible citizen. As such, the emphasis is on transparency of operations. The Company recognizes that to attract, meet and surpass the expectations of global investors, statutory disclosures and reporting norms are not sufficient and voluntary adherence to best international disclosures.

Corporate Governance in the Company is predicated upon an ethos of transparency, accountability, fairness and overall sustainability. It aims at the following:

- Fulfilling long term strategic goals.
- Maintain excellent relations with customers and suppliers
- Taking care of the interests of the associates
- Caring for environment and local community
- Complying with all applicable laws and regulatory requirements

Good Governance Policies

The Company constantly strives to conduct its business and strengthen its relationships in a dignified, distinctive and responsible manner. The Company lives by the ethos of Values First – Fairness, Integrity, Respect, Sincerity and Transparency in all its operations and dealings. Towards this, the Company has adopted several polices and guidelines for ethical and transparent operation. These include

- Code of conduct for board of directors and senior management
- Code of conduct for prevention of insider trading

- Prevention of Sexual harassment policy
- Minimum standards for code of conduct regulation to regulate monitor and report trading by designated employees.
- Whistle blower protection policy
- Archival Policy
- Code of practice and procedures for fair disclosure
- Policy on Related Party Transactions.
- Code of business conduct and ethics for other stakeholders.

Compliances with SEBI Regulations on Corporate Governance

The Company complies with the Corporate Governance provisions as specified in chapter IV of the SEBI (Listing Obligations & Disclosures Requirements) Regulations, 2015. The Company lives by the principles of corporate governance and implements them in a manner so as to achieve the following avowed objectives.

Rights of shareholders

- Right to participate in, and to be sufficiently informed of, decisions concerning fundamental corporate changes.
- Opportunity to participate effectively and vote in general meetings
- Opportunity to ask questions to the Board of Directors, to place items on the agenda of general meetings, and to propose resolutions, subject to reasonable and statutory limitations.
- Adequate mechanism to address the grievances of the shareholders
- Exercise of ownership rights by all shareholders including institutional investors

BOARD OF DIRECTORS:

The Board is accountable to shareholders and other stakeholders and is responsible for protecting and generating sustainable value over the long term. In fulfilling their role effectively board of directors of the Company

- Guide, review and approve corporate strategy and financial planning, including major capital expenditures, acquisitions and divestments.

- Monitor the effectiveness of the company's governance practices, environmental practices, and social practices, and adhere to applicable laws;
- Embody high standards of business ethics and oversee the implementation of codes of conduct that engender a corporate culture of integrity;
- Oversee the management of potential conflicts of interest, such as those which may arise around related party transactions.
- Oversee the integrity of the Company's accounting and reporting systems, its compliance with internationally accepted standards, the effectiveness of its systems of internal control and independence of the external audit process.
- Conduct an objective board evaluation on a regular basis, consistently seeking to enhance board effectiveness.

The role of the board includes responsibility for entrepreneurial leadership, strategy, securing the necessary financial and human resources and performance review. The Board also sets the company's values and standards, and ensures it meets its obligations to shareholders and others.

GOVERNANCE STRUCTURE

The Corporate Governance structure of the Company is as follows:

- Board of Directors:** The Board is entrusted with an ultimate responsibility of the management, directions and performance of the Company. As its primary role is fiduciary in nature, the Board provides leadership, strategic guidance, objective and independent view to the Company's Management while discharging its responsibilities, thus ensuring that the management adheres to ethics, transparency and disclosures.
 - Committees of the Board:** The Board of Directors has constituted various Board Committees to deal with specific areas and activities which concern the Company and requires a closer review. The Board Committees are formed with approval of the Board and function under their respective Charters. These Committees play an important role in the overall management of day-to-day affairs and governance of the Company. The Board Committees meet at regular intervals and take necessary steps to perform its duties entrusted by the Board. The Minutes of the Committee meetings are placed before the Board for noting.
- A. Composition of Board**
- The Board of Directors of your Company consists of individuals having considerable professional expertise and a wide range of experience in their

areas of specialization. The Company has an optimum combination of Executive, Non-executive and Independent Directors on its Board which is in conformity with the Companies Act, 2013 and SEBI Listing Regulations.

As on 31st March, 2019 the Company's Board consists of Seven (7) members, Dr. Mihir K Chaudhuri has resigned from the Board with effect from 5th June, 2018, Sri. Utpal Gokhale a Nominee Directorship has been withdrawn by the Export-Import Bank of India with effect from 31st January, 2019 and in his place Smt. Shilpa R Waghmare has been appointed as Nominee Director of Company with effect from 31st January, 2019 and Sri. P.S.Rao has resigned from the Board with effect from 10th August, 2019 and at present Seven (7) members out of which 50% are independent directors, who are leading professionals in their respective fields. Apart from that the Board comprises of two (2) Executive Directors who are Promoter Directors too and **one (1)** nominee Director. The composition of the Board is in conformity with Regulation 17 of the SEBI Listing Regulations read with Section 149 of the Companies Act, 2013. None of the Directors are related to each other. The Board consists of a woman Independent director as required under Rule 3 of Companies (Appointment and Qualification of Directors) Rules, 2014 and also a Nominee Director appointed by the EXIM Bank of India Limited.

In accordance with the provisions of the Sec. 165 of the Companies Act, 2013 none of the Directors on the Board hold directorships in more than ten (10) public companies. Further, as per Regulation 26(1) of the SEBI Listing Regulations none of them is a member of more than ten (10) committees or Chairman of more than five (5) committees across all the public companies in which they are Directors. The Committee membership excludes memberships in private/overseas/ Sec.8 Companies. Necessary disclosures regarding Committee positions in other public companies as on 31st March, 2019 have been made by the Directors.

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships / Memberships held by them in other public companies as on 31st March, 2019 are given herein below. Other directorships do not include directorships of Private limited Companies, foreign companies and companies under Section 8 of the Act. Chairmanships/Memberships of Board Committees shall only include Audit Committee and Stakeholders' Relationship Committee:

Name of Director & Designation	DIN	Category* (Designation)	No. of Board Meetings during the Year 2018-19		Attend- ed Last AGM 20.09.18	No. of Directorships in other Public Companies and category	No. of Committee Position held in Public Companies (including this company)	
			Held	Attended			Chairman	Member
Sri. Ramesh Babu Potluri (Chairman & Managing Director)	00166381	Executive Director	4	4	yes	SMS Lifesciences India Limited - Director	0	0
Sri. T.V.V.S.N Murthy	00465198	Executive Director	4	4	Yes	SMS Lifesciences India Limited – Managing Director	0	2
Sri. P. Sarath Kumar	01456746	Independent Director	4	3	Yes	SMS Lifesciences India Limited – Independent Director	2	1
Dr. T. Neelaveni	00065571	Independent Director	4	3	No	SMS Lifesciences India Limited – Independent Director	1	3
****Sri. P. S. Rao	00099066	Independent Director	4	1	No	SMS Lifesciences India Limited – Independent Director And RA ChemPharma Limited - Director	1	3
Sri. Shravan Kudaravalli	06905851	Independent Director	4	2	Yes	SMS Lifesciences India Limited – Independent Director, CMH Tools Limited-Director, Meghaengineering & Infrastructures Limited-Director	0	2
*Dr. Mihir K. Chaudhuri	00489843	Independent Director	4	0	NA	0	0	0
**Smt. Shilpa R Wagmare	7009966	Non-Executive & Nominee Director	4	NA	NA	0	0	0
***Sri. Utpal Gokhale	02619302	Non-Executive & Nominee Director	4	2	No	0	0	0

*Dr.Mihir K Chaudhuri has resigned from the Board with effect from 5th June, 2018.

** Smt. Shilpa R Wagmare has been appointed as Nominee Director of EXIM Bank Limited with effect from 31st January, 2019.

*** Mr Utpal Gokhale Nominee Director of EXIM Bank Limited has resigned from the Board with effect from 31st January, 2019 (EXIM Bank has withdrawn)

**** Sri.P. S. Rao has resigned from the Board with effect from 10th August, 2019

B. Board Meetings:

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

During the year under the review the Board met Six (4) times, at which proper quorum was present. The dates on which the said meetings held are:

26th May, 2018, 28th July, 2018, 10th November, 2018, 14th February, 2019.

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

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

During the year, one meeting of the Independent Directors was held on 26th May, 2018. The Independent Directors, inter-alia, reviewed the performance of non-independent directors, Chairman of the Company and the Board as a whole.

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

The Board Members are provided with necessary documents/reports on internal policies to enable them to familiarize to the Company's procedures and practices. Periodic presentations are made at the Board and its Committee Meetings, on business and performance updates of the Company. Site visits to various plant locations are organized to the Directors to enable them to understand the operations of the Company.

The Company had not issued any convertible instruments. Details of equity shares of the Company held by the Directors as on March 31, 2019 are given below:

Name of Director	No. of Equity Share held as on 31-03-2019
Sri. Ramesh Babu Potluri	1,45,06,960
Sri. T.V.V.S.N Murthy	82,27,000

BOARD COMMITTEES

The Company has four Board level committees, namely Audit Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee, Corporate Social Responsibility (CSR) Committee.

The Constitution, terms of reference and the functioning of the existing committees of the Board is explained herein.

A. AUDIT COMMITTEE:

The management is responsible for the Company's internal controls and the financial reporting process while statutory auditors are responsible for performing Independent audit of the Company's financial statements in accordance with generally accepted auditing practices and for issuing report based on such audit. The board of directors has constituted and entrusted the Audit Committee with the responsibility to supervise these process and thus ensure accurate and timely disclosure that maintain the transparency, integrity and quality of financial control and reporting. The constitution of the Audit Committee is in alignment with provisions of Section 177 of the Companies Act, 2013 read with the Rules issued thereunder and Regulation 18 of SEBI (LODR) Regulations, 2015. The Company has formulated an "Audit Committee Charter" in accordance to changing regulatory norms. The Charter contains the elaborated procedural guidelines for conducting the Audit Committee Meeting including the terms of references / role & responsibilities of the Committee members. The said Charter is in compliance with the requirement of Section 177 of the Companies Act, 2013 and applicable rules made there under, Regulation 18 of SEBI Listing Agreement it includes the Part-C of Schedule II (i.e. Role of Audit Committee and Review of Information by Committee) as per SEBI LODR Regulations.

Brief description of terms of Reference:

The terms of reference on the Audit Committee are as under:

- a) Oversight of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- b) Recommendation for appointment, remuneration and terms of appointment of auditors of the Company,
- c) Approval of payment to statutory auditors for any other services rendered by the Statutory Auditors.
- d) Reviewing with the management, the quarterly financial statements before submission to the Board for approval
- e) Review and monitor the auditor's independence and performance and effectiveness of audit process.
- f) Reviewing with the management, performance of statutory and internal auditor's adequacy of the internal control systems.
- g) Discussion with internal auditors of any significant findings and follow up there on.
- h) To review the statement of significant related party transactions

During the financial year 2018-19, the Audit Committee met four (4) times on 26th May, 2018, 28th July, 2018, 10th November, 2018, 14th February, 2019 at which proper quorum was present and the gap between two meetings did not exceed one hundred and twenty days.

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

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

The Chairman of the Committee was present in the Annual General Meeting to answer the Shareholders queries. The Company Secretary acts as the Secretary to the Committee.

The Minutes of the Audit Committee meetings were circulated to the Board, where it was discussed and taken note. The Audit Committee considered and reviewed the accounts for the year 2018-19, before it was placed in the Board. The Committee periodically interacts with the independent auditors, reviews the Company's financial and risk management policies and adequacy of internal controls with the management and is responsible for effective supervision of the financial reporting process and compliance with financial policies. The Internal Auditor reports directly to the Audit Committee.

B NOMINATION AND REMUNERATION COMMITTEE

The composition of Nomination and Remuneration Committee of the Company has been constituted in accordance with the Section 178(1) of the Companies Act, 2013 and Regulation 19 of SEBI (LODR) Regulations, 2015. The Company has formulated a "Nomination and Remuneration Committee Charter" in accordance to the changing regulatory norms. The Charter contains the elaborated procedural guidelines for conducting the Nomination and Remuneration Committee Meeting including the terms of references / role & responsibilities of the Committee members. The said Charter is in compliance with the requirements of Section 178 of the Companies Act, 2013 and applicable rules made there under and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.

During the year 2018-19 the Nomination and Remuneration Committee met one time on 26.05.2018 at which proper quorum was present.

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

Sl. No.	Name of the Director	Designation	Category	Committee Meetings	
				Held	Attended
1	Dr. (Mrs)T. Neelaveni	Chairperson	Independent Director	1	1
2	Sri. P. Sarath Kumar	Member	Independent Director	1	1
3	Sri. P. S. Rao	Member	Independent Director	1	0

Performance Evaluation Criteria for Independent Directors:

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

The criteria for performance evaluation are as follows:

Role & Accountability:

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

Objectivity:

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

Leadership & Initiative:

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

Personal Attributes:

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

REMUNERATION OF DIRECTORS

The remuneration details paid/payable to the directors for the year ended on 31st March, 2019 forms part of MGT-9 annexed as "Annexure - 7" to this Board Report.

The Company has only 1(one) Executive Director and rest of the Board Contains 1(one) Promoter Director, 4(four) Independent and Non-Executive Directors and 1(one) Nominee Director. Nominee Director and Independent Directors were paid only sitting fee. The Company does not have any Employee Stock Option Scheme. Payments made to Directors during the FY 2018-19 are mentioned hereunder:

Executive Directors

(₹ in Lakhs)

Name of the Director	Salary and Allowances	Commission	Perquisites	Bonus/Stock Options	Total
Sri Ramesh Babu Potluri (Chairman & Managing Director)	198.00	111.00	6.52	0	315.52

Independent & Nominee Directors:

The details of remuneration paid/payable to the Independent/ Nominee / Executive Directors for the year ended on 31st

March, 2019 as given below;

(₹ in Lakhs)

Name of the Independent Director	Sitting Fees
*Dr. Mihir K Chaudhuri	0
Sri. P. Sarath Kumar	2.75
Dr. T.(Mrs) Neelaveni	2.50
****Sri. P.S. Rao	1.00
**Sri. Utpal Gokhale (Exim Bank)	0.50
Sri. TVVSN Murthy	0.75
Sri. Shravan Kudaravalli	1.50
***Smt.Shilpa R Waghmare (Exim Bank)	0
Total	9.00

* Dr. Mihir K Chaudhuri has resigned from the Board with effect from 5th June, 2018

**Sri. Utpal Gokhale Nominee Director of Exim Bank as resigned w.e.f 31.01.2019

*** Smt. Shilpa R Waghmare has been appointed has Nominee Director of EXIM Bank w.e.f 31.01.2019

**** Sri. P.S.Rao has resigned from the Board with effect from 10th August, 2019.

C. STAKEHOLDERS RELATIONSHIP COMMITTEE

The composition of Stakeholder Relationship Committee of the Company has been constituted in accordance with the provisions of Section 178(5) of the Companies Act, 2013. The Company has formulated a “Stakeholder Relationship Committee Charter” in accordance to changing regulatory norms. The Charter contains the elaborated procedural guidelines for conducting the Stakeholder Relationship Committee Meetings including the terms of references / role and responsibilities of the Committee members. The said Charter is in compliance with the requirement of Section 178 of the Companies Act, 2013 and applicable rules made thereunder, and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Committee met on 26-05-2018 and 10-11-2018 at which proper quorum was present.

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

S. No	Name of the Director	Designation	Category	Committee Meetings	
				Held	Attended
1	Sri. P. Sarath Kumar	Member	Independent Director	2	2
2	Sri. P. S. Rao	Chairperson	Independent Director	2	0
3	Dr. (Mrs)T. Neelaveni	Member	Independent Director	2	2
4	Sri. TVVSN Murthy	Member	Executive Director	2	2

The Committee considers and resolves the grievances of shareholders, including the complaints related to transfer / transmission of shares, non-receipt of the Balance sheet and non- receipt of declared dividends.

D. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR COMMITTEE):

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

- Formulate and recommend the Board, a corporate social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified by law.
- Recommend the amount of expenditure to be incurred on the activities specified and
- Monitor the Corporate Social Responsibility Policy of the Company from time to time.

The Committee met on 28-07-2018 and all the members attended the meeting.

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

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

Name, designation and address of Compliance Officer:

Sri. V.S.Venkatish

Company Secretary and Compliance Officer
SMS Pharmaceuticals Limited
Plot.No.72, H.No: 8-2-334/3&4, Road No. 5, Opp. SBI Executive Enclave,
Banjara Hills, Hyderabad, Telanagana – 500034.
E-mail: complianceofficer@smspharma.com
Phone: + 91-40-25259999. Fax: + 91-40-25259889
Website: www.smspharma.com

Status of Investor Complaints as on 31st March, 2019 and reported under Regulation 13(3) of the Listing Regulations is as under

Details of investor complaints received and redressed during the year 2018- 19 are as follows

Opening Balance as on 1 st April, 2018	Received during the year	Resolved during the year	Closing Balance as on 31 st March, 2019
NIL	2	2	Nil

The Complaints have been resolved to the satisfaction of the shareholders.

SCORES: The Securities Exchange Board of India has initiated a platform for redressing the investor grievances through SCORES, a web based complaints redressal system. The system processes complaints in a centralized web based mechanism.

Nodal Officer: Sri.V.S.Venkatish, Company Secretary of the Company was appointed as Nodal Officer for the purpose of co-ordination with IEPF Authority as to ensure processing and verification of claims by the Shareholders in time bound manner.

RECONCILIATION OF SHARE CAPITAL AUDIT REPORT:

As stipulated by SEBI, a Practicing Company Secretary carries out Reconciliation of Share Capital Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges where the Company's shares are listed. The audit confirms that the total Listed and Paid-up Capital is in agreement with the aggregate of the total number of shares in dematerialized form (held with NSDL and CDSL) and total number of shares in physical form.

COMPLIANCE WITH GOVERNANCE FRAMEWORK:

The Company has complied with all the mandatory requirements specified in Regulations 17 to 27 and clauses (b) to (i) of sub – regulation (2) of Regulation 46 of the Listing Regulations.

This Corporate Governance Report of the Company for the year 2018-19 is in compliance with the requirements of Corporate Governance under Regulation 27(2) of Listing Regulation

GENERAL BODY MEETINGS:

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

AGM for FY	Date	Time	Venue	No. of Special Resolutions passed.
2015-16	30 th September, 2016	11.00 A.M.	Jubilee Hills Club, Jubilee Hills, Hyderabad-500 033.	3
2016-17	27 th September, 2017	11.00 A.M.		2
2017-18	20 th September, 2018	03.00 P.M.		1

MEANS OF COMMUNICATION

Publication of Results in Newspapers:

The Quarterly, half-yearly and annual financial results of the Company are published in leading English and vernacular Telugu language newspaper, viz., The Financial Express (All Editions) and Andhra Prabha (Hyderabad & Secunderabad Editions).

Website and News Papers:

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

E-voting

Pursuant to the requirements of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements), 2015, Company is providing e-voting facility to its shareholders, in respect of all shareholders, resolutions, to be passed at the General Meetings.

Stock Exchange:

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

GENERAL SHAREHOLDERS INFORMATION

Financial calendar : 1st April 2018 to 31st March, 2019

31st Annual General Meeting

Day and Date : Monday, 30th September, 2019

Financial Year : 2018-2019

Time : 09.00 AM

Venue : JRC Conventions & Trade Fairs, Survey No. 4, Narne Road, Adjacent to whisper valley, Jubilee Hills, Film Nagar, Hyderabad, Telangana, 500009.

As required under Regulation 36(3) of the SEBI Listing Regulations, particulars of Directors seeking re-appointment at the forthcoming AGM are given herein and in the **Annexure** to the Notice of the AGM to be held on 30th September, 2019.

Date of book closure : 23rd September, 2019 to 30th September, 2019

Dividend Payment Date : The dividend, if declared, will be paid/ credited on or after 4th October, 2019.

Listing on Stock Exchange & Stock Code:

BSE Limited “BSE” Phiroze Jeejeebhoy Towers Dalal Street Mumbai- 400001	National Stock Exchange of India Limited “NSE” Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051
Stock Code: BSE: 532815	Stock Code: NSE : SMSPHARMA
ISIN for equity shares: INE812G01025	

Listing Fees for the financial year 2019-20 has been paid to both the stock exchanges.

Stock market data: The Stock of the Company has listed in the Month of February, 2007.

The table below shows the monthly high and low price on the BSE Limited during the year 2018-19.

Month	BSE		Volume	
	High (₹)	Low (₹)	No. of Shares	Value(₹)
April, 2018	83.85	73.00	92050	7161285
May, 2018	80.10	65.00	70351	4961528
June, 2018	83.25	62.05	157887	12190607
July, 2018	78.60	61.25	57001	4008717
August, 2018	78.45	66.00	112239	8237880
September, 2018	90.70	60.00	280565	22624763
October, 2018	69.40	55.55	64074	4049227
November, 2018	76.00	61.00	68153	4815486
December, 2018	73.45	56.15	45035	3003159
January, 2019	85.50	63.00	139655	10296804
February, 2019	69.65	59.20	20929	1367448
March, 2019	69.10	62.00	75207	4905504

The table below shows the monthly high and low price on the NSE Limited during the year 2018-19.

Month	NSE		Volume	
	High (₹)	Low (₹)	No. of Shares	Value (₹)
April, 2018	83.75	66.60	809786	63110989
May, 2018	79.80	62.80	712398	50094725
June, 2018	83.10	62.10	1894809	143423239
July, 2018	74.20	62.25	766639	52883736
August, 2018	78.90	68.95	958799	70832318
September, 2018	95.10	64.10	2388229	193743822
October, 2018	71.00	60.00	793213	50548121
November, 2018	75.00	60.50	790467	55188924
December, 2018	73.25	60.80	613263	40600725
January, 2019	81.90	63.10	1833100	135290258
February, 2019	69.85	63.00	512313	33767108
March, 2019	69.90	62.45	662163	51256000

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

SMS Pharmaceuticals Limited vs. BSE



SMS Pharmaceuticals Limited vs. NSE



Share Transfer Agents:

Sri G. Bhaskara Murthy,
General Manager

M/s. Aarthi Consultants Private Limited

1-2-285, Domalguda, Hyderabad-500 029, Telangana State

Phone: 040-27638111, 27642217, 27634445

Fax : 040-27632184

Email : info@aarthiconsultants.com

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

Share Transfers System

Share transfers are processed and share certificates duly endorsed are delivered within a period of 15 days from the date of receipt, subject to documents being valid and complete in all respects. The company has delegated the authority to Share Transfer Agent (M/s Aarthi Consultants Private Limited). All documents, transfers, transmission, demat requests and other communications in relation thereto are required to be addressed to the Registrars directly. A summary of transfer/transmission of securities of the Company so approved by the Company Secretary is placed at Quarterly Board meeting / Stakeholders' Relationship Committee. The Company obtains from a Company Secretary in Practice half-yearly certificate to the effect that all certificates have been issued within thirty days of the date of lodgment of the transfer, sub division, consolidation and renewal as required under Regulation 40(9) of the Listing Regulations and files a copy of the said certificate with Stock Exchanges under Regulation 40(10).

Distribution of Equity Shareholding

The table below shows the distribution of shareholding of various groups as on 31st March, 2019.

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

Slab of shareholdings	Shareholders	%	No. of Shares	%
I - 5000	15612	96.88	6542169	7.73
5001 - 10000	214	1.33	1738036	2.05
10001 - 20000	117	0.73	1784016	2.11
20001 - 30000	37	0.23	940288	1.11
30001 - 40000	25	0.16	897470	1.06
40001 - 50000	16	0.10	733702	0.87
50001 - 100000	40	0.25	3036251	3.59
100001 and above	54	0.34	68980098	81.49
Total	100	100.00	84652030	100.00

Pattern of shareholding as on 31st March, 2019

Sl. No.	Category of Shareholders	No. of Shareholders	No. of Shares
(A)	Shareholding of Promoter and Promoter Group	12	56945350
(B)	Public shareholding		
	B1) Institutions		
	Mutual Funds/	0	0
	Financial Institutions/ Banks	2	32779
	Any Other (specify)-		
	Sub Total B1	2	32779
	B2) Central Government/ State Government(s)/ President of India	0	0
	B3) Non-Institutions		
	Individual share capital upto ₹ 2 Lacs	15623	16762271
	Individual share capital in excess of ₹ 2 Lacs	9	5017457
	NBFCs registered with RBI	1	30000
	Any Other (specify)		
	Foreign Individuals or NRI – Reparable & Non Reparable	209	2683224
	Bodies Corporate	190	2869678
	Clearing Members	65	240320
	Overseas corporate bodies	0	0
	Trust	1	500

Sl. No.	Category of Shareholders	No. of Shareholders	No. of Shares
	Unclaimed Suspense	1	500
	Foreign Nationals	1	271
	IEPF	1	69680
	Sub Total B3	16101	27673901
	Total Public Shareholding(B)=(B1 + B2 + B3)	16103	27706680
	TOTAL (A) + (B)	16115	84652030

Dematerialization of Shares and liquidity

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

99.67 % of our equity shares representing 84373464 equity shares have been dematerialized as on 31st March, 2019.

The breakup as on 31st March, 2019 as follows:

Particulars	No. of Shares	Percentage of shares
NSDL	53231490	62.88%
CDSL	31141974	36.79%
Total Demat Shares	84373464	99.67
Physical	278566	0.33%
Total	8,46,52,030	100

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

Outstanding GDRs/ADRs/ Warrants or any convertible instruments, conversion date and likely impact on equity

The Company has not issued any GDRs/ ADRs/ Warrants or any convertible instruments in the past and hence as on 31st March, 2019 the company does not have any outstanding GDRs/ ADRs/ Warrants or any convertible instruments.

OTHER DISCLOSURE:

Related party transactions

During the year under review no materially significant transactions entered into between the company and related parties as defined under Section 185 or 188 of the Companies Act, 2013 along with Regulation 23 of SEBI Listing Regulations; which might had/may have potential conflict with the interest at large of the Company. All the related party transaction for the year ended on 31stMarch, 2019 formed part of **AOC-2 Annexed as 5"** to the Board Report. Further the company has presented the related party transactions before the Audit Committee on quarterly basis and also before the Board. The "Policy on Related Party Transactions" is hosted on the website of the Company at the following link:<http://www.smspharma.com/investors/downloads/policy-on-related-party-transactions.pdf>.

None of the transactions with Related Parties were in conflict with the interest of Company. All the transactions are in the ordinary course of business and have no potential conflict with the interest of the Company at large and are carried out on an arm's length or fair value basis.

Prohibition of Insider Trading:

Your company has adopted a Code of conduct as per Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 as amended in 2019. All Directors, Senior Management Personnel, person forming part of Promoters / Promoters Group and such other designated Employees who could have access to the Unpublished Price Sensitive Information of the Company are governed by this Code. During the year, the company had made due compliance with Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015. The Code of conduct is available on the website of the Company.

Managing Director and the Chief Financial Officer have certified to the Board in accordance with Regulation 17(8) of the SEBI (LODR) Regulations, 2015 pertaining to CEO/ CFO certification for the Financial Year ended 31st March, 2019.

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

Strictures and Penalties:

There was no non-compliance penalties and strictures imposed on the Company during the last three financial years 2016-17, 2017-18 and 2018-19 respectively by the stock exchanges or the SEBI or any statutory authority, on any matter related to capital markets.

Vigil mechanism / Whistle Blower Policy:

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

Fees paid for the services of Auditors

Particulars	Current Year 2018-19	Previous Year 2017-18
Audit Fee	8.00	8.00
Tax Audit Fee	2.00	2.00
Certification Fee	1.00	1.00
Total Payments to Auditors	11.00	11.00

Policy for Determination of Materiality for Disclosures:

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

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

Disclosure with Respect to Demat Suspense Account/ Unclaimed Suspense Account

Pursuant to the provisions of Section 124 of the Companies Act, 2013, dividend which remains unpaid or unclaimed for a period of seven years from the date of its transfer to unpaid dividend account, is required to be transferred by the Company to the Investor Education and Protection fund, established by the Central Government under the provisions of Section 125 of the Companies Act, 2013.

Shareholders of the Company who have either not received or have not en-cashed their dividend warrants, for the financial years 2012-13, 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18 are requested to claim the unpaid/ unclaimed dividend from the Company before transfer to the fund.

Details of shares held in demat suspense account with HSE Securities Ltd. (IN302734-10034023) for the period from 01/04/2018 to 31/03/2019.

(i)	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year.	No. of shareholders : 2 No. of shares : 50
(ii)	Number of shareholders who approached issuer for transfer of shares from suspense account during the year.	No. of shareholders : Nil No. of shares : Nil
(iii)	Number of shareholders to whom shares were transferred from suspense account during the year.	No. of shareholders : Nil No. of shares : Nil
(iv)	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year.	No. of shareholders : 2 No. of shares : 50
(v)	That the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.	Yes

Investors Correspondence : For institutional investors / analysts queries

Email : cs@smspharma.com

(For queries relating to Financial Performance & Announcement made by Management only)

Manufacturing Facilities

Plot No. 24 & 24B, S.V. Co.op Ind. Estate Bachupally,
I.D.A., R.R. Dist. Telangana State - 502 325.

Phone : + 91-40-6598 6691. Email : admin_unit2@smspharma.com

Sy. No. 160, 161, 163 to 167, Kandivalasa,
Poosapatirega (Mandal), Vijayanagaram Dist.,
Andhra Pradesh – 535 204

Phone : +91-08922-258051/53/54. Fax : +91-08922-258052

Email: admin_unit7@smspharma.com

R & D CENTER

Sy. No. 186, 189 & 190, Gagillapur, Qutubullapur,
Ranga Reddy Dist, Hyderabad, Telangana State, India.

Phone : + 91 - 8418 - 257337 / 8. Fax : + 91 - 8418 - 257469

Email : rnd@smspharma.com

Place: Hyderabad

Date: 12-08-2019

By the order of the Board
Ramesh Babu Potluri
Chairman & Managing Director
(DIN:00166381)

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2019

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS:

1	CIN	L24239TG1987PLC008066	
2	Registration Date	14th December, 1987	
3	Name of the Company	SMS Pharmaceuticals Limited	
4	Category/Sub-category of the Company	Company Limited by Shares	
5	Address of the Registered office & contact details	Plot No: 72, H. No: 8-2-334/3&4, Road.No.5, Opp. SBI Executive Enclave, Banjara Hills, Hyderabad, Telangana, India - 500034.	
6	Whether listed company	Yes	
		BSE(Bombay Stock Exchange) Ltd.	National Stock Exchange of India Limited
7	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Aarathi Consultants Private Limited 1-2-285, Domalguda, Hyderabad, Telangana-500 029. Phone : 040-27638111 / 27642217. Email : info@aarathiconsultants.com	

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

(All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

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

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S. No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
I	VKT Pharma Private Limited	U24100TG2006PTC050221	Associate	42.62%	2(6)

IV. SHARE HOLDING PATTERN

(Equity share capital breakup as percentage of total equity)

(i) Category-wise Share Holding

Category of Shareholders	[No. of Shares held at the beginning of the year]				[No. of Shares held at the end of the year]				% Change during the year
	Demat	Physical	Total	% of To-tal Shares	Demat	Physical	Total	% of To-tal Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	50742930	-	50742930	59.94	50742930	-	50742930	59.94	-
b) Central Govt									
c) State Govt(s)									
d) Bodies Corp.									
e) Banks / FI									
f) Any other	6202420		6202420	7.33	6202420		6202420	7.33	-
Sub Total (A) (1)	56945350		56945350	67.27	56945350		56945350	67.27	-
(2) Foreign									
a) NRI Individuals									
b) Other Individuals									
c) Bodies Corp.									
d) Any other									
Sub Total (A) (2)	0		0	0	0		0	0	0
TOTAL (A)	56945350		56945350	67.27	56945350		56945350	67.27	-
B. Public Shareholding									
I. Institutions									
a) Mutual Funds									
b) Banks / FI	166608		166608	0.19	32779		32779	0.04	0.15
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIs									
h) Foreign Venture Capital Funds									

Category of Shareholders	[No. of Shares held at the beginning of the year]				[No. of Shares held at the end of the year]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
i) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-total (B)(1):-	166608		166608	0.19	32779		32779	0.04	0.15
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	7463521	178546	7642067	9.03	7639699	119506	7759205	9.17	(0.14)
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	14994478	0	14994478	17.71	14020523	0	14020523	16.56	1.15
c) Others (specify)	4502858		4504358	5.32	5621182	1400	5621182	6.64	(1.32)
NBFCs Registered with RBI	86975	-	86975	0.10	30000		30000	0.04	0.06
Unclaimed Suspense A/c	500		500	0	500		500	0	0
Non Resident Indians	0	-	0	0	0	-	0	0	2.15
Overseas Corporate Bodies	0	-	0	0	0	-	0	0	1.17
Foreign Nationals	271	-	271	0	271		271		0
Clearing Members	309423	-	309423	0.37	240320		240320	0.28	0.09
Trusts	2000	-	2000	0	500		500		0
Foreign Bodies - D R									
Sub-total (B)(2):-	27360026	178546	27540072	32.53					(0.99)
Total Public (B)	27526634	178546	27706680	32.73					(0.33)
C. Shares held by Custodian for GDRs & ADRs									
Grand Total (A+B+C)	84471984	178546	84652030	100					-

(ii) Shareholding of Promoter

SN	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Hima Bindu Potluri	12373360	14.62	-	12373360	14.62	-	-
2	Ramesh Babu Potluri	14506960	17.14	-	14506960	17.14	-	-
3	T V V S N Murthy	8227000	9.72	-	8227000	9.72	-	-
4	Potluri Infra Projects LLP	5970000	7.05	-	5970000	7.05	--	0.00
5	T Annapurna	4390340	5.19	-	4390340	5.19	-	-
6	T V V S N Murthy (HUF)	3981340	4.70	-	3981340	4.70	-	-
7	Gopineedi Sudeepthi	1750000	2.07	-	1750000	2.07	-	-
8	Vamsi Krishna Potluri	2030590	2.40	3.55	2030590	2.40	1.35	2.2
9	Trilok Potluri	1431340	1.69	-	1431340	1.69	-	-
10	T V Praveen	1295340	1.53	-	1295340	1.53	-	-
11	SatyaYani Potluru	756660	0.89	-	756660	0.89	-	-
12	Potluri Laboratories Private Limited.	232420	0.27	-	232420	0.27	-	0.00
	Total	56945350	67.27	3.55	56945350	67.27	3.55	0.39

(iii) Change in Promoters' shareholding (Please specify, if there is a change)

Sl. No.	Particulars	Date	Reason	Shareholding at the beginning of the year		Cumulative shareholding during the year	
				No. of Shares	% of total shares	No. of shares	% of total shares
	At the beginning of the year	01-April -2018	-	56945350	67.27	-	-
	Date wise increase/decrease in Promoters shareholding during the year			Nil	Nil	Nil	Nil
	At the end of the year	31-March-2019				56945350	67.27

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

Sl. No	For each of top 10 shareholders	Shares at the beginning of the year		Change in shareholding			Cumulative shareholding during the year	
		No. of Shares	% of total shares of the Company	Date	Increase / Purchase	Decrease/ Sale	No. of Shares	% of total shares of the Company
01	Venkata Subbaraju Penmatsa	17,90,000	2.11		-	-	17,90,000	2.11
02	Vivek Mundra	11,62,834	1.38		-	-	11,62,834	1.38
03	Aniruddh Mundra	11,49,900	1.36		-	-	11,49,900	1.36
04	Madhusudan Murlidhar Kela	13,85,599	1.64	31.03.2018	-	5,00,000	8,85,599	1.05
05	Madhusudan M Kela	5,00,000	0.59		-	-	5,00,000	0.59
06	Hari kishore Potluri.	4,30,060	0.51		-	-	4,30,060	0.51
07	Alpana Mundra	3,54,170	0.42	30.11.2018	12,556	-	3,66,726	0.43
08	Sreenivasulu Reddy Mallu	3,01,000	0.36		-	-	3,01,000	0.36
09	Chunduri Ramakrishna	2,66,677	0.32	23.03.2018	1,000			
				31.03.2018	33,270			
				13.04.2018	3,750			
				26.10.2018		500		
				02.11.2018		2,500		
				09.11.2018		4,000		
				16.11.2018		500		
				18.01.2019		2,000		
				08.02.2019		1,000	2,94,197	0.35
10	Narender Kumar Arora	2,07,765	0.25	02.03.2018	8,918			
				18.01.2019	40,900		2,57,583	0.30

(v) Shareholding of Directors and Key Managerial Personnel:

S N	Shareholding of each Directors and each Key Managerial Personnel	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
1	Sri. Ramesh Babu Potluri						
	At the beginning of the year	01.04.2018	-	14506960	17.14	-	-
	Changes during the year	-	-	-	-	-	-
	At the end of the year	31.03.2019				14506960	17.14
2	Sri. TVVSN Murthy	01.04.2018					
	At the beginning of the year		-	8227000	9.72		
	Changes during the year		-				
	At the end of the year	31.03.2019				8227000	9.72

V) INDEBTEDNESS – Indebtedness of the Company including interest outstanding / accrued but

Particulars	Secured Loans excluding deposits	Unsecured loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	14,527.21	120.00	-	14,647.21
ii) Interest due but not paid		-	-	
iii) Interest accrued but not due	10.79			10.79
Total (i+ii+iii)	14,538.00	120.00		14,658.00
Change in indebtedness during the financial year				
Addition				
Principal amount	4,217.20			4,217.20
Interest Accrued but not due				
Reduction				
Principal Amount	(4,463.55)			(4,463.55)
Interest Accrued but not due	(10.79)			(10.79)
Others				
Net Change	(4,474.34)			(4,474.34)
Indebtedness at the end of the financial year				
i) Principal Amount	14,280.86	120.00		14,400.86
ii) Interest due but not paid				
iii) Interest accrued but not due				
Total (i+ii+iii)	14,280.80	120.00		14,400.86

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

S N.	Particulars of Remuneration	Name of MD/WTD/ Manager		Total Amount
		Sri. Ramesh Babu Potluri	Sri. TVVSN Murthy	
	Name	Chairman	Executive Director	
	Designation			
1	Gross salary	In lacs	In lacs	In lacs
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	198.00	0	198.00
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	6.52	0	6.52
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961			
2	Stock Option			
3	Sweat Equity			
4	Commission	111.00	0	111.00
	- as % of profit			
	- others, specify			-
5	Others, please specify			-
	Total (A)	315.52	0	315.52
	Overall Ceiling as per the Act			327.55

B. Remuneration to other Directors

SN.	Particulars of Remuneration	Name of Directors					Total Amount (INR)
		Sri. P Venkata Subba Rao	****Sri. P. Sarath Kumar	Dr. Smt. T. Neelaveni	Sri. Shravan Kudaravalli	*Dr. Mihir K Chaudhuri	
1	Independent Directors						
	Fee for attending Board& committee meetings	1.00	2.75	2.50	1.50	0	7.75
	Commission	0	0	0	0	0	0
	Others, please specify	0	0	0	0	0	0
	Total (I)	1.00	2.75	2.75	1.50	0	7.75

2	Other Non-Executive Directors	** Exim Bank Sri. Utpal Gokhale (Nominee Director)	***Exim Bank's Smt. Shilpa R Waghmare (Nominee Director)	Sri. TVVSN Murthy			-
	Fee for attending board committee meetings	0.50	0	0.75	0	0	1.25
	Commission	0	0	0	0	0	0
	Others, please specify	0	0	0	0	0	0
	Total (2)	0.50	0	0.75	0	0	1.75
	Total (B)=(1+2)	1.50	2.75	3.25	1.50		9.00
	Total Managerial Remuneration						324.52
	Overall Ceiling as per the Act						393.06

*Dr. Mihir K Chaudhuri has resigned from the Board w.e.f. 5th June, 2018

**Sri.Utpal Gokhale Nominee Director of the EXIM Bank Limited has resigned from the Board w.e.f 31-01- 2019

***Smt. Shilpa R Waghmare had been appointed to the Board by the EXIM Bank with w.e.f.31-01-2019

**** Sri.P.S.Rao has resigned from the Board w.e.f. 10th August, 2019.

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

SN.	Particulars of Remuneration	Name of Key Managerial Personnel			Total Amount (₹)
		CEO	CFO	CS	
	Designation	N.A.	Sri. Lakshmi Narayana	Sri. V.S. Venkatish	
	Name				
1	Gross salary		16,18,476	6,51,888	22.70,364
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961		-	-	-
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		-	-	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961		-	-	-
2	Stock Option		-	-	-
3	Sweat Equity		-	-	-
4	Commission		-	-	-
	- as % of profit		-	-	-
	- others, specify		-	-	-
5	Others, please specify		-	-	-
	Total	-	16,18,476	6,51,888	22.70,364

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty			NIL		
Punishment					
Compounding					
B. DIRECTORS					
Penalty			NIL		
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty			NIL		
Punishment					
Compounding					

Place: Hyderabad
Date: 12-08-2019

By the order of the Board
Ramesh Babu Potluri
(DIN:00166381)
Chairman & Managing Director

ANNUAL REPORT ON CSR ACTIVITIES

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

1	A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or prograSmt.	<p>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:</p> <ul style="list-style-type: none"> i. Promoting preventive health care, sanitation making available for safe drinking water. ii. Education and rural development and related activities. 		
2	The Composition of the CSR Committee.	Sri. Ramesh Babu Potluri	Executive Director - & Chairman & Managing Director	Chairperson
		Sri. P.S. Rao	Non- Executive & Independent Director	Member
		Sri. P. Sarath Kumar	Non- Executive & Independent Director	Member
3	Average net profit of the company for last three financial years	₹ 5274.77 Lakhs		
4	Prescribed limit for CSR Expenditure (two per cent. of the amount as in item 3 above)	₹ 105.50 Lakhs		
5	Details of CSR spent during the financial year			
	(a) Total amount spent for the financial year	₹ 38.94		
	(b) Amount unspent, if any	₹ 66.56		

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

Sl. No	CSR project or activity identified	sector in which the project is covered	Location of Project or Programme	Amount outlay (budget) project or wise (₹ In Lakhs)	Amount spent on the projects or programs Sub heads: (1) Direct expenditure (2)Overheads (₹ in Lakhs)	Cumulative -expenditure upto to the reporting period (₹ in Lakhs)	Amount spent Direct or through implementing agency
1.	Support to Udbhav School, Managed by IIMAAA Hyderabad Charitable Trust for education of children	Educating Girl children	Hyderabad charitable Trust for education of children, belonging to below poverty	0.50	Managed by IIMAAA Hyderabad ₹ 0.50	0.50	Through Udbhav School,
2.	Construction of School Building	Promotion of Education,	At Poosapatirega Mandal, Vizinagar Dist. A.P.	26.27	Direct Expenditure ₹ 26.27	26.27	Direct
3.	Supporting for supply safe drinking water, drilling of bore wells	Safe Drinking water, sanitation	At Nakkanapeta, Kanivalasa Village Poosapatirega Mandal, Vizinagar dist, A.P.	2.17	Direct Expenditure ₹ 2.17	2.17	Direct
4	Support for open heart surgery for children & at Govt. General Hospital Guntur, Andhra Pradesh, heart and lung transplantation Programme	Health care	Government General Hospital, Guntur Dist. A.P.	10.00	Through Sahrudaya Health, Medical and Educational ₹ 10.00	10.00	Through Sahrudaya Health, Medical and Educational Trust
TOTAL				38.94	38.94	38.94	-

5. The company could not spend entire two percentage of average net profits of the last three financial years. The company has initiated for construction of School building, health centers and drinking water facilities and also is making efforts to spend the unspent amount of Rs. 66.56.

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

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

By the order of the Board

Ramesh Babu Potluri

Chairman & Managing Director

(DIN:00166381)

Place: Hyderabad

Date: 12-08-2019

Annexure - 9

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

(Amount in Lakhs)

NAME	DESIGNATION	Remuneration for FY 2018-19	% increase/decrease in remuneration during FY 2018-19	Ratio of remuneration of each director to the median remuneration of employees
Sri. P. Ramesh Babu	Executive Director (Chairman & Managing Director)	315.52	(0.52)	1:96.57
Sri. TVVSN Murthy	Executive Director	-	-	-
Sri P. Sarath Kumar	Non-Executive & Independent Director	-	-	-
Dr. T (Smt.) Neelaveni	Non-Executive & Independent Director	-	-	-
****Sri. P. S. Rao	Non-Executive & Independent Director	-	-	-
Sri. Shravan Kudaravalli	Non-Executive & Independent Director	-	-	-
*Dr. Mihir K. Chaudhuri	Non-Executive & Independent Director	-	-	-
**Sri. Utpal Gokhale	Non-Executive & Nominee Director	-	-	-
***Smt. Shilpa R Waghmare	Non-Executive & Nominee Director	-	-	-
Sri. Lakshmi Naryana T	Chief Financial Officer	16.18	41.44	NA
Sri. V.S.Venkatish	Company Secretary	6.52	NA	NA

*Dr.Mihir K Chaudhuri had resigned from the Board with effect from 05-06-2018

**Sri.Utpal Gokhale Nominee Director had resigned from the Board w.e.f. 31-01-2019

***Smt.Shilpa R Waghmare Nominee Director appointed to the Board w.e.f. 31-01.2019

****Sri.P.S.Rao has resigned from the Board with effect from 10th August, 2019

1. The average percentage decrease in remuneration of Director is (0.52%) the average increase / decrease in remuneration of CFO is 41.44%.
2. The average percentage increase in remuneration of employees except Directors and KMP is 11.28%
3. Change in median remuneration of employees is 40.87%
4. At the year end the company had 932 employees directly employed.
5. Remuneration paid to the Managerial Personnel is a per remuneration policy of the Company.
6. The Non-executive Directors of the Company are entitled for sitting fees as per the statutory provisions and within the limits approved by shareholders. The details of remuneration (Sitting fees) of Non-Executive Directors are provided in the Corporate Governance Report. The Ratio of remuneration and percentage increase for non-executive Directors Remuneration is therefore not considered for the purposes above.

The remuneration philosophy of the Company is to provide market competitive compensation which drives a high performance culture. Every year, the salary increases are based on benchmarking with similar profiled organizations and market competitiveness. The variable component is paid out to an employee on the basis of performance of the Company, the corresponding business unit or function and his/her own performance.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

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

CONSERVATION OF ENERGY

Optimization of designs and operational efficiencies: Optimization of compressed air pressure and integration of piping of compressors and integration of chillers. Arresting the air leakages and reduction of the unloading hours of air compressor units. Replacement of pumps, chillers, electric heaters by steam coils for AHUs and compressors to enhance energy efficiency. Optimization of HVAC usage by shut down/sleep mode operations based on working areas of plant. Enhancing the efficiencies of refrigerant compressors by adopting artic master and ECO plug technology. Boiler efficiency improvement, better condensate recovery. Consolidation and optimized utilization of chilled water/brine/air/nitrogen compressors based on load for manufacturing sites.

TECHNOLOGY ABSORPTION

1. Efforts in brief, made towards technology absorption:

The company has a full-fledged R&D division continuously engaged in research on new products and process improvement on existing products as part of continuous improvement. As a part of technology absorption and adoption, once technology is developed for a product, it is validated in the plant and thereafter commercial production is performed. Innovation is embarked on by an incremental approach towards cost, time, quality and complex product development by adopting cutting edge technology and our philosophy is to continuously upgrade the technology.

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

Successful development of complex generics Active Pharmaceutical Ingredients accomplished through innovation and science. Improved quality by adopting a quality by design concept. Technology adoption yielded improvement in robustness and cost.

3. R&D Expenditure

The details of expenditure incurred in R&D centre of the company for the FY 2018-19 refer Note No. 44 of Notes to financial Statements.

Place: Hyderabad
Date: 12-08-2019

By the order of the Board
Ramesh Babu Potluri
Chairman & Managing Director
(DIN:00166381)

Form No. MR-3
SECRETARIAL AUDIT REPORT

for the Financial Year ended 31st March, 2019

[Pursuant to Section 204 (1) of the Companies Act, 2013 and Rule 9 of the Companies
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To the Members,
SMS Pharmaceuticals Limited,
Hyderabad.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by SMS Pharmaceuticals Limited (“the Company”). Secretarial Audit was conducted in a manner that provided us an able basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company’s books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31st March, 2019 complied with the statutory provisions listed hereunder and also that the Company has proper board-processes and compliance-mechanism in place to the extent, in the manner and subject to there Reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2019 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 (‘SCRA’) and the rules made hereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under to the extent of Regulation 55A;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (‘SEBI Act’):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (SEBI ICDR Regulations) up to September 10, 2018 and SEBI (ICDR) Regulations, 2018 with effect from September 11, 2018 (not Applicable to the Company during the Audit Period);
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefit) Regulations, 2014 (not Applicable to the Company during the Audit Period);
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (not Applicable to the Company during the Audit Period);
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (not Applicable to the Company during the Audit Period); and

(h) The Securities and Exchange Board of India (Buy back of Securities) Regulations, 1998 (SEBI Buyback of Securities Regulations) up to September 10, 2018 and SEBI Buyback of Securities Regulations, 2018 with effect from September 11, 2018 (not Applicable to the Company during the Audit Period);

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

We have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued by The Institute of Company Secretaries of India; and

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

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

(vi) We further report that, having regard to the Compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof the Company has complied with the following laws applicable specifically to the Company:

(a) Drugs and Cosmetics Act, 1940

(b) Drugs (Price Control) Order, 2013

(c) Narcotic Drugs and Psychotropic Substances Act, 1985

(d) Indian Boilers Act, 1923 and Regulations

(e) Explosives Act, 1884

(f) Petroleum Act, 1934

(g) Water (Prevention and Control of Pollution) Act, 1974

(h) Air (Prevention and Control of Pollution) Act, 1981

(i) Environment Protection Act, 1986

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

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent well in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the Meetings duly recorded and signed by the Chairman, the decisions of the Board were unanimous and no dissenting views have been recorded.

We further report that based on the review of the Compliance Reports / Certificates which were taken on record by the Directors, there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the Audit Period, except for the following events, there was no event/action having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, etc.

- a. Sri. Shravan Kudaravalli is appointed as an Independent Director by the Board of Directors with effect from 26th May, 2018 and is approved by the Shareholders in the Annual General Meeting held on 20th September, 2018;
- b. Sri. Mihir K Chaudhuri resigned as Independent Director with effect from 5th June, 2018;
- c. Smt. Shilpa R Waghmare is nominated as Nominee Director by Exim Bank in place of Sri. Utpal Gokhale with effect from 31st January, 2019.

Place: Hyderabad
Date: 27-05-2019

For **SVVS & Associates**
Company Secretaries LLP
C. SUDHIR BABU
FCS: 2724; C P No.: 7666

Note: This letter is to be read with our letter of even date which is annexed and form an integral part of this report.

ANNEXURE

The Members,
SMS Pharmaceuticals Limited,
Hyderabad.

- (1) Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
- (2) We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on the random test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
- (3) We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
- (4) Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
- (5) The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the Management. Our examination was limited to the verification of procedures on random test basis.
- (6) The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Place: Hyderabad
Date: 27-05-2019

For **SVVS & Associates**
Company Secretaries LLP
C. SUDHIR BABU
FCS: 2724; C P No.: 7666

**SECRETARIAL COMPLIANCE REPORT OF SMS PHARMACEUTICALS LIMITED FOR THE YEAR ENDED
MARCH 31, 2019**

To
SMS Pharmaceuticals Limited,
Plot No. 72, H. No. 8-2-334/3&4,
Road No. 5, Opp. SBI Executive Enclave,
Banjara Hills, Hyderabad – 500034.

We, CSB Associates, Company Secretaries, have examined:

- a) all the documents and records made available to us and explanation provided by SMS Pharmaceuticals Limited (“the Listed Entity”),
- b) the filings/ submissions made by the listed entity to the Stock Exchanges,
- c) website of the listed entity,
- d) any other document/ filing, as may be relevant, which has been relied upon to make this certification, for the year ended March 31, 2019 (“Review Period”) in respect of compliance with the provisions of:
 - a) the Securities and Exchange Board of India Act, 1992 (“SEBI Act”) and the Regulations, circulars, guidelines issued thereunder; and
 - b) the Securities Contracts (Regulation) Act, 1956 (“SCRA”), rules made thereunder and the Regulations, circulars, guidelines issued thereunder by the Securities and Exchange Board of India (“SEBI”);

The specific Regulations, whose provisions and the circulars/ guidelines issued thereunder, have been examined, include:-

- a) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- b) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; (Not applicable to the Company during the review period)
- c) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- d) Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; (Not applicable to the Company during the review period)
- e) Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; (Not applicable to the Company during the review period)
- f) Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (Not applicable to the Company during the review period)
- g) Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013; (Not applicable to the Company during the review period)
- h) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- i) Securities and Exchange Board of India (Depositories and Participant) Regulations, 2018;

and circulars/ guidelines issued thereunder;

- a) The listed entity has complied with the provisions of the above Regulations and circulars/ guidelines issued thereunder, except in respect of matters specified below:

Sl. No.	Compliance Requirement (Regulations/ circulars/ guidelines including specific clause)	Deviations	Observations/ Remarks of the Practicing Company Secretary
NIL			

- b) The listed entity has maintained proper records under the provisions of the above Regulations and circulars/ guidelines issued thereunder in so far as it appears from our examination of those records.
- c) The following are the details of actions taken against the listed entity/ its promoters/ directors/ material subsidiaries either by SEBI or by Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under the aforesaid Acts/ Regulations and circulars/ guidelines issued thereunder:

Sl. No.	Action taken by	Details of violation	Details of action taken E.g. fines, warning letter, debarment, etc.	Observations/ remarks of the Practicing Company Secretary, if any
NIL				

- d) The listed entity has taken the following actions to comply with the observations made in previous reports:

Sl. No.	Observations of the Practicing Company Secretary in the previous reports	Observations made in the secretarial compliance report for the year ended --- (the years are to be mentioned)	Actions taken by the listed entity, if any	Comments of Practicing Company Secretary on the actions taken by the listed entity
Not Applicable				

Place: Hyderabad
Date: 27th May, 2019

For CSB Associates,
Company Secretaries,
C. Sudhir Babu,
Proprietor,
FCS: 2724, CP: 7666.

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(Pursuant to Regulation 34(3) and Schedule V Para C Clause 10(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To
The Members,
SMS Pharmaceuticals Limited,
Regd. Office: Plot No. 72, H. No. 8-2-334/3&4,
Road No. 5, Opp. SBI Executive Enclave,
Banjara Hills, Hyderabad – 500034.

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of **SMS Pharmaceuticals Limited** having CIN: **L24239TG1987PLC008066** and having Registered Office at Plot No. 72, H. No. 8-2-334/3&4, Road No. 5, Opp. SBI Executive Enclave, Banjara Hills, Hyderabad, (hereinafter referred to as 'the Company'), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub Clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of my information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me by the Company and its officers, I hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on 31st March, 2019, have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority:

Sl. No.	Name of Director	DIN	Date of appointment in Company
1.	Ramesh Babu Potluri	00166381	01-12-2008
2.	T. V. V. S. N. Murthy	00465198	11-12-2003
3.	Dr. Neelaveni Thummala	00065571	12-08-2014
4.	Sarath Kumar Pakalapati	01456746	12-08-2014
5.	Potluri Venkata Subba Rao	00099066	07-11-2015
6.	Shravan Kudaravalli	06905851	26-05-2018
7.	Shilpa R. Waghmare	07009966	31-01-2019

Ensuring the eligibility of for the appointment/ continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place: Hyderabad
Date: 27-05-2019

C. Sudhir Babu, Practicing Company Secretary,
Proprietor, CSB Associates.
Membership No.: 2724, C.P. No.: 7666.

COMPLIANCE CERTIFICATE

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

- A) We have reviewed Annual audited financial statements and cash flow statement for the year ended 31st March, 2019 and that to the best of our knowledge and belief:
- 1) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - 2) These statements together present a true and fair view of the listed entity's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B) We are, to the best of our knowledge and belief, no transactions entered into by the Company during the financial year ended on 31st March, 2019 which are fraudulent, illegal or violative of the Company's code of conduct.
- C) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps they have taken or propose to take to rectify these deficiencies.
- D) We have indicated to the auditors and the Audit committee
- 1) significant changes in internal control over financial reporting during the said financial year;
 - 2) significant changes in accounting policies during the said financial year and that the same have been disclosed in the notes to the financial statements; and
 - 3) There are no instances of fraud of which we have become aware and the involvement thereof by the Management or an employee having a significant role in the Company's internal control system over financial reporting.

Place: Hyderabad
Date: 12.08.2019

For SMS Pharmaceuticals Limited
T. Lakshminaryana
Chief Financial Officer

for SMS Pharmaceuticals Limited
Ramesh Babu Potluri
Chairman & Managing Director
(DIN: 00166381)

CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members
SMS Pharmaceuticals Limited

We have examined the compliance of conditions of Corporate Governance by M/s. SMS Pharmaceuticals Limited ('the Company') for the year ended 31st March 2019, as per the relevant provisions of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations').

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the Listing Regulations. It is neither an audit nor an expression of opinion on Financial Statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations, as applicable.

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

For **CSB Associates**
Company Secretaries

C. Sudhir Babu
Proprietor
M.No.2724, C.P. No. 7666

Place: Hyderabad
Date: 12-08-2019

DECLARATION ON CODE OF CONDUCT

The Members of
SMS Pharmaceuticals Limited

This is to confirm that the Board has laid down a Code of Conduct for all Board Members and senior management personnel of the Company. The code of conduct has also been posted on the website of the Company. It is further confirmed that all Directors and Senior Management personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the financial year ended on 31st March, 2019 as envisaged in Listing Regulations.

For SMS Pharmaceuticals Limited
Ramesh Babu Potluri
Chairman & Managing Director
(DIN:00166381)

Place: Hyderabad
Date: 12-08-2019

Independent Auditors' Report

To
the Members of
SMS Pharmaceuticals Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SMS Pharmaceuticals Limited ("the Company"), which comprise the balance sheet as at 31 March 2019, and the statement of Profit and Loss (including other comprehensive income), the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Sr. No.	Key Audit Matter	Auditor's Response
I	Accuracy of recognition, measurement, presentation and disclosures of revenues and other related balances in view of adoption of Ind AS 115 "Revenue from Contracts with Customers" (new revenue accounting standard)	<p>Principal Audit Procedures</p> <p>We assessed the Company's process to identify the impact of adoption of the new revenue accounting standard.</p> <p>Our audit approach consisted testing of the design and operating effectiveness of the internal controls and substantive testing as follows:</p> <ul style="list-style-type: none"> • Evaluated the design of internal controls relating to implementation of the new revenue accounting standard. • Selected a sample of continuing and new contracts, and tested the operating effectiveness of the internal control, relating to identification of the distinct performance obligations and determination of transaction price. We carried out a combination of procedures involving inquiry and observation, reperformance and inspection of evidence in respect of operation of these controls. • Selected a sample of continuing and new contracts and performed the following procedures: <ol style="list-style-type: none"> 1. Read, analysed and identified the distinct performance obligations in these contracts. 2. Considered the terms of the contracts to determine the transaction price including any variable consideration to verify the transaction price used to compute revenue and to test the basis of estimation of the variable consideration.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Company's Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

- (A) As required by Section 143(3) of the Act, we report that:
- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the statement of changes in equity and the Statement of Cash Flows dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) With respect to the adequacy of the internal financial controls over financial reporting with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- (B) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations as at 31st March 2019 on its financial position in its Ind AS Financial Statements as referred to in note 52 to the Ind AS Financial Statements.
 - ii. The Company did not have material foreseeable losses, if any, on long-term contracts including derivative contracts.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
- (C) With respect to the matter to be included in the Auditors' Report under section 197(16):
- In our opinion and according to the information and explanations given to us, the remuneration paid by the company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

for **Suryanarayana & Suresh.,**
Chartered Accountants
Reg. No.006631S

V Nagendra Rao
Partner
M. No. 227679

Place: Hyderabad
Date: 27-05-2019

“Annexure A” to the Independent Auditors’ Report

Referred to in paragraph I under the heading ‘Report on Other Legal & Regulatory Requirement’ of our report of even date to the financial statements of the Company for the year ended March 31, 2019:

- 1) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) The Company has a regular program of physical verification of its fixed assets by which all fixed assets are verified in a phased manner. In our opinion the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- 2) In respect of Inventories:
 - a) As explained to us the inventories have been physically verified during the year by the management at reasonable intervals.
 - b) In our opinion and according to the information and explanations given to us the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the company and nature of its business.
 - c) In our opinion and according to the information and explanations given to us the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- 3) The Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability partnerships or other parties covered in the Register maintained under section 189 of the Act. Accordingly, the provisions of clause 3 (iii) (a) to (C) of the Order are not applicable to the Company and hence not commented upon.
- 4) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 185 and 186 of the Companies Act, 2013 In respect of loans, investments, guarantees, and security.
- 5) The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.
- 6) We have broadly reviewed the cost records maintained by the Company pursuant to the rules prescribed by the Central Government of India under Section 148(1) of the Companies Act 2013, and are of the opinion that prima facie the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- 7) a) According to information and explanations given to us and on the basis of our examination of the books of account, and records, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income-Tax, Goods and Service Tax and any other statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the above were in arrears as at March 31, 2019 for a period of more than six months from the date on when they become payable.
- b) According to the information and explanation given to us, there are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax outstanding on account of any dispute except the following:

S. No	Name of the Statute	Nature of the dues	Forum where dispute is pending	Period to which the amount relates	Amount involved (Rs. lakhs)	Amount Unpaid (Rs. lakhs)
I	Telangana Tax on Entry of Goods into local Area Act, 2001	Entry Tax	APPELLATE JOINT COMMISSIONER (ST)	2013-14	1.75	1.14

- c) In our opinion there are no amounts required to be transferred to Investor Education and Protection Fund by the company.
- 8) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institution or banks. The Company has not issued any debentures.
- 9) Based upon the audit procedures performed and the information and explanations given by the management, the company has not raised moneys by way of initial public offer or further public offer including debt instruments and term Loans. Accordingly, the provisions of clause 3 (ix) of the Order are not applicable to the Company and hence not commented upon.
- 10) Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud by the Company or on the company by its officers or employees has been noticed or reported during the year.
- 11) Based upon the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act;
- 12) In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 4 (xii) of the Order are not applicable to the Company.
- 13) In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.
- 14) Based upon the audit procedures performed and the information and explanations given by the management, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company and hence not commented upon.
- 15) Based upon the audit procedures performed and the information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company and hence not commented upon.
- 16) In our opinion, the company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the Order are not applicable to the Company and hence not commented upon.

for **Suryanarayana & Suresh.,**
Chartered Accountants
Reg. No.006631S

V Nagendra Rao
Partner
M. No. 227679

Place: Hyderabad
Date: 27-05-2019

“Annexure B” to the Independent Auditor’s Report

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

We have audited the internal financial controls over financial reporting of SMS Pharmaceuticals Limited (“the Company”) as of March 31, 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

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

Auditors’ Responsibility

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

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

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

Meaning of Internal Financial Controls over Financial Reporting

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

- (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected.

Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

for **Suryanarayana & Suresh.,**
Chartered Accountants
Reg. No.006631S

V Nagendra Rao
Partner
M. No. 227679

Place: Hyderabad
Date: 27-05-2019

Standalone Balance Sheet as at 31st March, 2019

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

S. No	Particulars	Note	As at 31st March, 2019	As at 31st March, 2018
I	ASSETS			
I	Non-Current Assets			
(a)	Property, Plant and Equipment	6	28,010.79	27,889.89
(b)	Capital Work-in-Progress	6	1,830.13	819.66
(c)	Intangible Assets	7	114.88	36.27
(d)	Financial Assets:			
(i)	Investments	8	4,499.87	4,499.87
(ii)	Bank Balances	9	212.50	200.78
(iii)	Other Financial Assets	10	343.04	238.68
(e)	Other Non-Current Assets	11	1,911.81	1,380.46
	Total		36,923.02	35,065.61
2	Current Assets			
(a)	Inventories	12	13,639.98	10,747.53
(b)	Financial Assets			
(i)	Trade Receivables	13	2,602.25	2,414.92
(ii)	Cash and Cash Equivalents	14	1,479.77	1,263.08
(iii)	Bank Balances (Other than (ii) above)	15	7.90	8.01
(iv)	Other Financial Assets	16	24.33	53.52
(c)	Other Current Assets	17	2,963.29	2,361.64
(d)	Current Tax Asset (Net)	18	41.51	-
	Total		20,759.03	16,848.70
	TOTAL ASSETS		57,682.05	51,914.31

Standalone Balance Sheet as at 31st March, 2019

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

S. No	Particulars	Note	As at 31st March, 2019	As at 31st March, 2018
II EQUITY AND LIABILITIES				
I Equity:				
(a)	Equity Share Capital	19	846.52	846.52
(b)	Other Equity	20	33,145.84	29,264.04
	Total		33,992.36	30,110.56
2 LIABILITIES				
A Non-Current Liabilities				
(a)	Financial Liabilities			
(i)	Borrowings	21	5,896.04	7,139.82
(b)	Provisions	22	151.84	217.87
(c)	Deferred Tax Liabilities (net)	23	3,061.84	2,300.32
	Total		9,109.72	9,658.01
B Current Liabilities				
(a)	Financial Liabilities			
(i)	Borrowings	24	7,080.86	5,839.71
(ii)	Trade Payables:	25		
(a)	Dues to Micro & Small Enterprises		12.54	16.99
(b)	Dues to Creditors Other than Micro & Small Enterprises		4,812.65	3,909.85
(iii)	Other Financial Liabilities	26	1,621.85	1,754.76
(b)	Provisions	22	72.04	71.50
(c)	Other Current Liabilities	27	980.03	536.43
(d)	Current Tax Liabilities (Net)	28	-	16.50
	Total		14,579.97	12,145.74
	TOTAL LIABILITIES		23,689.69	21,803.75
	TOTAL EQUITY AND LIABILITIES		57,682.05	51,914.31
	Significant Accounting Policies	5		

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

for SURYANARAYANA & SURESH

Chartered Accountants
FRN 006631S

for and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

V NAGENDRA RAO

Partner
M.No. 227679

RAMESH BABU POTLURI

Chairman and Managing Director
DIN: 00166381

TVVSN MURTHY

Director
DIN: 00465198

Place: Hyderabad
Date : 27-05-2019

V.S.VENKATISH
Company Secretary

T. LAKSHMI NARAYANA
Chief Financial Officer

Standalone Statement of Profit and Loss for the Year ended 31st March, 2019

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

S. No	Particulars	Note	Current Year 2018-19	Previous Year 2017-18
1	Income			
	Revenue from Operations	29	46,491.08	46,486.33
	Other Income	30	340.31	238.79
	Total Income		46,831.39	46,725.12
2	Expenses			
	Cost of Materials Consumed	31	30,719.13	29,432.23
	Changes in Inventories	32	(1,448.28)	(442.31)
	Central Excise Duty		-	218.81
	Manufacturing Expenses	33	3,484.18	3,450.40
	Employee Benefits Expense	34	3,558.67	3,280.34
	Finance Cost	35	1,187.34	1,547.96
	Depreciation and Amortization Expense	36	1,927.29	1,989.98
	Other Expenses	37	1,167.63	1,212.89
	Total Expenses		40,595.96	40,690.30
3	Profit Before Tax (1-2)		6,235.43	6,034.82
4	Tax Expense			
	(a) Current Tax			
	(i) relating to Current Year		1,350.00	1,300.00
	(ii) relating to Earlier Year	38	(16.64)	(23.85)
	(b) Deferred Tax		756.72	713.24
			2,090.08	1,989.39
5	Profit After tax for the Year (3-4)		4,145.35	4,045.43
6	Other Comprehensive Income / (Loss)			
	Items that will not be reclassified to Profit or Loss			
	Remeasurement Gain/(Loss) of the defined benefit plans	39	(12.95)	6.31
7	Income Tax effect on the above		4.53	2.20
8	Other Comprehensive Income/(Loss) after Tax for the Year (6-7)		(8.42)	4.11
9	Total Comprehensive Income/(Loss) for the Year		4,136.93	4,049.54
10	Earnings Per Share (Face Value of Re.1 each)	40		
	-Basic and Diluted		4.90	4.78
	Significant Accounting Policies	5		

The accompanying notes are an integral part of the Standalone Financial Statements

as per our report of even date

for SURYANARAYANA & SURESH

Chartered Accountants

FRN 006631S

for and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

V NAGENDRA RAO

Partner

M.No. 227679

RAMESH BABU POTLURI

Chairman and Managing Director

DIN: 00166381

TVVSN MURTHY

Director

DIN: 00465198

Place: Hyderabad

Date : 27-05-2019

V.S.VENKATISH

Company Secretary

T. LAKSHMI NARAYANA

Chief Financial Officer

Standalone Statement of Changes in Equity for the Year Ended 31st March, 2019

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

a. Equity Share Capital

Particulars	As at 31st March, 2019		As at 31st March, 2018	
	Number of Shares	Amount (₹)	Number of Shares	Amount (₹)
As at the Beginning of the Year	84,652,030	846.52	84,652,030	846.52
Changes in Equity Share Capital	-	-	-	-
As at the End of the Year	84,652,030	846.52	84,652,030	846.52

b. Other Equity

Particulars	Reserves & Surplus				
	Securities Premium	Capital Redemption Reserve	General Reserve	Retained earnings	Total Equity
Balance as at 01st April, 2017	6,981.84	155.00	4,305.28	13,974.49	25,416.61
Profit for the Year				4,045.43	4,045.43
Other Comprehensive Income for the year, net of Income Tax				4.11	4.11
Total Comprehensive Income for the Year	-	-	-	4,049.54	4,049.54
Investments Cancelled in pursuance of Demerger # Others			(1.00)	2.66	(1.00) 2.66
Transfer to General Reserve			1,000.00	(1,000.00)	
Payment of dividends (including tax)				(203.77)	(203.77)
Balance as at 31st March, 2018	6,981.84	155.00	5,304.28	16,822.92	29,264.04
Balance as at 01st April, 2018	6,981.84	155.00	5,304.28	16,822.92	29,264.04
Profit for the Year				4,145.35	4,145.35
Other Comprehensive Income for the year, net of Income Tax				(8.42)	(8.42)
Total Comprehensive Income for the Year	-	-	-	4,136.93	4,136.93
Transfer to General Reserve			1,000.00	(1,000.00)	
Payment of dividends (including tax)				(255.13)	(255.13)
Balance as at 31st March, 2019	6,981.84	155.00	6,304.28	19,704.72	33,145.84

This amount represents cancellation of 10,000 Equity Shares of ₹ 10/- each, held by the company in its wholly owned subsidiary, SMS Lifesciences India Ltd, in pursuance of demerger scheme approved by the NCLT Hyderabad dated 15.05.2017

The accompanying notes are an integral part of the Standalone Financial Statements

as per our report of even date

for **SURYANARAYANA & SURESH**

Chartered Accountants

FRN 006631S

for and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

V NAGENDRA RAO

Partner

M.No. 227679

RAMESH BABU POTLURI

Chairman and Managing Director

DIN: 00166381

TVVSN MURTHY

Director

DIN: 00465198

Place: Hyderabad

Date : 27-05-2019

V.S.VENKATISH

Company Secretary

T. LAKSHMI NARAYANA

Chief Financial Officer

Standalone Statement of Cash Flow for the Year Ended 31st March, 2019

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

S No	Particulars	Year ended 31st March, 2019	Year ended 31st March, 2018
A	Cash Flow from Operating Activities		
	Profit before Income Tax	6,235.43	6,034.82
	Adjustments for:		
	Depreciation and Amortisation Expense	1,927.29	1,989.98
	Interest Income Classified as Investing Cash Flows	(18.92)	(10.57)
	Allowance for Doubtful Debts	10.30	3.27
	Interest on Non Current Borrowings	779.42	977.36
	Provision for Employee Benefits	(27.82)	146.44
	Amortisation of Transaction Cost on Borrowings	10.27	1.74
	Loss on Sale of Asset	0.11	-
	Operating Profit before Working Capital Changes	8,916.08	9,143.04
	Change in Operating Assets and Liabilities		
	(Increase)/Decrease in Trade Receivables	(197.64)	(286.31)
	(Increase)/Decrease in Inventories	(2,892.45)	(1,495.60)
	(Increase)/Decrease in Other Non Current Financial Assets	(104.36)	(3.25)
	(Increase)/Decrease in Other Non Current Asset	(82.73)	(957.75)
	(Increase)/Decrease in Other Current Financial Assets	29.20	(50.58)
	(Increase)/Decrease in Other Current Assets	(601.65)	633.50
	(Increase)/Decrease in Prepaid Taxes	(53.26)	(28.94)
	Increase/(Decrease) in Trade Payables	898.34	(2,804.97)
	Increase/(Decrease) in Other Current Liabilities	402.31	146.20
		(2,602.24)	(4,847.70)
	Cash generated from Operations	6,313.84	4,295.34
	Income Taxes Paid	(1,338.11)	(1,113.87)
	Net Cash Inflow from Operating Activities "A"	4,975.73	3,181.47

Standalone Statement of Cash Flow for the Year Ended 31st March, 2019

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

S No	Particulars	Year ended 31st March, 2019	Year ended 31st March, 2018
B	Cash flows from Investing Activities		
	Purchase of Property, Plant and Equipment	(3,483.82)	(855.32)
	Sale of Property, Plant and Equipment	9.29	-
	Payments for Purchase of Investments	-	(802.50)
	Margin Money Deposits	-	(3.97)
	Interest Received on Margin Money Deposit	7.19	4.08
	Net Cash Outflow from Investing Activities "B"	(3,467.34)	(1,657.71)
C	Cash Flows from Financing Activities		
	Proceeds from Long Term Borrowings	150.00	1,350.00
	Repayment of Long Term Borrowings	(1,637.50)	(1,515.87)
	Proceeds from Short Term Borrowings	4,067.20	4,060.19
	Repayment of Short Term Borrowings	(2,826.05)	(4,196.44)
	Interest paid on Borrowings	(790.22)	(983.32)
	Dividend Paid to Company's Shareholders	(255.13)	(203.77)
	Net Cash Inflow (Outflow) from Financing Activities "C"	(1,291.70)	(1,489.21)
	Net Increase (Decrease) in Cash and Cash Equivalents (A+B+C)	216.69	34.55
	Cash and Cash Equivalents at the Beginning of the Financial Year (Refer Note I4)	1,263.08	1,228.53
	Cash and Cash Equivalents at End of the Year (Refer Note I4)	1,479.77	1,263.08

The accompanying notes are an integral part of the Standalone Financial Statements

as per our report of even date

for SURYANARAYANA & SURESH

Chartered Accountants

FRN 006631S

for and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

V NAGENDRA RAO

Partner

M.No. 227679

RAMESH BABU POTLURI

Chairman and Managing Director

DIN: 00166381

TVVSN MURTHY

Director

DIN: 00465198

Place: Hyderabad

Date : 27-05-2019

V.S.VENKATISH

Company Secretary

T. LAKSHMI NARAYANA

Chief Financial Officer

Notes to the Standalone Financial Statements

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

1. Corporate Information:

SMS Pharmaceuticals Limited (SMS Pharma), (the 'Company') is a Company limited by Shares domiciled in India incorporated under the Companies Act, 1956. The registered office of the Company is Plot No.72, H.No.8-2-334/3&4, Road No.5, Opp.SBI Executive Enclave, Banjara Hills, Hyderabad-500 034, Telangana, India. The Equity Shares of the Company are listed in Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). The Company is engaged in the business of manufacturing of Active Pharma Ingredients and their intermediates. The Company is having manufacturing facilities at Bachupally, Hyderabad and also at Kandivalasa in Vijayanagaram Dist, apart from R&D Center at Gagillapur, Hyderabad.

2. Basis of preparation of Standalone Financial Statements

2.1 Statement of Compliance

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

These standalone financial statements have been prepared for the Company as a going concern on the basis of relevant Ind AS that are effective at the Company's annual reporting date, March 31, 2019. These Standalone Financial Statements for the year ended 31st March, 2019 were authorized and approved for issue by the Board of Directors on 27th May, 2019.

2.2 Historical Cost Convention:

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

- Certain Financial Assets and Liabilities measured at Fair Value; (refer accounting policy regarding financial instruments).
- employee defined benefit assets/(liability) are recognized as the net total of the fair value of plan assets, plus actuarial losses,

less actuarial gains and the present value of the defined benefit obligation; and

2.3 Current and Non-Current Classification:

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

- (a) An asset is treated as current when it satisfies the below mentioned criteria:
 - Expected to be realized or intended to be sold or consumed in normal operating cycle;
 - Held primarily for the purpose of trading;
 - Expected to be realized within twelve months after the reporting period, or
 - Cash or Cash Equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
- (b) All Other Assets are classified as non-current.
- (c) A liability is classified as current when it satisfies the below mentioned criteria:
 - Expected to settle the liability in normal operating cycle;
 - Held primarily for the purpose of trading;
 - Due to be settled within twelve months after the reporting period, or
 - There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period
- (d) All Other liabilities are classified as non-current.
- (e) Deferred Tax Assets and Liabilities are classified as non-current assets and liabilities.
- (f) The Operating Cycle is the time between the acquisition of assets for processing and their realization in Cash and Cash

Notes to the Standalone Financial Statements

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

Equivalents. The Company has identified Twelve months as its Operating Cycle.

3. New Standards adopted by the Company

Ind AS 115, Revenue from Contracts with Customers

In March 2018, the Ministry of Corporate Affairs (“MCA”) has notified Ind AS 115, Revenue from Contracts with Customers, which is effective for accounting periods beginning on or after 1 April 2018. This comprehensive new standard supersedes Ind AS 18, Revenue, Ind AS 11, Construction contracts and related interpretations. The new standard amends revenue recognition requirements and establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Company adopted Ind AS 115 effective as of 1 April 2018. The Company applied the modified retrospective method upon adoption of Ind AS 115 on 1 April 2018. This method requires the recognition of the cumulative effect of initially applying Ind AS 115 to retained earnings and not to restate prior years.

The application of this standard did not have a material impact on the Company’s revenue

4. Recent accounting pronouncements not yet effective

Effective date for application of the following amendments is annual period beginning on or after 1st April, 2019. The Company is currently evaluating the effect of these amendments on the standalone financial statements.

4.1 Ind AS 116 - Leases :

On 30th March, 2019, Ministry of Corporate Affairs has notified Ind AS 116, Leases. Ind AS 116 will replace the existing leases Standard, Ind AS 17 Leases, and related Interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. Currently, operating lease

expenses are charged to the statement of Profit & Loss. The Standard also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17.

The effective date for adoption of Ind AS 116 is annual periods beginning on or after April 1, 2019. The standard permits two possible methods of transition:

- Full retrospective – Retrospectively to each prior period presented applying Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- Modified retrospective – Retrospectively, with the cumulative effect of initially applying the Standard recognised at the date of initial application

Under modified retrospective approach, the lessee records the lease liability as the present value of the remaining lease

payments, discounted at the incremental borrowing rate and the right of use asset either as:

- Its carrying amount as if the standard had been applied since the commencement date, but discounted at lessee’s incremental borrowing rate at the date of initial application or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognised under Ind AS 17 immediately before the date of initial application.

Certain practical expedients are available under both the methods.

4.2 Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments:

On 30th March, 2019, Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to

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

the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The standard permits two possible methods of transition –

- i) Full retrospective approach – Under this approach, Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight and
- ii) Retrospectively with cumulative effect of initially applying Appendix C recognised by adjusting equity on initial application, without adjusting comparatives.

5. Summary of Significant Accounting Policies:

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

5.1 Revenue Recognition:

Revenue is recognised upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. To recognise revenues, we apply the following five step approach:

- (1) identify the contract with a customer,
- (2) identify the performance obligations in the contract,
- (3) determine the transaction price,
- (4) allocate the transaction price to the performance obligations in the contract, and
- (5) recognise revenues when a performance obligation is satisfied.

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

The Company's revenue is derived from sales of goods, service income and income from licensing arrangements. Most of such revenue is generated from the sale of goods. Accounting policies relating to revenue for the periods with effect from 01st April, 2018 are as follows:

(i) Revenue from Sale of Goods:

Revenue is recognised when the control of the goods has been transferred to a third party. This is usually when the title passes to the customer, either upon shipment or upon receipt of goods by the customer. At that point, the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product.

Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

In arriving at the transaction price, the Company considers the terms of the contract with the customers and its customary business practices. The transaction price is the amount of consideration the Company is entitled to receive in exchange for transferring promised goods or services, excluding amounts collected on behalf of third parties. The amount of consideration varies because of estimated rebates, returns and chargebacks, which are considered to be key estimates. Any amount of variable consideration is recognised as revenue only to the extent that it is highly probable that a significant reversal will not occur. The Company estimates the amount of variable consideration using the expected value method

Presented below are the points of recognition of revenue with respect to the

Notes to the Standalone Financial Statements

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

Company's sale of goods:

Particulars	Point of recognition of revenue
Domestic Sales	Upon delivery of products to customers (generally formulation manufacturers), from the factories of the Company.
Export Sales	
	Upon delivery of the products to the customers unless the terms of the applicable contract provide for specific revenue generating activities to be completed, in which case revenue is recognised once all such activities are completed.

(ii) Revenue from Sale of Services:

Revenue from Sale of services is recognised as per the terms of the contracts with customers when the related services are performed or the agreed milestones are achieved.

(iii) Export incentives:

Export incentives comprise of Duty drawback and MEIS (Merchandise Exports Incentive scheme) scrips. Duty drawback is recognised as income when the right to receive credit as per the terms is established in respect of the exports made.

MEIS is recognised as income on receipt of said scrips which will be after receipt of export proceeds. These scrips are freely transferable or can be utilized for the payment of customs duty on Imports.

(iv) Dividend Income:

Dividends are received from financial assets at fair value through profit or loss and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of the investment.

(v) Interest Income:

Interest income from financial assets at fair value through profit or loss is disclosed as interest income within other income. Interest income, on financial assets at amortised cost and financial assets at FVOCI, is calculated using the effective interest method and the same is recognized in the statement of profit and loss as part of other income. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

5.2 Foreign Currency Transactions:

i. Functional and Reporting Currency:

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

ii. Initial Recognition:

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

iii. Conversion on Reporting Date:

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

iv. Exchange Differences:

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

Notes to the Standalone Financial Statements

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

5.3 Property, Plant and Equipment:

(a) Recognition and Initial Measurement

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

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

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

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

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

(b) Subsequent Measurement (Depreciation and Useful Lives)

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

Depreciation on addition to/deletion from fixed assets made during the year is provided on pro-rata basis from/up to the date of such addition/deletion as the case

may be. In case of assets costing less than ₹ 5,000/- purchased during the year also depreciation has been provided at normal rates on pro-rata basis from the date of purchase.

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

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

(c) De-recognition

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

(d) Capital advances

Advances paid towards acquisition of tangible fixed assets outstanding at each balance sheet date are shown under other non-current assets as capital advances.

(e) Capital work-in-progress

Capital work-in-progress includes cost of property, plant and equipment under installation/development as at the balance sheet date.

5.4 Investment Property:

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

Notes to the Standalone Financial Statements

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

stated at cost less accumulated depreciation and accumulated impairment loss, if any.

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

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

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

5.5 Intangible Assets:

(a) Recognition and Initial Measurement

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

(b) Subsequent measurement (amortization):

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

5.6 Leases:

The determination of whether an arrangement is (or contains) a lease is based on the substance

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

Classification on inception of lease:

a. Finance Leases:

Finance lease is recognised as an asset and a liability at the commencement of the lease, at the lower of the fair value of the asset and the present value of the minimum lease payments. Initial direct costs, if any, are also capitalised and, subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding lease liability.

The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

b. Operating Lease:

"Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognized as an expense in the statement Profit & Loss on a straight-line basis over the lease term unless the lease payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, in which case the same are recognised as an expense in line with the contractual term."

5.7 Inventories:

Raw material, packaging material, are carried at cost. Stores and spares are being charged to revenue as and when purchased. Cost includes purchase price excluding taxes those are subsequently recoverable by the company

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from the concerned authorities, freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. Cost of Raw Material, packaging material is determined using the weighted average cost method.

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

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

Spare Parts, Stand-by Equipment and Servicing Equipment are recognized in accordance with this Ind AS-16 when they meet the definition of property, plant and Equipment. Otherwise, such items are classified as inventory and are valued at Cost.

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

5.8 Cash and Cash Equivalents:

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

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

5.9 FINANCIAL INSTRUMENTS

(a) Financial Assets

(i) Initial recognition and measurement

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

(ii) Subsequent measurement

a Debt instruments –

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

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

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

b. Equity investments –

All equity investments in scope of Ind-AS 109 are measured at fair value. Equity instruments which are held for trading are generally classified as at fair value through profit and loss (FVTPL). For all other equity instruments, the Company decides to classify the same either as at fair value through other comprehensive income (FVOCI) or fair value through

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profit and loss (FVTPL). The Company makes such election on an instrument by instrument basis. The classification is made on initial recognition and is irrevocable.

Investment in Associates, Subsidiaries and Joint Venture:

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

- (a) At cost ; or
- (b) in accordance with Ind AS 109.

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

- (a) Cost determined in accordance with Ind AS 27; or
- (b) Deemed Cost. The deemed cost of such an investment shall be its
 - (i) Fair Value at the entity's date of transition to Ind AS.
 - (ii) Previous GAAP carrying amount at that date.

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

Since the Company, is a

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

(iii) De-recognition of financial assets

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

(b) Financial liabilities

(i) Initial Recognition and Measurement

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

(ii) Subsequent Measurement

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

(iii) De-recognition of Financial Liabilities

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

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(c) Financial Guarantee Contracts

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

(d) Offsetting of Financial Instruments

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

(e) Impairment of Financial Assets

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

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

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

(f) Trade Receivables

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

(g) Other Financial Assets

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

5.10 Income Taxes:

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

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

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

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

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down is reversed to the extent that it becomes reasonably certain that sufficient future taxable income will be available.

5.11 Segment Reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Chairman and managing director has been identified as being the Chief Operating Decision Maker (CODM). The Company is engaged in manufacturing and sale of Active Pharma Ingredients and their Intermediates and operates in a single operating segment. Revenues are attributed to geographical areas based on the location of the customers. Refer note 49 for the segment information presented.

5.12 Government Grants:

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

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

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

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

5.13 Borrowing Cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period

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

5.14 Provisions

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

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

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

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

5.15 Dividends

The Company recognises a liability to make cash to equity holders when the distribution is authorized and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognized directly in equity. Interim dividends are recorded as a liability on the

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date of declaration by the Company's Board of Directors.

5.16 Research and Development:

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

5.17 Retirement and Other Employee Benefits:

(a) Defined Contribution Plan:

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

(b) Defined Benefit Plan:

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

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

the Company makes contributions to the Gratuity Fund.

(c) Other Long-Term Employee Benefits

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

(d) Short-Term Employee Benefits

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

5.18 Earnings per Share:

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

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

5.19 Contingent Liabilities and Commitments:

Where it is not probable that an outflow of economic resources will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statement

Notes to the Standalone Financial Statements

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of balance sheet and is disclosed as a contingent liability.

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

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

5.20 Fair Value Measurement

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

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

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

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

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

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

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

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

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

5.21 Estimates and Assumptions

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

(i) Recognition of Deferred Tax Assets

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

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

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

(iii) Evaluation of Indicators for Impairment of Assets:

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

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

**(iv) Recoverability of Advances/
Receivables:**

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

**(v) Useful lives of Depreciable/
Amortisable Assets:**

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

(vi) Defined Benefit Obligation (DBO):

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, medical cost trends, mortality, discount rate and anticipation of future

salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

(vii) Fair Value Measurements:

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

(viii) Provisions:

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

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Note 6: Property, Plant and Equipment

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

Notes to the Standalone Financial Statements

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

Particulars	Land	Buildings	Plant & Machinery	Pollution Control Equipment	Data Processing Equipment	Furniture & Fixtures	Office Equipment	Vehicles	Others	Total	Capital Work-in-Progress
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Year Ended 31st March, 2019											
Gross Carrying Amount											
1 Opening Gross Carrying Amount	421.30	7,624.44	22,918.73	282.77	66.33	91.00	29.39	326.53	8.64	31,769.13	819.66
2 Additions	-	-	1,715.17	-	39.50	63.19	63.47	37.46	115.03	2,033.82	3,029.64
3 Disposals/Transfers	-	-	(5.34)	-	(2.72)	(0.50)	(2.23)	(2.51)	-	(13.30)	(2,019.17)
4 Closing Gross Carrying Amount as at 31st March, 2019 (1+2+3)	421.30	7,624.44	24,628.56	282.77	103.11	153.69	90.63	361.48	123.67	33,789.65	1,830.13
Accumulated Depreciation and Impairment											
5 Opening Accumulated Depreciation	-	548.98	3,128.81	37.44	35.49	24.49	11.09	89.15	3.79	3,879.24	-
6 Depreciation Charge during the Year	-	277.73	1,522.97	18.38	16.75	11.41	4.48	49.93	1.89	1,903.54	-
7 Disposals	-	-	(1.67)	-	(1.60)	(0.13)	(0.52)	-	-	(3.92)	-
8 Closing Accumulated Depreciation and Impairment as at 31st March, 2019 (5+6+7)	-	826.71	4,650.11	55.82	50.64	35.77	15.05	139.08	5.68	5,778.86	-
9 Net Carrying Amount as at 31st March, 2019 (4-8)	421.30	6,797.73	19,978.45	226.95	52.47	117.92	75.58	222.40	117.99	28,010.79	1,830.13

5.1 Property, Plant and Equipment pledged as Security

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

5.2 Refer Note 53 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

Notes to the Standalone Financial Statements

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

Note 7 Intangible Assets

Particulars	Computer Software	Patents	Total
(1)	(2)	(3)	(4)
Year Ended 31st March, 2018			
Gross Carrying Amount			
1 Opening Gross Carrying Amount as at 01st April, 2017	50.47	4.30	54.77
2 Additions	9.71	0.26	9.97
3 Closing Gross Carrying Amount as at 31st March, 2018 (1+2)	60.18	4.56	64.74
Accumulated Amortisation and Impairment			
4 Opening Accumulated Amortisation as at 01st April, 2017	11.91	1.26	13.17
5 Amortisation Charge during the year	13.95	1.35	15.30
6 Closing Accumulated Amortisation and Impairment as at 31st March, 2018 (4+5)	25.86	2.61	28.47
7 Closing Net Carrying Amount as at 31st March, 2018 (3-6)	34.32	1.95	36.27
Year Ended 31st March, 2019			
Gross Carrying Amount			
1 Opening Gross Carrying Amount as at 01st April, 2018	60.18	4.56	64.74
2 Additions	7.58	94.78	102.36
3 Closing Gross Carrying Amount as at 31st March, 2019 (1+2)	67.76	99.34	167.10
Accumulated Amortisation and Impairment			
4 Opening Accumulated Amortisation as at 01st April, 2018	25.86	2.61	28.47
5 Amortisation Charge during the year	10.57	13.18	23.75
6 Closing Accumulated Amortisation and Impairment as at 31st March, 2019 (4+5)	36.43	15.79	52.22
7 Closing Net Carrying Amount as at 31st March, 2019 (3-6)	31.33	83.55	114.88

Notes to the Standalone Financial Statements

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

Non Current Financial Assets - Unsecured, Considered good

Note	Particulars	As at 31st March, 2019		As at 31st March, 2018	
		No. of Shares	Amount	No. of Shares	Amount
8	Non-Current Investments				
	(Unquoted, fully paid up carried at cost)				
	Investment in Associates (fully paid up)				
	Equity Shares of ₹ 10/- each in	3,850,165	4,499.87	3,850,165	4,499.87
	M/s. VKT Pharma Limited				
	Total		4,499.87		4,499.87
8.1	As on 31.03.2019, the Company is holding 42.62 % (31st March, 2018 42.62%) of the total Paid up Capital of the said Associate Company.				
9	Bank Balances				
	Margin Money Deposits		212.50		200.78
	Total		212.50		200.78
10	Other Non-Current Financial Assets				
	Deposits Recoverable		343.04		238.68
	Total		343.04		238.68
11	Other Non-Current Assets				
	Capital Advances		1,911.81		1,380.46
	Total		1,911.81		1,380.46

11.1 An amount of ₹ 304.91/- lakhs (previous year ₹ 304.91 lakhs) was included in the Capital Advances paid on account of land admeasuring AC 23.00 in JNPC, Parwada, Visakhapatnam District, 100% land cost paid to APIIC and about 80% of development cost to Ramky Pharmacy respectively. Due to disputes arose between the parties, the developer has cancelled the said allotment and the company has filed a writ petition before the Hon'ble High Court of Andhra Pradesh and Telangana, the Court has granted stay and the case is pending.

11.2 Capital advance includes an amount of ₹ 1,055.00 lakhs paid towards the acquisition of a property admeasuring 1015sq. yards situated at Plot No. 737A, Ward No. 8, Block No. 2, Jubilee Hills, Hyderabad through e-auction conducted by SBI under SARFAESI Act. The borrower of SBI has filed a case against SBI in DRT (Debt Recovery Tribunal), Hyderabad and the company has impleaded as respondent in the case. Subsequently, the matter was allowed by DRT in favour of the borrower and the company initiated steps to appeal before Appellate Authority.

Notes to the Standalone Financial Statements

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

Note	Particulars	As at 31st March 2019	As at 31st March 2018
12	Inventories		
	(Cost or Net Realisable Value, whichever is lower and as valued and certified by the management)		
	Raw Materials	5,455.75	4,026.24
	Stock-in-Process	4,274.05	3,394.13
	Finished Goods	3,871.58	3,303.22
	Coal & Fuel	38.60	23.94
	Total	13,639.98	10,747.53
12.1	Finished Goods includes stock in transit of ₹ 470.52/- Lakhs (31st March, 2018 ₹ 377.22/- Lakhs)		
13	Trade Receivables		
	Trade Receivables	2,577.91	2,457.93
	Receivables from related parties (Refer Note:13.2)	77.66	-
	Less: Loss Allowance	53.32	43.01
	Total Trade Receivables	2,602.25	2,414.92
	Current Portion	2,602.25	2,414.92
	Non-Current Portion	-	-
	Break-up of security details		
	Trade Receivables considered Good-Secured	-	33.29
	Trade Receivables considered Good-Un Secured	2,655.57	2,424.64
	Trade Receivables which have significant increase in credit risk	-	-
	Trade Receivables - credit impaired	-	-
	Total	2,655.57	2,457.93
	Less: Loss Allowance	53.32	43.01
	Total Trade receivables	2,602.25	2,414.92
13.1	The Company has computed the expected loss allowance for doubtful trade receivables based 3 years average of loss allowance and bad debts.		
13.2	Trade Receivables includes an amount of ₹ 77.66 lakhs (31st March, 2018 ₹ Nil) due from M/s. VKT Pharma Private Limited, a related party (Refer Note. 51)		
14	Cash and Cash Equivalents		
(i)	Balances with Banks		
	-in Current Accounts	1,474.85	1,258.35
	- in EEFC account	0.19	0.28
(ii)	Cash on Hand	4.73	4.45
	Total	1,479.77	1,263.08

Notes to the Standalone Financial Statements

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

Note	Particulars	As at			
		31st March 2019	31st March 2018		
15	Bank Balances Other than Cash and Cash Equivalents				
	Unclaimed Dividend	7.90	8.01		
	Total	7.90	8.01		
16	Other Financial Assets				
	(unsecured, considered good)				
	Export Incentive Receivable	24.33	53.52		
	Total	24.33	53.52		
17	Other Current Assets				
	(unsecured, considered good)				
	Cenvat Credit Receivable	49.34	53.19		
	GST Credit Receivable	2,376.58	1,894.33		
	VAT Refund Receivable	-	109.33		
	Prepaid Expenses	104.63	64.69		
	Interest Receivable	14.93	11.34		
	Advances to Suppliers	173.36	74.13		
	Export Benefits Receivable	103.17	22.76		
	Other Advances and Receivables	141.28	131.87		
	Total	2,963.29	2,361.64		
18	Current Tax Assets (Net)	41.51	-		
18.1	Movement in Current Tax Assets/(Liabilities)				
	Advance Income Tax	1,273.10	1,154.37		
	TDS Receivable	118.41	129.13		
	Less: Provision for Income Tax	1,350.00	1,300.00		
	Sub Total	41.51	(16.50)		
	Amount disclosed under current tax Liabilities	-	16.50		
	Total	41.51	-		
19	Equity Share Capital				
Note	Particulars	As at 31st March, 2019		As at 31st March, 2018	
		Number of Shares	Amount	Number of Shares	Amount
	Authorised Share Capital				
	Equity Shares of Re. 1/- each	120,000,000	1,200.00	120,000,000	1,200.00
	Issued, Subscribed and Fully Paid Up				
	Equity Shares of Re. 1/- each	84,652,030	846.52	84,652,030	846.52
	Total	84,652,030	846.52	84,652,030	846.52

Notes to the Standalone Financial Statements

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

19.1 Reconciliation of Number of Equity Shares outstanding at the Beginning and at the End of the Year

Note	Particulars	As at 31st March, 2019		As at 31st March, 2018	
		Number of shares	Amount	Number of shares	Amount
	Equity Shares				
	At the Beginning of the Year	84,652,030	846.52	84,652,030	846.52
	Add: Issued/(reduced) during the Year	-	-	-	-
	At the End of the Year	84,652,030	846.52	84,652,030	846.52

19.2 Rights attached to Equity Shares

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

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

For the Year ended 31st March, 2019, proposed dividend for distribution to equity shareholders was Re. 0.25 per share of Re. 1/- each (31st March, 2018: Re. 0.25 per share of Re. 1/- each).

19.3 During the last five financial years, Company has bought back 15,50,000 Equity Shares of ₹ 10/- each in the year 2013-14 (equivalent to 1,55,00,000 shares of face value of Re. 1/- each).

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

Note	Particulars	As at 31st March, 2019		As at 31st March, 2018	
		Number of shares	% holding	Number of shares	% holding
	Ramesh Babu Potluri	14,506,960	17.14	14,506,960	17.14
	Hima Bindu Potluri	12,373,360	14.62	12,373,360	14.62
	TVVSN Murthy*	12,208,340	14.42	12,208,340	14.42
	Potluri Infra Projects LLP	5,970,000	7.05	5,970,000	7.05
	T. Annapurna	4,390,340	5.19	4,390,340	5.19

* including shares held in the capacity of karta of HUF aggregating to 39,81,340 shares (31st March, 2018 39,81,340 Shares)

20 Other Equity

Note	Particulars	As at 31st March 2019	As at 31st March 2018
	Reserves and Surplus		
	Securities Premium	6,981.84	6,981.84
	Capital Redemption Reserve	155.00	155.00
	General Reserve	6,304.28	5,304.28
	Retained Earnings	19,704.72	16,822.92
	Total	33,145.84	29,264.04

Notes to the Standalone Financial Statements

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

Note	Particulars	As at 31st March, 2019	As at 31st March, 2018
20.1	Securities Premium		
	Opening Balance	6,981.84	6,981.84
	Adjustments	-	-
	Closing Balance	6,981.84	6,981.84
20.2	Capital Redemption Reserve		
	Opening Balance	155.00	155.00
	Adjustments	-	-
	Closing Balance	155.00	155.00
20.3	(a) General Reserve		
	Opening Balance	5,304.28	4,305.28
	Investments Cancelled in pursuance of Demerger	-	(1.00)
	Transferred from Statement of Profit & Loss	1,000.00	1,000.00
	Closing Balance	6,304.28	5,304.28
20.4	Retained Earnings		
	(a) Opening Balance	16,822.92	13,974.49
	(b) Net Profit for the Year	4,145.35	4,045.43
	(c) Transferred to General Reserve	(1,000.00)	(1,000.00)
	(d) Dividend Paid	(255.13)	(203.77)
	(e) Others	-	2.66
	(f) Items of Other Comprehensive Income		
	Remeasurement Gain/(Loss) of the defined benefit plans (Net of tax)	(8.42)	4.11
	Closing Balance	19,704.72	16,822.92
20.5	Nature and Purpose of Reserves		
	(a) Securities Premium Reserve:		
	Securities Premium Reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Act.		
	(b) Capital Redemption Reserve:		
	In accordance with the requirements of the Companies Act, 1956, the Company has created capital redemption reserve on buy back of shares. The Company uses capital redemption reserve for transactions in accordance with the provisions of the Act.		

Notes to the Standalone Financial Statements

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

(c) **General Reserve:**

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

(d) **Retained Earnings:**

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

21 Financial Liabilities

Note	Particulars	As at 31st March, 2019	As at 31st March, 2018
	Non Current Borrowings		
21.1	Secured		
	Term Loans from Banks		
(a)	IDBI Bank Ltd	4,283.09	5,678.27
(b)	Export Import Bank	1,492.95	1,341.55
	Sub Total	5,776.04	7,019.82
21.2	Unsecured		
	DSIR Assistance	120.00	120.00
	Total	5,896.04	7,139.82
21.3	Current Maturities of Non Current Borrowings		
	Secured		
(a)	Term Loans from Banks		
(i)	State Bank of India	-	633.46
(ii)	IDBI Bank Ltd	1,400.00	1,000.00
	Total	1,400.00	1,633.46
	Amount disclosed under the head " Other Current Financial Liabilities" (Refer Note 26)	(1,400.00)	(1,633.46)
	Total	-	-

21.1.1 Security Terms

- (a) Term Loans availed from IDBI bank and long term working capital loan availed from Export-Import Bank of India (Exim Bank) are secured by first charge on pari-passu basis of all movable and immovable fixed assets both present and future and second charge on pari-passu basis of all Current Assets both present and future
- (b) Term Loans availed from IDBI Bank and Export Import Bank are also guaranteed by Sri P Ramesh Babu, Chairman and Managing Director and Sri TVVSN Murthy, Director of the company in their personal capacities.

Notes to the Standalone Financial Statements

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

- (c) Long Term Working Capital Loan availed from Exim Bank is guaranteed by Sri P Ramesh Babu, Chairman and Managing Director in his personal capacity.
- (d) Term Loans along with Working Capital Facilities sanctioned by State Bank of India are having the following additional security apart from the details of security mentioned supra.
Equitable mortgage of Agricultural land admeasuring 3.65 acres situated in Yalamanchili Village of West Godavari District, Andhra Pradesh belonging to Sri TVVSN Murthy, Director of the Company.
- (e) The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 43.

21.1.2 Rate of Interest :

Name of the Bank	Rate of Interest
Term Loans	
IDBI Bank (MCLR (Y) + 1.10% p.a.)	9.65%
Long Term Working Capital Loan	
Exim Bank (LTMLR+50 basis points)	9.75%

21.1.3 Terms of Repayment

- (a) The loan availed from IDBI Bank amounting to ₹ 75.00 Lakhs for funding the Expansion Project of Kandivalasa unit. The loan is repayable in 24 Quarterly Installments commencing from December, 2016, as mentioned below.
- | | |
|------------------|------------------|
| First 4 Quarters | ₹ 100 Lakhs each |
| Next 4 Quarters | ₹ 200 Lakhs each |
| Next 4 Quarters | ₹ 300 Lakhs each |
| Next 4 Quarters | ₹ 400 Lakhs each |
| Next 4 Quarters | ₹ 425 Lakhs each |
| Next 4 Quarters | ₹ 450 Lakhs each |
- (b) The Long Term Working Capital Loan availed from Exim Bank of India amounting ₹ 1,500.00 Lakhs is to be repaid in 20 structured quarterly installments commencing from october 1, 2019, as mentioned below:
- | | |
|------------------|------------------|
| First 4 Quarters | ₹ 25 Lakhs each |
| Next 4 Quarters | ₹ 25 Lakhs each |
| Next 4 Quarters | ₹ 50 Lakhs each |
| Next 4 Quarters | ₹ 125 Lakhs each |
| Next 4 Quarters | ₹ 150 Lakhs each |

21.1.4 Current Maturities of Long Term borrowings have been disclosed seperately under the head Other Financial Liabilities (Refer Note No.26)

21.2.1 Financial Assistance received from Department of Scientific and Industrial Research (DSIR) of ₹ 120.00 Lakhs (previous year ₹ 120.00 Lakhs) sanctioned under PATSER Scheme of TPDU program for development of catalysts or Fine Chemicals apart from Active Pharmaceutical Ingredients (API's), and their intermediates viz.Metal Acetylacetonates, Diltiazem Hydrochloride and Taxol C-13 Side Chain.

Notes to the Standalone Financial Statements

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

As per the terms of agreement entered with DSIR, 1.3 times of the above amount is payable in 5 equal annual installments after commencement of commercial operations of the product(s) developed under PATSER scheme. However the Company has not yet commenced commercial operations of the said products.

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

Particulars	31st March 2019	31st March 2018
Opening Borrowings	7,139.82	7,421.54
Add: Opening Current Maturities	1,633.46	1,515.87
Add: Amortisation of Transaction Cost	10.26	1.74
Add: Received during the year	150.00	1,350.00
Less: Paid during the year	1,637.50	1,515.87
Closing Borrowings	7,296.05	8,773.28
Less: Closing Current Maturities	1,400.00	1,633.46
Non Current Borrowings as per Balance Sheet	5,896.04	7,139.82

22 Provisions

Employee Benefit Obligations

Non Current

Gratuity	108.34	144.56
Leave Encashment	43.50	73.31
Sub Total	151.84	217.87

Current

Gratuity	44.77	39.30
Leave Encashment	27.27	32.20
Sub Total	72.04	71.50

Total

Gratuity	153.11	183.86
Leave Encashment	70.77	105.51
Grand Total	223.88	289.37

22.1 For details of Post Employment Obligations. Refer Note 41.

Notes to the Standalone Financial Statements

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

Note	Particulars	As at 31st March 2019	As at 31st March 2018		
23	Deferred Tax Liabilities (net)				
	The Balance Comprises Temporary Differences Attributable to:				
	(a) Deferred Tax Liability				
	(i) Property, Plant and Equipment	4,638.28	4,472.28		
	(ii) Others	8.37	11.96		
	Total	4,646.65	4,484.24		
	(b) Deferred Tax Asset				
	(i) Expenses allowable on payment basis	103.06	125.17		
	(ii) MAT Credit	1,334.19	1,921.40		
	(iii) Others	147.56	137.35		
	Total	1,584.81	2,183.92		
	Net Deferred Tax Liabilities (a) - (b)	3,061.84	2,300.32		
	(c) Movement in Deferred Tax Liabilities				
	Particulars	Property, Plant and Equipment	Others	Total	
	As at 31st March, 2017	4,168.76	12.45	4,181.21	
	Charged/(Credited)	303.52	(0.49)	303.03	
	As at 31st March, 2018	4,472.28	11.96	4,484.24	
	Charged/(Credited)	166.00	(3.59)	162.41	
	As at 31st March, 2019	4,638.28	8.37	4,646.65	
	(d) Movement in Deferred Tax Assets				
	Particulars	Expenses allowable on payment basis	MAT Credit	Other items	Total
	As at 31st March, 2017	89.23	2,386.34	120.77	2,596.34
	Charged/(Credited)	35.94	(464.93)	16.58	(412.41)
	As at 31st March, 2018	125.17	1,921.41	137.35	2,183.93
	Charged/(Credited)	(22.11)	(587.22)	10.21	(599.12)
	As at 31st March, 2019	103.06	1,334.19	147.56	1,584.81

Notes to the Standalone Financial Statements

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

Note	Particulars	As at 31st March 2019	As at 31st March 2018
24	Current Borrowings		
	Secured		
	Working Capital Loans from Banks		
	--- State Bank of India	5,630.86	4,342.69
	--- RBL Bank Ltd	1,450.00	1,497.02
	Total	7,080.86	5,839.71

24.1 Security Terms

- (a) Working capital facilities sanctioned by State Bank of India and RBL Bank are secured by first charge on pari-passu basis of all current assets both present and future. These facilities are further secured by way of second charge on pari-passu basis of all movable and immovable fixed assets of the Company both present and future and also guaranteed by Sri P Ramesh Babu Chairman and Managing Director, and Sri TVVSN Murthy, Director of the Company, in their personal capacities.
- (b) Working Capital Facilities extended by State Bank of India are having the following additional security apart from the details of security mentioned supra.
- Equitable mortgage of Agricultural land admeasuring 3.65 Acres situated in Yalamanchili Village of West Godavari District, belonging to Sri TVVSN Murthy, Director of the Company.
- (c) The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 43.

24.2 Rate of Interest is as follows:

Name of the Bank	Rate of Interest
State Bank of India	
Cash Credit	9.50%
Export Packing Credit	9.00%
Stand by Loan	9.00%
RBL Bank	9.50%

24.3 Terms of Repayment: The above working capital loans are repayable on demand.

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

Opening Borrowings	5,839.71	5,975.96
Add: Received during the year	4,067.20	4,060.19
Less: Paid during the year	2,826.05	4,196.44
Closing Current Borrowings	7,080.86	5,839.71

Notes to the Standalone Financial Statements

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

Note	Particulars	As at 31st March 2019	As at 31st March 2018
25	Trade Payables		
(a)	Creditors for Supply of Materials		
(i)	Dues to Micro and Small Enterprises	12.54	16.99
(ii)	Dues to Related Parties (Refer Note No.25.1)	1,176.06	186.34
(iii)	Others	3,028.83	3,065.86
(b)	Creditors for Expenses	607.76	657.65
	Total	4,825.19	3,926.84
25.1	Trade Payables payable to related parties represents ₹ 1046.77 Lakhs (Previous Year ₹ 186.34 Lakhs) due to SMS Lifesciences India Limited, ₹ 129.29 Lakhs (previous year ₹ Nil) due to R Chem (Somanahalli) Private Limited (Refer Note 51).		
26	Other Financial Liabilities		
	Current		
	Current Maturities of Long-Term Debt	1,400.00	1,633.46
	Capital Creditors	213.95	102.50
	Interest Accrued but not due	-	10.79
	Unclaimed Dividend	7.90	8.01
	Total	1,621.85	1,754.76
27	Other Current Liabilities		
	Statutory Dues Payable	49.33	62.33
	Advance from Customers	859.66	405.27
	Employee Benefits Payable	71.04	68.83
	Total	980.03	536.43
28	Current Tax Liabilities (Net)		
28.1	Movement in Current Tax (Assets)/Liabilities.Refer Note 18.1.	-	16.50
Note	Particulars	Current Year 2018-19	Previous Year 2017-18
29	Revenue from Operations		
(a)	Sale of Products		
	Gross Sales (including Excise Duty)	44,813.59	43,659.61
	Less: Sales Tax	-	225.49
	Less: Goods and Service Tax	3,737.31	3,098.66
	Net Revenue from Sales	41,076.28	40,335.46
(b)	Income from Services		
(i)	Conversion Charges	6,025.16	6,811.03
	Less: Goods and Service Tax	919.09	876.22
	Net Revenue from Services	5,106.07	5,934.81
(c)	Other Operating Income		
	Export Incentives	308.73	216.06
	Total Net Revenue from Operations (a+b+c)	46,491.08	46,486.33

Notes to the Standalone Financial Statements

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

29.1 Post implementation of Goods and Service Tax (GST) with effect from 01-07-2017, Revenue from operations is disclosed net of GST. For the period prior to 01st July, 2017, the excise Duty amount was recorded as part of Revenue with a corresponding amount recorded as expenses. Accordingly, revenue from operations for the year ended 31st March, 2019 are not comparable with those of previous period revenue. Following additional information is being provided to facilitate such comparison.

Note	Particulars	Current Year 2018-19	Previous Year 2017-18
	Gross Revenue from Operations	51,147.48	50,461.21
	Less: GST Recovered	4,656.40	3,974.87
	Less: Central Excise Duty	-	255.17
	Revenue from Operations excluding GST/Excise Duty	46,491.08	46,231.17

30 Other Income

(i) Interest Income	39.01	33.82
(ii) Net Gain on Foreign Exchange	93.20	76.47
(iii) Miscellaneous Income (Net of GST)	208.10	128.50
Total	340.31	238.79

30.1 Miscellaneous Income includes Rent received from related parties of ₹ 24.52 Lakhs (Previous year ₹ 5.00 Lakhs)

31 Cost of Materials Consumed

Raw Material & Packing Material

Stock at the Beginning of the Year	4,026.24	2,890.72
Add: Purchases	32,148.64	30,567.75
Less: Stock at the End of the Year	5,455.75	4,026.24
Total Materials Consumed	30,719.13	29,432.23

32 Changes in Inventory

(a) Opening Stock of Inventory:

Finished Goods	3,303.22	573.53
Stock in Process	3,394.13	5,681.51
Sub Total (a)	6,697.35	6,255.04

(b) Closing Stock of Inventory:

Finished Goods	3,871.58	3,303.22
Stock in Process	4,274.05	3,394.13
Sub Total (b)	8,145.63	6,697.35

(Increase)/Decrease in Stock (a-b)	(1,448.28)	(442.31)
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Notes to the Standalone Financial Statements

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

Note	Particulars	Current Year 2018-19	Previous Year 2017-18
33	Manufacturing Expenses		
	Power and Fuel	2,162.73	2,243.91
	Consumable Stores	503.03	377.30
	Testing Charges	90.41	93.76
	Water Charges	12.43	13.27
	Repairs & Maintenance to Buildings	78.07	57.62
	Repairs & Maintenance to Plant & Machinery	503.30	535.17
	Factory Maintenance	104.25	106.99
	Effluent Treatment Charges	29.96	22.38
	Total	3,484.18	3,450.40
34	Employee Benefits Expense		
	Salaries, Wages and Bonus	3,130.24	2,895.78
	Contribution to Provident Fund	200.06	177.47
	Contribution to ESI	40.16	37.07
	Staff Welfare Expenses	188.21	170.02
	Total	3,558.67	3,280.34
35	Finance Cost		
	Interest on Non Current Borrowings	779.43	977.36
	Interest on Current Borrowings	353.29	496.11
	Interest on Others	4.47	3.36
	Bank Charges	50.15	71.13
	Total	1,187.34	1,547.96
36	Depreciation and Amortisation Expense		
	Depreciation of Property, Plant and Equipment	1,903.54	1,974.68
	Amortisation of Intangible Assets	23.75	15.30
	Total	1,927.29	1,989.98

Notes to the Standalone Financial Statements

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

Note	Particulars	Current Year 2018-19	Previous Year 2017-18
37	Other Expenses		
	Rent	102.85	52.26
	Rates and Taxes	38.07	34.42
	Insurance	76.15	72.84
	Directors Remuneration	315.52	317.18
	Travelling and Conveyance	38.32	43.29
	Communication Expenses	18.01	22.79
	Printing and Stationery	51.96	57.64
	Repairs & Maintenance to Other Assets	10.25	6.89
	Vehicle Maintenance	19.93	21.02
	Payments to Auditors	11.00	11.00
	Cost Audit Fee	0.75	0.75
	General Expenses	119.51	147.96
	Corporate Social Responsibility	38.94	84.49
	Provision for Doubtful Debts	10.31	3.27
	Interest on Indirect Taxes	4.78	0.17
	Loss on Sale of Assets	0.11	3.39
	Business Promotion Expenses	63.39	93.39
	Regulatory Fee	86.18	78.40
	Carriage Outward	64.44	52.44
	Sales Commission	97.16	109.30
	Total	1,167.63	1,212.89
37.1	Details of Payments to Auditors		
	Audit Fee	8.00	8.00
	Tax Audit Fee	2.00	2.00
	Certification Fee	1.00	1.00
	Total Payments to Auditors	11.00	11.00
37.2	Corporate Social Responsibility Expenditure		
	Amount required to be spent as per section 135 of the Companies Act, 2013	105.50	110.26
	Amount spent during the year on		
	(i) Construction/Acquisition of an Asset	28.44	52.30
	(ii) For other than (i) above	10.50	32.19
	Total amount Spent	38.94	84.49
	Balance amount to be Spent	66.56	25.77
37.3.1	The Company has initiated for construction of School Building and Hospital and also for providing Health Care and drinking water facilities with an estimate of ₹ 83.00 Lakhs towards CSR Liability for the year 2019-20		

Notes to the Standalone Financial Statements

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

Note	Particulars	Current Year 2018-19	Previous Year 2017-18
38	Income Tax Expense		
	Current Tax		
	Current tax on profits for the year	1,350.00	1,300.00
	Adjustments for current tax of prior periods	(16.64)	(23.85)
	Total Current Tax	1,333.36	1,276.15
	Deferred Tax		
	Increase/(Decrease) in Deferred Tax Liabilities	162.41	303.03
	Decrease/(Increase) in Deferred Tax Assets	598.84	412.41
	Actuarial (Gain)/Loss	(4.53)	(2.20)
	Total Deferred Tax Expense/(Benefit)	756.72	713.24
	Total	2,090.08	1,989.39
38.1	During the year ended 31 March, 2019, the Company has paid dividend to its shareholders. This has resulted in payment of dividend distribution tax (DDT) to the taxation authorities. The Company believes that DDT represents additional payment to the taxation authority. Hence DDT Paid is charged to Other Equity.		
38.2	Reconciliation of Tax Expense with Tax on Accounting Profits at normal rate is as follows:		
	(a) Profit before Income Tax Expenses	6,235.43	6,034.82
	(b) Enacted Tax Rate in India	34.94%	34.61%
	(c) Expected Tax Expenses (a)x(b)	2,178.90	2,088.53
	(d) Tax Effect on Permanent Difference:		
	Weighted Deduction under section 35(2AB) under the Income Tax Act, 1961	(79.38)	(126.59)
	Expenses not allowed under Income Tax Act	16.06	29.24
	Other Adjustments	(8.86)	22.06
	Adjustment of Current Tax of Prior Periods	(16.64)	(23.85)
	Total Adjustments	(88.82)	(99.14)
	Current Tax Expense as per P & L	2,090.08	1,989.39
	Effective Tax Rate	33.52%	32.97%

Notes to the Standalone Financial Statements

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

Note	Particulars	Current Year 2018-19	Previous Year 2017-18
39	Other Comprehensive Income		
	Actuarial Gain/(Loss) on Post Employment Benefit Expenses	(12.90)	5.22
	Return on Plan Assets excluding net interest	(0.05)	1.09
		(12.95)	6.31
	Deferred Taxes on above	4.53	(2.20)
	Net Comprehensive Income	(8.42)	4.11
40	Earning Per Share (Basic and Diluted)		
(a)	Net profit for Basic & Diluted EPS	4,145.35	4,045.43
(b)	Weighted average number of equity shares of Re.1/- each (Basic & Diluted)	84,652,030	84,652,030
(c)	Earnings per share of par value Re 1/- per share -(Basic & diluted)	4.90	4.78

41 Post Employment Benefits

41.1 Defined Contribution plans

41.1.1 Employer's Contribution to Provident Fund:

Contributions are made to provident fund in India for employees at the rate of 12% of the employees qualifying salary as per regulations. The contributions are made to registered provident fund administered by the Government of India. The obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the year towards PF contribution is ₹ 200.06 Lakhs (Previous Year- ₹ 177.47 Lakhs).

41.1.2 Employer's Contribution to State Insurance Scheme:

Contributions are made to State Insurance Scheme in India for employees at the rate of 4.75%. The Contributions are made to Employee State Insurance Corporation(ESI) to the respective State Governments of the Company's location. This Corporation is administered by the Government and the obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards ESI contribution is ₹ 40.16 Lakhs (Previous Year- ₹ 37.07 Lakhs).

41.2 Defined Benefit Plans

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

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

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

Notes to the Standalone Financial Statements

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

Note	Particulars	31st March, 2019		31st March, 2018	
		Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
41.2.1	Net Employee Benefit Expense (Recognised in Employee Benefit Expenses)				
	Current Service Cost	34.89	37.42	30.59	19.21
	Interest Cost	10.82	7.91	8.45	4.18
	Past Service Cost (Vested Benefits)	-		24.78	
	Adj to Opening Balance	3.53		3.53	
	Expected Return on Plan Assets	-		-	
	Contribution paid	(92.94)	(4.96)	-	(6.48)
		(43.70)	40.37	67.35	16.91
41.2.2	Other Comprehensive Income				
	Actuarial Gain/(Loss)	12.95	(75.11)	6.31	22.90
	Net Employee Benefit Expenses	12.95	(75.11)	6.31	22.90
	Actual return on plan asset	7.75	-	5.40	-
41.2.3	Amount recognised in the Balance Sheet				
	Defined Benefit Obligation	304.78	70.77	246.48	105.51
	Fair Value of Plan Assets	(151.67)	-	(62.62)	-
		153.11	70.77	183.86	105.51
41.2.4	Other Comprehensive Income in case of Employees Compensated Absence Scheme not considered as it was not funded.				
41.2.5	Change in the Present Value of the Defined Benefit Obligation				
	Opening Defined Benefit Obligation	246.48	105.51	197.82	65.70
	Adjustment to Opening Balance	-			
	Current Service Cost	34.89	37.42	30.59	19.21
	Interest Cost	18.61	7.91	12.75	4.18
	Past Service Cost	-		24.78	
	Contribution Paid		(4.96)		(6.48)
	Benefits Paid	(8.12)		(14.24)	-
	Net Actuarial (gain)/ losses on Obligation for the year recognised under OCI	12.90	(75.11)	(5.22)	22.90
	Closing Defined Benefit Obligation	304.76	70.77	246.48	105.51

Notes to the Standalone Financial Statements

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

Note	Particulars	31st March, 2019		31st March, 2018	
		Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
41.2.6	Change in the Fair Value of Plan Assets				
	Opening Fair Value of Plan Assets	62.62	-	75.00	-
	Adjustment to Opening Fair Value of Plan Asset	(3.53)	-	(3.53)	-
	Return on Plan Assets Excluding Interest Income	(0.04)	-	1.09	-
	Interest Income	7.80	-	4.30	-
	Contributions	92.94	-	-	-
	Benefits Paid	(8.12)	-	(14.24)	-
	Closing Fair Value of Plan Assets	151.67	-	62.62	-
41.2.7	Actuarial (Gain)/Loss on Obligation				
	Due to Demographic Assumption	-	-	-	-
	Due to Financial Assumption	0.56	-	(24.25)	-
	Due to Experience	12.34	-	19.03	-
	Return on Plan Assets excluding Interest	(0.04)	-	(1.09)	-
	Total Actuarial (Gain)/Loss	12.86	-	(6.31)	-

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

Note	Particulars	31st March, 2019	31st March, 2018
	State Govt Security	89.83	37.09
	Central Govt Securities	33.23	13.72
	NCD/Bonds	20.22	8.35
	Others	8.39	3.46
	Total	151.67	62.62

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

41.2.9 Actuarial Assumptions for estimating Company's Defined Benefit Obligation:

Discount rate	7.66%	7.68%
Attrition Rate	PS : 0 to 40 : 2%	PS : 0 to 40 : 2%
Expected rate of increase in Salary	3.00%	3.00%
Expected rate of return on Plan Assets		
Mortality Table	IALM (2006-08)	IALM (2006-08)
Expected average remaining working lives of Employees	19.34	19.41

Notes to the Standalone Financial Statements

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

- (a) Assumptions regarding future mortality experience are set in accordance with the published statistics by the Life Insurance Corporation of India.
- (b) Plan assets does not comprise any of the Company's own financial instruments or any assets used by the Company. The Company has the plan covered under a policy with the Life Insurance Corporation of India.
- (c) The Significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the salary growth rate and the average life expectancy. The calculation of the net defined benefit liability is sensitive to these assumptions. However, the impact of these changes is not ascertained to be material by the management.

41.2.10 Sensitivity Analysis

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

Particulars	31st March, 2019	31st March, 2018
Defined Benefit Obligation	153.11	183.86
Effect of 1% change in assumed discount rate on defined benefit obligation		
Increase : + 1 %	278.60	225.50
Decrease: -1 %	335.38	270.99
Effect of 1% change in assumed salary escalation rate on defined benefit obligation		
Increase : + 1 %	334.96	270.60
Decrease: -1 %	278.55	225.61

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

41.2.11 Other Information

(i) Expected rate of return basis

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

(ii) Description of Plan Assets and Reimbursement Conditions

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

(iii) Discount Rate

The discount rate has decreased from 7.68% to 7.66% and hence there is a decrease in liability leading to actuarial gain due to change in discount rate.

(iv) Present Value of Defined Benefit Obligation:

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

Notes to the Standalone Financial Statements

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

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

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

(vi) Current and Non Current Liability:

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

(vii) Defined Benefit Liability and Employer Contributions

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

The Weighted Average duration of the defined benefit obligation is 10.98 years (2017-18 : 10.86 years). The expected cash flows over the subsequent years is as follows:

Expected Payout Gratuity	31st March, 2019	31st March, 2018
1st Year	44.74	8.53
2nd Year	10.08	11.81
3rd Year	10.50	8.66
4th Year	23.32	8.77
5th Year	11.74	20.76
beyond 5th Year	115.16	86.35

41.2.12 Risk Exposure

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

- (a) Investment/Interest Rate Risk:** The Company is exposed to Investment / Interest risk if the return on the invested fund falls below the discount rate used to arrive at present value of the benefit.
- (b) Longevity Risk:** The Company is not exposed to risk of the employees living longer as the benefit under the scheme ceases on the employee separating from the employer for any reason.
- (c) Risk of Salary Increase:** The Company is exposed to higher liability if the future salaries rise more than assumption of salary escalation.

42 Leases (Ind AS - 17):

42.1 Operating Lease Commitments - Company as Lessee

The Company has taken certain office premises on lease, with term of 3 years and is renewable for further periods. There are escalation clauses in the office premises lease agreement to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. During the year, the Company has paid lease rental of ₹ 93.70 Lakhs (Previous Year ₹ 63.64 Lakhs). Out of this, the company has collected an amount of ₹ 18.52 Lakhs (Previous Year ₹ 22.27 Lakhs) towards sub lease rental from related party, SMS LifeSciences India Ltd, the resulting company of demerger scheme, which has taken place during the year 2016-17.

Notes to the Standalone Financial Statements

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

The Company has also taken lease for office premises in Vishakapatnam and the said lease is revocable by either of the parties with prior intimation. During the Year, the company has paid lease rental of ₹ 6.43 Lakhs (Previous Year ₹ 9.41 Lakhs).

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

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

S No.	Particulars	Current Year 2018-19	Previous Year 2017-18
In the case of Equipment			
i)	Obligation on Non Cancellable Operating Leases:		
	a) not later than one year	4.02	4.02
	b) later than one year and not later than five years	-	-
	c) later than five years	-	-
ii)	Total of minimum sub-lease payments expected	4.02	4.03
iii)	Lease payments recognized in the statement of Profit & Loss for the year	4.02	4.03

42.2 Operating Lease Commitments - Company as Lessor

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

43 Assets Pledged as Security

For Non Current Borrowings

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

For Current Borrowings

Secured by First Charge on Current Assets and Second Charge on PPE (Property, Plant and Equipment).

The carrying amounts of Company’s assets pledged as security for Non Current and Current Borrowings of an amount are as follows:

Particulars	31st March, 2019	31st March, 2018
Property, Plant and Equipment	28,010.79	27,889.89
Current Assets	20,759.03	16,848.70
Total Assets Pledged as Security	48,769.82	44,738.59

Notes to the Standalone Financial Statements

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

44 Research and Development

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

Particulars	31st March, 2019	31st March, 2018
Salaries & Wages	412.58	337.18
Materials Consumed	99.94	48.93
Repairs and Maintenance	106.82	65.39
Power and Fuel	50.80	31.72
Testing and analysis charges	13.06	9.86
Rates and Taxes	7.12	7.73
Insurance	2.54	2.74
General Expenses	11.51	10.79
Total	704.37	514.34

44.2 Details of Property, Plant and Equipment:

Particulars	Buildings	Plant and Equipment	Furniture and Fixtures	Computers	Vehicles	Patents Filing Fee	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Gross Carrying Value							
1 As at 01 April, 2017	866.96	712.31	5.86	7.53	9.10	3.17	1,604.93
2 Additions	7.41	228.06	0.88	5.14	-	0.26	241.75
3 As at 31 March, 2018 (1+2)	874.37	940.37	6.74	12.67	9.10	3.43	1,846.68
4 Additions	-	31.47	-	9.35	-	2.56	43.38
5 As at 31 March, 2019 (3+4)	874.37	971.84	6.74	22.02	9.10	5.99	1,890.06
Depreciation							
6 As at 01st April, 2017	37.01	155.71	1.79	3.24	0.92	0.75	199.42
7 Charge for the Year	37.17	162.21	1.81	3.33	1.08	0.88	206.48
8 As at 31 March, 2018 (6+7)	74.18	317.92	3.60	6.57	2.00	1.63	405.90
9 Charge for the Year	37.24	67.98	0.23	4.08	1.08	1.16	111.77
10 As at 31 March, 2019 (8+9)	111.42	385.90	3.83	10.65	3.08	2.79	517.67
Net Carrying Value							
11 As at 31 March, 2017	866.96	712.31	5.86	7.53	9.10	3.17	1,604.93
12 As at 31 March, 2018 (3-8)	800.19	622.45	3.14	6.10	7.10	1.80	1,440.78
13 As at 31 March, 2019 (5-10)	762.95	585.94	2.91	11.37	6.02	3.20	1,372.39

Notes to the Standalone Financial Statements

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

Financial Instruments and Risk Management

45 Categories of Financial Instruments

Particulars	Note	Level	As at 31 March, 2019		As at 31 March, 2018	
			Carrying Value	Fair Value	Carrying Value	Fair Value
A. Financial Assets						
(a) Measured at Amortised Cost						
(i) Non Current						
(a) Bank Balances	9	3	212.50	212.50	200.78	200.78
(b) Other Financial Assets	10	3	343.04	343.04	238.68	238.68
Sub - Total			555.54	555.54	439.46	439.46
(ii) Current						
(a) Trade Receivables	13	Refer Note 45.2	2,602.25	2,602.25	2,414.92	2,414.92
(b) Cash and Cash Equivalents	14		1,479.77	1,479.77	1,263.08	1,263.08
(c) Other Bank Balances	15		7.90	7.90	8.01	8.01
(d) Other Financial Assets	16		24.33	24.33	53.52	53.52
Sub - Total			4,114.25	4,114.25	3,739.53	3,739.53
Total Financial Assets			4,669.79	4,669.79	4,178.99	4,178.99
B. Financial Liabilities						
(a) Measured at Amortised Cost						
(i) Non Current						
(a) Borrowings	21	3	5,896.04	5,896.04	7,139.82	7,139.82
(ii) Current						
(a) Borrowings	24	Refer Note 45.2	7,080.86	7,080.86	5,839.71	5,839.71
(b) Trade Payables	25		4,825.19	4,825.19	3,926.84	3,926.84
(c) Other Financial Liabilities	26		1,621.85	1,621.85	1,754.76	1,754.76
Sub - Total			13,527.90	13,527.90	11,521.31	11,521.31
Total Financial Liabilities			19,423.94	19,423.94	18,661.13	18,661.13

- 45.1 The Company's principal financial liabilities, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations.
- 45.2 The carrying amounts of Trade Payables, Other Financial Liabilities, cash and cash equivalents, other bank balances, trade receivables and other financial assets are considered to be the same as their fair values due to their short term nature.
- 45.3 The management has assessed that fair value of borrowings approximate to their carrying amounts largely since they are carried at floating rate of interest.

Notes to the Standalone Financial Statements

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

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

46 Fair Value Measurements

46.1 Fair Value Hierarchy

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

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

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

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

46.2 Valuation Techniques used to determine fair value:

Specific Valuation techniques used to value financial instruments include:

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

46.3 Valuation Process:

The Finance and accounts department of the Company performs the valuation of financial assets and liabilities required for financial reporting purposes, and report to the Board of Directors. The main Level 3 inputs are derived using the Discounted Cash Flow Analysis, Market Approach, Net Assets Value Method as applicable.

47 Financial Risk Management Objectives and Policies

Financial Risk Management Framework

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

47.1 Credit Risk:

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

Notes to the Standalone Financial Statements

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

Financial Instruments and Cash Deposits

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

Expected Credit Loss for Trade Receivables under simplified approach

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

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

Particulars	31st March, 2019	31st March, 2018
Gross Carrying Amount	2,655.57	2,457.93
Expected Credit Losses (Loss Allowance Provision)	53.32	43.01
Net Carrying Amount of Trade Receivables	2,602.25	2,414.92

Expected Credit Loss for Trade Receivables under simplified approach:

Particulars	Outstanding			Total
	for < 90 days	> 90 days & < 180 days	for > 180 days	
Gross Carrying Amount of Trade Receivables	1,883.40	719.13	53.04	2,655.57
Expected Loss Rate	2.01%	2.01%	2.01%	2.01%
Expected Credit Losses (Loss allowance provision)	37.81	14.44	1.06	53.31
Net Carrying Amount of Trade Receivables	1,845.59	704.69	51.98	2,602.26

47.2 Liquidity Risk:

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

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

Notes to the Standalone Financial Statements

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

Particulars	Upto 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	Total
31 March, 2019					
Non Current Borrowings (including Current Maturities)	1,400.00	3,681.31	1,794.73	420.00	7,296.04
Current Borrowings	7,080.86				7,080.86
Interest Accrued but not due	-				-
Trade Payables	4,825.19				4,825.19
Capital Creditors	7.90				7.90
Total	13,313.95	3,681.31	1,794.73	420.00	19,209.99
31 March, 2018					
Non Current Borrowings (including Current Maturities)	1,633.46	5,063.89	1,775.93	300.00	8,773.28
Current Borrowings	5,839.71				5,839.71
Interest Accrued but not due	10.79				10.79
Trade Payables	3,926.85				3,926.85
Capital Creditors	102.50				102.50
Total	11,513.31	5,063.89	1,775.93	300.00	18,653.13

47.3 Market Risk:

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

47.3.1 Interest Rate Risk

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

Particulars	Change in basis points		Effect on Profit before Tax	
	Increase	Decrease	Decrease	Increase
31 March, 2019	0.50%	0.50%	(71.88)	71.88
31 March, 2018	0.50%	0.50%	(73.06)	73.06

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

Notes to the Standalone Financial Statements

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

47.3.2 Foreign Currency Exchange Rate Risk:

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

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

(a) Details of Unhedged Foreign Currency Exposure:

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

Particulars	Currency	Amount in Foreign Currency	Amount in ₹ In Lakhs	Conversion Rate
31st March, 2019				
Trade Receivables	USD	28.16	1,955.58	69.44
Trade Payables	USD	3.89	269.83	69.44
Advance from Customers	USD	6.40	444.31	69.44
Advance to Suppliers	USD	0.01	0.62	69.44
31st March, 2018				
Trade Receivables	USD	19.62	1,276.42	65.07
Trade Payables	USD	3.20	208.52	65.07
Advance from Customers	USD	5.78	375.78	65.07

(b) Foreign Currency Sensitivity

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

Particulars	Effect on Profit before Tax	
	31st March, 2019	31st March, 2018
	₹	₹
USD Sensitivity		
Rs/USD - Increases by 1%	12.42	6.92
Rs/USD - Decreases by 1%	(12.42)	(6.92)

47.3.3 Other Price Risk:

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

Notes to the Standalone Financial Statements

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

48 Capital Management

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

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

Particulars	31st March, 2019	31st March, 2018
Borrowings including Interest Accrued	14,376.90	14,623.77
Less: Cash and Short Term Deposits	1,479.77	1,263.08
Net Debt	12,897.13	13,360.69
Equity	846.52	846.52
Other Equity	33,145.84	29,264.04
Total Equity	33,992.36	30,110.56
Total Capital	46,889.49	43,471.25
Gearing Ratio (Net Debt/(Net Debt + Total Equity))	0.28	0.31

48.1 Loan Covenants

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

Particulars	Stipulated Lenders	Actuals as at	
		31st March, 2019	31st March, 2018
Total Debt/TNW	<= 1.0	0.25	0.25
Total Debt/EBITDA	<= 3.0	0.19	0.25
DSCR	> 1.30	2.84	2.81
Total Indebtedness Ratio	2.50:1	0.41	0.42

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

49 Segment Information

Description of segments and principal activities

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

Notes to the Standalone Financial Statements

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

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

Particulars	Current Year 2018-19		Previous Year 2017-18	
	Revenue	%	Revenue	%
Exports	6,319.96	13.59%	6,218.94	13.38%
Deemed Exports	24,727.53	53.19%	29,695.71	63.88%
Domestic	15,134.86	32.56%	10,355.62	22.28%
Export Incentives	308.73	0.66%	216.06	0.46%
Total	46,491.08	100.00%	46,486.33	100.00%

50 Interest in other Entities

Name of the entity	Place of Business/ Country of incorporation	Ownership Interest held by the Company		Ownership interest held by Non-Controlling interests		Principal activity
		31 March 2019	31 March 2018	31 March 2019	31 March 2018	
VKT Pharma Private Limited	India	42.62%	42.62%	57.38%	57.38%	Manufacture and sale of API and Formulations

51 Related Party Transactions

(a) Key Management Personnel(KMP)

Name	Relationship
Sri. P Ramesh Babu	Chairman and Managing Director
Sri. TVVSN Murthy	Director
T Lakshmi Narayana	Chief Financial Officer
V.S. Venkatesh	Company Secretary

(b) Relatives of KMP

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

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

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

Notes to the Standalone Financial Statements

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

(d) Transactions with Related Parties:

Name of the Company	31st March, 2019	31st March, 2018
	Amount	Amount
Key Management Personnel		
Remuneration - Short Term Employee Benefits	338.25	336.11
Relatives of KMP		
Remuneration - Short Term Employee Benefits	39.00	39.00
Associate Company		
Purchases	19.15	1.00
Sales	163.04	97.37
Investments	-	802.50
Rental Income	7.08	5.00
Enterprise with Significant Influence		
Purchases	2,398.96	1,284.63
Sales	61.50	165.42
Rental Income	21.85	26.28
Expenses Reimbursement	13.52	-
Balance (Payable)/Receivable at the year end		
Key Management Personnel		
Remuneration Payable	77.03	137.54
Relatives of KMP		
Remuneration Payable	0.92	0.37
Associate Company	77.66	-
Enterprise with Significant Influence	(1,176.06)	(186.34)

(e) Note:

Short Term Employee Benefits to KMP does not include expenditure on account of Contribution to Provident Fund, Provision for Gratuity and Compensated Absences computed for Company as a whole.

52 Contingent Liabilities

Particulars	31st March, 2019	31st March, 2018
Letter of credits opened in favor of suppliers for which goods are yet to be received	188.51	61.75
Customs Duty against Advance Authorizations	116.50	101.30
Entry Tax Liability	1.75	1.75

53 Commitments

Capital Commitments	323.92	-
Export Obligations	10605.33	792.48

Notes to the Standalone Financial Statements

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

54 Payables to Micro, Small & Medium Enterprises

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

Particulars	31.03.2019	31.03.2018
(i) the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	12.54	16.99
(ii) the amount of interest paid by the buyer in terms of section 16, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year		
(iii) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;	-	-
(iv) the amount of interest accrued and remaining unpaid at the end of each accounting year; and	3.55	0.12
(v) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.	-	-

The above information regarding Micro Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the companies. This has been relied upon by the auditors.

55. Previous year figure have been regrouped and reclassified wherever considered necessary to confirm to this year's classifications.

The accompanying notes are an integral part of the Standalone Financial Statements

as per our report of even date

for SURYANARAYANA & SURESH

Chartered Accountants

FRN 006631S

for and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

V NAGENDRA RAO

Partner

M.No. 227679

RAMESH BABU POTLURI

Chairman and Managing Director

DIN: 00166381

TVVSN MURTHY

Director

DIN: 00465198

Place: Hyderabad

Date : 27-05-2019

V.S.VENKATISH

Company Secretary

T. LAKSHMI NARAYANA

Chief Financial Officer

Independent Auditor's Report

To
the Members of
SMS Pharmaceuticals Limited

Report on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated Ind AS financial statements of SMS Pharmaceuticals ("**the Company**") and its Associate Company VKT Pharma Pvt Limited which is Audited by other Statutory Auditors (collectively referred to as "the Group") which comprise the consolidated Balance Sheet as at March 31, 2019, the consolidated Statement of Profit and Loss, consolidated statement of changes in equity and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (here in referred as "the consolidated Ind AS financial statements")

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, and its consolidated Profit (including other comprehensive income), consolidated changes in equity and its consolidated Cash Flow for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters:

Sr. No.	Key Audit Matter	Auditor's Response
I	Accuracy of recognition, measurement, presentation and disclosures of revenues and other related balances in view of adoption of Ind AS 115 "Revenue from Contracts with Customers" (new revenue accounting standard)	<p>Principal Audit Procedures</p> <p>We assessed the Company's process to identify the impact of adoption of the new revenue accounting standard.</p> <p>Our audit approach consisted testing of the design and operating effectiveness of the internal controls and substantive testing as follows:</p> <ul style="list-style-type: none"> Evaluated the design of internal controls relating to implementation of the new revenue accounting standard. Selected a sample of continuing and new contracts, and tested the operating effectiveness of the internal control, relating to identification of the distinct performance obligations and determination of transaction price. We carried out a combination of procedures involving enquiry and observation, reperformance and inspection of evidence in respect of operation of these controls. Selected a sample of continuing and new contracts and performed the following procedures:

		<ol style="list-style-type: none"> 1. Read, analysed and identified the distinct performance obligations in these contracts. 2. Considered the terms of the contracts to determine the transaction price including any variable consideration to verify the transaction price used to compute revenue and to test the basis of estimation of the variable consideration.
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Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these consolidated Ind AS financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under and the Order under Section 143(11) of the Act.

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Parent Company's preparation of the consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Parent Company's Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

We are also responsible to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Other Matters

The consolidated financial statements/financial information reflects the company's share of net profit (and other comprehensive income) of Rs.(138.38) lakhs for the year ended 31.03.2019 in respect of associate, VKT Pharma Private

Limited, whose financial statement/information has not been audited by us. These financial statements/financial information have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures in respect of this said associate, and our report in terms of Sub Section 3 Section 143 of the Act, in so far as it relates to the aforesaid associate is based solely on the audit reports of the other auditors.

Our opinion on the consolidated Ind AS financial statements and our report on Other Legal and Regulatory requirements below is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements/financial information certified by the management..

Report on Other Legal and Regulatory Requirements

- I. As required by section 143 (3) of the Act, we report that:
 - a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c. The consolidated Balance Sheet, the consolidated Statement of Profit and Loss, the consolidated statement of changes in equity and the consolidated Cash Flow Statement dealt with by this Report are in agreement with the books of account
 - d. In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - e. On the basis of written representations received from the directors of the Company and its associate as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.
 - f. With respect to the adequacy of the internal financial controls over financial reporting of the Parent Company the operating effectiveness of such controls, refer to our separate Report in “**Annexure A**”.
 - g. With respect to the other matters to be included in the Auditor’s Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.
 - h. With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 and in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations as at 31st March 2019 on its consolidated financial position in its financial statements as referred to in note 52 to the financial statements.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There are no amounts which are required to be transferred to the Investor Education and Protection Fund for the year ending 31st March, 2019.

for **Suryanarayana & Suresh.,**
Chartered Accountants
Reg. No.006631S

V Nagendra Rao
Partner
M. No. 227679

Place: Hyderabad
Date: 27-05-2019

“Annexure A” to the Independent Auditor’s Report

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

We have audited the internal financial controls over financial reporting of SMS Pharmaceuticals Limited (“the Parent Company”) in respect of standalone Financial Statements as at March 31, 2019 in conjunction with our audit of the consolidated Ind AS financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

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

Auditors’ Responsibility

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

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

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

Meaning of Internal Financial Controls over Financial Reporting

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

- (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

In our opinion the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

for **Suryanarayana & Suresh.,**
Chartered Accountants
Reg. No.006631S

V Nagendra Rao
Partner
M. No. 227679

Place: Hyderabad
Date: 27-05-2019

Consolidated Balance Sheet as at 31st March, 2019

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

S. No	Particulars	Note	As at 31st March, 2019	As at 31st March, 2018
I	ASSETS			
I	Non-Current Assets			
(a)	Property, Plant and Equipment	6	28,010.79	27,889.89
(b)	Capital Work-in-Progress	6	1,830.13	819.66
(c)	Intangible Assets	7	114.88	36.27
(d)	Financial Assets:			
(i)	Investments	8	2,699.25	2,838.18
(ii)	Bank Balances	9	212.50	200.78
(iii)	Other Financial Assets	10	343.04	238.68
(e)	Other Non-Current Assets	11	1,911.81	1,380.46
	Total		35,122.40	33,403.92
2	Current Assets			
(a)	Inventories	12	13,639.98	10,747.53
(b)	Financial Assets			
(i)	Trade Receivables	13	2,602.25	2,414.92
(ii)	Cash and Cash Equivalents	14	1,479.77	1,263.08
(iii)	Bank Balances (Other than (ii) above)	15	7.90	8.01
(iv)	Other Financial Assets	16	24.33	53.52
(c)	Other Current Assets	17	2,963.29	2,361.64
(d)	Current Tax Asset (Net)	18	41.51	-
	Total		20,759.03	16,848.70
	TOTAL ASSETS		55,881.43	50,252.62
II	EQUITY AND LIABILITIES			
I	Equity:			
(a)	Equity Share Capital	19	846.52	846.52
(b)	Other Equity	20	31,345.22	27,602.35
	Total		32,191.74	28,448.87

Consolidated Balance Sheet as at 31st March, 2019

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

S. No	Particulars	Note	As at 31st March, 2019	As at 31st March, 2018
2	LIABILITIES			
A	Non-Current Liabilities			
(a)	Financial Liabilities			
(i)	Borrowings	21	5,896.04	7,139.82
(b)	Provisions	22	151.84	217.87
(c)	Deferred Tax Liabilities (net)	23	3,061.84	2,300.32
	Total		9,109.72	9,658.01
B	Current Liabilities			
(a)	Financial Liabilities			
(i)	Borrowings	24	7,080.86	5,839.71
(ii)	Trade Payables:	25		
(a)	Dues to Micro & Small Enterprises		12.54	16.99
(b)	Dues to Creditors Other than Micro & Small Enterprises		4,812.65	3,909.85
(iii)	Other Financial Liabilities	26	1,621.85	1,754.76
(b)	Provisions	22	72.04	71.50
(c)	Other Current Liabilities	27	980.03	536.43
(d)	Current Tax Liabilities (Net)	28	-	16.50
	Total		14,579.97	12,145.74
	TOTAL LIABILITIES		23,689.69	21,803.75
	TOTAL EQUITY AND LIABILITIES		55,881.43	50,252.62

Significant Accounting Policies

5

The accompanying notes are an integral part of the Consolidated Financial Statements

as per our report of even date

for SURYANARAYANA & SURESH

Chartered Accountants

FRN 006631S

for and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

V NAGENDRA RAO

Partner

M.No. 227679

RAMESH BABU POTLURI

Chairman and Managing Director

DIN: 00166381

TVVSN MURTHY

Director

DIN: 00465198

Place: Hyderabad

Date : 27-05-2019

V.S.VENKATISH

Company Secretary

T. LAKSHMI NARAYANA

Chief Financial Officer

Consolidated Statement of Profit and Loss for the Year ended 31st March, 2019

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

S. No	Particulars	Note	Current Year 2018-19	Previous Year 2017-18
1	Income			
	Revenue from Operations	29	46,491.08	46,486.33
	Other Income	30	340.31	238.79
	Total Income		46,831.39	46,725.12
2	Expenses			
	Cost of Materials Consumed	31	30,719.13	29,432.23
	Changes in Inventories	32	(1,448.28)	(442.31)
	Central Excise Duty		-	218.81
	Manufacturing Expenses	33	3,484.18	3,450.40
	Employee Benefits Expense	34	3,558.67	3,280.34
	Finance Cost	35	1,187.34	1,547.96
	Depreciation and Amortization Expense	36	1,927.29	1,989.98
	Other Expenses	37	1,167.63	1,212.89
	Total Expenses		40,595.96	40,690.30
3	Profit Before Tax (1-2)		6,235.43	6,034.82
4	Tax Expense			
	(a) Current Tax			
	(i) relating to Current Year		1,350.00	1,300.00
	(ii) relating to Earlier Year	38	(16.64)	(23.85)
	(b) Deferred Tax		756.72	713.24
			2,090.08	1,989.39
5	Profit After tax for the Year (3-4)		4,145.35	4,045.43
6	Share of Profit/(Loss) in associates companies		(140.51)	(870.46)
7	Net Profit (5-6)		4,004.84	3,174.97
	Other Comprehensive Income / (Loss)			
	Items that will not be reclassified to Profit & Loss			
8	Remeasurement Gain/(Loss) of the defined benefit plans	39	(12.95)	6.31
9	Share of Other Comprehensive Income in Associates		2.13	(3.53)
10	Income Tax effect on the above		(3.97)	1.22
11	Other Comprehensive Income/(Loss) after Tax for the Year (8+9-10)		(6.85)	1.56
12	Total Comprehensive Income/(Loss) for the Year		3,997.99	3,176.53
13	Earnings Per Share (Face Value of Re.1 each)	40		
	-Basic and Diluted		4.73	3.75
	Significant Accounting Policies	5		

The accompanying notes are an integral part of the Consolidated Financial Statements

as per our report of even date

for SURYANARAYANA & SURESH

Chartered Accountants
FRN 006631S

for and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

V NAGENDRA RAO

Partner
M.No. 227679

RAMESH BABU POTLURI

Chairman and Manging Director
DIN: 00166381

TVVSN MURTHY

Director
DIN: 00465198

Place: Hyderabad

Date : 27-05-2019

V.S.VENKATISH

Company Secretary

T. LAKSHMI NARAYANA

Chief Financial Officer

Consolidated Statement of Changes in Equity for the Year Ended 31st March, 2019

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

a. Equity Share Capital

Particulars	As at 31st March, 2019		As at 31st March, 2018	
	Number of Shares	Amount (₹)	Number of Shares	Amount (₹)
As at the Beginning of the Year	84,652,030	846.52	84,652,030	846.52
Changes in Equity Share Capital	-	-	-	-
As at the End of the Year	84,652,030	846.52	84,652,030	846.52

b. Other Equity

Particulars	Reserves & Surplus				
	Securities Premium	Capital Redemption Reserve	General Reserve	Retained earnings	Total Equity
Balance as at 01st April, 2017	6,981.84	155.00	4,305.28	13,185.81	24,627.93
Profit for the Year				3,174.97	3,174.97
Other Comprehensive Income for the year, net of Income Tax				1.56	1.56
Total Comprehensive Income for the Year	-	-	-	3,176.53	3,176.53
Investments Cancelled in pursuance of Demerger # Others			(1.00)	2.66	(1.00) 2.66
Transfer to General Reserve			1,000.00	(1,000.00)	
Payment of dividends (including tax)				(203.77)	(203.77)
Balance as at 31st March, 2018	6,981.84	155.00	5,304.28	15,161.23	27,602.35
Balance as at 01st April, 2018	6,981.84	155.00	5,304.28	15,161.23	27,602.35
Profit for the Year				4,004.84	4,004.84
Other Comprehensive Income for the year, net of Income Tax				(6.85)	(6.85)
Total Comprehensive Income for the Year	-	-	-	3,997.99	3,997.99
Transfer to General Reserve			1,000.00	(1,000.00)	
Payment of dividends (including tax)				(255.13)	(255.13)
Balance as at 31st March, 2019	6,981.84	155.00	6,304.28	17,904.10	31,345.22

This amount represents cancellation of 10,000 Equity Shares of ₹ 10/- each, held by the company in its wholly owned subsidiary, SMS Lifesciences India Ltd, in pursuance of demerger scheme approved by the NCLT Hyderabad dated 15.05.2017

The accompanying notes are an integral part of the Consolidated Financial Statements

as per our report of even date

for SURYANARAYANA & SURESH

Chartered Accountants

FRN 006631S

for and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

V NAGENDRA RAO

Partner

M.No. 227679

RAMESH BABU POTLURI

Chairman and Managing Director

DIN: 00166381

TVVSN MURTHY

Director

DIN: 00465198

Place: Hyderabad

Date : 27-05-2019

V.S.VENKATISH

Company Secretary

T. LAKSHMI NARAYANA

Chief Financial Officer

Consolidated Statement of Cash Flow for the Year Ended 31st March, 2019

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

S No	Particulars	Year ended 31st March, 2019	Year ended 31st March, 2018
A	Cash Flow from Operating Activities		
	Profit before Income Tax	6,235.43	6,034.82
	Adjustments for:		
	Depreciation and Amortisation Expense	1,927.29	1,989.98
	Interest Income Classified as Investing Cash Flows	(18.92)	(10.57)
	Allowance for Doubtful Debts	10.30	3.27
	Interest on Non Current Borrowings	779.42	977.36
	Provision for Employee Benefits	(27.82)	146.44
	Amortisation of Transaction Cost on Borrowings	10.27	1.74
	Loss on Sale of Asset	0.11	-
	Operating Profit before Working Capital Changes	8,916.08	9,143.04
	Change in Operating Assets and Liabilities		
	(Increase)/Decrease in Trade Receivables	(197.64)	(286.31)
	(Increase)/Decrease in Inventories	(2,892.45)	(1,495.60)
	(Increase)/Decrease in Other Non Current Financial Assets	(104.36)	(3.25)
	(Increase)/Decrease in Other Non Current Asset	(82.73)	(957.75)
	(Increase)/Decrease in Other Current Financial Assets	29.20	(50.58)
	(Increase)/Decrease in Other Current Assets	(601.65)	633.50
	(Increase)/Decrease in Prepaid Taxes	(53.26)	(28.94)
	Increase/(Decrease) in Trade Payables	898.34	(2,804.97)
	Increase/(Decrease) in Other Current Liabilities	402.31	146.20
		(2,602.24)	(4,847.70)
	Cash generated from Operations	6,313.84	4,295.34
	Income Taxes Paid	(1,338.11)	(1,113.87)
	Net Cash Inflow from Operating Activities "A"	4,975.73	3,181.47

Consolidated Statement of Cash Flow for the Year Ended 31st March, 2019

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

S No	Particulars	Year ended 31st March, 2019	Year ended 31st March, 2018
B	Cash flows from Investing Activities		
	Purchase of Property, Plant and Equipment	(3,483.82)	(855.32)
	Sale of Property, Plant and Equipment	9.29	-
	Payments for Purchase of Investments	-	(802.50)
	Margin Money Deposits	-	(3.97)
	Interest Received on Margin Money Deposit	7.19	4.08
	Net Cash Outflow from Investing Activities "B"	(3,467.34)	(1,657.71)
C	Cash Flows from Financing Activities		
	Proceeds from Long Term Borrowings	150.00	1,350.00
	Repayment of Long Term Borrowings	(1,637.50)	(1,515.87)
	Proceeds from Short Term Borrowings	4,067.20	4,060.19
	Repayment of Short Term Borrowings	(2,826.05)	(4,196.44)
	Interest paid on Borrowings	(790.22)	(983.32)
	Dividend Paid to Company's Shareholders	(255.13)	(203.77)
	Net Cash Inflow (Outflow) from Financing Activities "C"	(1,291.70)	(1,489.21)
	Net Increase (Decrease) in Cash and Cash Equivalents (A+B+C)	216.69	34.55
	Cash and Cash Equivalents at the Beginning of the Financial Year (Refer Note 14)	1,263.08	1,228.53
	Cash and Cash Equivalents at End of the Year (Refer Note 14)	1,479.77	1,263.08

The accompanying notes are an integral part of the Consolidated Financial Statements

as per our report of even date

for SURYANARAYANA & SURESH

Chartered Accountants

FRN 006631S

for and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

V NAGENDRA RAO

Partner

M.No. 227679

RAMESH BABU POTLURI

Chairman and Managing Director

DIN: 00166381

TVVSN MURTHY

Director

DIN: 00465198

Place: Hyderabad

Date : 27-05-2019

V.S.VENKATISH

Company Secretary

T. LAKSHMI NARAYANA

Chief Financial Officer

Notes to the Consolidated Financial Statements

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

1. Corporate Information:

SMS Pharmaceuticals Limited (SMS Pharma), (the 'Company') is a Company limited by Shares domiciled in India incorporated under the Companies Act, 1956. The registered office of the Company is Plot No.72, H.No.8-2-334/3&4, Road No.5, Opp.SBI Executive Enclave, Banjara Hills, Hyderabad-500 034, Telangana, India. The Equity Shares of the Company are listed in Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). The Company is engaged in the business of manufacturing of Active Pharma Ingredients and their intermediates. The Company is having manufacturing facilities at Bachupally, Hyderabad and also at Kandivalasa in Vijayanagaram Dist, apart from R&D Center at Gagilapur, Hyderabad.

2. Basis of preparation of Consolidated Financial Statements

2.1 Statement of Compliance

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

These consolidated financial statements have been prepared for the Group as a going concern on the basis of relevant Ind AS that are effective at the Group annual reporting date, March 31, 2019. These Consolidated Financial Statements for the year ended 31st March, 2019 were authorized and approved for issue by the Board of Directors on 27th May, 2019.

2.2 Historical Cost Convention:

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

- Certain Financial Assets and Liabilities measured at Fair Value; (refer accounting policy regarding financial instruments).
- Employee defined benefit assets/(liability) are recognized as the net total of the fair value of plan assets, plus actuarial losses,

less actuarial gains and the present value of the defined benefit obligation; and

2.3 Basis of Consolidation:

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

Principles of Consolidation:

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

- (i) Investments in Associates are accounted under the equity method as per Indian Accounting Standard Ind AS 28 – "Investments in Associates".
- (ii) The Group accounts for its share in the change in net assets of the associate, post-acquisition, after eliminating unrealized profits and losses resulting from transactions between the company and its associates to the extent of its share, through its Profit and Loss Account to the extent such change is attributable to the associates' Profit and Loss account and through its reserves for the balance, based on available information.
- (iii) The difference between the costs of investments in the associates and the share of net assets at the time of acquisition of the shares in the associates is identified in the consolidated financial statements as Goodwill or Capital Reserve as the case may be.
- (iv) The Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar and are presented in the same manner as the Company's separate financial statements.

2.4 Current and Non-Current Classification:

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

Notes to the Consolidated Financial Statements

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

- (a) An asset is treated as current when it satisfies the below mentioned criteria:
- Expected to be realized or intended to be sold or consumed in normal operating cycle;
 - Held primarily for the purpose of trading;
 - Expected to be realized within twelve months after the reporting period, or
 - Cash or Cash Equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
- (b) All Other Assets are classified as non-current.
- (c) A liability is classified as current when it satisfies the below mentioned criteria:
- Expected to settle the liability in normal operating cycle;
 - Held primarily for the purpose of trading;
 - Due to be settled within twelve months after the reporting period, or
 - There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period
- (d) All Other liabilities are classified as non-current.
- (e) Deferred Tax Assets and Liabilities are classified as non-current assets and liabilities.
- (f) The Operating Cycle is the time between the acquisition of assets for processing and their realization in Cash and Cash Equivalents. The Company has identified Twelve months as its Operating Cycle.

3. New Standards adopted by the Company

Ind AS 115, Revenue from Contracts with Customers

In March 2018, the Ministry of Corporate Affairs (“MCA”) has notified Ind AS 115, Revenue from

Contracts with Customers, which is effective for accounting periods beginning on or after 1 April 2018. This comprehensive new standard supersedes Ind AS 18, Revenue, Ind AS 11, Construction contracts and related interpretations. The new standard amends revenue recognition requirements and establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group adopted Ind AS 115 effective as of 1 April 2018. The Group applied the modified retrospective method upon adoption of Ind AS 115 on 1 April 2018. This method requires the recognition of the cumulative effect of initially applying Ind AS 115 to retained earnings and not to restate prior years.

The application of this standard did not have a material impact on the Group revenue

4. Recent accounting pronouncements not yet effective

Effective date for application of the following amendments is annual period beginning on or after 1st April, 2019. The Group is currently evaluating the effect of these amendments on the consolidated financial statements.

4.1 Ind AS 116 - Leases :

On 30th March, 2019, Ministry of Corporate Affairs has notified Ind AS 116, Leases. Ind AS 116 will replace the existing leases Standard, Ind AS 17 Leases, and related Interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the statement of Profit & Loss. The Standard also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17.

The effective date for adoption of Ind AS 116 is annual periods beginning on or after April 1, 2019. The standard permits two possible methods of transition:

Notes to the Consolidated Financial Statements

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

- Full retrospective – Retrospectively to each prior period presented applying Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- Modified retrospective – Retrospectively, with the cumulative effect of initially applying the Standard recognised at the date of initial application

Under modified retrospective approach, the lessee records the lease liability as the present value of the remaining lease payments, discounted at the incremental borrowing rate and the right of use asset either as:

- Its carrying amount as if the standard had been applied since the commencement date, but discounted at lessee's incremental borrowing rate at the date of initial application or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognised under Ind AS 17 immediately before the date of initial application.

Certain practical expedients are available under both the methods.

4.2 Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments:

On 30th March, 2019, Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The standard permits two possible methods of transition –

- i) Full retrospective approach – Under this approach, Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight and
- ii) Retrospectively with cumulative effect of initially applying Appendix C recognised by adjusting equity on initial application, without adjusting comparatives.

5. Summary of Significant Accounting Policies:

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

5.1 Revenue Recognition:

Revenue is recognised upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Group expects to receive in exchange for those products or services. To recognise revenues, we apply the following five step approach:

- (1) identify the contract with a customer,
- (2) identify the performance obligations in the contract,
- (3) determine the transaction price,
- (4) allocate the transaction price to the performance obligations in the contract, and
- (5) recognise revenues when a performance obligation is satisfied.

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

The Group revenue is derived from sales of goods, service income and income from licensing arrangements. Most of such revenue is generated from the sale of goods. Accounting policies relating to revenue for the periods with effect from 01st April, 2018 are as follows:

(i) Revenue from Sale of Goods:

Revenue is recognised when the control of the goods has been transferred to a third party. This is usually when the title passes to the customer, either upon shipment or upon receipt of goods by the customer. At that point, the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled

Notes to the Consolidated Financial Statements

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

obligations that could affect the customer's acceptance of the product.

Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

In arriving at the transaction price, the Group considers the terms of the contract with the customers and its customary business practices. The transaction price is the amount of consideration the Group is entitled to receive in exchange for transferring promised goods or services, excluding amounts collected on behalf of third parties. The amount of consideration varies because of estimated rebates, returns and chargebacks, which are considered to be key estimates. Any amount of variable consideration is recognised as revenue only to the extent that it is highly probable that a significant reversal will not occur. The Company estimates the amount of variable consideration using the expected value method

Presented below are the points of recognition of revenue with respect to the Group sale of goods:

Particulars	Point of recognition of revenue
Domestic Sales	Upon delivery of products to customers (generally formulation manufacturers), from the factories of the Company.
Export Sales	Upon delivery of the products to the customers unless the terms of the applicable contract provide for specific revenue generating activities to be completed, in which case revenue is recognised once all such activities are completed.

(ii) Revenue from Sale of Services:

Revenue from Sale of services is recognised as per the terms of the contracts with customers when the related services are performed or the agreed milestones are achieved.

(iii) Export incentives:

Export incentives comprise of Duty drawback and MEIS (Merchandise Exports Incentive scheme) scrips. Duty drawback is recognised as income when the right to receive credit as per the terms is established in respect of the exports made.

MEIS is recognised as income on receipt of said scrips which will be after receipt of export proceeds. These scrips are freely transferable or can be utilized for the payment of customs duty on Imports.

(iv) Dividend Income:

Dividends are received from financial assets at fair value through profit or loss and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of the investment.

(v) Interest Income:

Interest income from financial assets at fair value through profit or loss is disclosed as interest income within other income. Interest income, on financial assets at amortised cost and financial assets at FVOCI, is calculated using the effective interest method and the same is recognized in the statement of profit and loss as part of other income. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Notes to the Consolidated Financial Statements

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

5.2 Foreign Currency Transactions:

i. Functional and Reporting Currency:

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

ii. Initial Recognition:

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

iii. Conversion on Reporting Date:

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

iv. Exchange Differences:

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

5.3 Property, Plant and Equipment:

(a) Recognition and Initial Measurement

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

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

Assets under installation or under construction as at the Balance Sheet date

are shown as Capital Work in Progress. Advances paid towards acquisition of assets are shown as Capital Advances.

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

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

(b) Subsequent Measurement (Depreciation and Useful Lives)

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

Depreciation on addition to/deletion from fixed assets made during the year is provided on pro-rata basis from/up to the date of such addition/deletion as the case may be. In case of assets costing less than ₹ 5,000/- purchased during the year also depreciation has been provided at normal rates on pro-rata basis from the date of purchase.

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

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

(c) De-recognition

An item of Property, Plant and Equipment and any significant part initially recognized

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

is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognized.

(d) Capital advances

Advances paid towards acquisition of tangible fixed assets outstanding at each balance sheet date are shown under other non-current assets as capital advances.

(e) Capital work-in-progress

Capital work-in-progress includes cost of property, plant and equipment under installation/development as at the balance sheet date.

5.4 Investment Property:

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

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

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

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

5.5 Intangible Assets:

(a) Recognition and Initial Measurement

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

(b) Subsequent measurement (amortization):

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

5.6 Leases:

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

Classification on inception of lease:

a. Finance Leases:

Finance lease is recognised as an asset and a liability at the commencement of the lease, at the lower of the fair value of the asset and the present value of the minimum lease payments. Initial direct costs, if any, are also capitalised and, subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are

Notes to the Consolidated Financial Statements

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

apportioned between the finance expense and the reduction of the outstanding lease liability.

The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

b. **Operating Lease:**

“Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognized as an expense in the statement Profit & Loss on a straight-line basis over the lease term unless the lease payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor’s expected inflationary cost increases, in which case the same are recognised as an expense in line with the contractual term.”

5.7 Inventories:

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

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

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

Spare Parts, Stand-by Equipment and Servicing Equipment are recognized in accordance with this Ind AS-16 when they meet the definition of property, plant and Equipment. Otherwise, such items are classified as inventory and are valued at Cost.

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

5.8 Cash and Cash Equivalents:

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

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

5.9 FINANCIAL INSTRUMENTS

(a) **Financial Assets**

(i) **Initial recognition and measurement**

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

(ii) **Subsequent measurement**

a. **Debt instruments –**

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

- The asset is held within a business model whose objective is to hold assets

Notes to the Consolidated Financial Statements

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

- for collecting contractual cash flows, and
 - Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method.
- b. Equity investments –**

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

A financial asset is primarily de-recognised when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset.
- (b) Financial liabilities**
 - (i) Initial Recognition and Measurement**

All financial liabilities are recognized initially at fair value and transaction cost that is attributable to the acquisition of the financial liabilities is also adjusted. These liabilities are classified as amortized cost.
 - (ii) Subsequent Measurement**

These liabilities include borrowings and deposits. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.
 - (iii) De-recognition of Financial Liabilities**

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

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

Financial assets and financial liabilities are offset and the net amount is

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

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

(e) Impairment of Financial Assets

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

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

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

(f) Trade Receivables

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

(g) Other Financial Assets

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

5.10 Income Taxes:

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the respective

laws of the state. Current tax includes taxes to be paid on the profit earned during the year and for the prior periods.

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

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

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

5.11 Segment Reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Chairman and managing director has been identified as being the Chief Operating Decision Maker (CODM). The Company is engaged in manufacturing and sale of Active Pharma Ingredients and their Intermediates and operates in a single operating segment. Revenues are attributed to geographical areas based on the location of the customers. Refer note 49 for the segment information presented.

5.12 Government Grants:

Government grants are recognized where there is reasonable assurance that the grant will

Notes to the Consolidated Financial Statements

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

be received and all attached conditions will be complied with.

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

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

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

5.13 Borrowing Cost

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

5.14 Provisions

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

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

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

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

5.15 Dividends

The Group recognises a liability to make cash to equity holders when the distribution is authorized and the distribution is no longer at the discretion of the Group. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognized directly in equity. Interim dividends are recorded as a liability on the date of declaration by the Group Board of Directors.

5.16 Research and Development:

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

5.17 Retirement and Other Employee Benefits:

(a) Defined Contribution Plan:

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

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

(b) Defined Benefit Plan:

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

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

(c) Other Long-Term Employee Benefits

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

(d) Short-Term Employee Benefits

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

5.18 Earnings per Share:

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

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

5.19 Contingent Liabilities and Commitments:

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

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

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

5.20 Fair Value Measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that

Notes to the Consolidated Financial Statements

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

the transaction to sell the asset or transfer the liability takes place either in the principal market for such asset or liability, or in the absence of a principal market, in the most advantageous market which is accessible to the Group.

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

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

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

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

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

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

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

5.21 Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated

financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group.

(i) Recognition of Deferred Tax Assets

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

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

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

(iii) Evaluation of Indicators for Impairment of Assets:

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

(iv) Recoverability of Advances/ Receivables:

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

(v) Useful lives of Depreciable/ Amortisable Assets:

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

Notes to the Consolidated Financial Statements

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

(vi) Defined Benefit Obligation (DBO):

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

(vii) Fair Value Measurements:

Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and

assumptions consistent with how market participants would price the instrument. Management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

(viii) Provisions:

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

Notes to the Consolidated Financial Statements

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

Note 6: Property, Plant and Equipment

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

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

Particulars	Land	Buildings	Plant & Machinery	Pollution Control Equipment	Data Processing Equipment	Furniture & Fixtures	Office Equipment	Vehicles	Others	Total	Capital Work-in-Progress
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Year Ended 31st March, 2019											
Gross Carrying Amount											
1 Opening Gross Carrying Amount	421.30	7,624.44	22,918.73	282.77	66.33	91.00	29.39	326.53	8.64	31,769.13	819.66
2 Additions	-	-	1,715.17	-	39.50	63.19	63.47	37.46	115.03	2,033.82	3,029.64
3 Disposals/Transfers	-	-	(5.34)	-	(2.72)	(0.50)	(2.23)	(2.51)	-	(13.30)	(2,019.17)
4 Closing Gross Carrying Amount as at 31st March, 2019 (1+2+3)	421.30	7,624.44	24,628.56	282.77	103.11	153.69	90.63	361.48	123.67	33,789.65	1,830.13
Accumulated Depreciation and Impairment											
5 Opening Accumulated Depreciation	-	548.98	3,128.81	37.44	35.49	24.49	11.09	89.15	3.79	3,879.24	-
6 Depreciation Charge during the Year	-	277.73	1,522.97	18.38	16.75	11.41	4.48	49.93	1.89	1,903.54	-
7 Disposals	-	-	(1.67)	-	(1.60)	(0.13)	(0.52)	-	-	(3.92)	-
8 Closing Accumulated Depreciation and Impairment as at 31st March, 2019 (5+6+7)	-	826.71	4,650.11	55.82	50.64	35.77	15.05	139.08	5.68	5,778.86	-
9 Net Carrying Amount as at 31st March, 2019 (4-8)	421.30	6,797.73	19,978.45	226.95	52.47	117.92	75.58	222.40	117.99	28,010.79	1,830.13

5.1 Property, Plant and Equipment pledged as Security

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

5.2 Refer Note 53 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

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Note 7 Intangible Assets

	Particulars	Computer Software	Patents	Total
	(1)	(2)	(3)	(4)
Year Ended 31st March, 2018				
Gross Carrying Amount				
1	Opening Gross Carrying Amount as at 01st April, 2017	50.47	4.30	54.77
2	Additions	9.71	0.26	9.97
3	Closing Gross Carrying Amount as at 31st March, 2018 (1+2)	60.18	4.56	64.74
Accumulated Amortisation and Impairment				
4	Opening Accumulated Amortisation as at 01st April, 2017	11.91	1.26	13.17
5	Amortisation Charge during the year	13.95	1.35	15.30
6	Closing Accumulated Amortisation and Impairment as at 31st March, 2018 (4+5)	25.86	2.61	28.47
7	Closing Net Carrying Amount as at 31st March, 2018 (3-6)	34.32	1.95	36.27
Year Ended 31st March, 2019				
Gross Carrying Amount				
1	Opening Gross Carrying Amount as at 01st April, 2018	60.18	4.56	64.74
2	Additions	7.58	94.78	102.36
3	Closing Gross Carrying Amount as at 31st March, 2019 (1+2)	67.76	99.34	167.10
Accumulated Amortisation and Impairment				
4	Opening Accumulated Amortisation as at 01st April, 2018	25.86	2.61	28.47
5	Amortisation Charge during the year	10.57	13.18	23.75
6	Closing Accumulated Amortisation and Impairment as at 31st March, 2019 (4+5)	36.43	15.79	52.22
7	Closing Net Carrying Amount as at 31st March, 2019 (3-6)	31.33	83.55	114.88

Non Current Financial Assets - Unsecured, Considered good

Note	Particulars	As at 31st March, 2019		As at 31st March, 2018	
		No. of Shares	Amount	No. of Shares	Amount
8	Non-Current Investments				
	(Unquoted, fully paid up carried at cost)				
	Investment in Associates (fully paid up)				
	Equity Shares of ₹ 10/- each in M/s. VKT Pharma Limited	3,850,165	2,699.25	3,850,165	2,838.18
	Total		2,699.25		2,838.18

8.1 As on 31.03.2019, the Company is holding 42.62 % (31st March, 2018 42.62%) of the total Paid up Capital of the said Associate Company.

Notes to the Consolidated Financial Statements

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

Note	Particulars	As at 31st March, 2019		As at 31st March, 2018	
		No. of Shares	Amount	No. of Shares	Amount
9	Bank Balances				
	Margin Money Deposits		212.50		200.78
	Total		212.50		200.78
10	Other Non-Current Financial Assets				
	Deposits Recoverable		343.04		238.68
	Total		343.04		238.68
11	Other Non-Current Assets				
	Capital Advances		1,911.81		1,380.46
	Total		1,911.81		1,380.46

11.1 An amount of ₹ 304.91/- lakhs (previous year ₹ 304.91 lakhs) was included in the Capital Advances paid on account of land admeasuring AC 23.00 in JNPC, Parwada, Visakhapatnam District, 100% land cost paid to APIIC and about 80% of development cost to Ramky Pharmacy respectively. Due to disputes arose between the parties, the developer has cancelled the said allotment and the company has filed a writ petition before the Hon'ble High Court of Andhra Pradesh and Telangana, the Court has granted stay and the case is pending.

11.2 Capital advance includes an amount of ₹ 1,055.00 lakhs paid towards the acquisition of a property admeasuring 1015sq. yards situated at Plot No. 737A, Ward No. 8, Block No. 2, Jubilee Hills, Hyderabad through e-auction conducted by SBI under SARFAESI Act. The borrower of SBI has filed a case against SBI in DRT (Debt Recovery Tribunal), Hyderabad and the company has impleaded as respondent in the case. Subsequently, the matter was allowed by DRT in favour of the borrower and the company initiated steps to appeal before Appellate Authority.

Note	Particulars	As at	As at
		31st March 2019	31st March 2018
12	Inventories		
	(Cost or Net Realisable Value, whichever is lower and as valued and certified by the management)		
	Raw Materials	5,455.75	4,026.24
	Stock-in-Process	4,274.05	3,394.13
	Finished Goods	3,871.58	3,303.22
	Coal & Fuel	38.60	23.94
	Total	13,639.98	10,747.53

12.1 Finished Goods includes stock in transit of ₹ 470.52/- Lakhs (31st March, 2018 ₹ 377.22/- Lakhs)

Notes to the Consolidated Financial Statements

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

Note	Particulars	As at 31st March 2019	As at 31st March 2018
13	Trade Receivables		
	Trade Receivables	2,577.91	2,457.93
	Receivables from related parties (Refer Note:13.2)	77.66	-
	Less: Loss Allowance	53.32	43.01
	Total Trade Receivables	2,602.25	2,414.92
	Current Portion	2,602.25	2,414.92
	Non-Current Portion	-	-
	Break-up of security details		
	Trade Receivables considered Good-Secured	-	33.29
	Trade Receivables considered Good-Un Secured	2,655.57	2,424.64
	Trade Receivables which have significant increase in credit risk	-	-
	Trade Receivables - credit impaired	-	-
	Total	2,655.57	2,457.93
	Less: Loss Allowance	53.32	43.01
	Total Trade receivables	2,602.25	2,414.92
13.1	The Company has computed the expected loss allowance for doubtful trade receivables based 3 years average of loss allowance and bad debts.		
13.2	Trade Receivables includes an amount of ₹ 77.66 lakhs (31st March, 2018 ₹ Nil) due from M/s. VKT Pharma Private Limited, a related party (Refer Note. 51)		
14	Cash and Cash Equivalents		
	(i) Balances with Banks		
	- in Current Accounts	1,474.85	1,258.35
	- in EEFC account	0.19	0.28
	(ii) Cash on Hand	4.73	4.45
	Total	1,479.77	1,263.08
15	Bank Balances Other than Cash and Cash Equivalents		
	Unclaimed Dividend	7.90	8.01
	Total	7.90	8.01
16	Other Financial Assets		
	(unsecured, considered good)		
	Export Incentive Receivable	24.33	53.52
	Total	24.33	53.52

Notes to the Consolidated Financial Statements

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

Note	Particulars	As at			
		31st March 2019	31st March 2018		
17	Other Current Assets				
	(unsecured, considered good)				
	Cenvat Credit Receivable	49.34	53.19		
	GST Credit Receivable	2,376.58	1,894.33		
	VAT Refund Receivable	-	109.33		
	Prepaid Expenses	104.63	64.69		
	Interest Receivable	14.93	11.34		
	Advances to Suppliers	173.36	74.13		
	Export Benefits Receivable	103.17	22.76		
	Other Advances and Receivables	141.28	131.87		
	Total	2,963.29	2,361.64		
18	Current Tax Assets (Net)	41.51	-		
18.1	Movement in Current Tax Assets/(Liabilities)				
	Advance Income Tax	1,273.10	1,154.37		
	TDS Receivable	118.41	129.13		
	Less: Provision for Income Tax	1,350.00	1,300.00		
	Sub Total	41.51	(16.50)		
	Amount disclosed under current tax Liabilities	-	16.50		
	Total	41.51	-		
19	Equity Share Capital				
Note	Particulars	As at 31st March, 2019		As at 31st March, 2018	
		Number of Shares	Amount	Number of Shares	Amount
	Authorised Share Capital				
	Equity Shares of Re. 1/- each	120,000,000	1,200.00	120,000,000	1,200.00
	Issued, Subscribed and Fully Paid Up				
	Equity Shares of Re. 1/- each	84,652,030	846.52	84,652,030	846.52
	Total	84,652,030	846.52	84,652,030	846.52

Notes to the Consolidated Financial Statements

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

19.1 Reconciliation of Number of Equity Shares outstanding at the Beginning and at the End of the Year

Particulars	As at 31st March, 2019		As at 31st March, 2018	
	Number of shares	Amount	Number of shares	Amount
Equity Shares				
At the Beginning of the Year	84,652,030	846.52	84,652,030	846.52
Add: Issued/(reduced) during the Year	-	-	-	-
At the End of the Year	84,652,030	846.52	84,652,030	846.52

19.2 Rights attached to Equity Shares

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

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

For the Year ended 31st March, 2019, proposed dividend for distribution to equity shareholders was Re. 0.25 per share of Re. 1/- each (31st March, 2018: Re. 0.25 per share of Re. 1/- each).

- 19.3** During the last five financial years, Company has bought back 15,50,000 Equity Shares of ₹ 10/- each in the year 2013-14 (equivalent to 1,55,00,000 shares of face value of Re. 1/- each).

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

Particulars	As at 31st March, 2019		As at 31st March, 2018	
	Number of shares	% holding	Number of shares	% holding
Ramesh Babu Potluri	14,506,960	17.14	14,506,960	17.14
Hima Bindu Potluri	12,373,360	14.62	12,373,360	14.62
TVVSN Murthy*	12,208,340	14.42	12,208,340	14.42
Potluri Infra Projects LLP	5,970,000	7.05	5,970,000	7.05
T. Annapurna	4,390,340	5.19	4,390,340	5.19

* including shares held in the capacity of karta of HUF aggregating to 39,81,340 shares (31st March, 2018 39,81,340 Shares)

Notes to the Consolidated Financial Statements

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

Note	Particulars	As at 31st March 2019	As at 31st March 2018
20	Other Equity		
	Reserves and Surplus		
	Securities Premium	6,981.84	6,981.84
	Capital Redemption Reserve	155.00	155.00
	General Reserve	6,304.28	5,304.28
	Retained Earnings	17,904.10	15,161.23
	Total	31,345.22	27,602.35
20.1	Securities Premium		
	Opening Balance	6,981.84	6,981.84
	Adjustments	-	-
	Closing Balance	6,981.84	6,981.84
20.2	Capital Redemption Reserve		
	Opening Balance	155.00	155.00
	Adjustments	-	-
	Closing Balance	155.00	155.00
20.3	(a) General Reserve		
	Opening Balance	5,304.28	4,305.28
	Investments Cancelled in pursuance of Demerger	-	(1.00)
	Transferred from Statement of Profit & Loss	1,000.00	1,000.00
	Closing Balance	6,304.28	5,304.28
20.4	Retained Earnings		
	(a) Opening Balance	15,161.23	13,185.81
	(b) Net Profit for the Year	4,145.35	4,045.43
	(c) Transferred to General Reserve	(1,000.00)	(1,000.00)
	(d) Dividend Paid	(255.13)	(203.77)
	(e) Others	-	2.66
	(f) Accumulated Share of Profit / (Loss) in Associates	(140.51)	(870.47)
	(g) Items of Other Comprehensive Income		
	Remeasurement Gain/(Loss) of the defined benefit plans (Net of tax)	(6.85)	1.56
	Closing Balance	17,904.10	15,161.23

Notes to the Consolidated Financial Statements

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

20.5 Nature and Purpose of Reserves

(a) Securities Premium Reserve:

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

(b) Capital Redemption Reserve:

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

(c) General Reserve:

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

(d) Retained Earnings:

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

21 Financial Liabilities

Note	Particulars	As at 31st March 2019	As at 31st March 2018
	Non Current Borrowings		
21.1 Secured			
	Term Loans from Banks		
(a)	IDBI Bank Ltd	4,283.09	5,678.27
(b)	Export Import Bank	1,492.95	1,341.55
	Sub Total	5,776.04	7,019.82
21.2 Unsecured			
	DSIR Assistance	120.00	120.00
	Total	5,896.04	7,139.82
21.3 Current Maturities of Non Current Borrowings			
	Secured		
(a)	Term Loans from Banks		
(i)	State Bank of India	-	633.46
(ii)	IDBI Bank Ltd	1,400.00	1,000.00
	Total	1,400.00	1,633.46
	Amount disclosed under the head "Other Current Financial Liabilities" (Refer Note 26)	(1,400.00)	(1,633.46)
	Total	-	-

Notes to the Consolidated Financial Statements

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

21.1.1 Security Terms

- (a) Term Loans availed from IDBI bank and long term working capital loan availed from Export-Import Bank of India (Exim Bank) are secured by first charge on pari-passu basis of all movable and immovable fixed assets both present and future and second charge on pari-passu basis of all Current Assets both present and future
- (b) Term Loans availed from IDBI Bank and Export Import Bank are also guaranteed by Sri P Ramesh Babu, Chairman and Managing Director and Sri TVVSN Murthy, Director of the company in their personal capacities.
- (c) Long Term Working Capital Loan availed from Exim Bank is guaranteed by Sri P Ramesh Babu, Chairman and Managing Director in his personal capacity.
- (d) Term Loans along with Working Capital Facilities sanctioned by State Bank of India are having the following additional security apart from the details of security mentioned supra.
Equitable mortgage of Agricultural land admeasuring 3.65 acres situated in Yalamanchili Village of West Godavari District, Andhra Pradesh belonging to Sri TVVSN Murthy, Director of the Company.
- (e) The carrying amounts of financial and non-financial assets pledged as security for current and non- current borrowings are disclosed in Note 43.

21.1.2 Rate of Interest :

Name of the Bank	Rate of Interest
Term Loans	
IDBI Bank (MCLR (Y) + 1.10% p.a.)	9.65%
Long Term Working Capital Loan	
Exim Bank (LTMLR+50 basis points)	9.75%

21.1.3 Terms of Repayment

- (a) The loan availed from IDBI Bank amounting to ₹ 75.00 Lakhs for funding the Expansion Project of Kandivalasa unit. The loan is repayable in 24 Quarterly Installments commencing from December, 2016, as mentioned below.

First 4 Quarters	₹ 100 Lakhs each
Next 4 Quarters	₹ 200 Lakhs each
Next 4 Quarters	₹ 300 Lakhs each
Next 4 Quarters	₹ 400 Lakhs each
Next 4 Quarters	₹ 425 Lakhs each
Next 4 Quarters	₹ 450 Lakhs each
- (b) The Long Term Working Capital Loan availed from Exim Bank of India amounting ₹ 1,500.00 Lakhs is to be repaid in 20 structured quarterly installments commencing from october 1, 2019, as mentioned below:

First 4 Quarters	₹ 25 Lakhs each
Next 4 Quarters	₹ 25 Lakhs each
Next 4 Quarters	₹ 50 Lakhs each
Next 4 Quarters	₹ 125 Lakhs each
Next 4 Quarters	₹ 150 Lakhs each

Notes to the Consolidated Financial Statements

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

21.1.4 Current Maturities of Long Term borrowings have been disclosed separately under the head Other Financial Liabilities (Refer Note No.26)

21.2.1 Financial Assistance received from Department of Scientific and Industrial Research (DSIR) of ₹ 120.00 Lakhs (previous year ₹ 120.00 Lakhs) sanctioned under PATSER Scheme of TPDU program for development of catalysts or Fine Chemicals apart from Active Pharmaceutical Ingredients (API's), and their intermediates viz. Metal Acetylacetonates, Diltiazem Hydrochloride and Taxol C-13 Side Chain.

As per the terms of agreement entered with DSIR, 1.3 times of the above amount is payable in 5 equal annual installments after commencement of commercial operations of the product(s) developed under PATSER scheme. However the Company has not yet commenced commercial operations of the said products.

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

Particulars	31st March, 2019	31st March, 2018
Opening Borrowings	7,139.82	7,421.54
Add: Opening Current Maturities	1,633.46	1,515.87
Add: Amortisation of Transaction Cost	10.26	1.74
Add: Received during the year	150.00	1,350.00
Less: Paid during the year	1,637.50	1,515.87
Closing Borrowings	7,296.05	8,773.28
Less: Closing Current Maturities	1,400.00	1,633.46
Non Current Borrowings as per Balance Sheet	5,896.04	7,139.82

Note	Particulars	As at 31st March 2019	As at 31st March 2018
22	Provisions		
	Employee Benefit Obligations		
	Non Current		
	Gratuity	108.34	144.56
	Leave Encashment	43.50	73.31
	Sub Total	151.84	217.87
	Current		
	Gratuity	44.77	39.30
	Leave Encashment	27.27	32.20
	Sub Total	72.04	71.50
	Total		
	Gratuity	153.11	183.86
	Leave Encashment	70.77	105.51
	Grand Total	223.88	289.37

22.1 For details of Post Employment Obligations. Refer Note 41.

Notes to the Consolidated Financial Statements

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

Note	Particulars	As at 31st March 2019	As at 31st March 2018
23	Deferred Tax Liabilities (net)		
	The Balance Comprises Temporary Differences Attributable to:		
	(a) Deferred Tax Liability		
	(i) Property, Plant and Equipment	4,638.28	4,472.28
	(ii) Others	8.37	11.96
	Total	4,646.65	4,484.24
	(b) Deferred Tax Asset		
	(i) Expenses allowable on payment basis	103.06	125.17
	(ii) MAT Credit	1,334.19	1,921.40
	(iii) Others	147.56	137.35
	Total	1,584.81	2,183.92
	Net Deferred Tax Liabilities (a) - (b)	3,061.84	2,300.32

(c) Movement in Deferred Tax Liabilities

Particulars	Property, Plant and Equipment	Others	Total
As at 31st March, 2017	4,168.76	12.45	4,181.21
Charged/(Credited)	303.52	(0.49)	303.03
As at 31st March, 2018	4,472.28	11.96	4,484.24
Charged/(Credited)	166.00	(3.59)	162.41
As at 31st March, 2019	4,638.28	8.37	4,646.65

(d) Movement in Deferred Tax Assets

Particulars	Expenses allowable on payment basis	MAT Credit	Other items	Total
As at 31st March, 2017	89.23	2,386.34	120.77	2,596.34
Charged/(Credited)	35.94	(464.93)	16.58	(412.41)
As at 31st March, 2018	125.17	1,921.41	137.35	2,183.93
Charged/(Credited)	(22.11)	(587.22)	10.21	(599.12)
As at 31st March, 2019	103.06	1,334.19	147.56	1,584.81

Notes to the Consolidated Financial Statements

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

Note	Particulars	As at 31st March 2019	As at 31st March 2018
24	Current Borrowings		
	Secured		
	Working Capital Loans from Banks		
	--- State Bank of India	5,630.86	4,342.69
	--- RBL Bank Ltd	1,450.00	1,497.02
	Total	7,080.86	5,839.71

24.1 Security Terms

- (a) Working capital facilities sanctioned by State Bank of India and RBL Bank are secured by first charge on pari-passu basis of all current assets both present and future. These facilities are further secured by way of second charge on pari-passu basis of all movable and immovable fixed assets of the Company both present and future and also guaranteed by Sri P Ramesh Babu Chairman and Managing Director, and Sri TVVSN Murthy, Director of the Company, in their personal capacities.
- (b) Working Capital Facilities extended by State Bank of India are having the following additional security apart from the details of Security mentioned supra.
- Equitable mortgage of Agricultural land admeasuring 3.65 Acres situated in Yalamanchili Village of West Godavari District, belonging to Sri TVVSN Murthy, Director of the Company.
- (c) The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 43.

24.2 Rate of Interest is as follows:

Name of the Bank	Rate of Interest
State Bank of India	
Cash Credit	9.50%
Export Packing Credit	9.00%
Stand by Loan	9.00%
RBL Bank	9.50%

24.3 Terms of Repayment: The above working capital loans are repayable on demand.

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

Particulars	31st March, 2019	31st March, 2018
Opening Borrowings	5,839.71	5,975.96
Add: Received during the year	4,067.20	4,060.19
Less: Paid during the year	2,826.05	4,196.44
Closing Current Borrowings	7,080.86	5,839.71

Notes to the Consolidated Financial Statements

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

Note	Particulars	As at 31st March 2019	As at 31st March 2018
25	Trade Payables		
(a)	Creditors for Supply of Materials		
(i)	Dues to Micro and Small Enterprises	12.54	16.99
(ii)	Dues to Related Parties (Refer Note No.25.1)	1,176.06	186.34
(iii)	Others	3,028.83	3,065.86
(b)	Creditors for Expenses	607.76	657.65
	Total	4,825.19	3,926.84
25.1	Trade Payables payable to related parties represents ₹ 1046.77 Lakhs (Previous Year ₹ 186.34 Lakhs) due to SMS Lifesciences India Limited, ₹ 129.29 Lakhs (previous year ₹ Nil) due to R Chem (Somanahalli) Private Limited (Refer Note 51).		
26	Other Financial Liabilities		
	Current		
	Current Maturities of Long-Term Debt	1,400.00	1,633.46
	Capital Creditors	213.95	102.50
	Interest Accrued but not due	-	10.79
	Unclaimed Dividend	7.90	8.01
	Total	1,621.85	1,754.76
27	Other Current Liabilities		
	Statutory Dues Payable	49.33	62.33
	Advance from Customers	859.66	405.27
	Employee Benefits Payable	71.04	68.83
	Total	980.03	536.43
28	Current Tax Liabilities (Net)	-	16.50
28.1	Movement in Current Tax (Assets)/Liabilities.Refer Note 18.1.		
Note	Particulars	Current Year 2018-19	Previous Year 2017-18
29	Revenue from Operations		
(a)	Sale of Products		
	Gross Sales (including Excise Duty)	44,813.59	43,659.61
	Less: Sales Tax	-	225.49
	Less: Goods and Service Tax	3,737.31	3,098.66
	Net Revenue from Sales	41,076.28	40,335.46
(b)	Income from Services		
(i)	Conversion Charges	6,025.16	6,811.03
	Less: Goods and Service Tax	919.09	876.22
	Net Revenue from Services	5,106.07	5,934.81
(c)	Other Operating Income		
	Export Incentives	308.73	216.06
	Total Net Revenue from Operations (a+b+c)	46,491.08	46,486.33

Notes to the Consolidated Financial Statements

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

- 29.1 Post implementation of Goods and Service Tax (GST) with effect from 01-07-2017, Revenue from operations is disclosed net of GST. For the period prior to 01st July, 2017, the excise Duty amount was recorded as part of Revenue with a corresponding amount recorded as expenses. Accordingly, revenue from operations for the year ended 31st March, 2019 are not comparable with those of previous period revenue. Following additional information is being provided to facilitate such comparison.

Particulars	For the year ended	
	31.03.2019	31.03.2018
Gross Revenue from Operations	51,147.48	50,461.21
Less: GST Recovered	4,656.40	3,974.87
Less: Central Excise Duty	-	255.17
Revenue from Operations excluding GST/Excise Duty	46,491.08	46,231.17

Note	Particulars	Current Year 2018-19	Previous Year 2017-18
30	Other Income		
	(i) Interest Income	39.01	33.82
	(ii) Net Gain on Foreign Exchange	93.20	76.47
	(iii) Miscellaneous Income (Net of GST)	208.10	128.50
	Total	340.31	238.79

- 30.1 Miscellaneous Income includes Rent received from related parties of ₹ 24.52 Lakhs (Previous year ₹ 5.00 Lakhs)

31 Cost of Materials Consumed

Raw Material & Packing Material

Stock at the Beginning of the Year	4,026.24	2,890.72
Add: Purchases	32,148.64	30,567.75
Less: Stock at the End of the Year	5,455.75	4,026.24
Total Materials Consumed	30,719.13	29,432.23

32 Changes in Inventory

(a) Opening Stock of Inventory:

Finished Goods	3,303.22	573.53
Stock in Process	3,394.13	5,681.51
Sub Total (a)	6,697.35	6,255.04

(b) Closing Stock of Inventory:

Finished Goods	3,871.58	3,303.22
Stock in Process	4,274.05	3,394.13
Sub Total (b)	8,145.63	6,697.35
(Increase)/Decrease in Stock (a-b)	(1,448.28)	(442.31)

Notes to the Consolidated Financial Statements

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

Note	Particulars	Current Year 2018-19	Previous Year 2017-18
33	Manufacturing Expenses		
	Power and Fuel	2,162.73	2,243.91
	Consumable Stores	503.03	377.30
	Testing Charges	90.41	93.76
	Water Charges	12.43	13.27
	Repairs & Maintenance to Buildings	78.07	57.62
	Repairs & Maintenance to Plant & Machinery	503.30	535.17
	Factory Maintenance	104.25	106.99
	Effluent Treatment Charges	29.96	22.38
	Total	3,484.18	3,450.40
34	Employee Benefits Expense		
	Salaries, Wages and Bonus	3,130.24	2,895.78
	Contribution to Provident Fund	200.06	177.47
	Contribution to ESI	40.16	37.07
	Staff Welfare Expenses	188.21	170.02
	Total	3,558.67	3,280.34
35	Finance Cost		
	Interest on Non Current Borrowings	779.43	977.36
	Interest on Current Borrowings	353.29	496.11
	Interest on Others	4.47	3.36
	Bank Charges	50.15	71.13
	Total	1,187.34	1,547.96
36	Depreciation and Amortisation Expense		
	Depreciation of Property, Plant and Equipment	1,903.54	1,974.68
	Amortisation of Intangible Assets	23.75	15.30
	Total	1,927.29	1,989.98

Notes to the Consolidated Financial Statements

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

Note	Particulars	Current Year 2018-19	Previous Year 2017-18
37	Other Expenses		
	Rent	102.85	52.26
	Rates and Taxes	38.07	34.42
	Insurance	76.15	72.84
	Directors Remuneration	315.52	317.18
	Travelling and Conveyance	38.32	43.29
	Communication Expenses	18.01	22.79
	Printing and Stationery	51.96	57.64
	Repairs & Maintenance to Other Assets	10.25	6.89
	Vehicle Maintenance	19.93	21.02
	Payments to Auditors	11.00	11.00
	Cost Audit Fee	0.75	0.75
	General Expenses	119.51	147.96
	Corporate Social Responsibility	38.94	84.49
	Provision for Doubtful Debts	10.31	3.27
	Interest on Indirect Taxes	4.78	0.17
	Loss on Sale of Assets	0.11	3.39
	Business Promotion Expenses	63.39	93.39
	Regulatory Fee	86.18	78.40
	Carriage Outward	64.44	52.44
	Sales Commission	97.16	109.30
	Total	1,167.63	1,212.89
37.1	Details of Payments to Auditors		
	Audit Fee	8.00	8.00
	Tax Audit Fee	2.00	2.00
	Certification Fee	1.00	1.00
	Total Payments to Auditors	11.00	11.00

Notes to the Consolidated Financial Statements

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

Note	Particulars	Current Year 2018-19	Previous Year 2017-18
37.2	Corporate Social Responsibility Expenditure		
	Amount required to be spent as per section 135 of the Companies Act, 2013	105.50	110.26
	Amount spent during the year on		
	(i) Construction/Acquisition of an Asset	28.44	52.30
	(ii) For other than (i) above	10.50	32.19
	Total amount Spent	38.94	84.49
	Balance amount to be Spent	66.56	25.77
37.3.1	The Company has initiated for construction of School Building and Hospital and also for providing Health Care and drinking water facilities with an estimate of ₹ 83.00 Lakhs towards CSR Liability for the year 2019-20		
38	Income Tax Expense		
	Current Tax		
	Current tax on profits for the year	1,350.00	1,300.00
	Adjustments for current tax of prior periods	(16.64)	(23.85)
	Total Current Tax	1,333.36	1,276.15
	Deferred Tax		
	Increase/(Decrease) in Deferred Tax Liabilities	162.41	303.03
	Decrease/(Increase) in Deferred Tax Assets	598.84	412.41
	Actuarial (Gain)/Loss	(4.53)	(2.20)
	Total Deferred Tax Expense/(Benefit)	756.72	713.24
	Total	2,090.08	1,989.39

38.1 During the year ended 31 March, 2019, the Company has paid dividend to its shareholders. This has resulted in payment of dividend distribution tax (DDT) to the taxation authorities. The Company believes that DDT represents additional payment to the taxation authority. Hence DDT Paid is charged to Other Equity.

Notes to the Consolidated Financial Statements

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

Note	Particulars	Current Year 2018-19	Previous Year 2017-18
38.2	Reconciliation of Tax Expense with Tax on Accounting Profits at normal rate is as follows:		
(a)	Profit before Income Tax Expenses	6,235.43	6,034.82
(b)	Enacted Tax Rate in India	34.94%	34.61%
(c)	Expected Tax Expenses (a)x(b)	2,178.90	2,088.53
(d)	Tax Effect on Permanent Difference:		
	Weighted Deduction under section 35(2AB) under the Income Tax Act, 1961	(79.38)	(126.59)
	Expenses not allowed under Income Tax Act	16.06	29.24
	Other Adjustments	(8.86)	22.06
	Adjustment of Current Tax of Prior Periods	(16.64)	(23.85)
	Total Adjustments	(88.82)	(99.14)
	Current Tax Expense as per P & L	2,090.08	1,989.39
	Effective Tax Rate	33.52%	32.97%
39	Other Comprehensive Income		
	Actuarial Gain/(Loss) on Post Employment Benefit Expenses	(12.91)	5.22
	Return on Plan Assets excluding net interest	(0.04)	1.09
		(12.95)	6.31
	Associate Company	2.13	(3.53)
	Total	(10.82)	2.78
	Deferred Taxes on above	(3.97)	1.22
	Net Comprehensive Income	(6.85)	1.56
40	Earning Per Share (Basic and Diluted)		
(a)	Net profit for Basic & Diluted EPS	4,004.83	3,174.97
(b)	Weighted average number of equity shares of Re. 1/- each (Basic & Diluted)	84,652,030	84,652,030
(c)	Earnings per share of par value Re 1/- per share -(Basic & diluted)	4.73	3.75
41	Post Employment Benefits		
41.1	Defined Contribution plans		
41.1.1	Employer's Contribution to Provident Fund:		
	Contributions are made to provident fund in India for employees at the rate of 12% of the employees qualifying salary as per regulations. The contributions are made to registered provident fund administered by the Government of India. The obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the year towards PF contribution is ₹ 200.06 Lakhs (Previous Year- ₹ 177.47 Lakhs).		

Notes to the Consolidated Financial Statements

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

41.1.2 Employer's Contribution to State Insurance Scheme:

Contributions are made to State Insurance Scheme in India for employees at the rate of 4.75%. The Contributions are made to Employee State Insurance Corporation(ESI) to the respective State Governments of the Company's location. This Corporation is administered by the Government and the obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards ESI contribution is ₹ 40.16 Lakhs (Previous Year-₹ 37.07 Lakhs).

41.2 Defined Benefit Plans

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

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

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

Particulars	31st March, 2019		31st March, 2018	
	Gratuity (Funded)	Leave En-cashment (Unfunded)	Gratuity (Funded)	Leave En-cashment (Unfunded)
41.2.1 Net Employee Benefit Expense				
(Recognised in Employee Benefit Expenses)				
Current Service Cost	34.89	37.42	30.59	19.21
Interest Cost	10.82	7.91	8.45	4.18
Past Service Cost (Vested Benefits)	-	-	24.78	-
Adj to Opening Balance	3.53	-	3.53	-
Expected Return on Plan Assets	-	-	-	-
Contribution paid	(92.94)	(4.96)	-	(6.48)
	(43.70)	40.37	67.35	16.91
41.2.2 Other Comprehensive Income				
Actuarial Gain/(Loss)	12.95	(75.11)	6.31	22.90
Net Employee Benefit Expenses	12.95	(75.11)	6.31	22.90
Actual return on plan asset	7.75	-	5.40	-

Notes to the Consolidated Financial Statements

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

Particulars	31st March, 2019		31st March, 2018	
	Gratuity (Funded)	Leave En-cashment (Unfunded)	Gratuity (Funded)	Leave En-cashment (Unfunded)
41.2.3 Amount recognised in the Balance Sheet				
Defined Benefit Obligation	304.78	70.77	246.48	105.51
Fair Value of Plan Assets	(151.67)	-	(62.62)	-
	153.11	70.77	183.86	105.51
41.2.4 Other Comprehensive Income in case of Employees Compensated Absence Scheme not considered as it was not funded.				
41.2.5 Change in the Present Value of the Defined Benefit Obligation				
Opening Defined Benefit Obligation	246.48	105.51	197.82	65.70
Adjustment to Opening Balance	-	-	-	-
Current Service Cost	34.89	37.42	30.59	19.21
Interest Cost	18.61	7.91	12.75	4.18
Past Service Cost	-	-	24.78	-
Contribution Paid	-	(4.96)	-	(6.48)
Benefits Paid	(8.12)	-	(14.24)	-
Net Actuarial (gain)/ losses on Obligation for the year recognised under OCI	12.90	(75.11)	(5.22)	22.90
Closing Defined Benefit Obligation	304.76	70.77	246.48	105.51
41.2.6 Change in the Fair Value of Plan Assets				
Opening Fair Value of Plan Assets	62.62	-	75.00	-
Adjustment to Opening Fair Value of Plan Asset	(3.53)	-	(3.53)	-
Return on Plan Assets Excluding Interest Income	(0.04)	-	1.09	-
Interest Income	7.80	-	4.30	-
Contributions	92.94	-	-	-
Benefits Paid	(8.12)	-	(14.24)	-
Closing Fair Value of Plan Assets	151.67	-	62.62	-
41.2.7 Actuarial (Gain)/Loss on Obligation				
Due to Demographic Assumption	-	-	-	-
Due to Financial Assumption	0.56	-	(24.25)	-
Due to Experience	12.34	-	19.03	-
Return on Plan Assets excluding Interest	(0.04)	-	(1.09)	-
Total Actuarial (Gain)/Loss	12.86	-	(6.31)	-

Notes to the Consolidated Financial Statements

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

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

Particulars	31st March, 2019	31st March, 2018
State Govt Security	89.83	37.09
Central Govt Securities	33.23	13.72
NCD/Bonds	20.22	8.35
Others	8.39	3.46
Total	151.67	62.62

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

41.2.9 Actuarial Assumptions for estimating Company's Defined Benefit Obligation:

Discount rate	7.66%	7.68%
Attrition Rate	PS : 0 to 40 : 2%	PS : 0 to 40 : 2%
Expected rate of increase in Salary	3.00%	3.00%
Expected rate of return on Plan Assets		
Mortality Table	IALM (2006-08)	IALM (2006-08)
Expected average remaining working lives of Employees	19.34	19.41

- Assumptions regarding future mortality experience are set in accordance with the published statistics by the Life Insurance Corporation of India.
- Plan assets does not comprise any of the Company's own financial instruments or any assets used by the Company. The Company has the plan covered under a policy with the Life Insurance Corporation of India.
- The Significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the salary growth rate and the average life expectancy. The calculation of the net defined benefit liability is sensitive to these assumptions. However, the impact of these changes is not ascertained to be material by the management.

41.2.10 Sensitivity Analysis

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

Defined Benefit Obligation	153.11	183.86
Effect of 1% change in assumed discount rate on defined benefit obligation		
Increase : + 1%	278.60	225.50
Decrease: -1%	335.38	270.99
Effect of 1% change in assumed salary escalation rate on defined benefit obligation		
Increase : + 1%	334.96	270.60
Decrease: -1%	278.55	225.61

Notes to the Consolidated Financial Statements

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

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

41.2.11 Other Information

(i) Expected rate of return basis

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

(ii) Description of Plan Assets and Reimbursement Conditions

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

(iii) Discount Rate

The discount rate has decreased from 7.68% to 7.66% and hence there is a decrease in liability leading to actuarial gain due to change in discount rate.

(iv) Present Value of Defined Benefit Obligation:

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

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

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

(vi) Current and Non Current Liability:

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

(vii) Defined Benefit Liability and Employer Contributions

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

Notes to the Consolidated Financial Statements

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

The Weighted Average duration of the defined benefit obligation is 10.98 years(2017-18 : 10.86 years). The expected cash flows over the subsequent years is as follows:

Expected Payout Gratuity	31st March, 2019	31st March, 2018
1st Year	44.74	8.53
2nd Year	10.08	11.81
3rd Year	10.50	8.66
4th Year	23.32	8.77
5th Year	11.74	20.76
beyond 5th Year	115.16	86.35

41.2.12 Risk Exposure

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

- (a) **Investment/Interest Rate Risk:** The Company is exposed to Investment / Interest risk if the return on the invested fund falls below the discount rate used to arrive at present value of the benefit.
- (b) **Longevity Risk:** The Company is not exposed to risk of the employees living longer as the benefit under the scheme ceases on the employee separating from the employer for any reason.
- (c) **Risk of Salary Increase:** The Company is exposed to higher liability if the future salaries rise more than assumption of salary escalation.

42 Leases (Ind AS - 17):

42.1 Operating Lease Commitments - Company as Lessee

The Company has taken certain office premises on lease, with term of 3 years and is renewable for further periods. There are escalation clauses in the office premises lease agreement to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. During the year, the Company has paid lease rental of ₹ 93.70 Lakhs (Previous Year ₹ 63.64 Lakhs). Out of this, the company has collected an amount of ₹ 18.52 Lakhs (Previous Year ₹ 22.27 Lakhs) towards sub lease rental from related party, SMS LifeSciences India Ltd, the resulting company of demerger scheme, which has taken place during the year 2016-17.

The Company has also taken lease for office premises in Vishakapatnam and the said lease is revocable by either of the parties with prior intimation. During the Year, the company has paid lease rental of ₹ 6.43 Lakhs (Previous Year ₹ 9.41 Lakhs).

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

Notes to the Consolidated Financial Statements

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

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

S No.	Particulars	Current Year 2018-19	Previous Year 2017-18
In the case of Equipment			
i)	Obligation on Non Cancellable Operating Leases:		
a)	not later than one year	4.02	4.02
b)	later than one year and not later than five years	-	-
c)	later than five years	-	-
ii)	Total of minimum sub-lease payments expected	4.02	4.03
iii)	Lease payments recognized in the statement of Profit & Loss for the year	4.02	4.03

42.2 Operating Lease Commitments - Company as Lessor

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

43 Assets Pledged as Security

For Non Current Borrowings

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

For Current Borrowings

Secured by First Charge on Current Assets and Second Charge on PPE (Property, Plant and Equipment).

The carrying amounts of Company's assets pledged as security for Non Current and Current Borrowings of an amount are as follows:

Particulars	31st March, 2019	31st March, 2018
Property, Plant and Equipment	28,010.79	27,889.89
Current Assets	20,759.03	16,848.70
Total Assets Pledged as Security	48,769.82	44,738.59

Notes to the Consolidated Financial Statements

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

44 Research and Development

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

Particulars	31st March, 2019	31st March, 2018
Salaries & Wages	412.58	337.18
Materials Consumed	99.94	48.93
Repairs and Maintenance	106.82	65.39
Power and Fuel	50.80	31.72
Testing and analysis charges	13.06	9.86
Rates and Taxes	7.12	7.73
Insurance	2.54	2.74
General Expenses	11.51	10.79
Total	704.37	514.34

44.2 Details of Property, Plant and Equipment:

Particulars	Buildings	Plant and Equipment	Furniture and Fixtures	Computers	Vehicles	Patents Filing Fee	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Gross Carrying Value							
1 As at 01 April, 2017	866.96	712.31	5.86	7.53	9.10	3.17	1,604.93
2 Additions	7.41	228.06	0.88	5.14	-	0.26	241.75
3 As at 31 March, 2018 (1+2)	874.37	940.37	6.74	12.67	9.10	3.43	1,846.68
4 Additions	-	31.47	-	9.35	-	2.56	43.38
5 As at 31 March, 2019 (3+4)	874.37	971.84	6.74	22.02	9.10	5.99	1,890.06
Depreciation							
6 As at 01st April, 2017	37.01	155.71	1.79	3.24	0.92	0.75	199.42
7 Charge for the Year	37.17	162.21	1.81	3.33	1.08	0.88	206.48
8 As at 31 March, 2018 (6+7)	74.18	317.92	3.60	6.57	2.00	1.63	405.90
9 Charge for the Year	37.24	67.98	0.23	4.08	1.08	1.16	111.77
10 As at 31 March, 2019 (8+9)	111.42	385.90	3.83	10.65	3.08	2.79	517.67
Net Carrying Value							
11 As at 31 March, 2017	866.96	712.31	5.86	7.53	9.10	3.17	1,604.93
12 As at 31 March, 2018 (3-8)	800.19	622.45	3.14	6.10	7.10	1.80	1,440.78
13 As at 31 March, 2019 (5-10)	762.95	585.94	2.91	11.37	6.02	3.20	1,372.39

Notes to the Consolidated Financial Statements

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

45 Categories of Financial Instruments

Particulars	Note	Level	As at 31 March, 2019		As at 31 March, 2018	
			Carrying Value	Fair Value	Carrying Value	Fair Value
A. Financial Assets						
(a) Measured at Amortised Cost						
(i) Non Current						
(a) Bank Balances	9	3	212.50	212.50	200.78	200.78
(b) Other Financial Assets	10	3	343.04	343.04	238.68	238.68
Sub - Total			555.54	555.54	439.46	439.46
(ii) Current						
(a) Trade Receivables	13	Refer Note 45.2	2,602.25	2,602.25	2,414.92	2,414.92
(b) Cash and Cash Equivalents	14		1,479.77	1,479.77	1,263.08	1,263.08
(c) Other Bank Balances	15		7.90	7.90	8.01	8.01
(d) Other Financial Assets	16		24.33	24.33	53.52	53.52
Sub - Total			4,114.25	4,114.25	3,739.53	3,739.53
Total Financial Assets			4,669.79	4,669.79	4,178.99	4,178.99
B. Financial Liabilities						
(a) Measured at Amortised Cost						
(i) Non Current						
(a) Borrowings	21	3	5,896.04	5,896.04	7,139.82	7,139.82
(ii) Current						
(a) Borrowings	24	Refer Note 45.2	7,080.86	7,080.86	5,839.71	5,839.71
(b) Trade Payables	25		4,825.19	4,825.19	3,926.84	3,926.84
(c) Other Financial Liabilities	26		1,621.85	1,621.85	1,754.76	1,754.76
Sub - Total			13,527.90	13,527.90	11,521.31	11,521.31
Total Financial Liabilities			19,423.94	19,423.94	18,661.13	18,661.13

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

Notes to the Consolidated Financial Statements

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

- 45.2 The carrying amounts of Trade Payables, Other Financial Liabilities, cash and cash equivalents, other bank balances, trade receivables and other financial assets are considered to be the same as their fair values due to their short term nature.
- 45.3 The management has assessed that fair value of borrowings approximate to their carrying amounts largely since they are carried at floating rate of interest.
- 45.4 Other non current financial assets consists of deposits with Government authorities where the fair value is considered to be the carrying value.

46 Fair Value Measurements

46.1 Fair Value Hierarchy

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

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

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

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

46.2 Valuation Techniques used to determine fair value:

Specific Valuation techniques used to value financial instruments include:

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

46.3 Valuation Process:

The Finance and accounts department of the Company performs the valuation of financial assets and liabilities required for financial reporting purposes, and report to the Board of Directors. The main Level 3 inputs are derived using the Discounted Cash Flow Analysis, Market Approach, Net Assets Value Method as applicable.

47 Financial Risk Management Objectives and Policies

Financial Risk Management Framework

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

Notes to the Consolidated Financial Statements

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

47.1 Credit Risk:

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

Financial Instruments and Cash Deposits

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

Expected Credit Loss for Trade Receivables under simplified approach

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

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

Particulars	31st March, 2019	31st March, 2018
Gross Carrying Amount	2,655.57	2,457.93
Expected Credit Losses (Loss Allowance Provision)	53.32	43.01
Net Carrying Amount of Trade Receivables	2,602.25	2,414.92

Expected Credit Loss for Trade Receivables under simplified approach:

Particulars	Outstanding			Total
	for < 90 days	> 90 days & < 180 days	for > 180 days	
Gross Carrying Amount of Trade Receivables	1,883.40	719.13	53.04	2,655.57
Expected Loss Rate	2.01%	2.01%	2.01%	2.01%
Expected Credit Losses (Loss allowance provision)	37.81	14.44	1.06	53.32
Net Carrying Amount of Trade Receivables	1,845.58	704.69	51.98	2,602.25

Notes to the Consolidated Financial Statements

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

47.2 Liquidity Risk:

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

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

Particulars	Upto 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	Total
31 March, 2019					
Non Current Borrowings (including Current Maturities)	1,400.00	3,681.31	1,794.73	420.00	7,296.04
Current Borrowings	7,080.86				7,080.86
Interest Accrued but not due	-				-
Trade Payables	4,825.19				4,825.19
Capital Creditors	7.90				7.90
Total	13,313.95	3,681.31	1,794.73	420.00	19,209.99
31 March, 2018					
Non Current Borrowings (including Current Maturities)	1,633.46	5,063.89	1,775.93	300.00	8,773.28
Current Borrowings	5,839.71				5,839.71
Interest Accrued but not due	10.79				10.79
Trade Payables	3,926.85				3,926.85
Capital Creditors	102.50				102.50
Total	11,513.31	5,063.89	1,775.93	300.00	18,653.13

47.3 Market Risk:

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

47.3.1 Interest Rate Risk

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

Notes to the Consolidated Financial Statements

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

Particulars	Change in basis points		Effect on Profit before Tax	
	Increase	Decrease	Decrease	Increase
31 March, 2019	0.50%	0.50%	(71.88)	71.88
31 March, 2018	0.50%	0.50%	(73.06)	73.06

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

47.3.2 Foreign Currency Exchange Rate Risk:

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

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

(a) Details of Unhedged Foreign Currency Exposure:

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

Particulars	Currency	Amount in Foreign Currency	Amount in ₹ In Lakhs	Conversion Rate
31st March, 2019				
Trade Receivables	USD	28.16	1,955.58	69.44
Trade Payables	USD	3.89	269.83	69.44
Advance from Customers	USD	6.40	444.31	69.44
Advance to Suppliers	USD	0.01	0.62	69.44
31st March, 2018				
Trade Receivables	USD	19.62	1,276.42	65.07
Trade Payables	USD	3.20	208.52	65.07
Advance from Customers	USD	5.78	375.78	65.07

(b) Foreign Currency Sensitivity

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

Notes to the Consolidated Financial Statements

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

Particulars	Effect on Profit before Tax	
	31st March, 2019	31st March, 2018
	₹	₹
USD Sensitivity		
Rs/USD - Increases by 1%	12.42	6.92
Rs/USD - Decreases by 1%	(12.42)	(6.92)

47.3.3 Other Price Risk:

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

48 Capital Management

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

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

Particulars	31st March, 2019	31st March, 2018
Borrowings including Interest Accrued	14,376.90	14,623.77
Less: Cash and Short Term Deposits	1,479.77	1,263.08
Net Debt	12,897.13	13,360.69
Equity	846.52	846.52
Other Equity	33,145.84	29,264.04
Total Equity	33,992.36	30,110.56
Total Capital	46,889.49	43,471.25
Gearing Ratio (Net Debt/(Net Debt + Total Equity))	0.28	0.31

48.1 Loan Covenants

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

Particulars	Stipulated Lenders	Actuals as at	
		31st March, 2019	31st March, 2018
Total Debt/TNW	<= 1.0	0.25	0.25
Total Debt/EBITDA	<= 3.0	0.19	0.25
DSCR	> 1.30	2.84	2.81
Total Indebtedness Ratio	2.50:1	0.41	0.42

Notes to the Consolidated Financial Statements

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

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

49 Segment Information

Description of segments and principal activities

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

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

Particulars	Current Year 2018-19		Previous Year 2017-18	
	Revenue	%	Revenue	%
Exports	6,319.96	13.59%	6,218.94	13.38%
Deemed Exports	24,727.53	53.19%	29,695.71	63.88%
Domestic	15,134.86	32.56%	10,355.62	22.28%
Export Incentives	308.73	0.66%	216.06	0.46%
Total	46,491.08	100.00%	46,486.33	100.00%

50 Interest in Other Entities:

Name of the entity	Place of Business/ Country of incorporation	Ownership Interest held by the Company		Ownership interest held by Non-Controlling interests		Principal activity
		31 March 2019	31 March 2018	31 March 2019	31 March 2018	
VKT Pharma Private Limited	India	42.62%	42.62%	57.38%	57.38%	Manufacture and sale of API and Formulations

Notes to the Consolidated Financial Statements

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

51 Related Party Transactions

(a) Key Management Personnel(KMP)

Name	Relationship
Sri. P Ramesh Babu	Chairman and Managing Director
Sri. TVVSN Murthy	Director
T Lakshmi Narayana	Chief Financial Officer
V.S. Venkatish	Company Secretary

(b) Relatives of KMP

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

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

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

(d) Transactions with Related Parties:

Name of the Company	31st March, 2019 Amount	31st March, 2018 Amount
Key Management Personnel		
Remuneration - Short Term Employee Benefits	338.25	336.11
Relatives of KMP		
Remuneration - Short Term Employee Benefits	39.00	39.00
Associate Company		
Purchases	19.15	1.00
Sales	163.04	97.37
Investments	-	802.50
Rental Income	7.08	5.00
Enterprise with Significant Influence		
Purchases	2,398.96	1,284.63
Sales	61.50	165.42
Rental Income	21.85	26.28
Expenses Reimbursement	13.52	-

Notes to the Consolidated Financial Statements

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

Name of the Company	31st March, 2019 Amount	31st March, 2018 Amount
Balance (Payable)/Receivable at the year end		
Key Management Personnel		
Remuneration Payable	77.03	137.54
Relatives of KMP		
Remuneration Payable	0.92	0.37
Associate Company	77.66	-
Enterprise with Significant Influence	(1,176.06)	(186.34)

(e) Note:

Short Term Employee Benefits to KMP does not include expenditure on account of Contribution to Provident Fund, Provision for Gratuity and Compensated Absences computed for Company as a whole.

52 Contingent Liabilities

Particulars	31st March, 2019	31st March, 2018
Letter of credits opened in favor of suppliers for which goods are yet to be received	188.51	61.75
Customs Duty against Advance Authorizations	116.50	101.30
Entry Tax Liability	1.75	1.75

53 Commitments

Particulars	31st March, 2019	31st March, 2018
Capital Commitments	323.92	-
Export Obligations	10605.33	792.48

Notes to the Consolidated Financial Statements

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

54 Payables to Micro, Small & Medium Enterprises

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

Particulars	31.03.2019	31.03.2018
(i) the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	12.54	16.99
(ii) the amount of interest paid by the buyer in terms of section 16, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year		
(iii) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;	-	-
(iv) the amount of interest accrued and remaining unpaid at the end of each accounting year; and	3.55	0.12
(v) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.	-	-

The above information regarding Micro Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the companies. This has been relied upon by the auditors.

Notes to the Consolidated Financial Statements

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

55 Additional Information, as required under schedule III to the Companies Act, 2013, of enterprises Consolidated as Subsidiary/ Associates

Name of the Entity	Net Assets, i.e, total assets minus total liabilities		Share in profit or loss		Share in other Comprehensive Income		Share in other Comprehensive Income	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of Consolidated profit or loss	Amount	As % of Consolidated profit or loss	Amount
31st March, 2019								
Parent								
SMS Pharmaceuticals Ltd	105.59%	33,992.36	103.51%	4,145.35	122.96%	(8.42)	103.48%	4,136.92
Associate								
VKT Pharma Private Ltd	-5.59%	(1,800.63)	-3.51%	(140.51)	-22.96%	1.57	-3.48%	(138.94)
Total	100.00%	32,191.73	100.00%	4,004.84	100.00%	(6.85)	100.00%	3,997.98
31st March, 2018								
Parent								
SMS Pharmaceuticals Ltd	105.84%	30,110.56	127.42%	4,045.43	263.20%	4.11	127.48%	4,049.54
Associate								
VKT Pharma Private Ltd	-5.84%	(1661.69)	-27.42%	(870.47)	-163.20%	(2.55)	-27.48%	(873.01)
Total	100.00%	28,448.87	100.00%	3,174.97	100.00%	1.56	100.00%	3,176.53

Notes to the Consolidated Financial Statements

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

Salient features of financial statements of subsidiary/associates as per the Companies Act, 2013

Name of the Associates	VKT Pharma Private Ltd
Reporting Currency	Indian Rupees
Date of Incorporation	31-05-2006

Particulars	31st Marc, 2019	31st Marc, 2018
Share Capital	1,031.23	903.38
Reserves & Surplus	3,797.35	3,017.00
Total Assets	16,251.36	13,747.67
Total Current Liabilities	1,591.14	1,259.88
Investments	-	-
Turnover/Total Income	(2.61)	(0.23)
Profit/(Loss) before taxation	(974.54)	(2,386.53)
Provision for Taxation	(644.85)	(344.12)
Profit/(Loss) after taxation	(329.69)	(2,042.41)
Proposed dividend	-	-
% Share holding		

56 Previous year figure have been regrouped and reclassified wherever considered necessary to confirm to this year's classifications.

The accompanying notes are an integral part of the Consolidated Financial Statements

as per our report of even date

for SURYANARAYANA & SURESH

Chartered Accountants

FRN 006631S

for and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

V NAGENDRA RAO

Partner

M.No. 227679

RAMESH BABU POTLURI

Chairman and Managing Director

DIN: 00166381

TVVSN MURTHY

Director

DIN: 00465198

Place: Hyderabad

Date : 27-05-2019

V.S.VENKATISH

Company Secretary

T. LAKSHMI NARAYANA

Chief Financial Officer



SMS PHARMACEUTICALS LIMITED

CIN: L24239TG1987PLC008066

Registered Office: Plot no.72, H.No.8-2-334/3&4, Road. No. 5,
Opp. SBI Executive Enclave, Banjara Hills, Hyderabad, Telangana 500034, India
Tel.: 040-25259999 • Fax: 040 - 25259889 • www.smspharma.com •
E-mail: info@smspharma.com

ATTENDANCE SLIP

(To be presented at the entrance)

31st Annual General Meeting

I hereby state that I am a registered shareholder/proxy for the registered shareholder of the Company. I hereby record my presence at the Annual General Meeting of the Company being held on Monday 30th September, 2019 at 09.00 AM at JRC Conventions & Trade Fairs, Survey No, 4, Narne Road, Adjacent to whisper valley, Film Nagar, Jubilee Hills, Hyderabad – 500008, Telangana, or/any adjournment thereof

Name of the Member(s)/ Proxy
(In Block Letters)

Folio No.

DP ID - Client ID

No. of Shares Held

Signature of the Member/Proxy

Note:

1. Shareholders/proxy holders are requested to bring the attendance slips with them duly completed when they come to the meeting and hand over at the gate, affixing their signature on them.
2. Shareholders are informed that no duplicate attendance slips will be issued at the venue of the meeting
3. Members are requested to bring their copies of Annual Report at the AGM. Shareholders are informed that no extra / substitute annual report will be issued at the venue of the Meeting.
4. Please strike off whichever is not applicable



Pharmaceuticals Ltd.

FORM MGT II PROXY FORM

(Pursuant to Section 105(6) of the Companies Act, 2013 and Rules 19(3) of the
Companies (Management and Administration) Rules, 2014)



SMS PHARMACEUTICALS LIMITED

CIN: L24239AP1987PLC008066

Registered Office: Plot no. 72, H.no.8-2-334/3&4, Road.No. 5,

Opp. SBI Executive Enclave, Banjara Hills, Hyderabad, Telangana 500034, India

Tel.: 040-25259999 • Fax: 040 – 25259889 www.smspharma.com • E-mail: info@smspharma.com

Name of the Member(s): _____

Registered Address: _____

E-mail ID: _____ Folio No./Client Id: _____ DP ID: _____

I/We, being member(s) of _____ shares of the Company, hereby appoint:

A Name : _____

Address : _____

E-mail Id : _____ Signature: _____

Or failing him/her

B Name : _____

Address : _____

E-mail Id : _____ Signature: _____

Or failing him/her

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 31st Annual General Meeting, SMS Pharmaceuticals Limited to be held on the 30th day of September, 2019 At 09.00 A.M. at "JRC Conventions & Trade Fairs, Survey No. 4, Narne Road, Adjacent to whisper valley, Film Nagar, Jubilee Hills, Hyderabad -500 008 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.	Resolutions	For	Against	Abstain
Ordinary Business				
1	To receive, consider and adopt the Audited Standalone and Consolidated Balance Sheet as at 31st March, 2019, Statement of Profit and Loss and Cash Flow Statement for the financial year ended 31st March, 2019 and reports of Directors' and Auditors' thereon.			
2	To declare the dividend on Equity Shares for the financial year 2018-19.			
3	To re-appoint Sri Ramesh Babu Potluri (DIN : 00166381) who retires by rotation, and being eligible, offers himself for re-appointment			
Special Business				
4	Appointment of Sri. Sarvepalli Srinivas as Independent Director			
5	Re-Appointment of Sri. P. Sharath Kumar as an Independent Director			
6	Re-appointment of Dr. (Mrs) ThummalaNeelaveni as an Independent Director			
7	Re-appointment of Sri. P. Vamsi Krishna as Vice-President (Operations) of the Company			
8	To Ratify/Approve the Related Party Contracts / Arrangements/ Transactions of the Company			
9	Ratification of remuneration payable to the cost auditor for the financial year ending on 31st March, 2020.			

Signed this..... day of..... 2019.



Signature of Proxy holder(s)

Signature of the Shareholder



Notes:

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company situated at Plot.No.72, H.No. 8-2-334/3&4, Opp. SBI Executive Enclave, Banjara Hills, Road No. 5, Hyderabad, Telangana 500034, India not less than 48 hours before the commencement of the Meeting.
2. Please complete all details including details of member(s) before submission. (To be handed over at the entrance of the Meeting Hall).
3. Proxy need not a member of the Company.
4. Corporate members intending to send their authorized representative(s) to attend the meeting are required to send a certified copy of the Board Resolution authorizing their representative(s) to attend and vote on their behalf at the meeting.
5. It is optional to indicate your preference. If you or abstain column blank against any or all resolutions. Your proxy will be entitled to vote in the manner as he/she may think appropriate.
6. Appointing a Proxy does not prevent a member from attending the meeting in person if he so wishes.
7. In case of Joint holders the signature of any one holder will be sufficient but names of all the Joint holders should be stated.

If undelivered, please return to:



Pharmaceuticals Ltd.

Regd. Off: Plot No. 72,
H.No. 8-2-334/3 & 4, Road No. 5,
Opp. SBI Executive Enclave,
Banjara Hills, Hyderabad,
Telangana State - 500 034
Ph: 040 - 25259999, Fax: 040 25259889
E-mail: info@smspharma.com
www.smspharma.com