

SCHEME OF ARRANGEMENT

(UNDER SECTION 391 TO 394 READ WITH SECTION 100 TO 103
OF THE COMPANIES ACT, 1956 AND OTHER PROVISIONS OF THE COMPANIES ACT, 2013 AS
APPLICABLE)

**IN THE NATURE OF DE-MERGER AND TRANSFER OF
DE-MERGED UNDERTAKING**

BETWEEN

SMS PHARMACEUTICALS LIMITED

(Demerged Company)

AND

SMS LIFESCIENCES INDIA LIMITED

(Resulting Company)

AND

THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

A. PREAMBLE

- (i) This Scheme of Arrangement ("Demerger") provides for the demerger of the Semi Regulated Units No. I, IV and V along with premises situated at Industrial Estate, Santhnagar, Hyderabad; Industrial Development Area, Jeedimetla, Hyderabad ; Premises bearing Flat No.417, Nilgiri, Aditya Enclave, Ameerpet, Hyderabad; vacant land admeasuring Ac 19.00 cents situated at Pharma City, Parawada, Visakhapatnam and Investments relating to Semi Regulated Units ("Demerged Undertaking") of SMS Pharmaceuticals Limited, the "Demerged Company" into SMS Lifesciences India Limited, the "Resulting Company", pursuant to provisions of Sections 391-394, read with Sections 100-103 of the Companies Act, 1956, and other applicable provisions of the Companies Act, 2013, and
- (ii) Subject to the satisfactory fulfilment and implementation of (i) above, reduction and reorganisation of equity share capital of SMS Lifesciences India Limited (Resulting Company) and utilisation of General Reserve Account of SMS Pharmaceuticals Limited (Demerged Company) pursuant to Sections 391-394 read with Sections 100-103 of the Companies Act, 1956.

B. DESCRIPTION OF COMPANIES

- (i) SMS Pharmaceuticals Limited ("Demerged Company") is a public limited company incorporated under the provisions of the Companies Act, 1956 on 14th day of December, 1987 originally in the name of "S.M.S. Pharmaceuticals Private Limited" and subsequently converted into a Public Limited Company in the name of "S.M.S. Pharmaceuticals Limited" on 2nd November, 1994 having its registered office at Plot No.19-III, Road No.71, Opp. Bharatiya Vidya Bhavan School, Jubilee Hills, Hyderabad. The name of the Company has been changed from S.M.S. Pharmaceuticals Limited to SMS Pharmaceuticals Limited with effect from 12th April, 2004. The Registered Office of the company is situated at Plot No.19-III, Road No.71, Opp. Bharatiya Vidya Bhavan Public School, Jubilee Hills, Hyderabad. It is engaged in the business of manufacturing and sale of active pharmaceutical ingredients and intermediates. The Equity Shares of

For SMS Pharmaceuticals Ltd.


Saurav Roy
Company Secretary

Demerged Company are listed on BSE Limited ('BSE') having Security Code "532815" and National Stock Exchange of India Limited ('NSE') having Symbol "SMSPHARMA". The Corporate Identity Number of the Company is L24239AP1987PLC008066.

- (ii) SMS Lifesciences India Limited ("Resulting Company") is a public limited company incorporated under the provisions of the Companies Act, 1956, on 31st day of May, 2006, originally as Private Limited Company in the name of "Potluri Real Estate Private Limited" and subsequently changed its name to "Potluri Packaging Industries Private Limited" on 6th November, 2013. Thereafter the Company had changed its name as "SMS Lifesciences India Private Limited" on 4th August, 2014 and subsequently converted as Public Limited Company with effect from 22nd June, 2016 having its registered office at Plot No. 265Q, Road No. 10, Jubilee Hills, Hyderabad and its Corporate Identity No. is U74930TG2006PLC050223. The Resulting Company is a wholly owned Subsidiary of the Demerged Company and is presently engaged in the business of manufacturing, buying, selling, offering consultancy, importing and exporting, acting as commission agents and generally dealing with of all types of Organic & Inorganic Chemicals, Pharmaceuticals, Active Pharmaceutical Ingredients (API) and Intermediates.

C. RATIONALE

- (i) This Scheme is presented under Sections 391 to 394 read with Sections 100 to 103 of the Companies Act, 1956 and the provisions of the Companies Act, 2013 as applicable for transfer of the Semi Regulated Units namely I, IV and V and other assets (defined as demerged undertaking) of the Demerged Company as a going concern to the Resulting Company, a wholly-owned subsidiary of the Demerged Company and consequential restructure of its share capital in form of Utilisation of General Reserve Account of the Demerged Company.
- (ii) The Demerged Company has presently operating five units out of which three manufacturing divisions are Semi-Regulated Units namely Unit I (i.e. Khazipally Unit), which is located at Sy. No. 180/2, IDA Kazipally Village, Jinnaram Mandal, Medak District, Hyderabad, Telangana State; Unit IV (i.e. Jeedimetla Unit), which is located at Plot No. 66/B-2, Phase-1, IDA Jeedimetla, Hyderabad, Telangana State and Unit V (i.e. Bollaram Unit) which is located at Sy. No. 296/7/4, S.V. Co.op. Ind. Estate I.D.A., Bollaram, Medak District, Hyderabad, Telangana State and the rest of the Units are Regulated Units. With a view to reduce the impact of semi-regulated units on regulated units, achieving operational efficiencies, site synergies and streamlining its current structure, the Demerged Company has decided to demerge its Unit Nos. I, IV and V and transfer to the Resulting Company along with other assets and Investments with primary intention to bifurcate its units which are semi regulated under FDA (Food and Drug Administration) norms and transfer them to a separate Company. The circumstances, reasons and/or grounds that have necessitated and/or justified the Scheme and the advantages thereof are, inter alia, as follows:
- a) The nature of risk and return involved in the business of Semi-Regulated units is distinct from the Regulated Units of the Demerged Company. Hence, transfer of all the Semi-Regulated units under one umbrella would enable these Units to run independently and in a more cohesive manner so as to run more profitably and attract potential collaborators for future growth and development of business by the Resulting Company, without impacting the Demerged Company.

For SMS Pharmaceuticals Ltd.


Saurav Roy
Company Secretary

- b) The transfer and vesting of the de-merged undertaking of the Demerged Company to the Resulting Company through this Scheme is with a view to unlock the economic value of both the Companies.
- c) The said transfer of Undertaking would provide greater flexibility and visibility on the operational and financial performance of the semi-regulated units and would provide higher degree of independence as well as accountability.
- d) The Board of Directors of the Demerged Company is of the opinion that the Scheme of Arrangement would benefit the shareholders, creditors, employees and other stakeholders of both the Companies.

D. OPERATION OF THE SCHEME

- (i) The Scheme provides for transfer of demerged undertaking to the Resulting Company, according to the applicable provisions of the Act and/or any other applicable laws.
- (ii) The Demerged Company will continue its interests in the Remaining Undertaking as is presently being carried out but with greater focus on growth opportunities.
- (iii) The Resulting Company shall issue and allot equity shares to all the shareholders of the Demerged Company as consideration for the transfer of the Demerged Undertaking, in proportion of their shareholding in the Demerged Company as per the share entitlement ratio. Simultaneously with issuance of equity shares, in the books of the Resulting Company, all the equity shares held by the Demerged Company shall, without further deed, act or approvals, stand cancelled, extinguished and annulled on and from the Effective Date.
- (iv) The Equity Shares issued by the Resulting Company to the shareholders of the Demerged Company shall be listed on BSE and NSE subject to Listing Regulations.
- (v) The Demerger of the Demerged Undertaking in accordance with this Scheme shall take effect from the Appointed Date in accordance of the provisions of Sections 391-394 of the Act read with Sections 100-103 of the Companies Act, 1956 and the provisions of Companies Act, 2013 as may be applicable and shall be in accordance with Section 2 (19AA) of the Income Tax Act, 1961, such that:
 - (a) all the assets relating to the Demerged Undertaking being transferred by the Demerged Company, as on the Appointed Date shall become the properties of the Resulting Company by virtue of this Scheme;
 - (b) all the liabilities relating to the Demerged Undertaking, as on the Appointed Date shall become the liabilities of the Resulting Company by virtue of this Scheme;
 - (c) all the assets and the liabilities relating to the Demerged Undertaking being transferred by the Demerged Company shall be transferred to the Resulting Company, on a going concern

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basis, at the value appearing in the books of account of the Demerged Company immediately before the Demerger;

- (d) the Resulting Company shall issue, in consideration of the Demerger Undertaking, its Equity Shares to the shareholders of the Demerged Company as on the Record Date as per the share entitlement ratio; and
- (e) all the shareholders of the Demerged Company as on the Record Date shall become the shareholders of the Resulting Company by virtue of the Demerger.
- (vi) The Scheme shall be in compliance with the applicable SEBI Guidelines, Regulations including Listing Regulations, SCRR and the Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 any subsequent amendments thereof ("SEBI Circular").

E. PARTS OF THE SCHEME

The Scheme is divided into the following parts:

Part I - deals with definitions, interpretations and share capital

Part II - deals with transfer and vesting of demerged undertaking

Part III - deals with General terms and conditions.

For SMS Pharmaceuticals Ltd.


Saurav Roy
Company Secretary

PART I

DEFINITIONS, INTERPRETATIONS AND SHARE CAPITAL

1. DEFINITIONS AND INTERPRETATIONS

1.1 In this Scheme, unless inconsistent with the subject or context, the following expressions shall have the following meanings:

"Act" means the Companies Act, 1956 and any statutory modification or re-enactment thereof for the time being in force.

"Applicable Laws" means any statute, notification, bye laws, rules, regulations, guidelines, rule of common law, policy, code, directives, ordinance, orders or instructions having the force of law enacted or issued by any Appropriate Authority including any statutory modification or re-enactment thereof for the time being in force.

"Appointed Date" means opening business hours of 1st April, 2016.

"Appropriate Authority" means and includes any governmental, statutory, departmental or public body or authority, including RBI, SEBI, BSE, NSE, Registrar of Companies, National Company Law Tribunal and the High Court.

"Articles of Association" means the articles of association of the Demerged and Resulting Companies.

"Board" in relation to each of the Demerged Company and the Resulting Company, as the case may be, means the Board of directors of such company, and shall include a committee duly constituted and authorised for the purposes of matters pertaining to the Demerger, the Scheme and/or any other matter relating thereto.

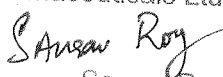
"BSE" means the BSE Limited.

"Demerged Company" means SMS Pharmaceuticals Limited, a company incorporated under the provisions of the Companies Act, 1956 under CIN: L24239AP1987PLC008066 and having registered office at Plot No.19-III, Road No.71, Opp. Bharatiya Vidya Bhavan School, Jubilee Hills, Hyderabad 500 096.

"Demerged Undertaking" means and include

1. all the business, undertaking, properties, investments and liabilities of whatsoever nature and kind and wheresoever situated, of the Demerged Company, in relation to and pertaining to the Semi-Regulated Units No. I, IV and V on going concern basis, together with all its assets and liabilities and shall mean and include (without limitation):

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Company Secretary

- (a) all the movable and immovable properties including plant and machinery, equipment, furniture, fixtures, vehicles, stocks and inventory, freehold/leasehold assets and other contingent assets (whether tangible or intangible) of whatsoever nature in relation to the Semi-Regulated Units, approvals, consents, letters of intent, registrations, contracts, engagements, arrangements, settlements, rights, credits, titles, interests, benefits, advantages, leasehold rights, sub-letting tenancy rights, with or without the consent of the lessor/landlord as may be required by law, goodwill, other intangibles, industrial and other licenses, permits, authorisations, import quotas and other quota rights, right to use and avail of telephones, telex, facsimile and other communication facilities, connections, installations and equipment, utilities, electricity and electronic and all other services of every kind, nature and description whatsoever, provisions, funds and benefits of all agreements, arrangements, deposits, advances, recoverable and receivables, whether from government, semi-government, local authorities or any other person including customers, contractors or other counter parties, etc., all earnest monies and/or deposits, privileges, liberties, easements, advantages, benefits, exemptions, licenses, privileges concerning the Semi-Regulated Units and approvals of whatsoever nature (including but not limited to benefits of all tax holiday, tax relief including under the Income Tax Act, 1961 such as credit for advance tax, taxes deducted at source, brought forward accumulated tax losses, unabsorbed depreciation, etc.) and wheresoever situated, belonging to or in the ownership, power or possession or control of or vested in or granted in favour of or enjoyed by the Demerged Company in relation to the Semi-Regulated Units as on the Appointed Date;
- (b) all the debts, borrowings, obligations and liabilities, whether present, or future, whether secured or unsecured, of the Demerged Company in relation to the Semi-Regulated Units as on the Appointed Date comprising of:
- (i) all the debts, duties, obligations and liabilities including contingent liabilities which arise out of the activities or operations of the Demerged company in relation to the Semi-Regulated Units and all other debts, liabilities, duties, and obligations of the Demerged Company relating to the Demerged Undertaking which may accrue or arise after the Appointed Date but which related to the period up to the day of immediately preceding the Appointed Date;
 - (ii) the specific loans and borrowings raised, incurred and utilised solely for the activities and operations of Demerged Company in relation to the Semi-Regulated Units; and
 - (iii) liabilities other than those referred to in sub-clauses (i) and (ii) above and not directly relatable to the Semi-Regulated Units, being the amounts of any general or multipurpose borrowings of Demerged Company as stand in the same proportion which the value of assets transferred under this Clause of Semi-Regulated Units bears to the total value of the assets of the Demerged Company immediately before the Appointed Date;

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Sanjay Roy

- (c) all intellectual property rights, including trademarks, trade names and the goodwill associated therewith, patents, patent rights, copyrights and other industrial designs and intellectual properties and rights of any nature whatsoever including know-how, or any applications for the above, assignments and grants in respect thereof of the Demerged Company in relation to the Semi-Regulated Units as on the Appointed Date;
 - (d) all books, records, files, papers, engineering and process information, records of standard operating procedures, computer programmes along with their licenses, drawings, manuals, data catalogues, quotations, sales and advertising materials, lists of present and former customers and suppliers, customer credit information, customer pricing information and other records whether in physical or electronic form, in connection with or relating to the Semi-Regulated Units of the Demerged Company as on the Appointed Date;
 - (e) all employees of the Demerged Company engaged in the Semi-Regulated Units; and
 - (f) any question that may arise as to whether a specific asset (tangible or intangible) or any liability pertains or does not pertain to the Semi-Regulated Units or whether it arises out of the activities or operations of the Semi-Regulated Units or not, shall be decided by the Board of the Demerged Company or any Committee thereof.
2. Premises located at C-23 Industrial Estate, Sanatnagar Hyderabad to be transferred to the Resulting Company without any further deed or act under this Scheme.
 3. Premises located at D-63, Phase I, Industrial Development Authority, Jeedimetla, Hyderabad, to be transferred to the Resulting Company without any further deed or act under this Scheme.
 4. Premises located at Flat No. 417, Nilgiri, Aditya Enclave, Ameerpet, Hyderabad, to be transferred to the Resulting Company without any further deed or act under this Scheme.
 5. Vacant land admeasuring Ac. 19 in Plot bearing no. 46 located at Pharma City, Parawada Mandal, Visakhapatnam District, Andhra Pradesh to be transferred to the Resulting Company without any further deed or act under this Scheme.
 6. Investments relating to Semi Regulated Units held by Demerged Company, in other entities to be transferred to the Resulting Company without any further deed or act under this Scheme.

“Effective Date” means the last of the date on which the certified copy or authenticated copy of the order of the High Court sanctioning the Scheme is filed with the Registrar of Companies by the Demerged Company and the Resulting Company. Reference in this Scheme to the date of “coming into effect of this Scheme” or “effectiveness of this Scheme” shall mean the Effective Date.

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Company Secretary

"Encumbrance" means (i) any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment, deed of trust, title retention, security interest or other encumbrance of any kind securing, or conferring any priority of payment in respect of, any obligation of any person, including any right granted by a transaction which in legal terms, is not the granting of security but which has an economic or financial effect similar to the granting of security under Applicable Laws; (ii) any proxy, power of attorney, voting trust agreement, interest, option, right of first offer, refusal or transfer restriction in favour of any person; and (iii) any adverse claim as to title, possession or use.

"High Court" means the Hon'ble High Court of Judicature at Hyderabad for the State of Telangana and the State of Andhra Pradesh and shall include National Company Law Tribunal constituted under the Act as applicable.

"Listing Agreement" means the listing agreement executed by the Demerged Company with each of the BSE and the NSE.

"Listing Regulations" means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other SEBI Regulations as applicable to the Scheme.

"Memorandum" means memorandum of association of a Company.

"NSE" means the National Stock Exchange of India Limited.

"Parties" or "Parties to the Scheme" means the Demerged Company and the Resulting Company.

"RBI" means the Reserve Bank of India.

"Record Date" means the date to be fixed by the Board of Directors of the Resulting Company in consultation with the Demerged Company for the purpose of reckoning names of the equity shareholders of the Demerged Company, who shall be entitled to receive Equity Shares of the Resulting Company pursuant to this Scheme.

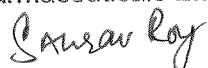
"Registrar of Companies" means the Registrar of Companies at Hyderabad for the State of Andhra Pradesh and the State of Telangana.

"Regulated Units" means, those units which are certified by the authorities of highly regulated markets of United States of America, Europe & Australia and have high entry barriers in terms of intellectual property rights and requirements/compliances for Regulated Units, including obtaining facility approvals etc.

"Remaining Employees" mean all the permanent employees of the Demerged Company other than the Transferred Employees.

"Remaining Undertaking" means all the undertakings, businesses, activities and operations of the Demerged Company other than those comprised in the Demerged Undertaking and remaining with the Demerged Company after giving effect to this Scheme.

For SMS Pharmaceuticals Ltd.


Saurav Roy
Company Secretary

"Resulting Company" means SMS Lifesciences India Limited, a company Incorporated under the provisions of the Companies Act, 1956 under CIN: U74930TG2006PLC050223 and having registered office at Plot No. 265Q, Road No. 10, Jubilee Hills, Hyderabad.

"SCRR" means Securities Contracts (Regulation) Rules, 1957

"SEBI" means the Securities and Exchange Board of India.

"Scheme", "the Scheme", "this Scheme", "Scheme of Arrangement" means this Scheme of Arrangement in its present form or as may be modified by an agreement between the Parties submitted to the High Court or any other Appropriate Authority in the relevant jurisdictions with any modification thereof as the High Court or any other Appropriate Authority may direct.

"Semi-Regulated Units" means, units which are certified on accreditation basis and include rest of the world [apart from markets mentioned under Regulated Units except USA, Europe and Australia], which offer low entry barriers in terms of Regulated Units requirements and intellectual property rights, which includes:

- Unit I (i.e. Khazipally Unit), which is located at Sy. No. 180/2, IDA Kazipally Village, Jinnaram Mandal, Medak Dist., Hyderabad, Telangana State;
- Unit IV (i.e. Jeedimetla Unit), which is located at Plot No. 66/B-2, Phase-1, IDA Jeedimetla, Hyderabad, Telangana State, and
- Unit V (i.e. Bollaram Unit) which is located at Sy. No. 296/7/4, S.V. Co.op. Ind. Estate I.D.A., Bollaram, Medak District, Hyderabad, Telangana State.

"Share Entitlement Ratio" means, the number of equity shares of SMS Lifesciences India Limited(Resulting Company) to which a shareholder of SMS Pharmaceuticals Limited(Demerged Company) would be entitled to in proportion of his existing shares in SMS Pharmaceuticals Limited(Demerged Company).


"Stock Exchanges" means collectively, the BSE and the NSE.

All terms and words not defined in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning ascribed to them under the Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996, Income Tax Act, 1961 and other Applicable laws, rules, regulations, bye laws, as the case may be, including any statutory modification or re-enactment thereof from time to time.

1.2 In this Scheme, unless the context otherwise requires:

- (a) words denoting singular shall include plural and vice versa;
- (b) headings and bold typeface are only for convenience and shall be ignored for the purposes of interpretation;
- (c) references to the word "include" or "including" shall be construed without limitation;

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Company Secretary

- (d) a reference to an article, section, paragraph or schedule is, unless indicated of the contrary, a reference to an article, section, paragraph or schedule of this Scheme;
- (e) unless otherwise defined, the reference to the word "days" shall mean calendar days;
- (f) references to dates and times shall be construed to be references to Indian dates and times;
- (g) reference to a document includes an amendment or supplement to or replacement or novation of, that document;
- (h) word(s) and expression(s) elsewhere defined in the Scheme will have the meaning(s) respectively ascribed to them.

2. DATE OF TAKING EFFECT AND OPERATIVE DATE

The Scheme set out herein in its present form or with any modification(s) approved or imposed or directed by the High Court, shall be effective from the Appointed Date but shall be operative from the Effective Date.

3. SHARE CAPITAL

3.1 The share capital of the Demerged Company as on 31st March, 2016 is as under:

Particulars	Amount in Rs.
AUTHORISED SHARE CAPITAL	12,00,00,000
SUBSCRIBED, ISSUED AND PAID-UP SHARE CAPITAL	8,46,52,030

The equity shares of the Demerged Company are listed on BSE and NSE.

3.2 The Share capital of the Resulting Company as on 31st March, 2016 is as under:

Particulars	Amount in Rs.
AUTHORISED SHARE CAPITAL	25,00,000
SUBSCRIBED, ISSUED AND PAID-UP SHARE CAPITAL	1,00,000

The entire share capital of the Resulting Company as on 1st April, 2016 is held by the Demerged Company and hence Resulting Company is a wholly-owned subsidiary of the Demerged Company.

4. COMPLIANCE WITH TAX LAWS

The Scheme has been drawn up to comply with the conditions relating to "demerger" as defined under Section 2(19AA) and other relevant sections of the Income-tax Act, 1961 and accordingly all the Assets and Liabilities pertaining to the demerged undertaking shall be transferred from the transferor company to transferee company at book values only. If any terms or provisions of the Scheme are found to be or interpreted to be inconsistent with any of the said provisions at a later date whether as a result of any amendment of law or any

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judicial or executive interpretation or for any other reason whatsoever, the aforesaid provisions of the tax laws shall prevail. The Scheme shall then stand modified to the extent determined necessary to comply with the said provisions. The power to make such amendments shall vest the Board of Directors of demerged Company, which power can be exercised anytime and shall be exercised in the best interest of the companies and their shareholders.

For SMS Pharmaceuticals Ltd.


Satrav Roy
Company Secretary

PART II

TRANSFER AND VESTING OF DEMERGED UNDERTAKING AS A GOING CONCERN

5. TRANSFER AND VESTING

With effect from the Appointed Date, the Demerged Undertaking of the Demerged Company shall, stand transferred to and vested in or deemed to be transferred to and vested in Resulting Company, as a going concern and in the following manner:

5.1 With effect from the Appointed Date and upon the Scheme becoming effective, the whole of Demerged Undertaking and its properties, shall pursuant to the provisions contained in Sections 391 to 394 and all other applicable provisions, if any, of the Act and without any further act, deed, matter or thing, stand transferred to and vested in and/or be deemed to be transferred to and vested in Resulting Company so as to vest in Resulting company all rights, title and interest pertaining to the Demerged Undertaking as follows:

- a) All the movable assets (as specified in Schedule 1) pertaining to the Demerged Undertaking, which are capable of being physically transferred including cash on hand, shall be physically handed over by manual delivery or endorsement and delivery, to the end and intent that the ownership and property therein passes to Resulting Company on such handing over in pursuance of the provisions of Section 394 of the Act. Such delivery and transfer shall be made on a date to be mutually agreed upon between the respective Board of Directors or Committees thereof of Demerged Company and Resulting Company within 30 days from the effective date.
- b) In respect of other assets other than those referred to sub-clause 5.1.(a) above, pertaining to Demerged Undertaking including actionable claims, sundry debtors, outstanding loans, advances recoverable in cash or kind or for value to be received and deposits with the Government, semi-Government, local and other authorities and bodies and customers, Demerged Company shall, issue notices in such form as Resulting Company may specify stating that pursuant to this Scheme, the relevant debt, loan, advance, deposit or other asset, be paid or made good to, or be held on account of, Resulting Company as the person entitled thereto, to the end and intent that the right of Demerged Company to receive, recover or realize the same, stands transferred to Resulting Company and that appropriate entries should be passed in their respective books to record the aforesaid changes;
- c) In respect of such of the assets belonging to the Demerged Undertaking other than those referred to in sub-clauses (a) and (b), the same shall be transferred to and vested in and/or be deemed to be transferred to and vested in Resulting Company on the Appointed Date pursuant to the provisions of Section 394 of the Act.

5.2 With effect from the Appointed Date and upon the Scheme becoming effective, all debts, liabilities including accrued interest thereon, contingent liabilities, duties and obligations of

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every kind, nature and description of Demerged Company pertaining to the Demerged Undertaking under the provisions of Sections 391 to 394 and all other applicable provisions, if any, of the Act, and without any further act or deed, be transferred to or be deemed to be transferred to Resulting Company, so as to become from the Appointed Date the debts, liabilities including accrued interest thereon, contingent liabilities, duties and obligations of Resulting Company and it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such debts, liabilities including accrued interest thereon, contingent liabilities, duties and obligations have arisen in order to give effect to the provisions of this sub-clause.

- 5.3 With effect from the Appointed Date and upon the Scheme becoming effective, any statutory licenses, permissions or approvals or consents held by Demerged Company required to carry on operations of the Demerged Undertaking shall stand vested in or transferred to Resulting Company without any further act or deed, and shall be appropriately mutated by the statutory authorities concerned therewith in favour of Resulting Company and the benefit of all statutory and Regulated permissions, environmental approvals and consents, registration or other licenses, etc., shall vest in and become available to Resulting Company as if they were originally obtained by Resulting Company. In so far as the various incentives, subsidies, rehabilitation schemes, special status and other benefits or privileges enjoyed, granted by any Government body, local authority or by any other person or availed of by Demerged Company relating to the Demerged Undertaking, are concerned, the same shall vest with and be available to Resulting Company on the same terms and conditions as applicable to Demerged Company, as if the same had been allotted and/or granted and/or sanctioned and/or allowed to Resulting Company.
- 5.4 The entitlement to various benefits under Incentive Schemes and Policies in relation to the Demerged Undertaking of the Demerged Company shall stand transferred to and be vested in and/or be deemed to have been transferred to and vested in the Resulting Company together with all benefits, entitlements or incentives of any nature whatsoever. Such entitlements shall include (but shall not be limited to) income-tax, sales tax, value added tax, turnover tax, excise duty, service tax, customs and others and incentives in relation to the Demerged Undertaking to be claimed by the Resulting Company with effect from the appointed date as if the Resulting Company was originally entitled to all such benefits under such incentive scheme and/or policies, subject to continued compliance by the Resulting Company of all the terms and conditions subject to which the benefits under such incentive Schemes were made available to the Demerged Company.
- 5.5 Since each of the permissions, approval, consents, sanctions, remissions (including remission under Income-tax, sales tax, value added tax, excise duty, service tax, customs), special reservations, sales tax remissions, holidays, incentives, concessions and other authorisations relating to the Demerged Company, shall stand transferred under the Scheme to the Resulting Company, the Resulting Company shall file the relevant intimations if any, for the record of the statutory authorities who shall take them on file, pursuant to this Scheme coming into effect.
- 5.6 It is clarified that all the taxes and duties pertaining to the Demerged Undertaking payable by the Demerged Company, from the appointed date onwards including all or as any refund

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Company Secretary

and claims shall, for all purposes, be treated as the tax and are duties, liabilities or refunds and claims of Resulting Company. Accordingly, upon the Scheme becoming effective, the Resulting Company is expressly to file its respective income-tax, sales tax, value added tax, turnover tax, excise duty, service tax, customs and any other return to claim refunds/credits, pursuant to the provisions of this Scheme.

5.7 The transfer and vesting of the Demerged Undertaking as aforesaid shall be subject to the existing securities, charges, mortgages and other encumbrances if any, subsisting over or in respect of the property and assets or any part thereof relating to the Demerged Undertaking to the extent such securities, charges, mortgages, encumbrances are created to secure the liabilities forming part of the Demerged Undertaking.

a) In so far as any securities, charges, hypothecation and mortgages over the assets comprised in the Demerged Undertaking are securities for liabilities of the Remaining Undertaking, the same shall, on the Effective Date, without any further act, instrument or deed be modified to the extent that all such assets shall stand released and discharged from the obligations and security relating to the same and the securities, charges, hypothecation and mortgages shall only extend to and continue to operate against the assets retained by Demerged Company and shall cease to operate against any of the assets transferred to Resulting Company in terms of this Scheme. The absence of any formal amendment which may be required by a lender or third party shall not affect the operation of the above. The provisions of this Clause shall operate notwithstanding anything contained in any instrument, deed, agreement or writing or terms of sanction or issue or any security document, all of which instruments, deeds and writings shall stand modified and/or superseded by the foregoing provision.

b) Provided further that the securities, charges, hypothecation and mortgages (if any subsisting) over and in respect of the assets or any part thereof of Resulting Company and this Scheme shall not operate to enlarge such securities, charges, hypothecation or mortgages and shall not extend or be deemed to extend, to any of the assets of the Demerged Undertaking vested in Resulting Company, provided always that this Scheme shall not operate to enlarge the security of any loan, deposit or facility created by Demerged Company in relation to the Demerged Undertaking which shall vest in Resulting Company by virtue of the vesting of the Demerged Undertaking with Resulting Company and there shall not be any obligation to create any further or additional security therefore after the Scheme has become effective.

c) Provided further that all the loans, advances and other facilities sanctioned to Demerged Company in relation to the Demerged Undertaking by its bankers and financial institutions prior to the Appointed Date, which are partly drawn or utilised shall be deemed to be the loans and advances sanctioned to Resulting Company and the said loans and advances may be drawn and utilised either partly or fully by Demerged Company from the Appointed Date till the Effective Date and all the loans, advances and other facilities so drawn by Demerged Company in relation to the Demerged Undertaking (within the overall limits sanctioned by their bankers and financial institutions) shall on the Effective Date be treated as loans, advances and

For SMS Pharmaceuticals Ltd.



Saurav Roy
Company Secretary

other facilities made available to Resulting Company and all the obligations of Demerged Company in relation to the Demerged Undertaking under the loan agreement shall stand released and discharged and shall become the obligation of Resulting Company without any further act or deed on the part of Resulting Company.

- 5.8 Without prejudice to the above and upon the effectiveness of this Scheme, the Demerged Company and the Resulting Company shall execute any instruments or documents or do all the acts and deeds as may be required, including the filing of necessary particulars and/or modification(s) of charge, with the Registrar of Companies and other Authorities under the Act to give formal effect to the above provisions, if required.
- 5.9 It is expressly provided that, save as mentioned in this scheme, no other term and condition of the liability transferred to the Resulting company is modified by virtue of this Scheme except to the extent that such amendment is required by necessary implication.
- 5.10 Subject to necessary consents being obtained in accordance with the terms of this Scheme the provisions of above sub-clauses shall operate, notwithstanding anything to the contrary contained in any instrument, deed or writing or the terms of sanction or issue or any security document.
- 5.11 It is clarified that if any assets, (estate, claims, rights, title, interest in or authorities relating to such assets) or any contract, deeds, bonds, agreements, schemes, arrangements of other instruments of whatsoever in relation to any of the Demerged Undertaking which Demerged Company owns or to which Demerged Company is a party and which cannot be transferred to Resulting Company or to its successor in business, for any reason whatsoever, Demerged Company shall hold such assets or contract, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in trust for the benefit of Resulting Company to which the Demerged Undertaking is being transferred in terms of this scheme, in so far as it is permissible so to do, till such time as the transfer is affected.
- 5.12 With effect from the appointed date, the general reserve of the demerged Company pertaining to the demerged undertaking shall become the General Reserves of the Resulting Company.

6. ISSUE OF SHARES BY THE RESULTING COMPANY

- 6.1 Upon this Scheme becoming effective, Resulting Company shall without any further application or deed, issue and allot Shares, credited as fully paid-up, to the extent indicated below to the shareholders of Demerged Company, holding shares in Demerged Company and whose name appear in the Register of Members on the Record Date or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognised by the respective Board of Directors in the following proportion:

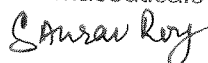
1(one) Equity share of Rs. 10/- each (fully paid-up) of Resulting Company shall be issued and allotted for every 28 (twenty eight) Equity Shares of Re. 1/- each (fully paid-up) held by the shareholders in Demerged Company.

For SMS Pharmaceuticals Ltd.


Saurav Roy
Company Secretary

- 6.2 The equity shares issued and allotted by the Resulting Company in terms of this Scheme shall rank pari-passu in all respects with the existing equity shares of the Resulting Company.
- 6.3 No fractional certificate(s) shall be issued by the Resulting Company in respect of any fractions which the members of the Demerged Company may be entitled to on issue and allotment of the New Equity Shares as aforesaid by the Company. The Board of Directors of the Resulting Company shall instead, consolidate all such fractional entitlements and allot New Equity Shares in lieu thereof to a Director or an officer of the Resulting Company or such other person(s) as the Board of Directors of the Resulting Company shall appoint in this regard who shall hold the New Equity Shares in trust on behalf of the members entitled to such fractional entitlements with express understanding that such director or officer or person(s) shall sell the same in market at such time(s) (not later than 6 months upon coming into effect of this Scheme) at such price(s) and to such person(s) as it/he/they may deem fit, and pay to the Resulting Company the net sale proceeds thereof. Thereupon the Resulting Company shall distribute the net sale proceeds, after deduction of applicable taxes/duties/levies, if any, to the members entitled in proportion to their respective fractional entitlements. In case the number of such shares to be allotted to the Director/officer by virtue of consolidation of fractional entitlements is a fraction, one additional equity share will be issued in the Resulting Company to such Director/officer.
- 6.4 Shares to be issued by Resulting Company pursuant to Clause 6.1 in respect of any equity shares held by shareholder of Demerged Company which are held in abeyance under the provisions of Section 126 of the Companies Act, 2013 or otherwise shall, pending allotment or settlement of dispute by order of Court or otherwise, also be held in abeyance by Resulting Company.
- 6.5 In so far as the issue of equity shares pursuant to Clause 6.1 is concerned, the same shall be issued and allotted in dematerialized form to those equity shareholders who hold equity shares in Demerged Company in dematerialized form, in to the account with the Depository Participant in which the equity shares of Demerged Company are held or such other account with the Depository Participant as is intimated by the equity shareholders to Resulting Company before the Record Date. All those equity shareholders of Demerged Company who hold equity shares of Demerged Company in physical form shall also have the option to receive the shares, as the case may be, in dematerialised form provided the details of their account with the Depository Participant are intimated in writing to Resulting Company before the Record Date. In the event that Resulting Company has received notice from any equity shareholder of Demerged Company that equity shares are to be issued in physical form or if any member has not provided the requisite details relating to his/her/its account with a Depository Participant or other confirmations as may be required or if the details furnished by any member do not permit electronic credit of the shares of Resulting Company, then Resulting Company shall issue equity shares of Resulting Company, in accordance with the Demerged Company Share Entitlement Ration, as the case may be, in physical form to such equity Shareholder.
- 6.6 In the event of there being any pending share transfers, whether lodged or outstanding, of any shareholder of Demerged Company, the Board of Directors or any committee thereof of Demerged Company shall be empowered in appropriate cases, prior to or even subsequent to the Record Date, to effectuate such a transfer in Demerged Company as if such changes in registered holder were operative as on the Record Date, in order to remove any difficulties

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arising to the transfer of the share in Demerged Company and in relation to the shares issued by Resulting Company after the effectiveness of this Scheme. The Board of Directors of Demerged Company and Resulting Company shall be empowered to jointly remove such difficulties as may arise in the course of implementation of this Scheme and registration of new members in Resulting Company on account of difficulties faced in the transaction period.

- 6.7 For the purpose as aforesaid the Resulting Company shall, and to the extent required, increase its Authorised Capital after this Scheme has been sanctioned by the High Court but before the issue and allotment of shares. It shall also, if and to the extent required, apply for and obtain the requisite approvals including that of SEBI, Reserve Bank of India and other appropriate authorities concerned for issue and allotment by the Resulting Company to the members of the Demerged Company of the Equity shares in the said reorganised share capital of the Resulting Company in the ratio as aforesaid.
- 6.8 The equity shares issued by Resulting Company, in terms of Clause 6.1 of this Scheme, will be listed and/or admitted to trading on the stock exchange where the demerged Company shares are already traded subject to necessary approval to be obtained from Regulated authorities and all necessary applications and compliances will be made in this respect by Resulting Company.
- 6.9 Approval of this Scheme by the shareholders of Resulting Company shall be deemed to be the due compliance of the provisions of Section 62 of the Act and the other relevant and applicable provisions of the Companies Act, 2013 for the issue and allotment of equity shares by Resulting Company to the equity shareholders of Demerged Company, as provided in this Scheme.
- 6.10 The equity shares allotted pursuant to the Scheme shall remain frozen in the depositories system till listing/trading permission is given by the designated stock exchange.
- 6.11 The equity shares to be issued by Resulting Company shall be subject to the Scheme and the Memorandum and Articles of Association of Resulting Company.
- 6.12 The Resulting Company shall, if and to the extent required to, apply for and obtain any approvals from the concerned Regulated authorities for the issue and allotment by the Resulting Company of new equity shares to the equity shareholders of the Demerged Company.
- 6.13 Resulting Company shall comply with the relevant and applicable rules and regulations including provisions of Foreign Exchange Management Act, 1999 to enable it to issue shares pursuant to this scheme.
- 6.14 In so far as the equity shares of the Resulting Company held by the Demerged Company are concerned, such shares would be cancelled on the effective date and the capital of the Resulting Company shall be reduced to that extent.

7. INCREASE OF AUTHORISED SHARE CAPITAL AND AMENDMENT TO MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION

A. RESULTING COMPANY

7.1 Capital Clause

For SMS Pharmaceuticals Ltd.


Saurav Roy
Company Secretary

Upon the Scheme being effective, the Authorised Share Capital of the Resulting Company shall automatically stand increased by Rs. 3,50,00,000/-, as on the effective date, without any further act or deed and accordingly Clause V of the Memorandum of Association of the Resulting Company shall be altered. The Resulting Company will file necessary forms with concerned Registrar of Companies for increasing Authorised Share Capital.

B. DEMERGED COMPANY

7.2 Upon the Scheme being effective the authorised Share Capital of the Demerged Company will remain at Rs. 12,00,00,000/- and there is no change in the Authorised and Paid-up Share Capital.

7.3 Under the accepted principle of Single Window Clearance, it is hereby provided that the above referred amendments, viz. Change in the Capital Clause of Resulting Company shall become operative on the scheme being effective by virtue of the fact that the Shareholders of the Demerged Company and the Resulting Company, while approving the scheme as a whole, have also resolved and accorded the relevant consents as required under the provisions of the Act and shall not be required to pass separate resolutions as required under the Act.

8. ACCOUNTING TREATMENT IN THE BOOKS OF RESULTING COMPANY

On the Scheme becoming effective and with effect from the Appointed Date, the Resulting Company shall account for demerger in its books as under:

8.1 All the assets, including but not limited to the fixed assets, intangible and any other assets pertaining to the demerged undertaking, shall be recorded by the Resulting Company at their respective book values.

8.2 All the liabilities pertaining to the Demerged Undertaking shall be recorded by the Resulting Company at their book values.

8.3 In case of any difference in accounting policies between the Demerged Company and the Resulting Company the accounting policies followed by the Resulting Company shall prevail to ensure that the financial statements reflect the financial position on the basis of consistent accounting policies.

8.4 Resulting Company shall credit to the Share Capital account in its books of account, the aggregate face value of the shares issued and allotted as per Clause 6.1 of the Scheme to shareholders of Demerged Company.

8.5 The difference being the excess of the Net Assets Value of the Demerged Undertaking transferred to and recorded by Resulting Company as per Clause 8.1 and 8.2 above and the face value of Shares allotted as per Clause 8.4 above, after considering the adjustments mentioned in Clause 8.3 above, shall be credited to General Reserve of Resulting Company. The shortfall, if any, shall be debited to Goodwill account of Resulting Company. ("Net Assets Value" shall be computed as the value of assets less the value of liabilities, of the Demerged Undertaking transferred to Resulting Company and recorded in Resulting Company in terms of Clause 8.1 and 8.2).

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Saurav Roy
Company Secretary

9. ACCOUNTING TREATMENT IN THE BOOKS OF DEMERGED COMPANY

On the Scheme becoming effective and with effect from the Appointed Date, the Demerged Company shall account for demerger in its books as under:

- 9.1 Upon the Scheme becoming effective and from the Appointed Date, Demerged Company shall reduce from its books, the book value of assets and liabilities transferred part of the Demerged Undertaking to Resulting Company, pursuant to the Scheme.
- 9.2 The difference in the book value of assets and the book value of liabilities transferred pursuant to the Scheme shall be adjusted entirely against the General Reserve Account as provided in detail in Clause 18 herein below.

10. CONDUCT OF BUSINESS UNTILL THE EFFECTIVE DATE

- 10.1 Demerged Company in respect of the Demerged Undertaking, shall carry on and be deemed to have been carrying on the business and activities and shall stand possessed of and hold all of its properties and assets for and on account of and in trust for Resulting Company. Demerged Company hereby undertakes to hold the said assets with utmost prudence until the Effective Date.
- 10.2 With effect from the Appointed Date, all the profits or income accruing or arising to Demerged Company in respect of the Demerged Undertaking or expenditure or losses arising to or incurred by Demerged Company in respect of the Demerged Undertaking, shall for all purposes and intents be treated and be deemed to be and accrue as the profits or incomes or expenditure or losses (as the case may be) of Resulting Company.
- 10.3 Demerged Company in respect of the Demerged Undertaking shall carry on the business and activities with reasonable diligence, business prudence and shall not without the prior written consent of Resulting Company, alienate, charge, mortgage, encumber or encumber or otherwise deal with or dispose-off the Demerged Undertaking or any part thereof except in respect of activities in the ordinary course of business nor shall it undertake any new businesses within the Demerged Undertaking or a substantial expansion of the Demerged Undertaking.
- 10.4 Demerged Company shall not vary the terms and conditions of service of the employees or conclude settlements with unions or employees, except in the ordinary course of business or consistent with past practice or pursuant to any pre-existing obligation without the prior written consent of the Board of Directors of Resulting Company.

11. DECLARATION OF DIVIDEND

- 11.1 For the avoidance of doubt it is hereby clarified that nothing in this Scheme shall prevent Demerged Company from declaring and paying dividends, whether interim or final, to its equity shareholders as on the record date for the purpose of any such dividend.
- 11.2 Demerged Company shall not utilise the profits or income, if any, relating to the Demerged Undertaking for the purpose of declaring or paying any dividend to its shareholders or for any

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other purpose in respect of the period falling on and after the Appointed Date, without the prior written consent of the Board of Directors of Resulting Company.

12. LEGAL PROCEEDINGS

- 12.1 All legal proceedings of whatsoever nature by or against Demerged Company pending and/or arising before the Effective Date and relating to the Demerged Undertaking, shall not abate or be discontinued or be in any way prejudicially affected by reason of the Scheme or by anything contained in this Scheme but shall be continued and enforced by or against the Resulting Company, as the case may be, in the same manner and to the same extent as would or might have been continued and enforced by or against Demerged Company.
- 12.2 After the Effective Date, if any proceedings are taken against Demerged Company in respect of the matters referred to in Clause 12.1 above, it shall defend the same at the cost of Resulting Company and Resulting Company shall reimburse and indemnify Demerged Company against all liabilities and obligations incurred by Demerged Company in respect thereof.
- 12.3 Resulting Company undertakes to have all respective legal or other proceedings initiated by or against Demerged Company referred to in Clause 12.1 or 12.2 above transferred into its name and to have the same continued, prosecuted and enforced by or against Resulting Company as the case may be, to the exclusion of Demerged Company.

13. CONTRACTS, DEEDS, BONDS AND OTHER INSTRUMENTS

- 13.1 Notwithstanding anything to the contrary contained in the contract, deed, bond, agreement or any other instrument, but subject to the other provisions of this Scheme, all contracts, deeds, bonds, agreements and other instruments, if any, of whatsoever nature and subsisting or having effect on the Effective Date and relating to the Demerged Undertaking, shall continue in full force and effect against or in favour of Resulting Company and may be enforced effectively by or against Resulting Company as fully and effectually as if, instead of Demerged Company, Resulting Company had been a party thereto.
- 13.2 The Resulting Company, at any time after coming into effect of this Scheme in accordance with the provisions hereof, if so required, under any law or otherwise, enter into, or issue or execute deeds, writings, confirmations, notations, declarations, or other documents with, or in favour of any party to any contract or arrangement to which Demerged Company is a party or any writings as may be necessary to be executed in order to give formal effect to the above provisions. Resulting Company shall, be deemed to be authorised to execute any such writings on behalf of Demerged Company and to carry out or perform all such formalities or compliances required for the purposes referred to above on the part of Demerged Company.
- 13.3 Even after this Scheme becomes effective, the Resulting Company shall, as its own right, be entitled to realise all monies and complete and enforce all pending contracts and transactions pertaining to the Demerged Undertaking, in so far as may be necessary, until the transfer of rights and obligations of the Demerged Company to the Resulting Company under this Scheme is formally accepted by the third parties.

For SMS Pharmaceuticals Ltd.


Saurav Roy
Company Secretary

14. SAVING OF CONCLUDED TRANSACTIONS

The transfer of assets, properties and liabilities above and the continuance of proceedings by or against Resulting Company above shall not affect any transaction or proceedings already concluded in Demerged Company, in relation to the Demerged Undertaking on or after the Appointed Date till the Effective Date, to the end and intent that Resulting Company accepts and adopts all acts, deeds and things done and executed by Demerged Company, in relation to the Demerged Undertaking in respect thereto as done and executed on their behalf.

15. STAFF, WORKMEN AND EMPLOYEES OF DEMERGED UNDERTAKING

15.1 Upon the coming into effect of this Scheme, all staff, workmen and employees of Demerged Company engaged in or in relation to the Demerged Undertaking and who are in such employment as on the Effective Date shall become the staff, workmen and employees of Resulting Company from Appointed Date or their respective joining date, whichever is later and, subject to the provisions of this Scheme, on terms and conditions not less favourable than those on which they are engaged by Demerged Company and without any interruption of or break in service as a result of the transfer of the Demerged Undertaking.

15.2 In so far as the existing provident fund, gratuity fund and pension and/or superannuation fund, trusts, retirement fund or benefits and any other funds or benefits created by Demerged Company for the employees related to the Demerged Undertaking (collectively referred to as the "Funds"), the Funds and such of the investments made by the Funds which are preferable to the employees related to the Demerged Undertaking being transferred to Resulting Company, in terms of the Scheme shall be transferred to Resulting Company and shall be held for their benefit pursuant to this Scheme in the manner provided hereinafter. The Funds shall, subject to the necessary approvals and permissions and at the discretion of Resulting Company, either be continued as separate funds of Resulting Company for the benefit of the employees related to the Demerged Undertaking or be transferred to and merged with other similar funds of Resulting Company. In the event that Resulting Company does not have its own funds in respect of any of the above, Resulting Company may, subject to necessary approvals and permissions, continue to contribute to relevant funds of Demerged Company, until such time that Resulting Company creates its own fund, at which time the Funds and the investments and contributions pertaining to the employees related to the Demerged Undertaking shall be transferred to the funds created by Resulting Company. Subject to the relevant law, rules and regulations applicable to the Funds, the Board of Directors or any committee thereof of Demerged Company and Resulting Company may decide to continue to make the said contributions to the Funds of Demerged Company. It is clarified that the services of the employees of the Demerged Undertaking will be treated as having been continuous and not interrupted for the purpose of the said fund or funds.

15.3 Any question that may arise as to whether any employee belongs to or does not belong to the Demerged Undertaking shall be decided by the Board of Directors or Committee thereof of Demerged Company.

For SMS Pharmaceuticals Ltd.


Saurav Roy
Company Secretary

16. REMAINING UNDERTAKING OF DEMERGED COMPANY

16.1 It is clarified that, the Remaining Undertaking of the Demerged Company shall continue as follows:

- a) The Remaining Undertaking of Demerged Company and all the assets, liabilities and obligations pertaining thereto shall continue to belong to and be managed by Demerged Company;
- b) All legal and other proceedings by or against Demerged Company under any statute, whether pending on the Appointed Date or which may be initiated in future, whether or not in respect of any matter arising before the Effective Date and relating to the Remaining Undertaking of Demerged Company (including those relating to any property, right, power, liability, obligation or duty, of Demerged Company in respect of the Remaining Undertaking of Demerged Company) shall be continued and enforced by or against Demerged Company.

16.2 With effect from the Appointed Date and including the Effective Date:

- a) Demerged Company shall be deemed to have been carrying on and to be carrying on all business and activities relating to the Remaining Undertaking of Demerged Company for and on its own behalf;
- b) All profit accruing to Demerged Company thereon or losses arising or incurred by it relating to the Remaining Undertaking of Demerged Company shall, for all purposes, be treated as the profit or losses, as the case may be, of Demerged Company.

17. TAX CREDITS

17.1 Resulting Company will be the successors of Demerged Company vis-a-vis the Demerged Undertaking. Hence, it will be deemed that the benefit of any tax credits whether central, state or local, availed vis-a-vis the Demerged Undertaking and the obligations if any for payment of the tax on any assets forming part of the Demerged Undertaking or their erection and/or installation, etc. shall be deemed to have been availed by Resulting Company or as the case may be deemed to be the obligations of Resulting Company. Consequently, and as the Scheme does not contemplate removal of any asset by Resulting Company from the premises in which it is installed, no reversal of any tax credit needs to be made or is required to be made by Demerged Company.

17.2 With effect from the Appointed Date and upon the Scheme becoming effective, all taxes, duties, cess payable/receivable by Demerged Company relating to the Demerged Undertaking including all or any refunds/credit/claims relating thereto shall be treated as the asset/liability or refunds/credit/claims, as the case may be, of Resulting Company.

17.3 Demerged Company and Resulting Company are expressly permitted to revise their respective tax returns including tax deducted at source (TDS) certificates / returns and to claim refunds, advance tax credits, excise and service tax credits, set off, etc., on the basis of the accounts of the Demerged Undertaking of Demerged Company as vested with Resulting Company upon

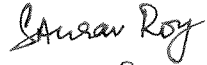
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Company Secretary

coming into effect of this Scheme, and its right to make such revisions in the related tax returns and related certificates as applicable and the right to claim refunds, adjustments, credits, set-offs, advance tax credits pursuant to the sanction of this Scheme and the Scheme becoming effective is expressly reserved.

18. Consequent to the demerger of the demerged undertaking of the demerged Company, as envisaged under clause 8.5 hereinabove, the amount of difference in the book value of assets and the book value of liabilities transferred pursuant to the Scheme shall be adjusted entirely against the General Reserve Account of the demerged company.

For SMS Pharmaceuticals Ltd.



Saurav Roy
Company Secretary

PART III
GENERAL TERMS AND CONDITIONS

19. LISTING AGREEMENT AND SEBI COMPLIANCES

- 19.1 On approval of the Scheme by the Hon'ble High Court, the Resulting Company shall apply for listing and trading permissions of its Equity Shares in the BSE and NSE and comply with the SEBI Regulations including the Listing Regulations and SCRR in this regard.
- 19.2 The Demerged Company being a Listed Company shall continue to comply with all the requirements under the Listing Agreement/Regulations and all statutory directives of SEBI in so far as they relate to sanction and implementation of this Scheme.
- 19.3 The Demerged Company in compliance with Listing Agreement/Regulations shall apply for approval of BSE and NSE where the shares are listed, before approaching the High Court for sanction of this Scheme.
- 19.4 New equity shares allotted to the Shareholders of the Demerged Company by the Resulting Company pursuant to the Scheme shall remain frozen in the depositories system until listing/trading permission is granted by the Stock Exchanges between the date of allotment of Equity shares of the Resulting Company to the shareholders of Demerged Company on the date of Listing of Equity shares of the Resulting Company to the Stock Exchanges.
- 19.5 The Demerged Company shall also comply with the Directives of SEBI contained in Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015.

20. GENERAL TERMS

- 20.1 It is clarified that all the taxes paid by the Demerged Company, relating to the demerged undertaking from the appointed date onwards including all or any refunds and claims, for all purposes, be treated as the tax liabilities or refunds and claims on the Resulting Company. Accordingly, upon the Scheme becoming effective, the Resulting Company is expressly permitted to revise its VAT and Sales tax returns, Excise and/or CENVAT Returns, other tax returns and to claim refunds/credits, pursuant to the provisions of this Scheme, if any.
- 20.2 In accordance with the CENVAT Rules framed under the Central Excise Act, 1944, as are prevalent on the effective date, the unutilised Credits relating to the Excise Duties paid on inputs/capital goods lying to the account of the Demerged Company, if any, shall be permitted to be transferred to the Credit of the Resulting Company, as if all such unutilised credits were lying in the Account of the Resulting Company. The Resulting Company shall accordingly be entitled to set off all such unutilised credits against the Excise Duty payable by it.
- 20.3 Upon the Scheme coming into effect, all the taxes paid (including TDS) by the Demerged Company from the appointed date, regardless of the period to which they relate, shall be deemed to have been paid for and on behalf of and to the credit of the Resulting Company as effectively as if the Resulting Company had paid the same.

For SMS Pharmaceuticals Ltd.


Saurav Roy
Company Secretary

21. APPLICATIONS TO HIGH COURT

- 21.1 Each of the Demerged Company and the Resulting Company shall with all reasonable dispatch, make all necessary applications under Section 391 to 394 of the said Act and other applicable provisions of the Act, to the Hon'ble High Court seeking orders for dispensing with or convening, holding and conducting of the Meetings of the respective classes of members and/or creditors of each of the Demerged Company and the Resulting Company as may be directed by the High Court.
- 21.2 On the Scheme being agreed to by the requisite majority of the classes of the members and/or creditors of the Demerged Company and the Resulting Company as directed by the High Court, the Demerged Company and the Resulting Company shall, with all reasonable dispatch, apply to the High Court for sanctioning the composite Scheme of Arrangement under Sections 391 and 394 of the Act, and for such other order or orders, as the said High Court may deem fit for carrying the Scheme into effect.

22. MODIFICATION OR AMENDMENTS TO THE SCHEME

- 22.1 The Demerged Company and Resulting Company (by their respective Board of Directors or any duly authorised Committee thereof) in their full and absolute discretion may assent to any modification(s) or amendment(s) or of any conditions or limitations in the Scheme which the High Court or such other appropriate authority and/or any other authorities may deem fit to direct or impose or which may otherwise be considered necessary or desirable for settling any question or doubt or difficulty that may arise for implementing and/or carrying out the Scheme and do all such acts, deeds and things as may be necessary for putting the Scheme into effect.
- 22.2 The Demerged Company and Resulting Company (by their respective Board of Directors or any duly authorised Committee thereof) in their full and absolute discretion may assent to any modification(s) or amendment(s) in the Scheme which may be considered necessary or desirable for any reason whatsoever and without prejudice to the generality of the foregoing, any modifications to this Scheme involving withdrawal of any of the parties to this Scheme at any time and for any reason whatsoever, the implementation of the Scheme shall not get adversely effected as a result of acceptance of any such modification by the Board of Directors or its Committee thereof of the Demerged Company or by the Board of Directors or by its Committee thereof of the Resulting Company, who are hereby authorised to take such steps and do all acts, deeds and things as may be necessary, desirable or proper to give effect to this Scheme or to resolve any doubt, difficulties or questions whether by reason of any orders of the High Court or of any directive or orders of any other authorities or otherwise how so ever.
- 22.3 Arising out of, under or by virtue of this Scheme and/or any matters concerning or connected therewith, the Board of Directors of the Demerged Company hereby expressly authorise the Board of Directors of the Resulting Company for the aforesaid purpose.

For SMS Pharmaceuticals Ltd.


Saurav Roy
Company Secretary

23. SCHEME CONDITIONAL ON APPROVAL/SANCTIONS

This Scheme is and shall be conditional upon and subject to:

- a) The Scheme being approved by the requisite majority of shareholders and creditors of the Demerged Company and the shareholders of the Resulting Company as per the applicable provisions of the Companies Act, 1956 and the Companies Act, 2013
- b) The Scheme being approved by the High Court, whether with any modification(s) or amendment(s) as the High Court may deem fit or otherwise.
- c) The sanction or approval of all persons or authorities concerned under any law or statute of Central Government, Stock Exchanges or any other agency, department or authorities concerned being obtained and granted in respect of any of the matters in respect of which such sanction or approval is required.
- d) Requisite approvals of RBI being obtained if necessary, under the provisions of FEMA, 1999 for issue of equity shares of the Resulting Company for the non-residential shareholders of the Demerged Company.
- e) The approval of the public shareholders of the Demerged Company through postal ballot and e-voting after disclosure of all material facts in the explanatory statement sent to the shareholders in relation to such resolution, and such resolution shall be acted upon if only the votes cast by the public shareholders in favour of the Scheme are more than the number of votes cast by public shareholders against it. The term "public" shall carry the same meaning as defined under Rule 2 of Securities Contract (Regulation) Rules, 1957.
- f) The certified or authenticated copies of the Orders of the High Court being filed with the Registrar of Companies of Andhra Pradesh and Telangana, Hyderabad under Sections 391 to 394 and other applicable provisions of the Act, the requisite resolutions under the applicable provisions of the said Act passed by the shareholders of the Resulting Company for any of the matters provided for or relating to the Scheme as may be necessary or desirable.

24. EXPENSES CONNECTED WITH THE SCHEME

All costs, charges and expenses of the Demerged Company and the Resulting Company in relation to or in connection with the Scheme and of carrying out and complete the terms and provisions of the Scheme and/or incidental to the completion of the arrangement between the Demerged Company and the Resulting Company, in pursuance of the Scheme shall be borne by the respective Companies.

For SMS Pharmaceuticals Ltd.


Saurav Roy
Company Secretary

SCHEDULE - 1

The statement indicating broad Assets and liabilities of the De-merged Undertaking based on the Audited financial statements as on 31st March, 2016

Particulars	As on 31-03-2016
LIABILITIES	
Non-current liabilities	
(a) Long-term borrowings	23,49,13,110
(b) Deferred tax liabilities (Net)	10,53,53,582
(c) Long-term provisions	1,67,65,739
Current Liabilities	
(a) Short-term borrowings	5,33,62,690
(b) Trade payables	52,58,70,437
(c) Other current liabilities	11,31,43,632
(d) Short term provisions	26,46,263
ASSETS	
Non-current assets	
Fixed assets	
(i) Tangible assets	74,01,62,659
(ii) Intangible assets	-
(iii) Capital work-in-progress	2,61,88,062
(iv) Non-Current Investments	4,10,680
(d) Long term loans and advances	1,49,46,979
Current assets	
(a) Inventories	41,83,55,878
(b) Trade Receivables	39,87,46,066
(c) Cash and cash equivalents	2,54,17,486
(d) Short term loans and advances	4,88,44,325
(e) Other current assets	6,08,18,460

For SMS Pharmaceuticals Ltd.



Saurav Roy
Company Secretary

