



Pharmaceuticals Limited

Registered & Corporate Office :

Plot No. 72, H. No. 8-2-334/3 & 4, Road No. 5,
Opp. SBI Executive Enclave, Banjara Hills,
Hyderabad - 500 034, Telangana, INDIA.
Tel : +91-40-2525 9999, Fax : +91-40-2525 9889
CIN : L24239TG1987PLC008066

Email: info@smspharma.com, www.smspharma.com

Date: September 8th, 2021

To,
BSE Limited.
Listing Department, P J Towers,
Dalal Street,
Mumbai – 400 001.
Scrip code:532815

National Stock Exchange of India Limited
Listing Department, “Exchange Plaza”,
Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051
Scrip code: SMSPHARMA

SUB: NOTICE OF CONVENING 33rd ANNUAL GENERAL MEETING (AGM) for the Financial Year 2020-21

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and Section 101 of the Companies Act, 2013, we would like to inform you that the 33rd Annual General Meeting of the members of SMS Pharmaceuticals Limited will be held on Thursday the 30th day of September, 2021 at 09.00 A.M. through Video conferencing (“VC”) / Other Audio Visual Means (“OAVM”), in accordance with relevant circulars issued by the Ministry of Corporate Affairs and Securities and Exchange Board of India, at the registered office of the company situated at Plot. No: 72, H. No: 8-2-334/3&4, Road No:5, Opp. SBI Executive enclave, Banjara Hills, Hyderabad – 500034.

Pursuant to Regulation 34 SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, the said Notice forms part of the Annual Report 2020-21 which is also being through electronic mode to those members whose email addresses are registered with the Company / Depository Participants / Registrar and Share Transfer Agent. The Annual Report for the Financial year 2020-21 and other related documents are availed on the website of the Company at www.smspharma.com / <https://smspharma.com/investor-relations/annual-reports/> Annual Report Section.

As per provisions of the Act and read with SEBI Listing Regulations, the Members holding shares either in physical form or dematerialized form, as on the cut-off date i.e. 21st September, 2021, may cast their vote electronically on the business set forth in the Notice of AGM through electronic voting system of the Central Depository Services (India) Limited.

The Register of Members and Share Transfer books of the Company shall remain closed from Friday 24th September, 2021 to Thursday 30th September, 2021 (both the days inclusive) for the purpose of AGM as per clause 42(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Kindly take the same on record and suitably disseminated to all concerned.

Thanking You.

Yours Truly,

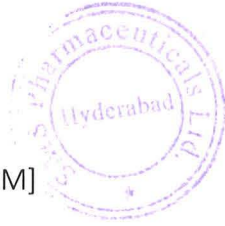
For SMS Pharmaceuticals Limited



V.S.Venkatish

Company Secretary

[Enclosed: Notice of 33rd AGM]





GROWTH POWERED BY INNOVATION



SMS Pharmaceuticals Limited
Annual Report
2020-21

Content

Corporate Overview

02	About Us
04	Our Milestones
06	Our Reach
08	Sustaining our business
10	Financial Highlights
12	Chairman's Letter
14	Product Portfolio
16	Driving Innovation and Excellence
18	Nurturing an engaged workforce
20	Corporate Social Responsibility
22	Board of Directors
24	Award & Recognition

Statutory Reports

25	Directors' Report
35	Management discussion and analysis
54	Report on corporate Governance
91	Business Responsibility Report

Financial Statements

Standalone

100	Independent Auditors' Report
108	Balance Sheet
109	Statement of Profit and Loss
113	Notes to the Financial Statements

Consolidated

162	Independent Auditors' Report
168	Balance Sheet
169	Statement of Profit and Loss
173	Notes to the Financial Statements

Notice

222	Notice of Annual General Meeting
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Consistent growth is pivoted on a strategic commitment to deliver excellence and innovation. At SMS Pharma, our progress is driven by our enthusiasm to scale new milestones and set benchmarks in the industry. Over the years, we have scaled up operations, strengthened manufacturing capabilities and nurtured inherent capacities to remain attuned to evolving market demands.

Our strategic intent, strict financial discipline and robust research and development facilities have empowered us to develop cost-effective processes for API manufacturing. It has also added impetus to our ability to maximise value creation for stakeholders across the vertical. Today, we remain poised to explore opportunities in our domain and sustain relentless growth powered by innovation.

Forward-looking statements

Some information in this report may contain forward-looking statements which include statements regarding Company's expected financial position and results of operations, business plans and prospects etc. and are generally identified by forward-looking words such as "believe," "plan," "anticipate," "continue," "estimate," "expect," "may," "will" or other similar words. Forward-looking statements are dependent on assumptions or basis underlying such statements. We have chosen these assumptions or basis in good faith, and we believe that they are reasonable in all material respects. However, we caution that actual results, performances or achievements could differ materially from those expressed or implied in such forward-looking statements. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Corporate Information

Board of Directors

Sri. Ramesh Babu Potluri
Chairman and Managing Director

Sri. P. Sarath Kumar
Independent Director

Smt Dr. T. Neelaveni
Independent Director

Sri. Sharvan Kudaravalli
Independent Director

Sri. Sarvepalli Srinivas
Independent Director

Smt. Shilpa R Waghmare
Nominee Director of Exim Bank

Sri.Vamsi Krishna Potluri
Executive Director
(w.e.f 5th June, 2020)

Sri. TVVSN Murthy
Non-Executive Director
(Upto 28th May, 2021)

Key Managerial Persons

Sri. Lakshmi Narayana Tammineedi
Chief Financial Officer

Sri.V S Venkatish
Company Secretary

Auditors

M/s Suryanarayana & Suresh
Statutory Auditor

M/s SVVS & Associates Company Secretaries LLP
Secretarial Auditor

Sri. KSN Sarma
Cost Auditor

M/s Adusumilli & Associates
Internal Auditor

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.

CIN: L24239TG1987PLC008066

Contact Details

website:www.smspharma.com
Tel: 040-35359999
Fax: 040-25259889
Mail.id:
complianceofficer@smspharma.com
cs@smspharma.com

Registrar & Share Transfer Agent

M/s Aarthi Consultants Private Limited
1-2-285, Domalguda, Hyderabad - 500029
Email: info@aarthicconsultants.com

Bankers

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

Auditors Address Statutory Auditor

M/s Suryanarayana & Suresh
Chartered Accountants 8-2-601/B,
Flat.No: 10, Millennium House,
Near Zaheer Nagar X Road
Banjara Hills, Hyderabad – 500034
Ph.no: 040-23386783 / 23386784
Email: Suryanarayanasuresh@gmail.com

Secretarial Auditor

**M/s SVVS & Associates
Company Secretaries LLP**
Company Secretaries
307, Babukhan Estate, Basheerbagh
Hyderabad - 500001 Telangana State

Internal Auditor

M/s Adusumilli & Associates
Chartered Accountants
Flat.No. 302, Sri Sai Residency,
Balkampet Main Road,
Hyderabad 500038, Telangana State

Cost Auditors

Sri K S N Sarma
Cost Accountant
216, Rangadhamamu,
HMT Satavahana Nagar, Kukatpally,
Hyderabad – 500072, Telangana

Manufacturing Facilities at:

Plot.No.24 & 24B and 36 & 37
S.V.Co-opertive Industrial Estate,
Buchupally, Medchal (Malkajgiri) (dist.)
Hyderabad – 500090, Telangana
(India) Ph.No. 9100072354
admin_unit2@smspharma.com


Sy. No. 160, 161, 163 to 168,
Kandivalsas (V), Poosapatirega Mandal,
Vizianagaram (Dist) A.P. 535204.
Ph.No. 8374532106/04
Admin_unit7@smspharma.com

Research and Development Centre

Sy. No. 186,189 & 190, Gagilapur (V)
Dundigal, Gandimaisamma (Mandal,
Medchal-Malkajgiri (Dist)
Telangana – 500043,
Ph.No. 6309448802/05
Mail: rnd_smspharma.com



About Us



One of the leading pharmaceutical manufacturing companies based in India, SMS Pharmaceuticals Ltd (SMS Pharma) has established a strong presence across the globe on the back of its robust research and development capabilities.

We started business in 1990 by taking over a sick facility and have evolved from a single product manufacturing company to an integrated pharma company with a strong presence in over 70 countries around the world. With our growing strength in various therapeutic segments, we continue to diversify our product portfolio. We have one research centre approved by DSIR, one Independent Analytical Laboratory approved by USFDA and two manufacturing facilities both are USFDA approved and a workforce of more than 1000 employees



Our Vision

Being a quality conscious organization, our vision encircles quality and customer satisfaction. SMS believes in delivering the best value to its customers in the most economical way.



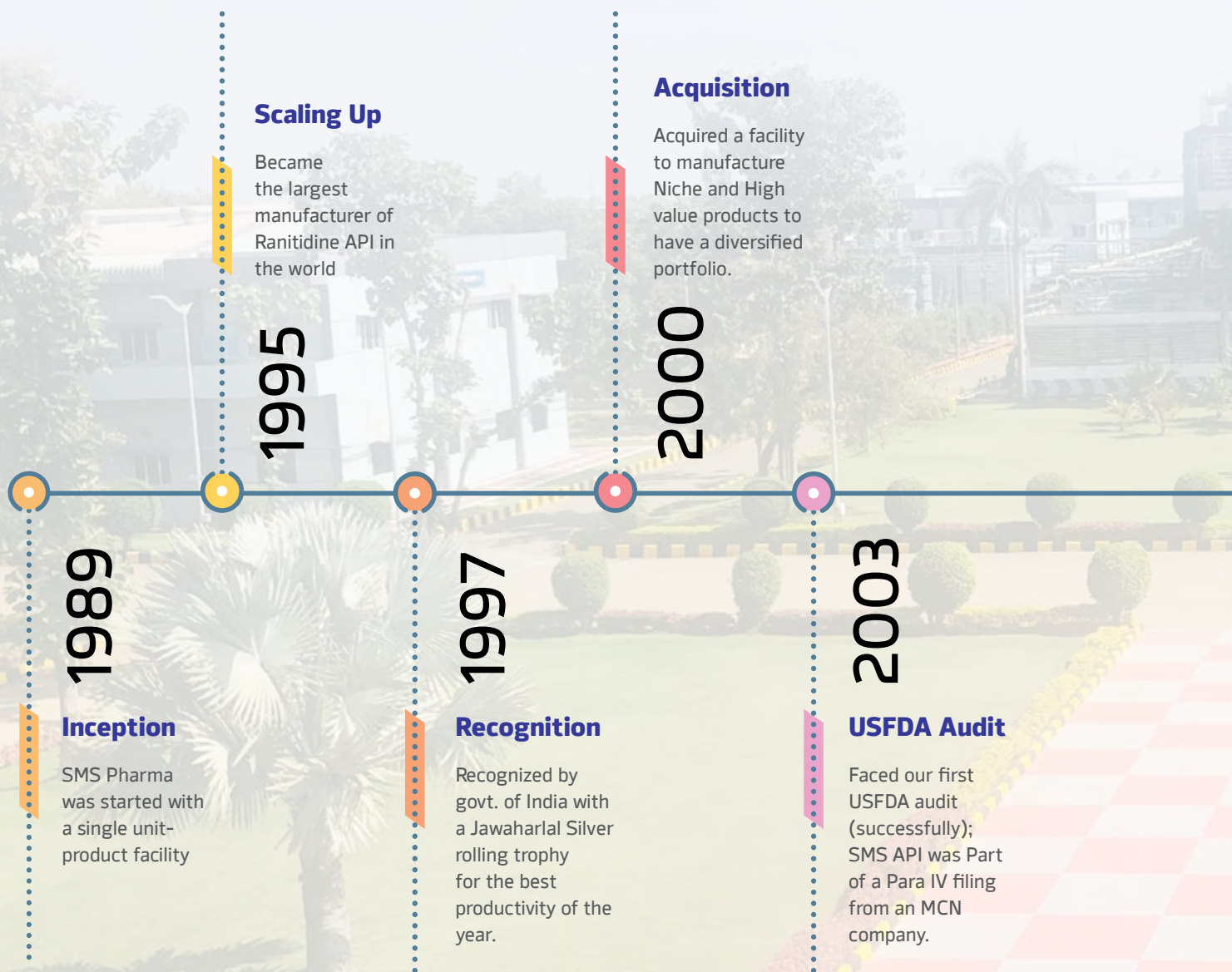
Our Mission

Setting benchmark as a leading manufacturer, develop cost effective process for APIs, manufacture and market them in regulatory markets. Manufacture & supply intermediates to patent holders in US & EU, forging relationships with top notch Companies for contract manufacturing and contract research projects and broaden our product base across various therapeutic segments.

Certificates



Our Milestones



Got Listed

SMS got listed on the NSE, BSE (Indian stock exchange) Public Listed company.

2007

Awards & Recognitions

Won the prestigious “ India Pharma Bulk drug company of the year” award and “Best bulk drug export company of the year” award from Govt. of India

2015

The company has successfully commercialised, Remdesivir & Favipiravir which are using treatment of Covid-19.

2020

2010

Green Field Project

Started a green field project to build an API facility about 100 acres of Land.

2017

Demerger

Demerged SMS group into 2 Entities - SMS Pharmaceuticals, SMS Lifesciences.

2021

Way Forward

Successful completion major expansion and commencement of commercial production

All time high of TOI and profitabilities

Our Reach





70+

Countries we operate in

80%

Revenue from overseas market

20%

Revenue from domestic market

1080

Employees across the globe

Two

Manufacturing facilities and One R&D center and One Independent analytical Laboratory

Sustaining our business

Profit

₹ **56,317.75** lakhs

Revenue from operations

₹ **12,456.38** lakhs

EBITDA

₹ **42,822.39** lakhs

Net worth

₹ **1,05,053.00** lakhs

as on 31-03-2021
Market capitalisation

₹ **4,042.31** lakhs

Free cash flow

₹ **7.20**

EPS

30%

Dividend per share

People

Gender diversity ratio

1,042 Male **96%**

38 Female **4%**

32 years

Average age of employees

4,387 hours

Average hours of training and development

60%

Raw materials sourced from local vendors/suppliers

₹ **116.48** lakh

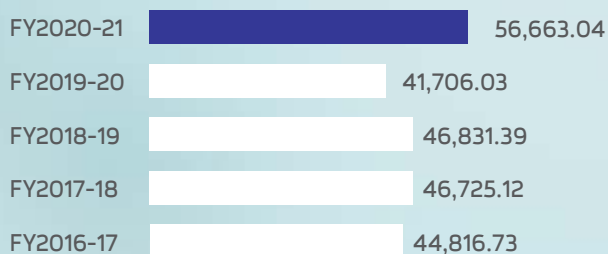
CSR spend



Financial Highlights

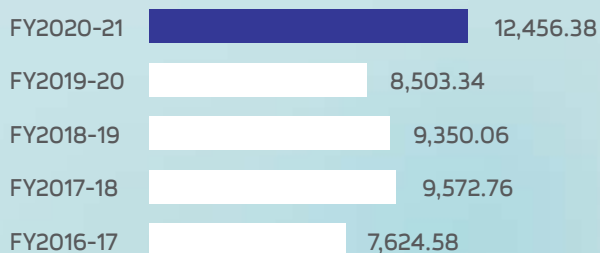
Total Income

(INR Lakhs)



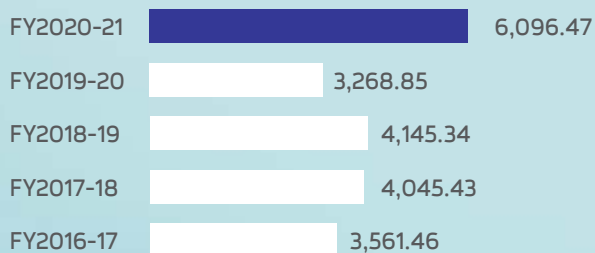
EBIDTA

(INR Lakhs)



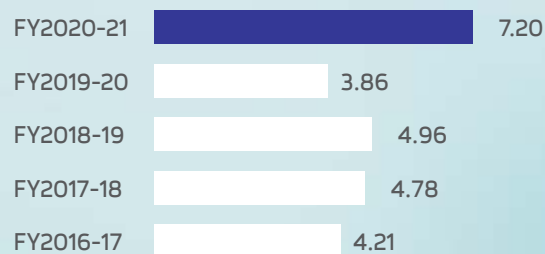
PAT

(INR Lakhs)



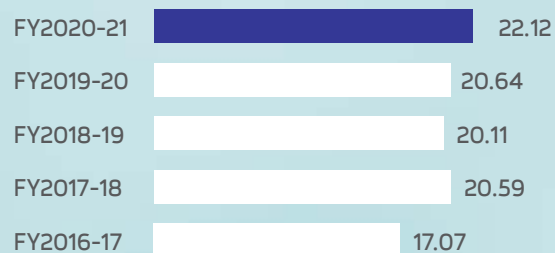
EPS

(INR)



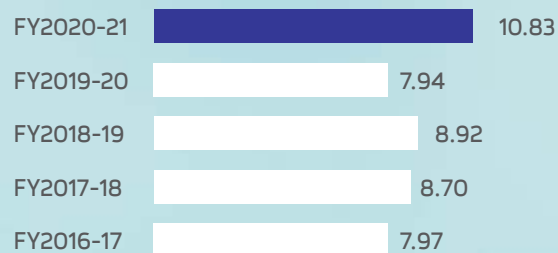
EBIDTA Margin

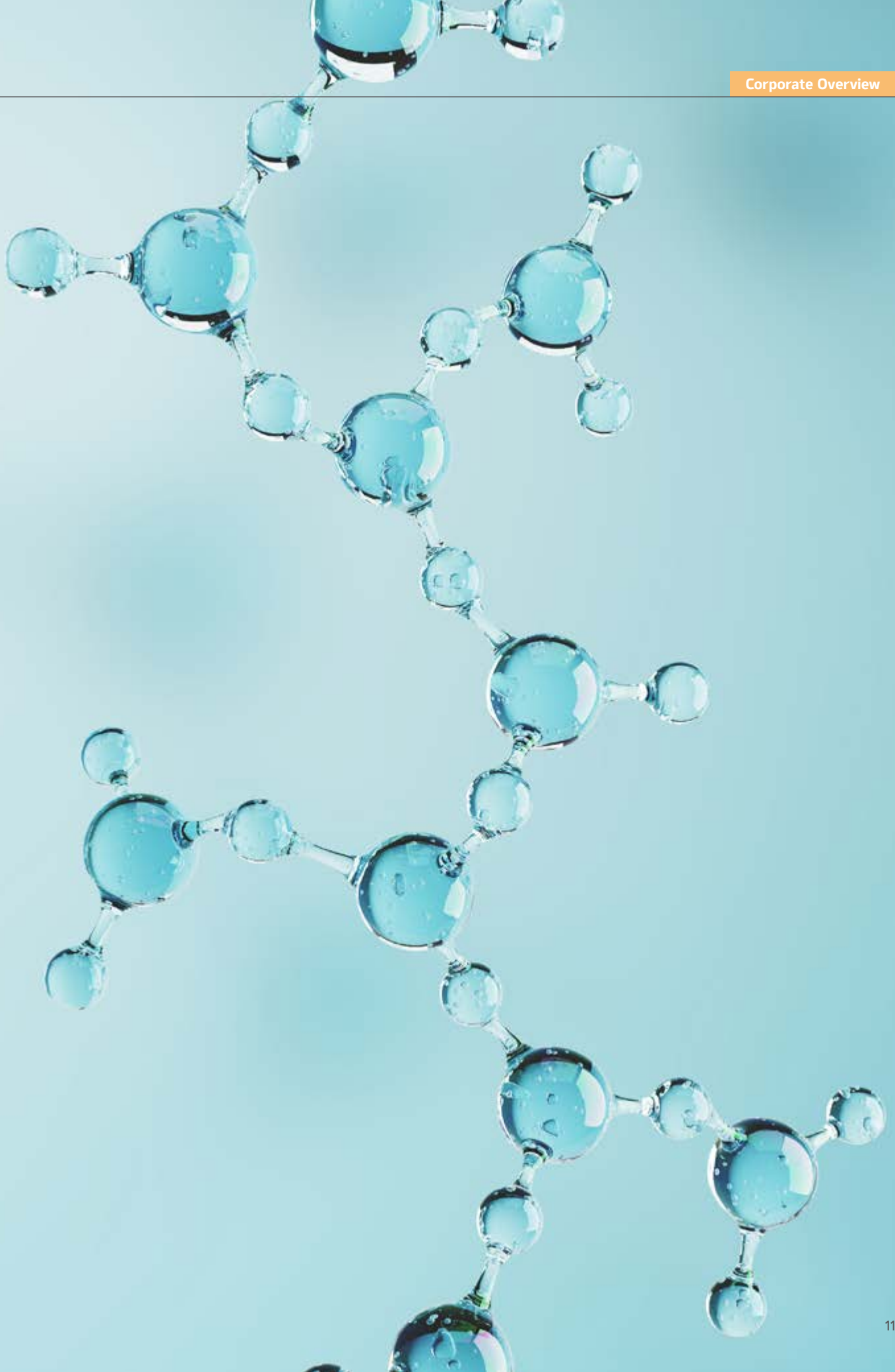
(%)



PAT Margin

(%)





Chairman's Letter



Dear Shareholders,

The financial year 2020-21 was an extraordinary and challenging year for all of us. It is our indomitable spirit that enabled us to remain resiliently focussed on our strategic priorities. Our endeavour was to improve the quality of human life by ensuring their health and well-being.

The pandemic has severely impacted the way we lead our lives. Many employees at SMS Pharma have been working from home but, others have continued to work in our laboratories and factories, ensuring continued supply of medicines to patients. I am grateful to them, and all those who worked hard to ensure the safety of our workplace and the wellbeing of employees.

Financial and operational performance

In FY21, we reported outstanding financial performance, improved profitability and sustained growth. Our revenue increased 36% year on year and PBT margins stood at 21.98%, improving by 390 bps. While profit margins rose by 300 bps, EPS increased by 86.50% in comparison to the previous year.

During the year under review, we continued to develop new and improved products that enabled us to increase

revenues and foster organisational growth. We also expanded our offerings to include products that were necessary for the treatment of Covid-19. It not only enabled us to widen our market share but, also enhanced our operational capabilities during the pandemic.

Caring for our people

In India, the pandemic still continues to wreak havoc, especially after the second wave. Although vaccination drives have picked up considerably, the threat to human life remains and we are dedicated to step up our efforts to support our people and the communities in which we operate. We have also arranged multiple task forces for employee hospitalization, healthcare support and vaccination. Besides, we have expanded the scope of employee benefits to include medical and term insurance for families of employees that we lost to the terrible virus. During the lockdown, we further focussed on skill enhancement of employees – particularly the field-force – to lend them a competitive edge over others in a constantly changing business environment.

Our employees have put in extraordinary efforts during the past year to ensure business continuity

despite multiple disruptions caused by the COVID-19 pandemic and the subsequent lockdowns. We have been able to maintain adequate supply of products in various markets, while simultaneously ensuring overall productivity. I remain extremely grateful to our people and their families for their relentless dedication to take our company to newer heights of success.

Looking Forward

We have shown remarkable agility and resilience throughout the year amidst unprecedented circumstances and remain committed to move ahead with dynamism. We anticipate improvements in revenue generation in FY22, relying on our current portfolio of products and our ongoing capacity building projects. We are expanding our capacities by adding a new production block to the existing facility and it is expected to be completely operational by the end of FY22.

With our constant focus on developing innovative products, we remain committed to fortify our research and development efforts. In order to create consistent value for our stakeholders and supply superior quality products while meeting all the national and global standards, we aim to diversify into newer therapeutic segments

that are going to be off patent in the near future. We are leveraging our R&D capabilities to undertake process improvements that will enable us to optimise our cost of production and increase our margins & profitability.

Lastly, I would like to take this opportunity to thank our Board of Directors for their guidance and support during uncertain times. We are also thankful to our shareholders, customers, suppliers and other stakeholders, for their continuous faith and confidence in our abilities.

Together, we are determined to scale new milestones in the days ahead!

Warm Regards,

Ramesh Babu Potluri
Chairman & Managing Director

Product Portfolio

We are one of the leading global suppliers of anti-retroviral APIs and intermediates and plan to further strengthen our capabilities with our foray in diverse therapeutic segments. With a diverse portfolio of products, we continue to meet emerging requirements of the pharmaceutical industry.

API Products

Anti-Ulcer

- ◆ Ranitidine HCL (Form-2) USP / Ph.Eur
- ◆ Famotidine USP / Ph. Eur / JP
- ◆ Pantoprazole Sodium Sesquihydrate US/Ph. Eur

Anti-Fungal

- ◆ Itraconazole USP / Ph.Eur / JP
- ◆ Lanocanazole USP / JP

Anti-Migraine

- ◆ Sumatriptan Succinate USP / Ph.Eur/ BP
- ◆ Sumatriptan Base USP / Ph.Eur/ BP
- ◆ Almotriptan Malate
- ◆ Zolmitriptan
- ◆ Rizatriptan Benzoate USP/ Ph.Eur
- ◆ Eletriptan Hydrobromide Monohydrate

Antiemetic Antiepileptic Antipsychotic Antihypertensiv Anti-Anginel

- ◆ Ondansetron HCL USP / Ph.Eur
- ◆ Levetiracetam USP / Ph.Eur
- ◆ Aripiprazole USP / Ph.Eur
- ◆ Imidapril Hcl
- ◆ Ranolazine

Erectile Dysfunction

- ◆ Sildenafil Citrate USP / Ph.Eur
- ◆ Tadalafil USP / Ph.Eur
- ◆ Vardenafi

Anti-Viral

- ◆ Penciclovir
- ◆ Valaciclovir

Anti-Diabetic

- ◆ Vildagliptin
- ◆ Sitagliptin HCL (Developmental Quantities)
- ◆ Rosiglitazone Maleate USP

Anti-Retroviral

- ◆ Tenofovir Disoproxil Fumarte
- ◆ Emtricitabine

Urinary Antispasmodic

- ◆ Solifenacin Succinate



Driving Innovation and Excellence

We leverage our Research and Development (R&D) capabilities to consistently upgrade our products and solutions. It enables us to offer new and improved products that meet the highest standards of quality and sustain our competitive edge. Along with the expertise of our in-house team, we also undertake collaborative efforts to meet diverse customer requirements.

Our R&D efforts enable us to conceptualise and formulate products that ensure cost optimisation, improve margins & profitability, reduce our environmental footprint and address customer demands effectively. Our R&D facility is also recognized by the Department of Scientific and Industrial Research (DSIR), Ministry of Science and Technology, Government of India.





Key focus areas

- ◆ Cost optimization and process improvement for commercialized products
- ◆ Development of non-infringing and cost effective process for products nearing patent expiry
- ◆ Providing contract research/custom synthesis services to Pharma majors
- ◆ Study of synthetic feasibility
- ◆ Selection of synthetic route
- ◆ Process development and scale up
- ◆ Lead optimization and analogue synthesis

Nurturing an engaged workforce

We strive to foster a diverse and inclusive working environment, encouraging and nurturing talent to fulfil organisational objectives. Our emphasis on creating a conducive workplace enables us to retain a highly engaged and motivated team.

Training & Development

At SMS Pharma, we remain focused on enhancing learning and development opportunities for our people. With a strong focus on skill development and upgradation of existing capabilities, we offer adequate resources and conduct programs to train our workforce. We provide an array of training which include Technical Trainings, Non-Technical Trainings, cGMP Trainings, on the Job Trainings, External Trainings, Motivational Trainings and Self Development Trainings which are conducted all throughout the year.

Safety, Health & Environment

We aspire to promote a safe and healthy working environment, focusing on employee well-being as a prime objective. SMS Pharma is dedicated to improve employee health and safety performance within the organisation and takes adequate steps to nurture skill-based and behavioural safety trainings. We also make sure to provide training on basic workplace safety to all our employees. The manufacturing staff undergoes advanced training from external agencies and continuous communication from the management helps to create a safety-first culture across the organisation.

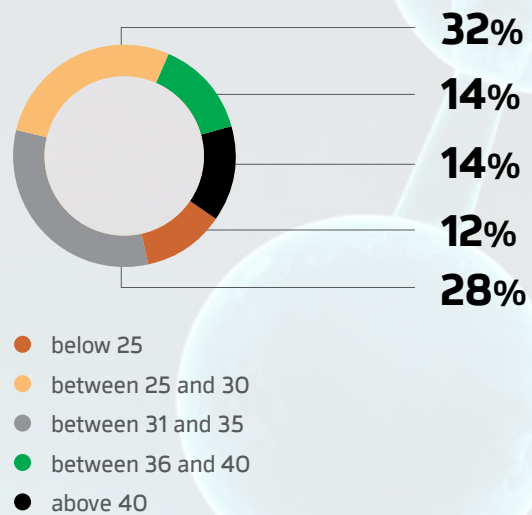
Inclusion & Diversity

We aim to foster inclusivity and diversity within the organisation, prioritising the need to offer equal opportunity to every employee, irrespective of their gender, caste, creed, race, nationality or physical disabilities. We are committed to build an inclusive organisation, where talent is recognised and rewarded, offering ample scope for professional as well as personal growth.

38

Women in the workforce

Age Mix (in %)



Corporate Social Responsibility

Acting responsibly and giving back to the society are integral to the way we do business. We believe in directing resources to provide support and help people improve their lives and livelihoods.

We strive to operate a sustainable organization that protects our employees, the environment, our partners and the communities in which we live and work. Our main focus areas for community development are health care (including sanitation and drinking water facilities) and education.

₹116.48 lakhs

Total amount spent in FY21



Company support to Campus Challenge, physically disabled



Dispense of Drinking Water Plant at Thammyapalem Village, Vizinagaram Distrc, AP – inaugurated by Shri Baddukonda Appalanaidu, Hon'ble Member of Legislative Assembly, AP.



Laid Foundation Stone by Shri Baddukonda Appalanaidu, Hon'ble Member of Legislative Assembly, AP for Construction of RCC GF+FF school building (8Nos of class rooms) in AP Balayogi Gurukulam (APSWRS) Premises at Kopperla Village, Pusapatirega (M), Vizianagaram District,



Underwent Heart Transplant Surgery to Uppu Edukondalu by Dr. Alla Gopala Krishna Gokhale, Sahrudaya Health, Medical and Educational Trust (The Company is continually supporting this activity by way of yearly contribution)

Key Initiatives Undertaken in FY21:

- ◆ Samdrushti Kshamata Vikas Evam Anusandhan Mandal (CAMBA) towards Rural Health development activities for support to disability people in Rural Area in both Andhra Pradesh and Telangana.
- ◆ Dispense Drinking Water Facilities at Thammayya Palem villages, Poosaptirega Mandal, Vizianagaram District, Andhra Pradesh which is vicinity of our manufacturing facility.
- ◆ Support for open heart surgery program for children and heart and lung transplantation programme, through Dr. Alla Gopala Krishna Gokhale, Sahrudaya Health, Medical and Educational Trust.
- ◆ Support to Campus Challenge, Konada Junction (On NH- 16), Kotha Kopperla (PO), Singavaram (SO), Vizianagaram Dist-5352 13. Campus Challenge is works for disadvantaged children in Coastal and Tribal Area in the state of Andhra Pradesh to create ability and facilitate the process of empowerment for the person with disabilities
- ◆ Construction of RCC GF+FF school building (8Nos of class rooms) in AP Balayogi Gurukulam (APSWRS) Premises at Kopperla Village, Pusapatirega (M), Vizianagaram District which is vicinity of our manufacturing facility.

Board of Directors

Sri Ramesh Babu Potluri Chairman & MD

- ◆ Post-graduate Technocrat.
- ◆ Started his career in the year 1984 with Cheminor Drugs Limited (Group of Dr. Limited Laboratory), Hyderabad.
- ◆ Played a key role in getting US FDA approval for Ibuprofen
- ◆ With his innovative skills and methodological approaches in R & D he developed cost effective Ibuprofen by using cyanide route.
- ◆ Acquired SMS Pharmaceuticals Limited in 1990 and became the Managing Director of the Company.

Sri Vamsi Krishna Potluri Executive Director

- ◆ Bachelor's in Engineering in EEE from BITS Pilani Dubai Campus. And Masters in Engineering Management from Missouri University of Science & Technology-Rolla.
- ◆ Joined Ohm Labs the biggest manufacturing hub of Ranbaxy in US in the supply chain group and had hands on experience in managing the supply chain.
- ◆ Eldest son of Sri Ramesh Babu Potluri, Chairman and Managing Director, SMS Pharmaceuticals Ltd.

Sri P. Sarath Kumar Independent Director

- ◆ Founder partner of the Sarath & Associates.
- ◆ Chartered Accountant with about 26 years of standing in the Profession of Chartered Accountancy and Consulting.
- ◆ Bachelor of Law and Certified Fraud Examiner & Certified Forensic Accounting Professional.
- ◆ 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.

Sri Shravan Kudravallii Independent Director

- ◆ Commerce Graduate from Osmania University and a Fellow member of the Institute of Chartered Accountants of India.
- ◆ Partner in a reputed Chartered Accountancy firm and has experience in the area of Auditing, Accountancy, Company Law matter, Income Tax and Finance.
- ◆ Involved in handling Internal and Statutory Audits of various Public and Private Companies and Systems designing for clients.

Dr. Smt. T Neelaveni Independent Director

Dr. Neelaveni Tummala was inducted into the board of SMS Pharmaceuticals Ltd. in August 2014 .

Dr. Neelaveni graduated from Osmania University in 1986. She has been practicing medicine for over 35 years. In addition to her practice, she has been deeply involved various philanthropic activities. She actively works with Aarohi blood bank, a non-profit organization that collects and donates blood for thalassemia and leukemia affected children.

In addition to serving on the board of SMS Pharmaceuticals, Dr. Neelaveni has served on the boards of several distinguished companies like Oakridge, SMS Lifesciences & Aarohi Blood Bank.

Sri Sarvepalli Srinivas Independent Director

- ◆ Holds a B.Com. Degree from the University of Delhi.
- ◆ Accomplished Business leader with 3+ decades of proven leadership experience in leading Public / Private Sector enterprises with decisive and forward thinking with a strong vision and strategic capability.
- ◆ 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.

Smt. Shilpa Waghmare Nominee Director – Export- Import Bank of India (introduced to the Board on 31st January, 2019)

Smt. Shilpa Waghmare holds a Bachelor's degree in Commerce and is 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, Ms. 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.

Award & Recognition

Indo US NCGC Award

First Indian pharma company to receive Indo-US GCNC award for adopting green chemistry practices

Pandit Jawaharlal Nehru Silver Rolling Trophy

Awarded Pandit Jawaharlal Nehru Silver Rolling Trophy for the best productivity effort in Andhra Pradesh

Bulk Drug Company of the Year

Received the Indian Pharma Bulk Drug Company of the Year Award and India Pharma Bulk Drug Export Company of the Year Award from Government of India.

Board's Report

To
The Members of
SMS Pharmaceuticals Limited.

Your Directors are pleased to present the 33rd Annual Report of SMS Pharmaceuticals Limited ("The Company") along with the audited financial statements for the financial year ended 31st March, 2021. The Consolidated performance of the Company has been referred to wherever required.

FINANCIAL SUMMARY

(INR in Lakhs)

Particulars	Standalone		Consolidated	
	2020-21	2019-20	2020-21	2019-20
Gross Sales	58,190.01	43,307.54	58,190.01	43,307.54
Net Sales	53,764.44	39,409.09	53,764.44	39,409.09
Income from Services	2,317.29	1,325.44	2,317.29	1,325.44
Other Operating Income	236.02	460.16	236.02	460.16
Net Revenue from Operations	56,317.75	41,194.69	56,317.75	41,194.69
Other Income	345.29	511.34	345.29	511.34
EBIDTA	12,456.39	8,503.34	12,456.39	8,503.34
Finance Charges	1,116.25	1,221.14	1,116.25	1,221.14
Depreciation	2,228.16	2,206.64	2,228.16	2,206.64
Profit Before Tax	9,111.98	5,075.56	9,111.98	5,075.56
Taxation	3,015.52	1,806.71	3,015.52	1,806.71
Profit After Tax	6,096.46	3,268.85	6,252.69	3,157.37
Earnings per share - Basic/Diluted(Rs)	7.20	3.86	7.39	3.73

STATE OF COMPANY AFFAIRS

In Financial & Production terms

During the year 2020-21 the Company had achieved production of 611.39 M.T. of APIs and their Intermediates in comparison with 471.00 M.T. for the FY 2019-20. The net sales of the Company for the year 2020-21 have reached 53,764.44 lakhs as against 39,409.09 lakhs for the year 2019-20. The Company has achieved an EPS of Rs. 7.20 in the FY 2020-21 as against Rs. 3.86 in the year 2019-20.

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 for your company for the financial year 2020-21 was **Rs. 156.23 lakhs**.

During the reporting period your Company has incorporated

Joint Venture (JV) in Spain with nomenclature of "CHEMO SMS ENTERPRISES SL" in the ratio of 55:45 with a share of 45% to be contributed by your Company. The main objective of the JV has been to develop the products and manufacturing them at our Company's manufacturing facility. The technical ownership of the JV products will be the property of the JV Company which includes Drug Mater Filings (DMFs) of the Products under JV. There were no transactions during the reporting period, however, all the JV product sales were routed directly from your company to the end customers during the reporting period as per JV manufacturing arrangement

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., Form AOC-I forms part of the Report as **Annexure 1**.

CHANGE IN NATURE OF BUSINESS

As per the requirements of Rule 8 (5) (ii) of Companies (Accounts) Rules, 2014, your Board of Directors specify that, there is no significant change in the nature of business of the Company during the last financial year.

COVID - 19

Your company supported employees and their families, society and Government bodies during these tough times. A thorough thermal scanning and sanitization protocol was introduced at all the plants and offices. The system of monitoring employees for signs & symptoms through voluntary disclosure is put in place. Work from home was provided wherever possible to maintain lean staff in the work area. Also provided PPEs to frontline workers in the police department and medical colleges who are treating COVID-19 patients and containment centers. Your Company is committed to support the Government and other authorities to extend its helping hand in the fight against COVID-19 pandemic.

MANAGEMENT DISCUSSION & ANALYSIS

Pursuant to Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), the Management Discussion and Analysis is presented in a separate section forming part of this Annual Report. As required under the provisions of the Listing Regulations, the Audit Committee of the Company has reviewed the Management Discussion and Analysis report of the Company for the year ended 31st March, 2021. A detailed report on 'Management Discussion and Analysis' forms 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**.

Listing of shares

Equity shares of the Company are listed in National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) with effect from 28th February, 2007. [Listing fees has been paid for the year 2021-22 to both the Exchanges].

Material Changes and Commitments, affecting the financial position of the Company:

There are no material changes and commitments which affect the financial position of the Company that have occurred between the end of the financial year to which the financial statements relate and the date of this report.

TRANSFER TO RESERVES

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

DIVIDEND

Your Directors have pleasure in recommending the dividend of Re. 0.30 (i.e. 30%) per equity share of Re. 1/ face value, aggregating to Rs. 2,53,95,609/- (Rs. Two Corers fifty three lakhs ninety five thousand six hundred and nine only) 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, the Directors other than the nominee and independent directors are liable to retire by rotation. Accordingly, Sri. Ramesh Babu Potluri, is liable to retire by rotation at the ensuing Annual General Meeting and being eligible, seeks reappointment. A brief profile of directors seeking re-appointment is 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 enrolled in the Independent Director

databank maintained by Indian Institute of Corporate Affairs (IICA) as per Companies (Creation and Maintenance of databank of Independent Directors) Rules, 2019.

Declaration from Independent Directors:

The independent directors have submitted the declaration of independence stating that they meet the criteria of independence as prescribed in sub-section (7) of Section 149 of the Companies Act, 2013 as well as under regulation 16(1) (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Annual Evaluation of Performance of Board of Directors

Your Company had conducted a separate Meeting of Independent Directors during the year on 4th June, 2020 in which they had evaluated the performance of Executive directors and Non- Executive/Nominee Directors. Further, in the Board Meeting held on 12th August, 2020 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 has laid down the criteria for the performance of individual Directors 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.

Familiarization Programmes for Independent Directors

The Company has put in place a system to familiarize its Independent Directors with the Company, their roles, rights & responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc. The details of such familiarization programmes are put up on the website of the Company. <https://smspharma.com/investor-relations/download/>

RISK MANAGEMENT POLICY

SEBI Board Meeting held on 25th March, 2021, considered and approved amendments to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 in relation to applicability, constitution and role of the Risk Management Committee (RMC) of listed entities. The amendments inter-alia include the following: • The requirement to constitute the RMC has been extended to the top 1000 listed entities by market capitalization from the existing top 500 listed entities and “SMS Pharmaceuticals Limited” comes under the top 1000 companies and the Risk Management Policy is applicable to your Company also and the “SMS Risk Management Committee” has been Constituted in the Board of Directors Meeting held on 28th May, 2021 and the Committee had been formed with the following Directors.

Sri. Ramesh Babu Potluri, Chairman and Managing Director – Chairman, Sri. Vamsi Krishna Potluri – Executive Director – Member, and Sri. Shravan K, Independent Director – Member.

SMS Risk Management Policy has been recommended by the Committee in its meeting held on 7th August, 2021 to the Board of Directors of the Company and the Board of Directors approved and adopted the Policy in the meeting held on 7th August, 2021 and the same is available in the website of the Company. <https://smspharma.com/investor-relations/download/>

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.

THE CRITERIA FOR APPOINTMENT OF DIRECTORS, KMPS AND SENIOR MANAGEMENT

A person for appointment as Director, KMP or in senior management should possess adequate qualifications, expertise and experience for the position considered for appointment. The Nomination and Remuneration Committee decides whether qualification, expertise and experience possessed by a person are sufficient for the concerned position. The Committee ascertains the credentials and integrity of the person for appointment as Director, KMP or senior management level and recommends to the Board his/ her appointment.

The Committee, while identifying suitable persons for appointment to the Board, will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.

The Nomination and Remuneration Committee shall assess the independence of directors at the time of appointment; re-appointment and the Board shall assess the same annually. The Board shall re-assess determination of independence when any new interests or relationships are disclosed by a Director.

The criteria of independence are as prescribed in the Act and the listing regulations and the Independent Directors shall abide by the Code specified for them in Schedule IV of the Act.

The Nomination and Remuneration Committee has the criteria for appointing any Key Managerial Personnel (KMP) and nominating directors on the Board. 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 four (4) meetings of the Board of Directors were held on 5th June, 2020, 12th August 2020, 3rd November, 2020, and 10th February, 2021. The Four (4) Meetings of the Audit Committee were held on 5th June, 2020, 12th August, 2020, 3rd November, 2020 and 10th February, 2021. A detailed information required under Sec. 177(8) and 177(10) of the Companies Act, 2013 and composition of various committees is provided in 'Corporate Governance Report' forms part of this report.

EXTRACT OF ANNUAL RETURN

Pursuant to Section 92 and Section 134 of the Companies Act, 2013, the Company has placed a copy of the Annual Return as at 31st March, 2021, on its website at <https://smspharma.com/investor-relations/annual-reports/>. The extract of Annual Return is prepared in prescribed form i.e., 'Form MGT-9' attached to this Report as **Annexure – 4**.

CERTIFICATION FROM MANAGING DIRECTOR AND CFO

A certificate of the Managing Director and Chief Financial Officer of the Company on Financial Statements and applicable internal controls as stipulated under Regulation 17(8) of the SEBI (LODR), Regulations, 2015, is enclosed to this Report as **Annexure-5**.

CORPORATE GOVERNANCE

A Report on Corporate Governance as stipulated under Schedule V of the SEBI (LODR) Regulations, 2015, is enclosed as Annexure - 6 forming part of this report. The requisite

certificate from M/s. Suryanarayana & Suresh, Chartered Accountants, confirming the compliance with the conditions of Corporate Governance is annexed to the Report on Corporate Governance.

Business Responsibility Report (BRR)

The Listing Regulations mandate the inclusion of the BRR as part of the Annual Report for top 1000 listed entities based on market capitalization. The Business Responsibility Report is annexed and forms part of the Annual Report.

Vigil Mechanism / Whistle Blower Policy:

The Company established a whistle blower policy in order to assure that the business is conducted with integrity and that the Company's financial information is accurate.

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 as 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, 2021 as investments which amounts to 42.62%.

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, 2021 are provided as **Annexure-7**.

RELATED PARTY TRANSACTIONS

All contracts/arrangements/transactions entered by the Company during the financial year 2020-21 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, 2013 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 were 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-8**.

CORPORATE SOCIAL RESPONSIBILITY

Pursuant to Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, your Company has constituted the CSR Committee consisting of the Directors as specified in **Annexure - 9**, with the roles and responsibilities duly defined in accordance with the CSR Policy Rules. The Committee met once on 12th August, 2020 during the Financial Year 2020-21.

The average net profits of the Company during the preceding three years stands as Rs. 5,786.53 lakhs hence the Company is required to spend a sum of Rs. 115.73 lakhs towards CSR Expenditure in FY 2020-21.

Dividend Distribution Policy:

The Dividend Distribution policy containing the requirements mentioned in Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 forms a part of this Annual Report (**Annexure - 10**) and the same is available on the Company's website and may be accessed at <https://smspharma.com/investor-relations/download/>

PARTICULARS OF EMPLOYEES

Particulars of employees required to be furnished 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 - 11**.

None of the employees of the Company is receiving a salary of more than Rs. 8.50 lakhs per month.

Prevention of Insider Trading

Pursuant to SEBI (Prohibition of Insider Trading) Regulations, 2015 as amended, the Company has adopted the Code of Internal Procedures and Conduct for Regulating, Monitoring and Reporting of Trading by Designated Persons and their Immediate Relatives along with Code of Fair Disclosures and a copy of the same may be accessed on Company's website at <https://smspharma.com/investor-relations/download/>

Environment, Health and Safety Environment:

The Company is conscious of the importance of environmentally clean and safe operations. The Company's policy requires conduct of operations in such a manner so as to ensure safety of all concerned, compliances of environmental regulations and preservation of natural resources.

Health:

During the financial year the company has undertaken following activities:

- Organized frequent medical checkups for all employees and contract workers at all locations of the Company.
- Availability of first aid boxes in every department/section and maintenance site.
- Availability of equipped ambulance at all the times to assist the patient to the nearest hospital.
- Imparted health education through programs and initiatives and created awareness among employees on the precautions to be taken against Covid.
- Arrangement of hospitalization for severe Covid infected employees.

Safety:

- Safety awareness has been enhanced by way of training on hazard identification, risk assessment and continuous training to the newly inducted employees and regular training to the employees on SOPs, mock drills on emergency preparedness and mitigation exercises.
- Installed fire extinguishers at appropriate places and provided training to members on its functioning.
- Ensured use of personnel protection equipment (PPE) at sites with safety protocols.
- Undertook examination and audit of equipment at regular intervals by internal as well as external agencies.

- Ensured strict adherence of Covid protocols across the sites and offices.
- Maintaining hygiene at work place and promoting self-hygiene among personnel.
- Coverage of all employees under Covid Insurance Policy.

Capital Expenditure

During the financial year 2020-21, the Company has capitalised assets of Rs.19, 808.66 lakhs, and an amount of Rs.674.37 lakhs is carried forward as capital work-in-progress at the end of the year

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION

The information required under Section 134(3)(m) of the Companies Act, 2013 read with the applicable Rules forms part of this report as **Annexure- 12**.

FOREIGN EXCHANGE EARNINGS AND OUTGO

(INR in Lakhs)

Particulars	2020-21	2019-20
Earnings		
FOB Value of Exports	13,593.49	9,809.70
Outgo		
Sales Commission	210.28	73.40
Travelling Expenses	-	1.54
CIF Value of Imports		
Raw Materials	5,091.04	1,386.05
Capital Goods	2,265.80	350.81

AUDITORS

Statutory Auditors

M/s. Suranarayana & Suresh, Chartered Accountants, (Firm Registration No. 006631S) were appointed as the Statutory Auditors of the Company to hold office for a period of five (5) consecutive years till the Conclusion of the 34th Annual General Meeting of the Company to be held in the year 2022 (subject to ratification by the members at each AGM).

In terms of first proviso to Section 139 of the Companies Act, 2013, the appointment of the Statutory Auditors shall be placed for ratification at every Annual General Meeting. However, pursuant to the Companies (Amendment) Act 2017, the

requirement for ratification of Statutory Auditors appointment 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.

Accordingly, M/s. Suranarayana & Suresh, Chartered Accountants, will continue as the Statutory Auditors of the Company till the conclusion of 34th AGM of the Company.

Internal Auditor

The Board has appointed M/s. Adusumilli and Associates, Chartered Accountants, as an Internal Auditors of the Company for a period of two years from the Financial Year 2020-21 to 2021 – 22 under Section 138 of the Companies Act, 2013, in accordance with 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, 2021. Secretarial Audit Report in Form MR-3 for the financial year 2020-21 forms part of this report as **Annexure –13**.

Annual Secretarial Compliance Report

Pursuant to provisions of SEBI circular no. CIR/CFD/CMD1/27/2019 dated 8th February, 2019, the Company has obtained Annual Secretarial Compliance Report forms part of this Report as **Annexure-14** 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.

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, upon 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 2021-22. These provisions also require that the remuneration of the Cost Auditor is to be approved by the shareholders. As a matter of record, the Cost Audit Report for the year 2020-21 was filed with the Central Government within the prescribed time limit.

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.

POLICIES

Company has following policies in place pursuant to applicable provisions of the Act and SEBI Listing Regulations and the same are published on the official website of the Company (www.smspharma.com):

1. Code of Business Conduct & Ethics for Other Stake Holders
2. Code of Regulation & Prohibition of Insider Trading
3. Code of Conduct for Board & Senior Management
4. Criteria for making payment for non-executive Directors
5. Corporate Social Responsibility Policy
6. Document preservation policy
7. Familiarization program of Independent Director
8. Policy for evaluation performance of the Board
9. Policy for related party transaction
10. Policy for disclosure of material information
11. Policy for sexual harassment
12. Staff advances policy
13. Vigil Mechanism (Whistle blower policy)
14. Policy for determination of legitimate purpose
15. Dividend Distribution Policy

16. Risk Management Policy

HUMAN RESOURCES / INDUSTRIAL RELATIONS

The Human Resources Department continued to maintain cordial working relations across the spectrum of employees in the Company.

As part of its strategic initiatives, HR department has carried forward the Leadership program for the senior Management team and continued to engage them across varied programs such as Blue Ocean Strategy and Creative Block-busting aimed at honing their leadership skills. The Management is also introducing Managerial effectiveness programs for the middle management group to develop the next level of Managers and Leaders in the Company.

SHARE TRANSFER SYSTEM

Pursuant to Regulation 40 of SEBI (LODR) Regulations, 2015, as amended vide Notification No. SEBI/LAD-NRO/GN/2018/24 dated 8th June, 2018 and Press Release No: 49/2018 dated 3rd December, 2018, shareholders may please note that, with effect from 1st April, 2019, transfer of shares (except transmission and transposition of shares) will be in dematerialized form only. Therefore, the shareholders are requested to dematerialize their shares in order to have a hassle-free transfer. Members can contact the Company or Company's Registrars and Transfer Agents, Aarthi Consultants Private Limited for assistance in this regard.

GENERAL DISCLOSURE

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:

- a) No material changes and commitments affecting the financial position of the Company between the financial year ended 31st March, 2021 and the date of this report.
- b) No fraud has been reported by the Auditors to the Audit Committee or to the Board.
- c) No material and significant orders passed by the regulators or courts or tribunals impacting the going concern status and the Company's operations in future
- d) Company has complied with the requirements of the Secretarial Standards issued by Institute of Company Secretaries of India.

- e) There are no instances where the Board has not accepted the recommendation of Audit Committee.
- f) Cost records are maintained as per the requirements of Section 148 of the Act.
- g) The extract of the Annual Return [Form MGT-9] forms part to the Board Report as **Annexure-4**

VIGIL MECHANISM (WHISTEL BLOWER POLICY)

The Company has established a Vigil mechanism and formulated a Whistle Blower Policy through which all the stakeholders of the Company can report their concerns about unethical behavior, actual or suspected fraud, or violation of code of conduct and ethics policy. It also provides for adequate safeguards against victimization of director(s)/ employee(s) who avail of the mechanism and also provide for direct access to the Chairperson of the Audit Committee. 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.

DISCLOSURE UNDER THE SEXUAL HARASSEMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013:

In order to comply with the provisions of the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013 and Rules framed thereunder, the Company has formulated and implemented a policy on prevention, prohibition and redressal of complaints related to sexual harassment of women at the work place. All women employees permanent, temporary or contractual are covered under the above policy. Your Company has zero tolerance towards sexual harassment

at the workplace and the details of sexual harassment complaints as per the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder are as follows:

No. of Complaints received	:	Nil
No. of Complaints disposed-off	:	Not Applicable

The Company has constituted an Internal Complaints Committee for redressal of complaints and is committed to provide 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.

COMPLIANCE WITH SECRETARIAL STANDARDS ON BOARD AND ANNUAL GENERAL MEETINGS

During the year under review, the Company has complied with Secretarial Standards issued by the Institute of Company Secretaries of India.

CODE FOR PREVENTION OF INSIDER TRADING

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.

Insurance:

All properties and insurable interests of the Company including buildings, plant and Machinery and stocks have been fully insured.

Rating

Rating: CARE Rating Limited has assigned its rating of "A- with a stable outlook" on the long term bank facilities of the Company and A2 on the short term bank facilities of the Company.

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 the preparation of the Financial Statements for the year ended 31st March, 2021 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

During the year under review, there were no significant material orders passed by the Regulators / Courts which would impact the going concern status of the Company and its future operations.

Acknowledgements:

Your Directors take this opportunity to express their sincere

appreciation and to thank the Customers, Shareholders, vendors, bankers, business associates, financial institutions and Central and State Governments for their consistent support and encouragement to the Company. 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.

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.

By the order of the Board

Place: Hyderabad
Date: 07-08-2021

Ramesh Babu Potluri
Chairman and Managing Director
(DIN:00166381)

Annexure- 1

FORM AOC - 1

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 (Associate Company)	Chemo SMS Enterprises SL (Joint Venture Company)
1	Latest audited Balance Sheet Date	31.03.2021	31.03.2021
2	Shares of Associate/Joint Ventures held by the company on the year end		
	No. of Equity Shares	38,50,165 Equity Shares of Rs.10/- each.	No contribution was made
	Amount of Investment in Associates/Joint Venture	Rs.4,499.87 Lakhs	
	Extent of Holding%	42.62	45.00
3	Description of how there is significant influence	Based on the percentage of holding in the investee Company.	Based on the percentage of holding in the investee Company
4	The associate is consolidated	Financial Statement Consolidated for FY 2020-21	There were no transactions during the reporting period
5	Net worth attributable to shareholding as per latest audited Balance Sheet	Rs. 2,234.36 Lakhs	NA
6	Profit/Loss for the year	Rs. 156.23 lakhs	NA
	i. Considered in Consolidation		
	ii. Not Considered in Consolidation		

By the order of the Board

Place: Hyderabad
Date: 07-08-2021

Ramesh Babu Potluri
Chairman and Managing Director
(DIN:00166381)

Annexure- 2

MANAGEMENT DISCUSSIONS AND ANALYSIS

Pharmaceutical Industry

Research, development, production, and distribution of medicines are the responsibilities of the pharmaceutical industry. With new technologies and increasingly efficient manufacturing approaches, the pharmaceutical industry has experienced a massive transformation. An increase in investment flow in this area has also impacted the market growth in a positive manner. Robotic technology and artificial intelligence (AI) can reduce downtime and production waste on manufacturing floors. Furthermore, demand has grown for single-use disposable solutions in this sector, replacing conventional open-transfer manufacturing techniques. A paradigm shift has been achieved towards integrated, smart, and data-rich paperless operations to produce accurate and error-free products. The development of these drugs has propelled the pharmaceutical industry.

As of 2020, the global pharmaceutical manufacturing market was valued at USD 405.52 billion, and it is expected to grow at a compound annual growth rate (CAGR) of 11.34% between 2021 and 2028¹. With continuous development in the personalized medicine field, a multitude of options exist to treat different health conditions, allowing for patient-centric models to be developed. For the development of complex medicines and autologous patient-centric treatments, this progress has resulted in a shift from large batches to smaller batches. Consequently, manufacturers have been encouraged to restructure their supply chains in order to better align with the patient-centric health care system.

Pharmaceutical companies, more than any other industry, are highly dependent on research and development, investing as much as 20% of their sales in research and development. Companies with high research and low sales can have a much higher share of this segment. Pharmaceutical companies rely on the discovery and development of new drugs to maintain their growth, and the sale of new branded drugs is a significant contributor to total revenues. Drug manufacturing procedures are expected to improve with an increase in drug approvals by regulatory bodies. To illustrate, the FDA approved 59 drugs in 2018, 49 drugs in 2019, and 15 drugs until April 2020¹. In addition, there are numerous on-going clinical trials that will create numerous opportunities for market expansion.

In 2020, the retail segment accounted for 77.95% of total revenues¹. Due to the increased costs of medical treatment and the health insurance marketplace, more people have shifted their preferences to self-medication for treating minor health concerns. Furthermore, OTC medicines have become popular due to their ease and affordability. In light of these factors, retail pharmacies have a high adoption rate for drugs, which in turn grows their share of the market.

Over the past few years, specialty pharmacies have gained significant traction, resulting in specialties drugs being widely available at retail pharmacies, thereby driving segment growth. As part of their partnership and collaboration models, retail pharmacies work with healthcare providers and medical facilities to improve clinical outcomes and remain competitive.

With the advent of electronic transfer of information, there are likely to be many new possibilities within primary care. It can eliminate the problem of poor communication between the primary and secondary care systems. Moreover, diagnostic support systems can automate the introduction of clinical pathways of care, which clinicians can customize based on the needs of each patient. Thus, the non-retail segment's share of pharma sales is projected to grow the fastest between 2021 and 2028.

Over the last few years, mergers and acquisitions in the pharmaceutical industry have grown. Despite the highly competitive environment, a majority of well-established companies consolidate in order to enhance their market position. However, mid-sized and small pharma companies are being taken over for their high-level innovation. As a result of tough regulatory measures designed to curb pharmaceutical prices, massive mergers and acquisitions have taken place.

The Indian pharma industry is poised for a big leap forward in this decade. Health, science and innovation have come to sharp focus as never before. The developments over the past year have emphasised the importance of an innovation ecosystem, a robust infrastructure for production of drugs and pharmaceuticals and need to constantly build a huge talent pool of scientists, researchers and technologists who can be the arrow heads for the future. India has emerged as a pharmacy to the world, supplying critical drugs and vaccines in the course of this pandemic.

¹A research report by Grand View Research

While the Covid-19 pandemic put India's physical healthcare infrastructure in intense focus, it led to enhanced adoption of digital health (online consultation, increased usage of digital platforms like telemedicine and e-pharmacies) and home health services. At the same time, the government has announced PLI scheme to boost the API industry in India. This scheme is in line with the government's emphasis on building an Aatmanirbhar Bharat (self-reliant India) and could give impetus to India's pharmaceutical sector.

Outlook

The Indian pharma industry has been a key contributor in improving the Country's healthcare and economic outcomes. The pandemic has enhanced several opportunities and challenges for the industry. To emerge as a winner in the post-pandemic world, the industry needs to continue building on its strengths and at the same time take a giant leap towards innovation and technology adoption. New capabilities need to be introduced across the business functions to bring in fresh skills and to help the industry move up the value chain. The government would also need to create the right environment and provide the right incentives to give fillip to business growth in this sector.

Global Economy

The Covid 19 outbreak forced many countries into months of lockdown in 2020, significantly bringing down economic activity. This had grave bearings across markets, even as several countries' observed a second and third wave of the infections that disrupted normal living and working conditions.

During the year 2020-21, the global economy experienced a once-in-a-century crisis triggered by the COVID-19 pandemic. During 2020, the global economic output contracted by 3.2%, bringing about adverse effects and long-term consequences on global socioeconomic activity. Global economic activity was halted for most of the first half of FY 2020-21 because governments around the world responded by enacting social distancing, lockdown, and quarantine measures, along with a wide range of economic restrictions to combat the outbreak.

Following support from governments and central banks in many countries, which undertook far-reaching policy measures from supporting households, to equity injections, handing out loans and guarantees, there has been steady economic recovery in many countries. However, this recovery is varied across geographies depending on the inherent strength of each economy, but also the success of individual countries in containing the spread of the virus. China, for example, which implemented stringent control measures, has seen a faster economic recovery than most economies. The United States is

projected to surpass its pre-COVID levels this year, well ahead of euro area. With advanced economies generally expected to recover faster, economic disparities across the world are expected to increase. Over 50% of emerging markets and developing economies that were closing the gap with advanced economies per capita income over the last decade are expected to register a sharp downward trend over the 2020-22 period.

During the worldwide lockdowns, factory output was severely interrupted, travel was disrupted, as well as demand was reduced, which led to the first drop in world trade since the financial crisis. As a result of the pandemic, various countries implemented major fiscal stimulus measures. The governments of every country contributed substantially to household and business growth (direct taxation and spending measures, equity injections, loans, and guarantees). The central banks enhanced these actions by increasing their asset purchase programmes, offers of loans for equity investments, and, in some cases, by cutting interest rates. Recovery was hampered by a second wave of infection, which occurred in several developed countries during the last quarter of the year.

Outlook

According to the International Monetary Fund (IMF), the global economy is projected to grow at 6% in 2021 and 4.4% in 2022. However, a resurgence of the virus across the world and new mutations has worsened the outlook for the very near term as measures to contain the spread of the virus dampen activity. Access to medical supplies, effectiveness of monetary policy support, and exposure to cross-country spillovers will become crucial in driving the recovery.

There will likely be inequalities in the extent of global recovery in the future. Depending on the intensity of the health crisis, the disruption of economic activities (due to the economy's structure and its reliance on contact intensive sectors), cross-border spill over exposure and policy support to limit damage, the rate of recovery will differ from country to country. However, the recovery in the services sector is expected to take longer than the recovery in goods, which corresponds with a slowdown in cross-border tourism and business travel. In addition to the vaccination drive that began in several countries, growth optimism has also been fueled. Assurances of a faster recovery could be raised by this development, coupled with a noticeable increase in the efficacy of treatments.

Indian Economy

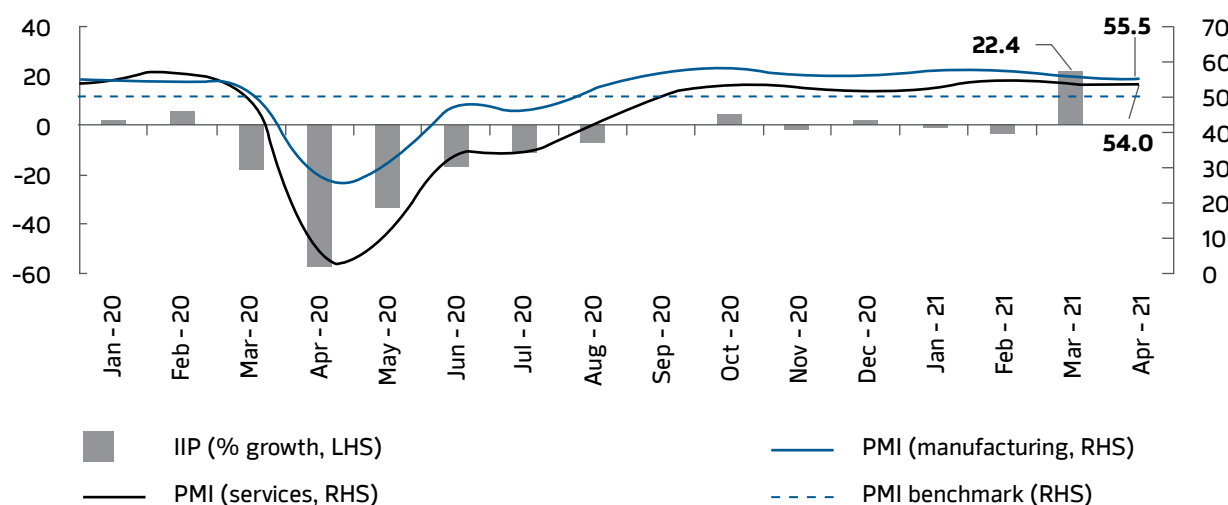
FY 2020 was an exceptional year for the Indian economy as well. As a result of the lockdown, the GDP dropped 23.9% during Q1 FY 2020-21 and recovered in a 'V'-shaped pattern in Q2 because economic indicators recovered more rapidly². Indian economy shrank 7.3% in FY21, the largest drop occurring in Q1 which was

primarily attributed to a government-enforced lockdown due to Coronavirus outbreak¹. The following phased unlocking from June; the economy saw a gradual recovery. India's GDP reverted to pre-covid levels in Q3 2020-21, and the pace of growth is expected to rise moderately in Q4 2020-21. Signs of uptick were visible in the second half of the year due to consumption growth. The Government has made significant efforts towards safeguarding citizens and energizing the economy.

The Indian economy had a strong month of growth in March 2021, with the IIP increasing by 22.4% after contracting by (-) 0.9% and (-) 3.4% in January and February 2021 respectively, reflecting a turnaround in the manufacturing sector³. The annual growth rate of IIP was (-) 8.6% in FY21 as compared with (-) 0.8% in FY20³. According to provisional estimates, eight core infrastructure industries (core IIP) expanded 6.8% in March 2021, compared to (-) 3.8% contraction (revised) in February 2021, driven by a favorable base effect³. Four out of the eight sectors namely, cement (32.5%), steel

(23.0%), electricity (21.6%) and fertilizers (12.3%) showed a strong growth while the remaining four sectors namely, coal ((-)21.9%), fertilizers ((-)5.0%), crude oil ((-)3.1%) and petroleum refinery products ((-)0.7%) continued to post a contraction in March 2021³. The headline manufacturing PMI (seasonally adjusted (sa)) fell to 55.5 in April 2021, down from 55.4 in March 2021³. As the COVID crisis intensified, output and new orders both slowed to eight-month lows in April 2021³. For the second consecutive month, PMI services fell to 54.0 in April 2021 from 54.6 in March 2021³. Among the subsectors, the transport and storage sector led the expansion, while the information and communication sector and real estate and business services declined in April 2021. The composite PMI Output Index (sa) fell from 56.0 in March 2021 to 55.4 in April 2021, reflecting a nearly static pace of expansion in PMI manufacturing and a slower pace of growth in PMI services³.

Figure 1: IIP growth and PMI



CGA data shows that the Center's gross taxes during April - February FY21 amounted to 87.6% of the annual RE, compared to 81.3% during FY18 to FY20³. Capital expenditures stood at 92.3% of the Center's annual RE during April-February FY21, while its revenue expenditures were lower at 80.1%³. During April-February FY21, the Center's fiscal deficit was at 76.0% of the annual revised estimate, while its revenue deficit was at 71.6%³. Accordingly, bank credit grew at an average of 6.0% in FY21, down from a 9.4% annual rate in FY20³.

In April 2021, consumer food inflation fell to 2.0% from 4.9% in March 2021, thanks to a greater drop in vegetable prices to (-) 14.2% from (-) 5.0% during the same period³. Price declines for cereals and products increased to (-) 3.0% in April

2021 from (-) 0.7% in March 2021³. Milk and product prices declined for the first time in 88 months in April 2021, falling by (-) 0.1%³. Fuel and light inflation reached a 30-month high of 7.9% in April 2021³. During April 2021, core CPI inflation fell to a seven-month low of 5.5%³. Based partly on the base effect, inflation in transportation and communication services eased marginally from 12.5% in March 2021 to 11.0% in April 2021³.

Numerous policy initiatives were undertaken by the government and the Reserve Bank of India, including a stimulus package that amounted to 10% of the GDP, aggressive policy rate cuts, loan moratorium, and measures to boost liquidity among other initiatives help set the pace. The budget reinforced these measures by way of production-linked incentives,

³MOSPI

³<https://static.investindia.gov.in/s3fs-public/2021-06/Economy%20Watch%20May%202021.pdf>

'Vocal for Local' schemes, investment in infrastructure, tax reforms, labour and land reforms, and amendments of the insolvency and bankruptcy code to promote entrepreneurship and availability of the credit. Healthy collections of the goods and services Tax (GST), and other indicators such as Index for Industrial Production (IIP), Purchasing Manager's Index (PMI), and steel and energy demand and auto sales suggest that India's economic activity is on the rebound.

OUT LOOK

The Economic Survey has pegged India's economic growth at 11% in 2021-22, provided the normalization of economic activities continues and the vaccine rollout gathers force. The accelerating global recovery continued infrastructural investment, supply-side push from reforms, low-interest credit disbursement, and easing of regulation are expected to aid upturn. However, the second wave of covid-19 currently weeping the country, rising input prices, stress in the Micro, Small and Medium-sized Enterprises sector and a weak labour market are some of the headwinds facing the India's economic revival. Monetary and fiscal support will remain crucial. The RBI is committed to keeping rates well anchored and the government is inclined to keep up spending. However, a quick progress on the vaccination front is paramount.

As a result of the Covid-19 outbreak, GDP growth has been temporarily dampened. In the event of an extreme second COVID-19 wave, the GDP of India may increase by only 9.5% by the end of fiscal year 2022⁴. Despite the second COVID wave, growth prospects in India have deteriorated since then and confidence is likely to be hard to regain. It is still having a negative emotional and financial impact on consumers during the second recession wave. In spite of the fact that people in the middle and upper classes have more savings, the current economic scenario may test consumers for some time. Consumers in India must be vaccinated as soon as possible so that their confidence can be restored.

Indian Pharma Industry

The last two decades saw the Indian pharma industry growing at a compounded growth rate of 11% in the domestic market and 16% in the export market. The growth in the Indian pharma industry is mainly attributable to the growth in generics. With estimates that the Indian pharma industry supplies over 40% of the generics in the US and about 25% of the prescription drugs in the UK, India is one of the leading suppliers of the pharmaceuticals in the world. The additional opportunities of catering to over 60% of the of the global vaccine demand will

make India stronger as an exporter of Pharmaceuticals Products.

Domestic Market

The Indian domestic pharmaceutical market size has reached US\$ 20.3B in 2019 with year wise growth of 9.8% (market size of US\$ 18.12 B in 2018). The sector has contributed immensely to India's economic growth. It has been amongst one of the top 10 sectors attracting FDI and in reducing trade deficit.

Investments

In India, the Production Linked Incentive Scheme for Bulk Drugs (PLI 1.0) is to promote the production of critical key starting materials (KSMs)/drugs intermediates (DIs) and active pharmaceutical ingredients (APIs). The Government of India has approved production linked incentives worth up to INR 6,940 crore⁵. Manufacturers of 41 eligible products covering 53 APIs will receive financial incentives for 6 years, based on committed investment and sales made by the selected applicant. Products produced by fermentation and those created by chemical synthesis will differ in rate⁵.

Approximately INR 3000 crores will be earmarked for the construction of infrastructure facilities within 3 bulk drug parks with a maximum of INR 1000 crores. The scheme will operate from FY 2020-2021 to FY 2024-2025⁵.

Budget 2021-22 allocates Rs. 73,932 crores (US\$ 10.35 billion) to the Ministry of Health and Family Welfare, and Rs. 2,663 crores (US\$ 365.68 billion) to the Department of Health Research. A total of Rs. 37,130 crore (US\$ 5.10 billion) has been allocated to the 'National Health Mission'⁶. Over a six-year period, PM Aatmanirbhar Swasth Bharat Yojana was allocated Rs 64,180 crore (US\$ 8.80 billion)⁷. There has been an increase in funding to the Ministry of AYUSH from Rs. 2,122 crore (US\$ 291.39 million) to Rs. 2,970 crore (US\$ 407.84 million)⁶.

The Punjab government announced the establishment of three pharma parks in February 2021. A pharma park has been proposed at Bathinda, spanning 1,300 acres of land and costing Rs 1,800 crores (US\$ 245.58 million)⁶. Another medical park, also worth Rs 180 crore (US\$ 24.56 million), has been proposed for Rajpura, and the third proposal is for a greenfield project at Wazirabad, Fatehgarh Sahib⁶.

Government Initiatives

India is the largest provider of quality, affordable generic drugs globally and Indian pharmaceutical companies have played a vital role in improving access to affordable healthcare around

⁴IMF World Economic Outlook Update, July 2021

⁵<https://www.investindia.gov.in/schemes-for-pharmaceuticals-manufacturing>

⁶A report by IBEF on Indian Pharmaceuticals Industry

the world. India is exporting medicines to 205 countries and vaccines to over 150 countries. India's pharmaceutical sales rose in March, albeit at a sluggish pace, owing to panic buying of medicines for chronic ailments, such as cardiac and diabetes amid a nationwide lockdown to combat the coronavirus pandemic. Sales growing year after year according to data of a pharmaceutical market research organization. This is in line with the growth a year ago and 12.1% in February 2020. In the quarter ended March, Pharma sales grew to 9.7% year after year.

- Several factors attract global pharmaceutical companies to India
- Low cost of production due to cheap labour and raw material cost
- Big market not only for life-saving drugs, but also for lifestyle drugs

Huge potential for conducting research and development activities in India – as there are 300 or more medical colleges, and over more than 20,000 hospitals.

Existing manufacturing capability to produce active pharmaceutical ingredients (APIs) and intermediates at lower cost while maintaining quality and India has maximum number of USFDA approved plants outside US.

Ease of conducting clinical trials and bio availability and bio equivalence studies due to India's ability to provide speedier and less expensive trials without compromising on quality, and a vast patient pool product patent regime.

With competitive pressures expected to sustain in the near to medium term, companies are exiting product development of easy-to-manufacture, simple generics with multiple players and focusing on specialty drugs, complex generics, difficult-to-manufacture products with limited competition. Pharma companies are expected to continue to grow and will continue to focus on improving operational efficiency and productivity. Developments in the health insurance, medical technology and mobile telephony can help the growth of the Pharma industry by removing financial and physical barriers to health care access in India

According to ICRA, the Indian pharmaceutical industry is likely to grow at the rate from 10% to 14% by 2021. This is expected on back of healthy demand from the domestic market, due to an increase in spending on healthcare along with improved access. The key sensitivities to growth and profitability will be regulatory interventions, such as price controls and compulsory generalization for the domestic market.

India contributes about 20% of global generics market with the Country's manufactures representing approximately a third of the US market by volume.

With the Production Linked Incentive Scheme for Pharmaceuticals (PLI 2.0), India is supposed to enhance its manufacturing capabilities by increasing investments and production in the sector and diverting production to high-value products in the pharmaceutical industry. One of the further objectives of the scheme is to create global champions out of India who have the potential to grow in size and scale using cutting-edge technology and thereby penetrate the global value chains.

The Government of India announced Mission COVID Suraksha as part of Atmanirbhar Bharat 3.0 in May 2021 to accelerate the development and production of indigenous COVID vaccines. To reinforce the capacity of local production of Covaxin under the mission, the Department of Biotechnology, Government of India, provided financial support in the form of a grant to manufacturers for increased production capacities, which are expected to reach >10 crore doses per month by September 2021⁶.

A decision has been made by the Union Government to streamline and fast-track the regulatory process for COVID-19 vaccines that have been approved for restricted use by the US FDA, EMA, UK MHRA, PMDA Japan or those listed in the WHO Emergency Use Listing (EUL). India will likely be able to access foreign vaccines more easily with this decision.

Impact of Covid 19 on the Industry

One of the major challenges faced by the Pharmaceuticals Industry was the COVID 19 pandemic, which resulted in major setbacks in the operations of various businesses. There was a huge global disruption in the supply of para-aminophenol, the key starting material for paracetamol. This was caused by a major manufacturer in China shutting down temporarily due to issues relating to pollution regulations. However, the situation is gradually improving with new capacities being brought up in India and with the Chinese company expected to resume production after shifting of operations.

For FY-2021 due to Covid impact, the domestic pharma industry is anticipated to grow by 4-6%, but for FY 2020-2023 it is forecast to grow by 8-11% owing to increasing healthcare expenditures and improved healthcare access⁷. Among the key drivers of growth for the Indian pharma industry, the rating agency noted growth due to rising demand in India, a moderation of pricing pressure in the US market, new launches, and gains in market share of existing products over the medium term.

⁷A report by ICRA

Indian pharmaceutical industry growth is expected to stay stable at 8% in current year on the back of rebound in domestic growth in Q2 FY-2020 to 14.2% (Q1 FY-20 at 4.8%) supported by seasonal factors and stable growth in chronic therapies⁷. Due to the inelastic nature of prescription medicines, the Indian pharmaceutical industry is expected to maintain stable global demand, though reduced clinical activity (lower elective surgeries/OPDs) and lower economic growth are expected to negatively impact volume growth. Less developed countries will be more negatively impacted by lower demand than developed ones, which will be negatively impacted by low crude oil prices.

In response to Covid-19, major shipping activity has resumed in China, where the shipments/air cargo of APIs, Intermediates and KSMs (Key Starting Materials) have begun to arrive in India. Indian players have continued to produce despite the fact that capacity utilization hasn't reached pre-COVID-19 levels across plants. Low capacity utilization is largely due to restrictions on personnel movement during the lockdown period in India and lack of access to non-critical raw materials (e.g. packaging materials). For now, the Indian players still have a few months of inventory (raw materials and finished goods) and stocks in the distribution channel (finished goods) which will largely cover demand for the foreseeable future.

As a result of the Coronavirus outbreak in parts of China and the lockout that followed, production units in China had previously been shut down. Over 60% of the active pharmaceutical ingredients (APIs) used in the domestic pharmaceutical industry are imported, and as high as 80-90% of APIs like cephalosporin's, azithromycin, and penicillin are imported. China accounts for 65-70% of all API and intermediate imports into India⁷.

With the Government of India having developed a Rs. 10,000 crore bulk drugs park and introducing a production linked incentive program for API makers, the domestic formulators will be able to reduce their dependence on Chinese imports over the long term⁷. A total of 53 APIs are included in the incentive scheme that depends on Chinese imports. Few APIs/KSMs are imported entirely⁷.

Regulations such as price controls, generalisation for domestic markets, and price controls on exports would constrain growth and profitability. Faster generic approvals on the US market as well as the continued overhang of regulatory requirements related to manufacturing quality defects highlighted by FDA audits remain key concerns. More ANDAs are being approved over the FY 2014-2019 period, leading to higher levels of competition. 16 warning letters were issued following the USFDA audit in FY-2019, compared to seven in FY-2018.

Margin pressure continues to exist for the US base generics business (even if it moderates); limited competition products

and quality control issues will keep margins under pressure. Increased domestic business share and operational efficiencies will help margins. The pharma companies of India are optimizing their R&D spending since this has changed from the past when they became more focused on developing specialty drugs, niche molecules and complex therapies. Also, with competitive pressures expected to continue in the near to medium term, companies are exiting the development of easy-to-manufacture, simple generics with multiple competitors and focusing on complex generics and specialty products.

It is unlikely that Indian companies will significantly alter current R&D development spend in order to improve their long-term growth prospects. In response to pricing pressure from the US, the R&D budget will be maintained between 6.5-7.5% for sample companies, compared to earlier levels of 8-9%⁷. The company's presence will also be expanded in the complex therapy segment, including injectables, inhalers, dermatology, controlled-release substances and biosimilars.

Export Trends

Indian pharma exports reached US\$ 20.7B in FY 2017 with year-on-year growth of 8.4% (exports size was US\$ 19.1B in 2019). They have grown at CAGR of 6.2% between 2015 and 2020. This was largely driven by exports of generics drugs to > 200 countries (including both developed and developing markets). India is the source of 60,000 generic brands across 60 therapeutic categories.

Over the next decade, the India pharma industry is expected to grow at CAGR of 12% to reach \$ 130 billion by 2030 from \$ 41.7 billion in 2020. Given this context, the key contributors for india's growth in the industry would include innovation and R&D, Helath care delivery, manufacturing & Supply chain and market access. Apart from being acceptable in terms of quality and cost competitiveness, India pharma stands to gain from currency weakness. The demand for COVID - 19 vaccine and other treatment will strengthen India's position as leading exporter in the future years.

Additionally, it has been able to generate a significant trade surplus, with pharmaceutical exports accounting for \$20.7 billion and imports at \$2.31 billion in FY2010. India produces 60 therapeutic categories of generic brands. In the US, generics are used by 40% of the population, while in the UK, medicines are used by 25% of the population⁸. Also, India supplies 80% of the world's antiretroviral drugs for Acquired Immune Deficiency Syndrome (AIDS), significantly contributing to a rise in accessibility to AIDS treatments⁸.

In terms of volume and value, Indian pharma manufacturers export almost half of their production to the United States,

⁸EY FICCI Indian Pharma Report 2021

the United Kingdom, South Africa, Russia, and other countries. It remains, however, that there is an opportunity largely untapped across regions such as Japan, China, Australia, ASEAN countries, and Latin America. This low penetration can be attributed to slow entry strategies, long negotiations cycles, regulations emphasizing local manufacturing, volatility in global drug prices, patent recognitions, confusion around the drug registration process, lack of guidelines about bio-similars, bioequivalence studies, and delayed market approvals.

The Indian vaccine market also exports vaccines to more than 150 countries. World Health Organization (WHO) demands 40-70% of the antibodies for Diphtheria, Pertussis, Tetanus (DPT) and Bacillus Calmette-Guérin (BCG), and 90% of the antibodies for measles⁸.

Outlook:

The Indian bulk drug industry has grown at a compound annual growth rate (CAGR) of around 8.6% over 2016-20. It is further expected to expand and grow at a CAGR of around 8.6% during 2020-24, signifying its future potential and evolving global importance. This growth will be driven by an increased focus on newer geographies in the global pharmaceuticals industry, transition to specialty segment and strong domestic demand.

Indian pharmaceuticals are expected to grow threefold over the next decade⁷. India's domestic pharmaceutical market is estimated at US\$ 42 billion in 2021 and likely to reach US\$ 65 billion by 2024 and further expand to reach ~US\$ 120-130 billion by 2030⁶.

Biotech in India consists of biopharmaceuticals, bioservices, bioagriculture, bioindustry, and bioinformatics. India's biotechnology industry was valued at 64 billion dollars in 2019 and is expected to reach 150 billion dollars by 2025⁶.

Market size of the medical devices market in India was \$10.36 billion in FY20. A CAGR of 37% is projected for the market between 2020 and 2025, reaching US\$ 50 billion⁶.

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 2021 continues to remain strong. We are confident of a strong performance through the year.

COMPANY'S PERSPECTIVE

Domestic API Business:

The domestic API business is bifurcated into two distinct parts, Domestic formulation consumption and the second being domestic formulation regulatory export. SMS Pharmaceuticals Limited (SMS) has always been very strong on the second segment as both the facilities being international GMP approved and SMS capability to support regulatory approvals for customers. With the Launch of Ibuprofen and the movement of new molecules sales into domestic market, even the first segment is now picking up. The domestic API business continues to be an important component of SMS 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.

SMS has already started supplying the samples and development quantities for India regulated market to many major customers who are working actively on ibuprofen in regulated markets like US and EU. One of the associates have filed ANDA based on our DMF and USFDA reviewed the same and are in the process of giving approval. Once the approval is received, we will be eligible to start supplies of the product into US market which will be great boost to the topline. Similarly we have filed the CEP as well which is under review with EU authorities.

SMS has already started sales of Ibuprofen into domestic and ROW markets trying to take not just spot business but also starting qualification activity with major customers to be in a position to get commercial by the end of next financial year. SMS is moving forward strategically trying to barge into competitor's citadels primarily focusing on our 30 years of credibility and uncompromised quality and documentation support to the customers. Even the customers are very eager and looking forward to work with SMS on Ibuprofen given the uncertainty they faced for past 2 years from existing sources.

The company has built an important relationship with traders and merchant exporters 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, Anti-Epileptic, Anti Anginal, Anti Erectile Dysfunction, Anti-inflammatory Anti-Viral and Anti-Retroviral etc. SMS, 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.

⁶A report by IBEF on Indian Pharmaceuticals Industry

⁸EY FICCI Indian Pharma Report 2021

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 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:

Major revenues continue to come from international markets which is bound to increase as SMS is on verge of a major and exciting phase of business in the international marketing considering the launching of old but availability stressed molecule like ibuprofen. SMS is expecting to receive approval for Ibuprofen in both US and EU market in FY 21-22 which will boost the topline considerably. Added to this business on the new molecules being launched from unit VII as part of JV and the own molecules of SMS is picking up. These developments will slowly start becoming commercial in due course of time.

SMS has successfully vacated an injunction order in the

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.

The intermediate manufacturing is also flourishing with many API manufactures preferring to buy advanced intermediates due to environmental 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.

Honorable Delhi High Court filed by the patent holder Merck on restricting manufacturing and dispatch of development quantities to potential export market customers of Sitagliptin HCL. This molecule will be one more exciting one to look forward to from SMS in the years to come.

SMS 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 more than two decades of operating international GMP facilities, 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

DETAILS OF SIGNIFICANT CHANGES IN KEY FINANCIAL RATIOS, NETWORTH ALONG WITH DETAILED EXPLANATIONS THEREFORE:

Particulars	As at 31st March, 2021	As at 31st March, 2020	Change	Reasons
Debtors Turnover Ratio (Days)	68.78	43.70	25.08	Increase in Debtor turnover due to increase in direct sales as against CMO
Inventory Turnover Ratio (Days)	132.56	168.42	-35.86	Decrease in inventory turnover ratio (days) is due to increase in sales
Interest Coverage Ratio (Times)	12.09	7.57	4.52	Increase in interest coverage ratio due to increase in revenues and profitability as against previous year
Current Ratio	1.59	1.50	0.09	Slight increase due to increase in trade receivables
Debt Equity Ratio	0.65	0.46	0.19	Increase in ratio due to increase in long term borrowing on account of expansion of capacities.
Operating Profit Margin (EBITDA)	21.82%	20.12%	1.70%	Improvement in ratio on account of improvement in operating margins
Net Profit Margin	10.73%	7.82%	2.91%	Improvement in ratio on account of increase in earnings
Return on Net worth	14.20%	8.87%	5.23%	Improvement in ratio due to increase in earnings

Internal Control systems and their adequacy:

The Company has in place adequate systems of internal control in 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-devised 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

Your company played an efficient role supporting mankind in facing the pandemic COVID by launching HCQ, Favipiravir and Remdesivir during the financial year 2020-21 and continues to grow strongly on supply of Remdesivir even in FY 2021-22 supplying the product to major customers like Cipla who are leading in the product in domestic market.

SMS Pharmaceuticals Limited was always strong on R&D since inception as it knows 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 806 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. The Company has disclosed forward-looking information to enable investors to comprehend the

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.

The Company cannot guarantee that these forward-looking statements will be realized, although it believes that they 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: 07-08-2021

Annexure- 3

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	1,00,000
Allotted to relatives, friends of promoters	Cash	7-May-90	22,900	1,22,900
Allotted to relatives, friends of promoters	Cash	7-Jun-90	27,100	1,50,000
Allotted to Promoters, relatives and employees	Cash	26-Mar-92	1,50,000	3,00,000
Bonus @ 8:3	Bonus	1-Nov-94	8,00,000	11,00,000
Allotted to Promoters	Cash	21-Nov-94	1,50,000	12,50,000
Allotted to employees, friends and relatives of Promotes and Promoters	Cash	30-Nov-94	3,50,000	16,00,000
Allotted to Corporate Body.	Cash	18-Feb-95	4,50,000	20,50,000
Sub – Division into Rs. 5/- per share		22-Mar-04	-	41,00,000
Bonus shares @ 1: 1	Bonus	27-Mar-04	41,00,000	82,00,000
Re-Consolidation into Rs. 10/- per share		29-Sep-04	-	41,00,000
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	29,23,000	70,23,000
Pre - IPO placement to Gulf Pharmaceutical Industries*	Cash	8-Jan-07	4,00,000	74,23,000
Issue shares to Public via IPO	cash	22-Feb-07	25,79,225	1,00,02,225
Balance as on		31-Mar-07	-	1,00,02,225
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	1,00,15,203
Balance as on		31-Mar-08	-	1,00,15,203
Buy Back of Shares [on various dates from 28/05/2013 to 25/07/2013]	cash		(15,50,000)	84,65,203
Balance as on		31-Mar-14	-	84,65,203
Balance as on		31-Mar-15	-	84,65,203
Sub-Division into Rs. 1/- per share [Splitting of Rs. 10 face value]**	Split @ 10:1	17-Dec-15	-	84,652,030
Balance as on		31-Mar-21	-	84,652,030

Note: *Shares allotted as per MOU dated 24.12.2006.

**Record date 18.12.2015 whereas Ex-date 17.12.2015

By the order of the Board

Place: Hyderabad
Date: 07-08-2021

Ramesh Babu Potluri
Chairman and Managing Director
(DIN:00166381)

Annexure- 4

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2021

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.	Aarthi Consultants Private Limited 1-2-285, Domalguda, Hyderabad, Telangana-500 029. Phone : 040-27638111/ 27642217 Email : info@arthiconsultants.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.	S. No.	NIC Code of the Product/service	% to total turnover of the company
1	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
1	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 Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	5,07,62,930	0	5,07,62,930	59.97	4,84,98,610	-	4,84,98,610	57.29	2.68
b) Central Govt									
c) State Govt(s)									
d) Bodies Corp.	62,02,420	0	62,02,420	7.33	84,66,740		84,66,740	10.00	-2.67
e) Banks / FI									
f) Any other									
Sub Total (A) (1)	5,69,65,350		5,69,45,350	67.29	5,69,65,350		5,69,65,350	67.29	
(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)	5,69,65,350		5,69,45,350	67.29	5,69,65,350		5,69,65,350	67.29	-
B. Public Shareholding									
1. Institutions									
a) Mutual Funds									
b) Banks / FI	0	0	0	0	0	0	0	0	0
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIs									
h) Foreign Venture Capital Funds									
i) Others (specify) Foreign Portfolio Investor	4,50,000	0	4,50,000	0.53	4,74,057		4,74,057	0.56	-0.01
Sub-total (B)(1):-	4,50,000	0	4,50,000	0.53	4,74,057		4,74,057	0.56	
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 Rs. 1 lakh	74,32,642	1,19,506	75,52,148	8.92	73,92,752	1,09,486	75,02,238	8.86	0.06
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	1,42,72,742	1,57,660	1,44,30,402	17.05	1,51,28,446	1,57,660	1,52,86,106	18.07	-1.02
c) Others (specify)	51,86,352	1,400	51,87,752	6.13	43,50,639	1400	43,52,039	5.14	0.99
NBFCs Registered with RBI	0		0	0					
Unclaimed Suspense A/c	500		500	0	500		500	0	
Non Resident Indians	0	-	0	0					
Overseas Corporate Bodies	0	-	0	0					
Foreign Nationals	271	-	271	0	271		271	0	0
Clearing Members	65,607	0.08	65,607	0.08	71,469		71,469	0.08	
Trusts	0	0	0						
Foreign Bodies - D R									
Sub-total (B)(2):-	2,69,58,114	2,78,566	2,72,36,680	32.18	2,69,44,077	2,68,546	2,72,12,623	32.71	-0.53
Total Public (B)	2,74,08,114	2,78,566	2,76,86,680	32.71	2,69,44,077	2,68,546	2,72,12,623	32.71	-0.53
C. Shares held by Custodian for GDRs & ADRs									
Grand Total (A+B+C)	8,43,73,464	2,78,566	8,46,52,030	100	8,43,83,484	2,68,546	8,46,52,030	100.00	-

(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	1,33,98,360	15.83	-	1,47,88,840	17.47	0	
2	Ramesh Babu Potluri	1,45,06,960	17.14	-	1,55,53,060	18.37	0	
3	T V V S N Murthy	54,67,000	6.46	-	0	0	0	
4	Potluri Infra Projects LLP	59,70,000	7.05		73,46,420	8.68	8.68	
5	T Annapurna	33,65,340	3.98		0	0	0	
6	T V V S N Murthy (HUF)	39,81,340	4.70		0	0	0	
7	Gopineedi Sudeepthi	17,50,000	2.07		13,45,000	1.59	0	
8	Vamsi Krishna Potluri	48,10,590	5.68		1,33,28,370	15.74	15.24	
9	Trilok Potluri	14,31,340	1.69		14,31,340	1.69	0	
10	T V Praveen	12,95,340	1.53		12,95,340	1.53	0	
11	SatyaVani Potluru	7,56,660	0.89		7,56,660	0.89	0	
12	Potluri Laboratories Private Limited.	2,32,420	0.27		11,20,320	1.32	0	
Total		5,69,65,350	67.29		5,69,65,350	67.29		

(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 -2019	-	56965350	67.29	-	-
	Date wise increase/decrease in Promoters shareholding during the year			Nil	Nil	Nil	Nil
	At the end of the year	31-March-2020				56,965,350	67.29

(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
1	VENKATA SUBBARAJU PENMATSA.	17,90,000	2.11	04-Sep-2020	Purchase	-	18,00,000	2.13
2	VIVEK MUNDRA	11,62,834	1.38	17-Jul-20	0	34,000	10,43,628	1.23
				07-Aug-20	0	85,206		

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
3	ANIRUDDH MUNDRA	11,49,900	1.36	24-Jul-20	0	59,593		
				31-Jul-20	0	80,000		
				07-Aug-20	0	27,000		
				25-Dec-20	0	23,307	9,60,000	1.13
4	MADHUSUDAN MURLIDHAR KELA	13,85,599	1.64	24-Jul-20	0	1,53,162		
				31-Jul-20	0	2,00,000		
				11-Sep-20	0	1,00,000	9,32,437	1.10
5	DOVETAIL INDIA FUND CLASS 11 SHARES	4,50,000	0.53	11-Sep-20	0	2,00,000		
				01-Oct-20	28,057	0		
				09-Oct-20	16,000	0		
				06-Nov-20	1,80,000	0	4,74,057	0.56
6	HARI KISHORE POTLURI.	4,30,060	0.51	0	0	0	4,30,060	0.51
7	TAMMINEEDI NARASIMHA RAO	10,000	0.01	03-Apr-20	12,000	0		
				17-Jul-20	10,000	0		
				31-Jul-20	33,452	0		
				07-Aug-20	0	40,452		
				21-Aug-20	25,000	0		
				11-Sep-20	1,02,584	0		
				18-Sep-20	30,131	0		
				04-Dec-20	73,876	0		
				11-Dec-20	10,000	0		
				25-Dec-20	43,839	0		
				01-Jan-21	65,062	0		
19-Mar-21	15,300	0	3,90,792	0.46				
8	VIJAY KUMAR SANGHVI	92,686	0.11	03-Jul-20	0	11,551	0	
				21-Aug-20	251	0	0	
				28-Aug-20	44,315	0	0	
				04-Sep-20	68,324	0	0	
				25-Sep-20	10,000	0	0	
				05-Mar-21	1,54,634	0	3,58,659	0.42
9	MANPHOOL EXPORTS LTD	35,000	0.04	11-Sep-20	15,000	0	0	0
				18-Dec-20	10,000	0	0	0
				22-Jan-21	47,806	0	0	0
				29-Jan-21	2,394	0	0	0
				26-Feb-21	43,507	0	0	0
				05-Mar-21	40,000	0	0	0
				12-Mar-21	50,000	0	0	0
				19-Mar-21	50,000	0	0	0
26-Mar-21	20,000	0	3,13,707	0.37				
10	SREENIVASULU REDDY MALLU	3,01,000	0.36	25-Sep-20	0	20,000	0	0
				25-Dec-20	0	10,000	2,71,000	0.32

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	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	01.04.2020	-	1,45,06,960	17.14	-	-
	Changes during the year		Purchase	10,46,100	1.23		
	At the end of the year	31.03.2021		-	-	1,55,53,060	18.37
2	Sri. TVVSN Murthy	01.04.2020					
	At the beginning of the year		-	54,67,000	6.46		
	Changes during the year		sale	54,67,000	6.46		
	At the end of the year	31.03.2021				0	0
3	Sri. Vamsi Krishna Potluri	31.03.2020					
	At the beginning of the Year			48,10,590	5.68		
	Changes during the year		Purchase	85,17,780	10.06		
						1,33,28,370	15.74

V) INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment:

Particulars	Secured Loans excluding deposits	Unsecured loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i)Principal Amount	15,109.12	120.00	-	15,229.12
ii)Interest due but not paid				
iii) Interest accrued but not due	70.61			70.61
Total (i+ii+iii)	15,179.73	120.00		15,299.73
Change in indebtedness during the financial year				
Addition				
Principal amount	11,549.40	0.00	0.00	11,549.40
Interest Accrued but not due				
Reduction				
Principal Amount	(1,727.00)	0.00	0.00	(1,727.00)
Interest Accrued but not due	(70.61)			(70.61)
Others				
Net Change	9,751.79			9,751.79
Indebtedness at the end of the financial year				
i)Principal Amount	24,931.52	120.00		25,051.52
ii)Interest due but not paid				
iii)Interest accrued but not due				
Total (i+ii+iii)	24,931.52	120.00		25,051.52

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

SN.	Particulars of Remuneration	Name of MD/WTD/ Manager		Total Amount In lacs
		Sri. Ramesh Babu Potluri	Sri. Vamsi Krishna Potluri	
		Chairman & Managing Director	Executive Director	
		In lacs	In lacs	
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	207.90	66.00	273.90
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	5.22	0.94	6.16
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961			
2	Stock Option			
3	Sweat Equity			
4	Remuneration based on Profits	255.84	338.82	594.66
	- as % of profit			
	- others, specify			
5	Others, please specify			
	Total (A)	468.96	405.76	874.72
	Overall Ceiling as per the Act			

B. Remuneration to other Directors

SN.	Particulars of Remuneration	Name of Directors				Total Amount in lakhs
		Sri. P. Sarath Kumar	Dr. Smt. T. Neelaveni	Sri. Shravan Kudaravalli	Sri. S. Srinivas	
	Independent Directors					
1	Fee for attending Board& committee meetings	0.80	2.80	2.80	0.80	
	Others, please specify					
	Total (1)	0.80	2.80	2.80	0.80	
	Other Non-Executive Directors	Exim Bank's Smt. Shilpa R Waghmare (Nominee Director)	Sri. TVVSN Murthy			
2	Fee for attending board committee meetings	0.60	-			
	Others, please specify					
	Total (2)	0.60	-		0.60	
	Total (B)=(1+2)				7.8	
	Total Managerial Remuneration				874.72	
	Overall Ceiling as per the Act				1,098.62	

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

SN.	Particulars of Remuneration Designation Name	Name of MD/WTD/ Manager			Total Amount (Rs in Lakhs)
		CEO	CFO	CS	
		N.A.	Sri Lakshmi Narayana Tammineedi	Sri. V.S. Venkatish	
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961		18.83	6.54	28.37
	(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	Remuneration based on profits				
	- as % of profit				
	- others, specify				
5	Others, please specify				
	Total (A)	-	18.83	6.54	28.37

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					
Punishment			NIL		
Compounding					
B. DIRECTORS					
Penalty					
Punishment			NIL		
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment			NIL		
Compounding					

By the order of the Board

Ramesh Babu Potluri
(DIN:00166381)
Chairman & Managing Director

Place: Hyderabad
Date: 07-08-2021

Annexure- 5

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, 2021 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, 2021 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.

For SMS Pharmaceuticals Limited

T. Lakshmi Narayana Tammineedi
Chief Financial Officer

For SMS Pharmaceuticals Limited

Ramesh Babu Potluri
Chairman & Managing Director
(DIN: 00166381)

Place: Hyderabad
Date: 07-08-2021

Annexure- 6

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 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 is essential.

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 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 its role effectively, the 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:

1. **Board of Directors:** The Board is entrusted with an ultimate responsibility of the management 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.

2. **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, 2021 the Company's Board consists of Eight (8) members. Sri. Vamsi Krishna Potluri has been appointed as Executive in the Board of Directors Meeting held on 5th June, 2020 and approved by Shareholders in the meeting held on 30th September, 2020 for a period of Five (5) years. At present there are 8 (Eight) members on the Board, out of which majority are independent Directors, who are leading professionals in their respective fields. The Board comprises of two (2) Executive Directors who are from Promoter Group and **one (1)** nominee Director. Sri. TVVSN Murthy – non Executive Director has resigned from the Post of his Directorship with effect from 28th May, 2021. 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 is related to each other. The Board consists of two women directors, one 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.

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. Necessary disclosures regarding Committee positions in other public companies as on 31st March, 2021 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, 2021 are given herein below. Other directorships do not include directorships of private limited companies, foreign companies and companies under Section 8 of the Act. The 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 2020-21		Attended Last AGM 30.09.20	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 of the Company	0	2
*Sri. TVV.S.N Murthy	00465198	Non-Executive Director	4	4	Yes	SMS Lifesciences India Limited - Managing Director	0	2
Sri. P. Sarath Kumar	01456746	Independent Director	4	4	Yes	SMS Lifesciences India Limited - Independent Director	2	2
Dr. Smt. T. Neelaveni	00065571	Independent Director	4	4	Yes	SMS Lifesciences India Limited - Independent Director	2	2
Sri. Sarvepalli Srinivas	02292051	Independent Director	4	4	Yes	NA	0	1
Sri. Shravan Kudaravalli	06905851	Independent Director	4	4	Yes	SMS Lifesciences India Limited - Independent Director, CHM tools Limited - Director, Megha Engineering & Infrastructures Limited-Director	1	2
Smt. Shilpa R Wagnare	7009966	Non-Executive & Nominee Director	4	4	No	0	0	0
** Sri. Vamsi Krishna potluri	06956498	Executive Director	3	3	Yes	0	0	0

*Sri. TVVSN Murthy has resigned as Director of the Company with effect 28th May, 2021

**Sri. Vamsi Krishna Potluri has been appointed as Director on 5th June, 2020

Due to the exceptional circumstances caused by the COVID-19 pandemic and consequent relaxations granted by MCA and SEBI, all Board meetings in FY 2021 were held through Video Conferencing.

Board Procedure

For seamless scheduling of Meetings, the calendar of Meetings of the Board and Committees is circulated and agreed upon at the beginning of the year.

The Company Secretary tracks and monitors the Board and Committee proceedings to ensure that the Terms of Reference are adhered to, decisions are properly recorded in the minutes. The Terms of Reference are amended and updated from time to time in order to keep the functions and role of the Board and Committees at par with the changing statutes/ regulations. Meeting effectiveness is ensured through clear agenda, circulation of material in advance, detailed presentations at the meetings and tracking of action taken reports at every meeting.

The Board plays a critical role in the strategy development of the Company. To enable the Board to discharge its responsibilities effectively and take informed decisions, the Managing Director & Executive Director apprises the Board on the overall performance of the Company every quarter.

The Board periodically reviews the strategy, annual business plan, business performance of the Company and its key subsidiary, quality, customer centricity, capital expenditure budgets and risk management, safety and environment matters. Amongst other things, the Board also reviews the compliance reports of the laws applicable to the Company, internal financial controls and financial reporting systems, minutes of the Board Meetings of the Company's subsidiary companies, adoption of quarterly/half-yearly/annual results, minutes of the Meetings of the Audit and other Committees of the Board.

In addition to the information required under Regulation 17(7) read with Part A of Schedule II of the Listing Regulations, which is required to be placed before the Board, the Board is also apprised of major events and approvals obtained from time to time, if necessary. In compliance with the relaxations granted by the Ministry of Corporate Affairs due to outbreak of Covid-19, the Company has also conducted its Board and Committee Meetings through video conferencing, without physical presence of Directors and attendees, to adhere to the social distancing norms. Looking forward, more emphasis will be given in coming days to have a structured digital means for conducting Board and Committee Meetings.

Disclosure of relationship between directors inter-se

Sri. Ramesh Babu Potluri and Sri. Vamsi Krishna Potluri are relatives in accordance with the terms as specified under Section 2(77) of the Companies Act, 2013 and none of the other Directors has any relationship with each other.

Appointment / Re-appointment of Directors

As required under Regulation 26(4) and Regulation 36(3) of the Listing Regulations and Secretarial Standards - 2 on General Meetings issued by the Institute of Company Secretaries of India (ICSI), particulars of Directors seeking appointment / re-appointment at this AGM are given in the Notice of the AGM which forms part of this Annual Report.

Selection criteria of Board Members

The Nomination and Remuneration Committee works with the Board to determine the appropriate characteristics,

skills and experience required for the Board as a whole and for individual members. The Company has adopted guidelines on selection criteria of Board members, which is available on the website of the Company. (www.smspharma.com).

Independent Directors

Your Company's Independent Directors are renowned people having expertise/ experience in their respective field/profession. None of the Independent Directors are Promoters or related to Promoters. They do not have pecuniary relationship with the Company and further do not hold two percent or more of the total voting power of the Company. None of the independent directors of the Company is a non-independent director of another company on the board of which any non-independent director of the listed entity is an independent director.

In the opinion of the Board, all the Independent directors fulfill the conditions specified in the Companies Act, 2013, including amendments there under and SEBI Listing Regulations, 2015, as amended from time to time, and are independent of the management.

Pursuant to Section 150 read with of Rule 6 of the Companies (Appointment and Qualifications of Directors) Rules, 2014 of the Companies Act, 2013, your Company's Independent Directors have registered themselves on the portal of "Indian Institute of Corporate Affairs" as Independent Director, within the prescribed timelines.

Board Meetings:

The Board of Directors meets at least four (4) 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 Four (4) times, at which proper quorum was present. The dates on which the said meetings held are:

5th June, 2020, 12th August, 2020, 3rd November, 2020 and 10th February, 2021

During the year under review, information as mentioned in Schedule II Part A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, 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: <https://smspharma.com/investor-relations/download/>

During the year, one meeting of the Independent Directors was held on 4th June, 2020. 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.

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 31st March, 2021 are given below:

Name of Director	No. of Equity Share held as on 31-03-2021
Sri. Ramesh Babu Potluri	1,55,53,060
Sri. T.V.V.S.N Murthy	-
Sri. Vamsi Krishna Potluri	1,33,28,370

BOARD COMMITTEES

The Company has four Board level committees, namely Audit Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee and 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 processes 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 and 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 and 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:

- 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;
- Recommendation for appointment, remuneration and terms of appointment of auditors of the Company,
- Approval of payment to statutory auditors for any other services rendered by the Statutory Auditors.
- Reviewing with the management, the quarterly financial statements before submission to the Board for approval
- Review and monitor the auditor's independence and performance and effectiveness of audit process.
- Reviewing with the management, performance of statutory and internal auditor's adequacy of the internal control systems.
- Discussion with internal auditors of any significant findings and follow up there on.
- Review the statement of significant related party transactions

During the financial year 2020-21, the Audit Committee met four (4) times, on 5th June, 2020, 12th August, 2020, 3rd November, 2020, 10th February, 2021 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 and attendance of each member of the Committee is as mentioned below:-

Sl. No.	Name of the Director	Designation	Category	Committee Meetings	
				Held	Attended
1	Sri. Shravan Kudaravalli	Chairman	Independent Director	4	4
2	Dr. Smt. T. Neelaveni	Member	Independent Director	4	4
3	Sri. Ramesh Babu Potluri	Member	Chairman & Managing Director	4	4

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, which are discussed and were noted. The Audit Committee considered and reviewed the accounts for the year 2020-21, before it was placed to 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 2020-21 the Nomination and Remuneration Committee met one time on 5th June, 2020 at which proper quorum was present.

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

Sl. No.	Name of the Director	Designation	Category	Committee Meetings	
				Held	Attended
1	Dr. Smt. T. Neelaveni	Chairperson	Independent Director	1	1
2	Sri. Shravan Kudaravalli	Chairman	Independent Director	1	1
3	Sri. Ramesh Babu Potluri	Member	Chairman & Managing Director	1	1
4	*Sri. TVVSN Murthy	Member	Non- Executive Director	1	1

- Sri. TVVSN Murthy has resigned as a Director of the Company with effect from 28th May, 2021 and ceased to be the member of Nomination and Remuneration Committee.

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 is 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 and fiduciary responsibilities as a Board member.
- Attendance and active participation.
- Proactive, strategic and lateral thinking.

REMUNERATION OF DIRECTORS

The remuneration to the directors for the year ended on 31st March, 2021 forms part of MGT-9 annexed as “Annexure 12” to this Board Report.

The Company has only 2(two) Executive Directors and rest of the Board Contains 1(one) Promoter Director (who resigned as Director on 28th May, 2021), 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 2020-21 are mentioned hereunder:

Executive Directors

					Rs.in lakhs
Name of the Director	Salary and Allowances	Remuneration based on profits	Perquisites	Bonus/ Stock Options	Total
Sri. Ramesh Babu Potluri (Chairman & Managing Director)	207.90	255.84	5.22	-	468.96
Sri. Vamsi Krishna Potluri (Executive Director)	66.00	338.82	0.94	-	405.76

Independent & Nominee Directors:

The details of remuneration to the Independent/ Nominee /Non-Executive Directors for the year ended on 31st March, 2021 as given below:

		Rs.in lakhs
Name of the Independent Director		Sitting Fees
Sri. P. Sarath Kumar		0.80
Dr. Smt. T. Neelaveni		2.80
Sri. Sarvepalli Srinivas		0.80
Sri. Shravan Kudaravalli		2.80
Smt. Shilpa R Waghmare (Exim Bank)		0.60

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 03-11-2020 and 10-02-2021 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	Chairman	Independent Director	2	2
2	Dr. Smt. T. Neelaveni	Member	Independent Director	2	2
3	Sri. Ramesh Babu Potluri	Chairman & Managing Director	Executive Director	2	2
4	*Sri. TVSN Murthy	Member	Non-Executive Director	2	2
5	Sri. Sarvepalli Srinivas	Member	Independent Director	2	2

- Sri. TVSN Murthy has resigned from the Board with effect from 28th May, 2021 and ceased to be a member of the Stakeholders Relationship committee of the Company

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. The role of the Committee is as mentioned below:

- 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 12-08-2020 and all the members attended the meeting.

The constitution of the Corporate Social Responsibility 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. Shravan Kudaravalli	Member	Independent Director	1	1
4	Sri. Sarvepalli Srinivas	Member	Independent Director	1	1

Risk Management Committee

The Risk Management Committee has been constituted on 28th May, 2021 and the Committee is headed by Sri. Ramesh Babu Potluri, Chairman and Managing Director of the Company with the following are other members of the Committee.

1. Sri. Ramesh Babu Potluri - Chairman
2. Sri. Shravan Kudaravalli - Member
3. Sri. Vamsi Krishna Potluri – Member

Brief description of terms of reference of Risk Management Committee:

The Company has constituted a Risk Management Committee and adopted Risk Management Policy. Currently, the Company's Risk Management approach comprises of the following:

- Governance of Risk
- Identification of Risk
- Assessment and Control of Risk

The risks have been prioritized through a companywide exercise. Members of senior management have undertaken the ownership and are working on mitigating the same through co-ordination among the various departments, insurance coverage, security policy and personal accident coverage for lives of all employees. The risks are identified and are discussed by representatives from various functions. The details of risks identified and mitigation measures undertaken are presented to the Board of Directors and the Audit Committee.

Meeting of Independent Directors:

In terms of Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, ½ (half) of the composition of the Board of Directors as on 31st March, 2021 as well as on the date of approval of the report, consists of Independent Directors.

During the year under review, 1 (One) Meeting of the Independent Directors was held on 4th May, 2020. All the Independent Directors were present at the Independent Directors' Meeting.

The Independent Directors, inter alia, discussed the following:

- Evaluation of performance of Non-Independent Directors and the Board of Directors as a whole;
- Evaluation of the performance of the Chairman of the Company, taking into account the views of the Executive and Non-Executive Directors;
- Evaluation of the quality, content and timeliness of flow of information between the Management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

All Independent Directors of the Company are provided with necessary documents, reports and internal policies to enable them to familiarize with the Company's procedures and practices. Periodic presentations are made at the Board and Committee Meetings, on business and performance updates of the Company, business strategy and risks involved. Quarterly updates on relevant statutory changes covering important applicable laws are discussed at the Meetings of the Board of Directors.

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: + 91-40-35359999
 Fax: + 91-40-25259889
 Website: www.smspharma.com

Status of Investor Complaints as on 31st March, 2021 and reported under Regulation 13(3) of the Listing Regulations

Details of investor complaints received and redressed during the year 2020- 21 are as follows:

Opening Balance as on 1st April, 2020	Received during the year	Resolved during the year	Closing Balance as on 31st March, 2021
0	1	1	0

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 2020-21 is in compliance with the requirements of Corporate Governance under Regulation 27(2) of Listing Regulations.

CERTIFICATE OF NON DISQUALIFICATION OF DIRECTOR' UNDER REGULATION 34(3) OF SEBI (LODR) 2015

The Certificate from Sri. C. Sudhir Babu, Practicing Company Secretary (Proprietor, CSB Associates), confirming that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of the Companies, by the SEBI/Ministry of Corporate Affairs or any such other statutory authority, is being annexed and forms part of the Annual Report.

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
2017-18	20th September, 2018	03.00 P.M.	Jubilee Hills Club, Jubilee Hills, Hyderabad.	1
2018-19	30th September, 2019	09.00 A.M.	JRC Conventions and Trade Fairs, Survey No. 4, Narne Road, Adjacent to Whisper valley, Jubilee Hills, Hyderabad.	4
2019-20	30th September, 2020	09.00 A.M.	Annual General meeting held through virtual meeting i.e Audio & video means at the registered office of the Company	2

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.

Annual Results:

The Audited Annual Results forms part of the Annual Report which is sent to the Members well in advance of the Annual General Meeting. The Company also informs by way of intimation to the Stock Exchange(s) and placing the same on its website.

Corporate Governance Report, Shareholding pattern along with other Price sensitive information, which in the opinion of Board are material and of relevance to the members are informed to the Stock Exchange(s) and hosted in the website of the Company (www.smspharma.com).

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 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 2020 to 31st March, 2021

33rd Annual General Meeting

Day and Date	: Thursday, 30th September, 2021
Financial Year	: 2020-2021
Time	: 09.00 AM
Mode	: Video Conferencing and Other Audio Visual Means
Deemed Venue	: Registered Office situated at Plot.no.72, H.No. 8-2-334/3&4, Road No. 5, Opp. SBI Executive Enclave, Banjara hills, Hyderabad, Telangana, India 500034

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, 2021.

Date of book closure : Friday, September 24, 2021 to Thursday, September 30, 2021 (both days inclusive) for the purpose of AGM.

Listing on Stock Exchange & Stock Code:

BSE Limited "BSE"
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400001.

Stock Code: BSE: 532815

ISIN for equity shares: INE812G01025

National Stock Exchange of India Limited "NSE"
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051.

Stock Code: NSE : SMSPHARMA

Listing Fees for the financial year 2021-22 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 2020-21.

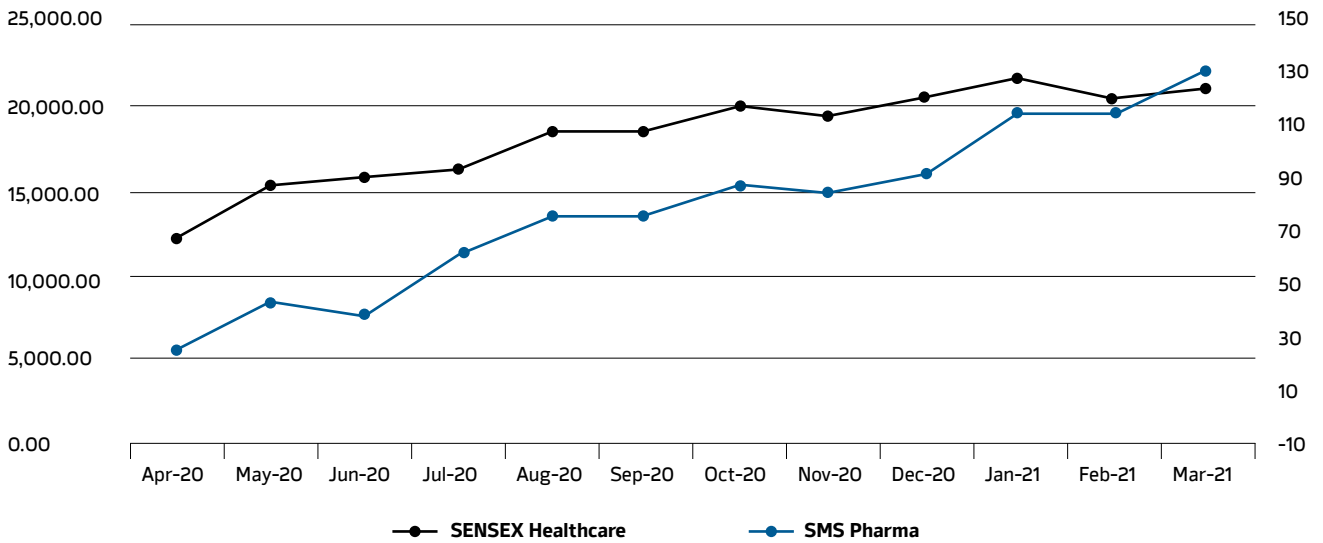
Month	BSE		Volume	
	High (Rs.)	Low (Rs.)	No. of Shares	Value (Rs.)
April, 2020	48.00	27.00	4,31,354	1,70,00,536
May, 2020	47.50	36.30	92,361	37,42,505
June, 2020	69.60	40.40	10,60,055	6,22,49,536
July, 2020	80.30	61.00	15,28,744	11,03,46,490
August, 2020	100.80	73.70	23,61,076	21,36,25,546
September, 2020	101.80	76.00	9,13,998	8,32,48,346
October, 2020	96.20	82.00	4,54,824	4,06,60,969
November, 2020	88.80	81.00	3,07,139	2,60,13,425
December, 2020	120.95	88.60	11,82,777	12,29,02,644
January, 2021	129.70	110.00	3,25,815	3,95,00,916
February, 2021	140.00	115.00	3,79,139	4,91,16,596
March, 2021	136.65	116.00	1,62,445	2,10,48,548

The table below shows the monthly high and low price on the NSE Limited during the year 2020-21.

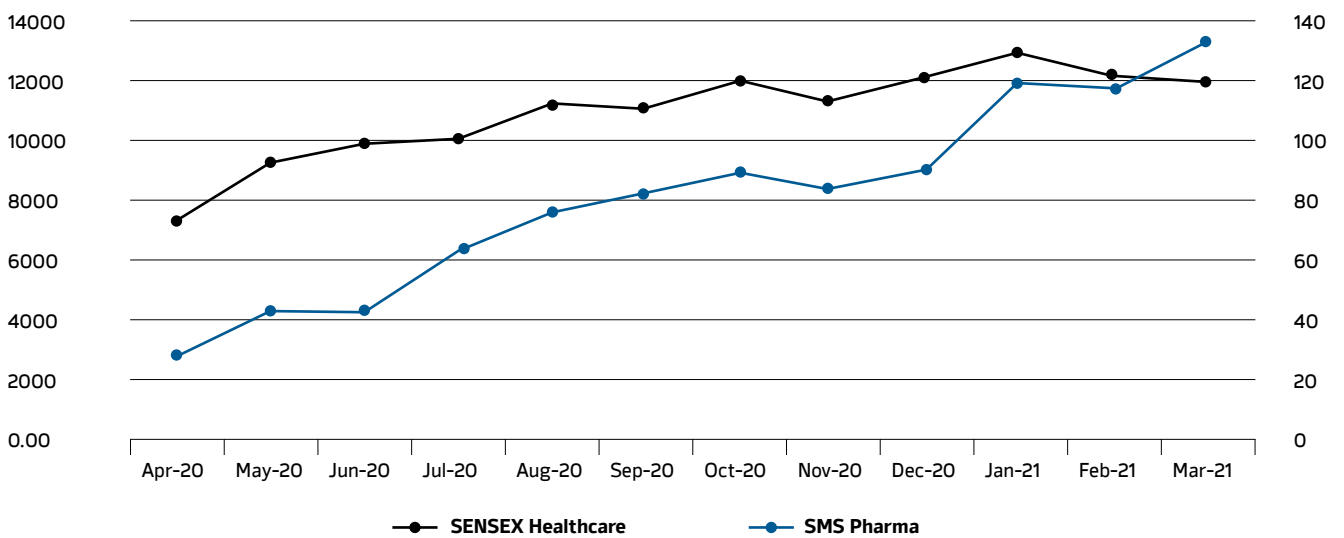
Month	NSE		Volume	
	High (Rs.)	Low (Rs.)	No. of Shares	Value (Rs.)
April, 2020	47.90	26.70	40,163	20,47,66,953
May, 2020	45.60	36.00	16,313	7,57,86,365
June, 2020	70.00	38.10	72,294	49,67,74,645
July, 2020	80.40	60.25	1,27,868	1,15,42,86,218
August, 2020	100.95	74.00	1,91,439	2,25,53,76,836
September, 2020	101.70	79.00	95,793	89,28,09,313
October, 2020	96.45	81.70	41,424	36,09,05,326
November, 2020	88.05	80.40	23,763	2,779,78,298
December, 2020	120.70	89.90	1,01,898	1,35,68,32,614
January, 2021	129.8	110.10	42,666	46,74,05,641
February, 2021	141.50	115.75	48,323	57,10,22,105
March, 2021	136.90	118.00	25371	24,83,85,527

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@arthiconsultants.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. The Company obtained 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 submitted 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, 2021.

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

Slab of shareholdings	Shareholders	%	No. of Shares	%
1 - 5000	19,393	97.56	61,73,981	7.29
5001 - 10000	212	1.07	16,80,575	1.99
10001- 20000	113	0.57	17,49,130	2.07
20001 - 30000	36	0.18	8,91,539	1.05
30001 - 40000	22	0.11	7,86,611	0.93
40001 - 50000	14	0.07	6,39,554	0.76
50001 - 100000	28	0.14	21,09,758	2.49
100001 and above	60	0.3	7,06,20,882	83.42
Total	19,878	100	8,46,52,030	100

Pattern of shareholding as on 31st March, 2021

Sl. No	Category of Shareholders	No. of Shareholders	No. of Shares
(A)	Shareholding of Promoter and Promoter Group	12	5,69,65,350
(B)	Public shareholding		
	B1) Institutions	0	0
	Mutual Funds/	0	0
	Financial Institutions/ Banks	0	0
	Any Other (specify)- Foreign Institutional Investors	1	4,74,057
	Sub Total B1	1	4,74,057
	B2)Central Government/ State Government(s)/ President of India	0	0
	B3)Non-Institutions		
	Individual share capital upto Rs. 2 Lacs	19,477	1,74,93,100
	Individual share capital in excess of Rs. 2 Lacs	11	52,95,244
	NBFCs registered with RBI	0	
	Any Other (specify)		
	Foreign Individuals or NRI – Reparable& Non Reparable	243	22,67,802
	Bodies Corporate	89	20,22,057

Sl. No	Category of Shareholders	No. of Shareholders	No. of Shares
	Clearing Members	45	71,469
	Overseas corporate bodies		
	Trust		
	Unclaimed Suspense	1	500
	Foreign Nationals	1	271
	IEPF	1	62,180
	Sub Total B3		
	Total Public Shareholding(B)=(B1+B2+B3)		2,72,12,623
	TOTAL (A) + (B)	19,881	8,46,52,030

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 **8,43,83,484** equity shares have been dematerialized as on 31st March, 2021.

The breakup as on 31st March, 2021 as follows:

Particulars	No. of Shares	Percentage of shares
NSDL	3,36,93,276	39.80
CDSL	5,06,90,208	59.88
Total Demat Shares	8,43,83,484	99.68
Physical	2,68,546	0.32
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, 2021 the Company does not have any outstanding GDRs/ ADRs/ Warrants or any convertible instruments.

OTHER DISCLOSURES:

Related party transactions

During the year under review no materially significant transactions entered 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 31st March, 2021 formed part of AOC-2 (Annexure 8) to the Board's 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 from time to time. 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 has duly complied with the provisions of 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, 2021.

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

Discretionary Requirements

The Company has also complied with Part E of Schedule II of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 as under:

- (i) The Board: Since the Company has a full time executive chairman,, the requirement regarding fees payable to non-executive Chairman is not applicable.
- (ii) Reporting of Internal Auditor: Internal Auditor of the company directly reports to the Audit Committee.
- (iii) Un-Modified opinion(s) in Audit Report: The Company confirms that the financial statements are with unmodified audit opinion.

Web-link of Policies of the Company: <https://smspharma.com/investor-relations/download/>

Strictures and Penalties:

There was no non-compliance penalties and strictures imposed on the Company during the last three financial years 2018-19, 2019-20 and 2020-21 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	Rs.in lakhs	
	Current Year 2020-21	Previous Year 2019-20
Audit Fee	11.00	8.00
Tax Audit Fee	-	2.00
Certification Fee	-	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 2013-14, 2014-15, 2015-16, 2016-17, 2017-18, 2018-19 and 2019-2020 are requested to claim the unpaid/ unclaimed dividend from the Company before effecting transfer to the fund.

Details of shares held in demat suspense account with HSE Securities Ltd. (IN302734-10034023) for the period from 01/04/2020 to 31/03/2021.

(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 : 500
(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 : 500
(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 : complianceofficer@smspharma.com

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

Address of the Manufacturing Plants		Research and Development Center
Plot.No.24 & 24B and 36 & 37 S.V.Co-opertive Industrial Estate, Buchupally, Medchal (Malkajgiri) (dist.) Hyderabad – 500090, Telangana (India) Ph.No. 9100072354 admin_unit2@smspharma.com	Sy.No. 160, 161, 163 to 168, Kandivalsas (V), Poosaptirega Mandal, vizianagaram (Dist) A.P. 535204. Ph.No. 8374532106/04 Admin_unit7@smspharma.com	Sy. No. 186,189 & 190, Gagilapur (V) Dundigal, Gandimaisamma (Mandal, Medchal-Malkajgiri (Dist) Telangana – 500043, Ph.No. 6309448802/05 Mail: rnd_smspharma.com

By the order of the Board

Place: Hyderabad
Date: 07-08-2021

Ramesh Babu Potluri
Chairman and Managing Director
(DIN:00166381)

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.

We 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 500034, (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 our 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, we hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ended on 31st March, 2021, 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.	* TVVSN. Murthy	00465198	11-12-2003
3.	Dr. Neelaveni Thummala	00065571	12-08-2014
4.	Sarath Kumar Pakalapati	01456746	12-08-2014
5.	Sarvepalli Srinivas	02292051	12-08-2019
6.	Shravan Kudaravalli	06905851	26-05-2018
7.	Shilpa R. Waghmare	07009966	31-01-2019
8.	** Vamsi Krishna Potluri	06956498	05-06-2020

* Sri. TVVSN Murthy has resigned from the Board with effect from 28-05-2021

** Sri. Vamsi Krishna Potluri is appointed as Executive Director with effect from 05-06-2020

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: 18-08-2021

C. Sudhir Babu,
Practicing Company Secretary,
Proprietor, CSB Associates,
Membership No.: 2724,
C.P. No.: 7666.
UDIN: **F002724C000801896**

Annexure- 6

AUDITORS' 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, 2021, 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 Suryanarayana & Suresh
Chartered Accountants
Firm Reg. No: 006631S

V Nagendra Rao
Partner
M.No. 227679
UDIN: 21227679AAAAGU1903

Place: Hyderabad
Date: 07-08-2021

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, 2021 as envisaged in Listing Regulations.

For SMS Pharmaceuticals Limited

Ramesh Babu Potluri
Chairman & Managing Director
(DIN: 00166381)

Place: Hyderabad
Date: 07-08-2021

Annexure- 7

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 Investement	30-04-2016	VKT Pharma Pvt. Ltd.	Equity	55,000	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	1,65,000	10	175	3,05,25,000	N.A.	
	26-08-2016	VKT Pharma Pvt. Ltd.	Equity	50,000	10	175	92,50,000	N.A.	
	19-09-2016	VKT Pharma Pvt. Ltd.	Equity	68,000	10	175	1,25,80,000	N.A.	
	27-09-2016	VKT Pharma Pvt. Ltd.	Equity	35,000	10	175	64,75,000	N.A.	
	05-10-2016	VKT Pharma Pvt. Ltd.	Equity	71,500	10	175	1,32,27,500	N.A.	
	19-10-2016	VKT Pharma Pvt. Ltd.	Equity	9,000	10	175	16,65,000	N.A.	
	24-10-2016	VKT Pharma Pvt. Ltd.	Equity	10,000	10	175	18,50,000	N.A.	
	05-11-2016	VKT Pharma Pvt. Ltd.	Equity	10,600	10	175	19,61,000	N.A.	
	24-03-2017	VKT Pharma Pvt. Ltd.	Equity	3,10,000	10	215	6,97,50,000	N.A.	
	06.04.2017	VKT Pharma Pvt. Ltd.	Equity	1,20,000	10	215	2,70,00,000	N.A.	
	05.05.2017	VKT Pharma Pvt. Ltd.	Equity	67,000	10	215	1,50,75,000	N.A.	
	23.05.2017	VKT Pharma Pvt. Ltd.	Equity	1,69,665	10	215	3,81,74,625	N.A.	

By the order of the Board

Place: Hyderabad
Date: 07-08-2021

Ramesh Babu Potluri
Chairman and Managing Director
(DIN:00166381)

Annexure- 8

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

Sl. No.	Particulars Name (s) of the related party	Details Sri. Vamsi Krishna Potluri
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 Rs. 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 the 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	He has been appointed has Executive Director in the 32nd Annual General Meeting held on 30th September, 2020.

Sl. No	Particulars Name (s) of the related party	Details		
		R. Chem (Somanahalli) Private Limited	VKT Pharma Private Limited	SMS Life Sciences 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 our company, is a major shareholder.	Common Directors & Associate Company	*1. Sri Ramesh Babu Potluri Director of the Company ** 2. Sri TVVSN Murthy Managing Director of the Company.
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 the ordinary course of business.	Sale & purchase of materials in the ordinary course of Business
c)	Duration of the contracts/ arrangements/transaction	Transactions done during FY 2020-21.	Transactions done during FY 2020-21.	Transactions done during FY 2020-21
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Total amount of Purchase was Rs. 1,20,86,486/- Total amount of Sale was Rs. 121,49,845/-	Total amount of Sale was Rs.22,73,80,312 /-	Purchase : total amount of purchase of Rs.37,53,23,081 /- Sales: Total amount of was Rs. 1,14,26,504/-
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	05-06-2020; 12-08-2020	05-06-2020; 12-08-2020; 03-11-2020; 10-02-2021	05-06-2020; 12-08-2020; 03-11-2020; 10-02-2021
g)	Amount paid as advances, if any	Not Applicable	Not Applicable	Not Applicable

*Sri. Ramesh Babu Potluri Resigned from the Board of SMS Lifesciences India Limited with effect from 18th June, 2021

**Sri. TVVSN Murthy Resigned from the Board of SMS Pharmaceuticals Limited with effect from 28th May, 2021

By the order of the Board

Place: Hyderabad
Date: 07-08-2021

Ramesh Babu Potluri
Chairman and Managing Director
(DIN:00166381)

Annexure- 9

Annual Report on Corporate Social Responsibility (CSR) Activities for the financial year 2020-21 as per Rule 8 of Companies (Corporate Social Responsibility Policy), rules, 2014

[Pursuant to Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021]

1. A brief outline of the CSR policy of the Company:

To promote social and economic inclusion by ensuring that marginalised communities having equal access health services and also to the educational opportunities. The main focus of the Company CSR to provide Health & Education to the people who really required. The company is also creating infrastructure for school buildings year on year and constructing village health canters as well as establishing drinking water facilities to the villages. The more details of the **CSR Policy can be accessed on www.smspharma.com**

2. Composition of the CSR Committee:

Sl. No.	Name of the Director	Designation / Nature of Directorship	Number and kind of securities	Number of meetings of CSR Committee attended during the year
1	Sri Ramesh Babu potluri	Chairman of the Committee	1	1
2	Sri.P.Sarath Kumar	Member and Independent Director	1	1
3	Sri Sarvepalli Srinivas	Member and Independent Director	1	1
4	Sri Shravan Kudaravalli	Member and Independent Director	1	1

3. Provide the web-link where Composition of CSR Committee, CSR Policy and CSR Projects approved by the Board are disclosed on the website of the Company: www.smspharma.com

4. Provide the details of impact assessment of CSR Projects carried out in pursuance of sub rule (30 of the Rule 8 of the Companies (Corporate Social Responsibility Policy) rules, 2014, if applicable (attached the report): *Not applicable for the year under review.*

5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any

Sl. No.	Financial Year	Amount available for set-off from preceding financial year (in Rs)	Amount required to be set-off for the financial year, if any (in Rs)
		Nil	

6. Average net profit of the Company as per Section 135(5) for the last three financial years: Rs. 5,786.53 lakhs

7.

- Two percent of average net profit of the Company as per Section 135(5) : Rs.115.73 Lakhs
- Surplus arising out of the CSR Projects or programs or activities of the previous financial years: Nil
- Amount required to be set off for the financial year : Nil
- Total CSR obligation for the financial year (7a+7b-7c) : Rs.115.73 Laksh

8. (a) CSR amount spent or unspent for the financial year:

Total amount spent for the financial year 2020-21	Amount unspent (in RS)				
	Total amount transferred to unspent CSR account as per Section 135(6) of the Act		Amount transferred to any fund specified under Schedule VII as per second proviso to Section 135(5)		
	Amount	Date of Transfer	Name of the fund	Amount	Date of Transfer
Rs. 116.48 Lakhs	Not Applicable				

b) Details of CSR amount spent against ongoing projects for the financial year:

1	2	3	4	5	6	7	8	9	10	11
Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local Area (yes/No)	Location of the project	Project duration	Amount allocated for the project (in Rs)	Amount spent in the current financial year (in Rs)	Amount transferred to unspent CSR account for the projects as per Section 135(6) (in Rs.)	Mode of implement - Direct (yes/No)	Mode of implementation through implementing agency
				State District						Name CSR Registration No.
1	Kopperla Village, Pusapatirega (M), vizianagaram Dist. AP at Unit VII Manufacturing facility	II	Yes	Andhra Pradesh Vijayanagaram	One Year	140.00 Lakhs	75.00 Lakhs	NA (Since the Company has fulfilled CSR obligation FY21)	Yes	NA NA

c) Details of CSR amount spent against other than ongoing projects for the financial year

Sl. No.	Name of the Project	Item from list of activities in schedule VII to the Act	Local area (yes/No)	Location of the project		Amount spent for the project (Rs in lakhs)	Mode of implementation on Direct (Yes/No)	Mode of implementation –through implementing agency	
				State	District			Name	CSR Registration Number
1	Samdrushti Kshamata Vikas Evam Anusandhan Mandal	VII (i)	Yes	Andhra Pradesh	Vijayanagaram	20.00	NO	CAMDA	NA
2	Supporting for supply safe drinking water facilities	VII(i)	Yes	Andhra Pradesh	Vijayanagaram	6.08	Yes	NA	NA
3	Health activities – support to open heart surgery for poor people	VII(i)	Yes	Andhra Pradesh and Telangana	All the Districts of both the States	10.00	NO	Sahrudaya Health, Medical and educational Trust	NA
4	Supporting to educational actives - at Vizianagaram District, Andhra Pradesh.	VII(ii)	Yes	Andhra Pradesh	Vizianagaram	5.40	No	Association Saikorian Campus Challenge	NA
Total						41.48			

- d) Amount spent in administrative overheads : **NIL**
- e) Amount Spent on impact assessment, if any : **NIL**
- total amount spent for the financial year (8b+8c+8d+8e) :116.48**
- f) Excess amount for set off, if any

Sl. No.	Particulars	Amount (in lakhs)
I	Two percent of average net profit of the Company as per section 135(5)	115.73
ii	Total amount spent for the financial year	116.48
iii	Excess amount spent for the financial year (i-ii)	0.75
iv	Surplus arising out of the CSR Projects or programs or activities of the previous financial years, if any	Nil
v	Amount available for set off in succeeding financial years (iii-iv)	0.75

9. (a) Details of unspent CSR amount for the preceding three financial years:

Sl. No.	Preceding financial year	Amount transferred to unspent CSR Account under Section 135(6) (in Rs lakhs)	Amount spent in the reporting financial year (in Rs lakhs)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any			Amount remaining to be spent in succeeding financial years (in Rs lakhs)
				Name of the fund	Amount in Rs lakhs	Date of transfer	
Not applicable							

b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial years:

Sl. No.	Project Id	Name of the Project	Financial year in which project was commenced	Project duration	Total amount allocated for the project (in RS)	Amount spent on the project in the reporting Financial year (in Rs)	Cumulative amount spent at the end of reporting financial year (in Rs.)	Status of the project – completed/ ongoing
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Not applicable

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details). : Not applicable

11. Specify the reason(s), if the Company has failed to spend two per cent of the average net profits as per section 135(5): Not applicable

Place: Hyderabad
Date: 07-08-2021

Ramesh Babu Potluri
(DIN: 00166381)
Chairman & Managing Director

Ramesh Babu Potluri
(DIN: 00166381)
Chairman of CSR Committee

Annexure- 10

DIVIDEND DISTRIBUTION POLICY

1. Objective

The objective of this Policy is to ensure the right balance between the quantum of Dividend paid and amount of profits retained in the business for various purposes. Towards this end, the Policy lays down parameters to be considered by the Board of Directors of the Company for declaration of Dividend from time to time.

2. Philosophy

The philosophy of the Company is to maximize the shareholders' wealth in the Company through various means. The Company believes that driving growth creates maximum shareholder value. Thus, the Company would first utilize its profits for working capital requirements, capital expenditure to meet expansion needs, reducing debt from its books of accounts, earmarking reserves for inorganic growth opportunities and thereafter distribute the surplus profits in the form of dividend to the shareholders.

3. Regulatory Framework

The Securities Exchange Board of India ("SEBI") on inserted Regulation 43A in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which requires top 1000 listed companies (based on market capitalization of every financial year) to formulate and disclose a Dividend Distribution Policy.

SMS Pharmaceuticals Limited being one of the top 1000 listed companies as per the market capitalization as on the last day of the immediately preceding financial year, frames this policy to comply with the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

4. Definitions

4.1. Unless repugnant to the context:

4.1.3 **"Act"** shall mean the Companies Act, 2013 including the Rules made thereunder, as amended from time to time.

4.1.3 **"Applicable Laws"** shall mean the Companies Act, 2013 and Rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; as amended from time to time and such other act, rules or regulations which provides for the distribution of Dividend.

4.1.4 **"Company or SMS"** shall mean SMS Pharmaceuticals Limited.

4.1.5 **"Chairman"** shall mean the Chairman of the Board of Directors of the Company.

4.1.6 **"Compliance Officer"** shall mean the Compliance Officer of the Company appointed by the Board of Directors pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

4.1.7 **"Board"** or **"Board of Directors"** shall mean Board of Directors of the Company.

4.1.8 **"Dividend"** shall mean Dividend as defined under Companies Act, 2013.

4.1.9 **"MD & CEO"** shall mean Managing Director and Chief Executive Officer of the Company.

4.1.10 **"Policy or this Policy"** shall mean the Dividend Distribution Policy.

4.1.11 **"SEBI Regulations"** shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 together with the circulars issued thereunder, including any statutory modification(s) or re-enactment(s) thereof for the time being in force.

4.1.12 **"Subsidiary"** shall mean Subsidiary of the Company as defined under the Companies Act, 2013.

4.2. Interpretation

4.2.1 In this Policy, unless the contrary intention appears:

4.2.1.1 the clause headings are for ease of reference only and shall not be relevant to interpretation;

4.2.1.2 a reference to a clause number includes a reference to its sub-clauses;

4.2.1.3 words in singular number include the plural and vice versa;

4.2.1.4 Words and expressions used and not defined in this Policy but defined in Companies Act, 2013 or rules made thereunder or Securities and Exchange Board of India Act, 1992 or regulations made thereunder or Depositories Act, 1996 shall have the meanings respectively assigned to them in those Acts, Rules and Regulations.

5. Parameters for declaration of Dividend

5.1 In line with the philosophy stated above in Clause 2, the Board of Directors of the Company, shall consider the following parameters for declaration of Dividend:

5.1.1 Financial Parameters / Internal Factors :

The Board of Directors of the Company would consider the following financial parameters before declaring or recommending dividend to shareholders:

5.1.1.1 Consolidated net operating profit after tax;

5.1.1.2 Working capital requirements;

5.1.1.3 Capital expenditure requirements;

5.1.1.4 Resources required to fund acquisitions and / or new businesses

5.1.1.5 Cash flow required to meet contingencies;

5.1.1.6 Outstanding borrowings;

5.1.1.7 Past Dividend Trends

5.1.2 External Factors:

The Board of Directors of the Company would consider the following external factors before declaring or recommending dividend to shareholders:

5.1.2.1 Prevailing legal requirements, regulatory conditions or restrictions Direct & Indirect taxes laid down under the Applicable Laws including tax laws and tax related issues

5.1.2.2 Dividend pay-out ratios of companies in the same industry.

5.2 Circumstances under which the shareholders may or may not expect Dividend:

5.2.1 The shareholders of the Company may not expect Dividend under the following circumstances:

5.2.1.1 Whenever it undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital;

5.2.1.2 Significantly higher working capital requirements adversely impacting free cash flow;

5.2.1.3 Whenever it undertakes any acquisitions or joint ventures requiring significant allocation of capital;

5.2.1.4 Whenever it proposes to utilise surplus cash for buy-back of securities; or

5.2.1.5 In the event of inadequacy of profits or whenever the Company has incurred losses.

5.3 Utilization of retained earnings:

5.3.1 The Company may declare dividend out of the profits of the Company for the year or out of the profits for any previous year or years or out of the free reserves available for distribution of Dividend, after having due regard to the parameters laid down in this Policy.

5.4 Parameters adopted with regard to various classes of shares:

5.4.1 Presently, the Authorized Share Capital of the Company is divided into equity share of Re. 1 each. At present, the issued and paid-up share capital of the Company comprises only equity shares.

5.4.2 The Company shall endeavor to maintain a minimum dividend pay-out ratio of 5% of the annual consolidated Profits after Tax (PAT) of the Company, subject to consideration of the parameters stated in this Policy.

5.4.3 As and when the Company issues other kind of shares, the Board of Directors may suitably amend this Policy.

6. Procedure

6.1. The Chief Financial Officer in consultation with the MD of the Company shall recommend any amount to be declared/recommended as Dividend to the Board of Directors of the Company.

6.2. The agenda of the Board of Directors where Dividend declaration or recommendation is proposed shall contain the rationale of the proposal.

6.3 Pursuant to the provisions of applicable laws and this Policy, interim Dividend approved by the Board of Directors will be confirmed by the shareholders and final Dividend, if any, recommended by the Board of Directors, will be subject to shareholders approval, at the ensuing Annual General Meeting of the Company.

6.4 The Company shall ensure compliance of provisions of Applicable Laws and this Policy in relation to Dividend declared by the Company.

7. Disclosure:

The Company shall make appropriate disclosures as required under the SEBI Regulations

8. General

8.1. This Policy would be subject to revision/amendment in accordance with the guidelines as may be issued by Ministry of Corporate Affairs, Securities Exchange Board of India or such other regulatory authority as may be authorized, from time to time, on the subject matter.

8.2. The Company reserves its right to alter, modify, add, delete or amend any of the provisions of this Policy.

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

Annexure- 11

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

(Rs In Lakhs)

NAME	DESIGNATION	Remuneration for FY 2020-21	% increase/decrease in remuneration during FY 2020-21	Ratio of remuneration of each director to the median remuneration of employees
Sri. Ramesh Babu Potluri	Executive Director (Chairman & Managing Director)	468.96	80.74	1:81.43
*Sri. Vamsi Krishna Potluri	Executive Director	405.76	-	
Sri. TVVSN Murthy	None Executive - Director	-	-	
Sri. P. Sarath Kumar	Non-Executive & Independent Director	-	-	
Dr. Smt. T. Neelaveni	Non-Executive & Independent Director	-	-	
Sri. Shravan Kudaravalli	Non-Executive & Independent Director	-	-	
Sri. S.Srinivas	Non-Executive & Independent Director	-	-	
Smt. Shilpa R Waghmare	Non-Executive & Nominee Director	-	-	
Sri. Lakshmi Narayana Tammineedi	Chief Financial Officer	18.83	6.35	
Sri. V.S.Venkatish	Company Secretary	6.54	NA	

*Sri. Vamsi Krishna potluri has been appointed on 5th June, 2020

** Sri. TVVSN Murthy has resigned as Director of the Company with effect from 28th May, 2021

1. The average percentage increase in remuneration of Director is 80.74 and the average increase in remuneration of CFO is 6.35%.
2. The average percentage increase in remuneration of employees except Directors and KMP is 4.42%.
3. Change in median remuneration of employees is 7.73%.
4. At the year end the company had 1011 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.

Annexure- 12

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

Various initiatives such as the installation of VFDs, replacement of energy inefficient equipment, usage of energy efficient agitators and moving detectors were undertaken. Improved water conservation utilizing condensate/purified water, Reduction of time cycles by optimizing processes and replaced the HPSV bulbs with high efficiency LED bulbs. With these initiatives lot of power consumption was saved.

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 of existing products as part of continuous improvement. R&D has capabilities to develop products with multi-step synthesis and high potency API'S. The Company constantly reviews, optimizes and improves its processes for its product range. These efforts have resulted in lower cost of production, achieve consistent exports and be competitive in the global market. The process up gradations also brought about improvement in green chemistry by reducing reagents, minimize wastes and increasing recoveries. IPR team provides value added updates and alerts to R&D team to increase the effective productivity

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. R&D developed and implemented anti-viral drugs (corona) like Remdesivir, Favipiravir and Molnupiravir API'S with cost effective and eco-friendly manufacturing process during corona pandemic season. The company has accelerated the DMF filing programme in it's to build broad products for regulatory markets. R&D environment reflects its commitment of products to reduce its cost effective process and making possible patents and journals. R&D focussed for developing product and transferring commercial viable, non-infringing and patentable novel API technologies.

3. R&D Expenditure

For the details of expenditure incurred in R&D centre of the company for the FY 2020-21 are furnished in the vide note number 41.

By the order of the Board

Ramesh Babu Potluri
(DIN:00166381)
Chairman & Managing Director

Place: Hyderabad
Date: 07-08-2021

Annexure- 13

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2021

[Pursuant to Section 204 (1) of the Companies Act, 2013 and Rule No. 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 a reasonable 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, 2021 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 the 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, 2021 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 76;
- (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, 2018 (SEBI ICDR Regulations) (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 clients;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (not Applicable to the Company during the Audit Period);
 - (h) The Securities and Exchange Board of India (Buy Back of Securities) Regulations, 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 Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

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 audit 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.

The agenda items are deliberated before passing the same and views/observations made by the Directors are recorded in the Minutes.

We further report that 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 were no events/ actions which are having major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines and standards:

- a) Sri. Vamsi Krishna Potluri is appointed as an Additional Director by the Board of Directors with effect from 5th June, 2020;
- b) Sri. Vamsi Krishna Potluri is appointed as Whole Time Director designated as Executive Director with effect from 1st July, 2020, and is approved by the Shareholders in the Annual General Meeting held on 30th September, 2020.

For SVVS & Associates
Company Secretaries LLP

C. SUDHIR BABU

Designated Partner

FCS: 2724; C P No.: 7666

UDIN: F002724C000386426

Place: Hyderabad

Date: 28-05-2021

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

To
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.
- (7) Due to prevailing circumstance of COVID-19 pandemic, the audit was conducted based on the verification of the Company's books, papers, minutes books, forms and returns filed, documents and other records furnished by/ obtained from the Company electronically and also the information provided by the Company and its officers by audio and visual means.

For SVVS & Associates
Company Secretaries LLP

Place: Hyderabad
Date: 28-05-2021

C. SUDHIR BABU
FCS: 2724; C P No.: 7666

Annexure- 14

SECRETARIAL COMPLIANCE REPORT OF SMS PHARMACEUTICALS LIMITED

FOR THE YEAR ENDED MARCH 31, 2021

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, 2021 (“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; (there were no events requiring compliance 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; (there were no events requiring compliance during the Review Period)
- e) Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; (there were no events requiring compliance during the Review Period)
- f) Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (there were no events requiring compliance during the Review Period)
- g) Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013; (there were no events requiring compliance during the Review Period)
- h) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

and circulars/ guidelines issued thereunder;

- a) The listed entity has complied with the provisions of the above Regulations and circulars/ guidelines issued thereunder.
- 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) There were no 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 in so far as it appears from our examination of those records.
- d) The reporting of actions by the listed entity to comply with the observations made in previous reports is not applicable during the Review Period.

For CSB Associates
Company Secretaries

C. SUDHIR BABU

Proprietor

FCS: 2724; C P No.: 7666

UDIN: F002724C000386481

Place: Hyderabad

Date: 28-05-2021

Business Responsibility Report

As per Regulation 34(2)(f) of the Listing Regulations, 2015

Section A: General Information about the Company

01	Corporate Identity Number (CIN) of the Company	L24239TG1987PLC008066
02	Name of the Company	SMS Pharmaceuticals Limited
03	Registered Office of the Company	Plot.No. 72, H.No: 8-2-334/3&4, Road No: 5, Opp. SBI Executive Enclave, Banjara Hills, Hyderabad – 5000034, Telangana, India
04	Website	www.smspharma.com
05	E-mail id	cs@smspharma.com & complianceofficer@smspharma.com
06	Financial Year reported	Financial year ending 31st March, 2021
07	Sectors that the company is engaged in (Industrial Activity code-wise)	Manufacture of APIs
08	List three key products/services that the company manufactures/provides (as in Balance sheet)	<ol style="list-style-type: none"> 1. Tenofovir Disproxil Fumarate IH 2. Sumatriptan Succinate USP 3. Pantoprazole Sodium USP
09	Total number of locations where business activity is under taken by the Company	3
	a) Number of International Locations (Provide details of major 5)	Nil
	b) Number of National Locations	3
10	Markets served by the Company	All markets (India and International)

SECTION B: Financial Details of the Company

01	Paid up Capital (INR)	Rs. 8,46,52,030
02	Total Turnover (INR)	Rs. 5,63,17,75,496
03	Total Profit after taxes (INR)	Rs. 60,96,46,004
04	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	Rs. 115.73 Lakhs
05	List of activities in which expenditure in 4 above has been incurred:-	<p>Rs.116.48 Lakhs (Rs. 0.75 lakhs have been spent excessively)</p> <ol style="list-style-type: none"> a) Rural Health Development activities for support to disability people in rural area. b) Drinking water facilities at Thammayya Palem villages, Vizianagaram Dist. Andhra Pradesh. c) Education facility to the girl children belonging to below poverty. d) Support open heart surgery program for children at Government General Hospital Guntur, Andhra Pradesh e) construction of school building in Andhra Pradesh (Balayogi Gurukulam) premises at Kopperla village at Pusapatirega (M) Vizianagaram Dist. Andhra Pradesh

Section C: Other Details

01	Does the Company have any subsidiary Company / Companies	No
02	Do the Subsidiary Company/companies participate in the BR Initiatives of the parent Company? If yes, then indicate the number of such subsidiary company(s)	NA
03	Do any other entity/entities (e.g. supplies, distributors etc.) that the Company does business with; participate in the BR initiatives of the Company. If yes, then indicate the percentage of such entity/entities (Less than 30%, 30-60%, more than 60%)	NA

SECTION D: BR INFORMATION

1. Details of Director/Directors responsible for BR

a) Details of the Director/Director responsible for implementation of the BR policy/policies.

- DIN Number : 00166381
- Name : Ramesh Babu Potluri
- Designation : Chairman & Managing Director

b) Details of the BR Head

- DIN Number : 00166381
- Name : Ramesh Babu Potluri
- Designation : Chairman & Managing Director
- Telephone Number : 040-35359999
- E-mail id : complianceofficer@smspharma.com

2. Principle-wise (as per NVGs) BR Policy/policies

a) Details of Compliances

No	Question	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have a policy / Policies for	y	y	y	y	y	y	NA	y	y
2	Has the Policy being formulated in consultation with the relevant stakeholders	All the policies are in comparable with the best practices in the industry.								
3	Does the policy conform to any national / international standards? If yes, Specify? (50 words)	The Company is abiding by the various laws while framing the policies, the best practices are taken into account								
4	Has the policy being approved by the Board? If yes, has it been signed by MD/owner/CEO/ appropriate Board Director?	The policies have been approved by the Chairman and Managing Director and certain policies are approved by the Board								
5	Does the company have a specified committee of the Board / Director /Official to oversee the implementation of the Policy?	y	y	y	y	y	y	NA	y	y
6	Indicate the link for the policy to be viewed online?	Many of the policies are available on the website of the Company www.smspharma.com and the policies which are internal to the Company are available on the Intranet of the Company.								

No	Question	P1	P2	P3	P4	P5	P6	P7	P8	P9
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	y	y	y	y	y	y	NA	y	y
8	Does the company have in-house structure to implement the policy / policies	y	y	y	y	y	y	NA	y	y
9	Does the company have grievance redressal mechanism related to the Policy / Policy to address stakeholder' grievances related to the policy / policies?	y	y	y	y	y	y	NA	y	y
10	Has the company carried out independent audit / evaluation of the working of this policy by an internal or external agency	NA	NA	Y	NA	NA	Y	NA	Y	NA

b) If answer to the question at serial number 1 against any principle, is 'No', please explain why:

No	Question	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	The Company has not understood the Principles	-	-	-	-	-	-	-	-	-
2	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	-	-	-	-	-	-	-	-	-
3	The Company does not have financial or manpower resources available for a task	-	-	-	-	-	-	-	-	-
4	It is planned to be done within next 6 months	-	-	-	-	-	-	-	-	-
5	It is planned to be done within the next 1 year	-	-	-	-	-	-	-	-	-
6	Any other reason (please specify	-	-	-	-	-	-	-	-	-

3. Governance related to BR

- Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, annually, more than 1 year – Annually.
- Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published? – NO.

SECTION: PRINCIPLE-WISE PERFORMANCE

Principle 1

Business should conduct and govern themselves with ethics, transparency and Accountability

1. Does the Policy relating to ethics, bribery and corruption cover only the Company? Yes/ No. Does it extend to the Group/Joint Venture/Suppliers/Contractors/NGOs/ Others?

SMS Pharmaceuticals Limited was committed to build a strong ethical organization. The Company's code of conduct covers all the stakeholders including Associates/ Group/joint ventures/suppliers/contractors/NGOs/ others. SMS Pharmaceuticals Limited always encourages its employees and all the stakeholders not to engage in any unfair trading practices, irresponsible advertising or anticompetitive behavior. SMS Pharmaceuticals Ltd has the procedures in place to ensure that the business of the Company is carried out in a fair and responsible manner.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the Management? If so, provide details thereof: in about 50 words or so.

SMS Pharmaceuticals Limited strongly emphasis on serving its customers with the best quality products. The Company not only believes in delivery of quality product but also believes in on-time service to all of its customers. All the Customer complaints which were received have been resolved in adequate time and proposed improvements incorporated into the processes and the Company makes sure that no complaints are pending at the end of the financial year.

Principle 2

Business should provide goods and services that are safe and contribute to sustainability throughout their life cycle

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

- a) Solvent Distillation System
- b) Any hazardous Reactions
- c) Material Handling

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc) per unit of product (Optional):

- a) Reduction during sourcing/production/ distribution achieved since the previous year though out the value chain?

Water: The source of water is from bore wells. We have established the system to purify the water as per pharmacopoeia specifications. The water which we are using in the production, part will be consumed and part will be recovered. The recovery water will be reused after necessary purification. So that we are conserving the water necessity.

Energy: The energy which we are generating through coal and also direct supply of power. We are following all the precautions to conserve the energy.

Raw Materials: Our processes are well designed for optimum utilization of raw materials as well as solvents. We have a well-established R and D facility and well qualified scientists and continually experimenting to generate competitive know-how to reduce cost of the inputs and also on discovery and establishments the continuation reaction process wherever required and also to make all reaction environmental friendly.

SMS Pharmaceuticals Limited realizes the importance of its resources and thus continuously strives to optimize and make best possible use of its resources through continuous improvements and operational excellence. Dedicated manufacturing excellence team is continuously thriving for improvement projects and lean processes.

- b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?

Energy: We have reduced usage of energy by implementing up gradated systems.

Water: We have reduced the consumption co-efficient of water in related to the production output, by establishing multiple effect evaporators (MEE) through which we are recovering the water from the effluent for the recovered water biological treatment is given for requirement specifications and re-used again.

3. Does the Company have procedures in place for sustainable sourcing (including Transportation)?

Yes. SMS Pharmaceuticals Limited has well-defined standard operating procedures (SOP) for identifying and approving vendors. Periodic site audit of vendors, regulatory approval checks and regular sample analysis are performed to ensure that the product is of highest quality. We have SOP for sourcing critical material from alternate vendors.

We have established logistic department to take care of the movement of the raw materials, solvents, packing materials and finished goods. Suppliers and vendors are evaluated as per procedures on material risk assessment, compliance to environmental regulations, labour laws, carbon footprint, and health and safety parameters for procurement process.

- a) If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so

The Company endeavors to source its procurement of goods and services from medium and small vendors. The Company preferred to source all the inputs including raw materials and packing materials from MSME units to encourage as a government policy. Most of the materials are procured from domestic source. It provides necessary regulatory and technical support to small vendors providing goods and services to the Company. Regular Vendor Audits are carried out and reports are shared with small vendors for improvement in their quality systems. Over the past 2 years, our procurement share of raw materials and intermediates from Indian suppliers is on a steady rise and the direct sourcing of raw materials from Indian vendors is 66% for the year under review compared to 60% of the previous year.

4. Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?

- a) if yes, what steps have been taken to improve their capacity and capability of local and small vendors?

Yes: We always encourage as to procure required raw materials from local and small scale units, because it approachable easily and frequent monitoring can be done in respect of quality and supplies. Our packing material in terms of value is procured from local sources. In addition to packaging material, we continuously strive to build local alternate vendors for our other materials.

5. Does the Company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.

Recycle products: we established complete distillation system to recycle and extract the solvents from mother liquor, by which we are reducing the effluent and also producing cost effective product by usage of optimum required solvent. For water, we have a complete treatment mechanism to treat effluent water for primary treatment, secondary treatment followed by established full pledged (MEE) for recovery purposes. We are reusing the recovery water for our industrial use after biological treatment. SMS Pharmaceuticals Limited has adopted mechanisms to recycle products and wastes generated during manufacturing processes. We recover key products and solvents used in manufacturing process.

Principle 3

1. Please indicate the Total number of employees

We have 1080 employees as on 31st March, 2021 (Unit VII) 794 + (Unit II) 156 + (RND) 71 + (corporate office) 56)

2. Please indicate the Total number of employees hired on temporary/contractual/casual basis.

We have "452" employees as on 31st March, 2021

3. Please indicate the Number of permanent women employees

We have 38 employees as on 31st March, 2021

4. Please indicate the Number of permanent employees with disabilities

We have "0" employees as on 31st March, 2021

5. Do you have an employee association that is recognized by management

No

6. What percentage of your permanent employees is members of this recognized employee association?

NA

7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

No	Category	No. of complaints filed during the financial year	No. of complaints pending as on end of the financial year
1	Child labour/forced labour/involuntary labour	NIL	NA
2	Sexual harassment	NIL	NA
6	Discriminatory employment	NIL	NA

8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?

- Permanent Employees 95 %
- Permanent women employees 95%
- Casual/Temporary/contractual employees 90%
- Employees with Disabilities 0%

Principle 4

Business should respect the interest of and be responsive towards all stakeholders, especially those who disadvantaged, vulnerable and marginalized

a) Has the Company mapped its internal and external stakeholders? Yes/No

Yes, we have mapped our internal and external stakeholders including employees, customer's suppliers, community and regulators. We have supported the state governments and local bodies during the pandemic in the form by supplying medicines, sanitizers, masks, etc efforts were put in to supply hygiene materials to the villages around the factories

b) Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders.

Yes, we have identified disadvantageous, vulnerable and marginalized stakeholders.

c) Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in above 50 words or so.

The Company has implemented management systems to prevent environmental degradation, work place incidents and ill-health, covering all categories of employees

including contract workmen. We have initiated behavior based safety management system, process safety management system & Incident analysis system at all our manufacturing facilities and provided extensive trainings and awareness sessions to our employees and contract workmen in order to achieve safe work culture and environment.

Principle: 5

Business should respect and promote human rights

1. Does the policy of the company on human rights cover only the company or extend to the Group/joint Ventures / suppliers / Contractors / NGOs/others?

At present our policies extended to our Company, our suppliers and contractors.

2. How many stakeholders' complaints have been received in the past financial year and what percent was satisfactorily resolved by the Management?

We have not received any complaints from any of the stake holders.

Principle: 6

Business should respect, protect, and make efforts to restore the environment

1. Does the policy related to Principle 6 cover only the Company or extends to the Group / joint Ventures / suppliers / Contractors /NGOs/Others.

The environment polices are in place for our group companies as well as our Associated Companies and we are observing and implanting the procedures as per rules specified.

2. Does the company have strategies/initiatives to address global environmental issues such as climate change, global warming etc? Y/N. If yes, please give hyperlink for webpage etc.

The Company has taken up initiatives to address global environmental issues. We understand the green-belt requirement and have hence maintained greenery in our units. Our continuous efforts have helped us to reduce our specific power consumption by 20% at our plants. SMS Pharmaceuticals Limited does continuous monitoring of total Volatile Organic content in its manufacturing facilities by taking all the precautionary measures to ensure that the environment is maintained in good condition.

3. Does the company identify and assess potential environmental risks? Y/N

Yes the Environmental risk assessment is being done on periodic basis

4. Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if yes, whether any environmental compliance report is filed?

At present the company does not have any projects of clean development mechanism

5. Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc Y/N. If yes, please give hyperlink for web page etc.

The Company has undertaken number of initiatives including-

- Reduction of energy consumption by replacing liquid nitrogen utility to ~40 brine compressor
- Power saving achieved by about 1.8 lac KW/year by installing Artic master and replacement of Instruments Air Compressor and Drier Replacements.

6. Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB / SPCB for the financial year being reported?

Yes, all manufacturing plants comply with the permissible limits for air emissions, effluent quality and discharge, solid and hazardous waste generation and disposal as per consents / authorizations.

7. Number of show cause / legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of financial year.

During the FY 2020-2021, the Company has not received any show cause/ legal notices from CPCB/ SPCB.

Principle: 7

Business when engaged in influencing public and regulatory policy should do so in a responsible manner

1. Is your Company a member of any trade and chamber or association? If yes, Name only those major ones that your business deals with:

- (a) Confederation of Indian Industry (CII)
- (b) Bulk Drug Manufacturers Association (BDMA)
- (c) FTAPCCI
- (d) Telangana State Chapter of Commerce and Industry

2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if Yes specify the board areas (drop box: Governance and administration, Economic Reforms, inclusive Development Policies, energy security, water, Food Security, sustainable Business Principles, Others)

No

Principle: 8

Business should support inclusive growth and equitable development

1. Does the Company have specified programmes/ initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.

We believe in providing inclusive growth and supporting equitable development in the Society. Our Programme of “Self-Managed Teams” continues to provide job opportunities to youths from surrounding rural areas and particularly from economically weaker sections. Along with giving them job opportunity, these candidates are provided with trainings and opportunities for higher education under the concept of “earn and learn”.

2. Are the programmers/projects undertaken through in-house team/own foundation / external NGO/ Government structures/ any other organization?

The programs have been undertaken by in-house teams.

3. Have you done any impact assessment of your initiative?

We review our projects on periodic basis to assess the projects against the project deliverables.

4. What is your Company’s direct contribution to community development projects - Amount in INR and the details of the projects undertaken

This information has been provided under CSR Report of the Company. The total amount spent in the financial year under report is Rs. 116.48 lakhs and under implementation of projects amounting to 115.73 lakhs (Rs. 0.75 lakhs in excess amount to be spent for the completion of the Projects.)

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.

Yes/ All the community development initiatives are planned based on need assessment studies done with target communities to make sure projects are successfully adopted by the community.

Principle: 9

Business should engage with and provide value to their customers and consumer in a responsible manner

1. What percentage of customer complaints/consumer cases are pending as on the end of financial year.

SMS Pharmaceuticals Limited has standard operating procedure to acknowledge, investigate and respond to any product quality related complaints / query. Dedicated complaints handling teams across all its manufacturing units ensure that detailed investigation is performed for all complaints/queries received and appropriate CAPA is taken where ever necessary with in stipulated time frames. We do not have any consumer cases in this financial year.

2. Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/NA/ Remarks (Additional Information)

We display the required product information on the product label as per the statutory requirement specified under Drugs and Cosmetics Act, 1940 and rules there under 1945.

3. Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behavior during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so

No such cases are filed by any stakeholders against the Company.

4. Did your Company carry out any consumer survey / consumer satisfaction trends?

We undertake customer satisfaction survey through consistent visit/ interaction with the customers.

By the order of the Board

Ramesh Babu Potluri
Chairman & Managing Director
(DIN: 00166381)

Place: Hyderabad
Date: 07-08-2021

Financial Statements



Independent Auditors' Report

To the Members of
SMS Pharmaceuticals Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of SMS Pharmaceuticals Limited ("the Company"), which comprise the balance sheet as at 31 March 2021, 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 standalone 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 standalone 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 2021, 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 standalone 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 standalone 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 standalone financial statements of the current year. These matters were addressed in the context of our audit of the standalone 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
1	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

Sr. No.	Key Audit Matter	Auditor's Response
		<p>of transaction price. We carried out a combination of procedures involving enquiry and observation, re-performance and inspection of evidence in respect of operation of these controls.</p> <ul style="list-style-type: none"> • 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 standalone 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 standalone 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 standalone 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 standalone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Management's Responsibility for the Standalone 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 standalone 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone 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.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone 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 standalone 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 standalone 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 standalone 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 standalone 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 standalone financial statements, including the disclosures, and whether the standalone 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone Financial Statements for the financial year ended March 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 standalone 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 2021 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2021 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 standalone 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:
- (a) The Company has disclosed the impact of pending litigations as at 31st March, 2021 on its financial position in its Standalone Ind AS Financial Statements as referred to in note 49 to the Standalone Ind AS Financial Statements.
- (b) The Company did not have material foreseeable losses, if any, on long-term contracts including derivative contracts.
- (c) 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

Place: Hyderabad
Date: 28-05-2021

M. No. 227679
UDIN: 21227679AAAAEQ2286

“Annexure A” to the Independent Auditors’ Report

Referred to in paragraph 1 under the heading ‘Report on Other Legal & Regulatory Requirement’ of our report of even date to the standalone financial statements of the Company for the year ended March 31, 2021:

- 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.
- (c) According to information and explanations given by the management, the title deeds/lease deeds of immovable properties included in property, plant and equipment are held in the name of the Company.
- 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, 2021 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:

Sr. 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)
1	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.
- 2013 and the details have been disclosed in the standalone financial statements as required by the applicable accounting standards.
- 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,
- 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

UDIN: 21227679AAAAEQ2286

Place: Hyderabad
Date: 28-05-2021

“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, 2021 in conjunction with our audit of the standalone 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 standalone 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 standalone 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 standalone 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 standalone 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, 2021, 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

Place: Hyderabad
Date: 28-05-2021

M. No. 227679
UDIN: 21227679AAAAEQ2286

Standalone Balance Sheet

as at 31st March, 2021 (All amounts : Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	Note	As at March 31, 2021	As at March 31, 2020
I	ASSETS			
1	Non-Current Assets			
	(a) Property, Plant and Equipment	4	45,225.40	27,518.98
	(b) Capital Work-in-Progress	4	674.37	4,212.31
	(c) Right-of-use Assets	5A	350.67	446.31
	(d) Intangible Assets	6	160.24	83.26
	(e) Financial Assets:			
	(i) Investments	7	4,499.87	4,499.87
	(ii) Bank Balances	8	237.72	224.89
	(iii) Other Financial Assets	9	346.43	331.95
	(f) Other Non-Current Assets	10	563.28	3,514.63
	Total		52,057.98	40,832.20
2	Current Assets			
	(a) Inventories	11	13,778.73	12,920.02
	(b) Financial Assets			
	(i) Trade Receivables	12	10,567.98	4,877.07
	(ii) Cash and Cash Equivalents	13	4,042.31	954.42
	(iii) Bank Balances (Other than (ii) above)	14	8.67	10.91
	(iv) Other Financial Assets	15	36.16	28.50
	(c) Other Current Assets	16	2,199.98	2,776.81
	(d) Current Tax Asset (Net)	17	299.06	310.36
	Total		30,932.89	21,878.09
	TOTAL ASSETS		82,990.87	62,710.29
II	EQUITY AND LIABILITIES			
1	Equity:			
	(a) Equity Share Capital	18	846.52	846.52
	(b) Other Equity	19	41,975.87	35,895.87
	Total		42,822.39	36,742.39
2	LIABILITIES			
A	Non-Current Liabilities			
	(a) Financial Liabilities			
	(i) Borrowings	20	14,783.53	6,822.10
	(ii) Lease Liabilities	5B	406.35	477.99
	(b) Provisions	21	183.99	172.64
	(c) Deferred Tax Liabilities (Net)	22	5,385.30	3,974.41
	Total		20,759.17	11,447.14
B	Current Liabilities			
	(a) Financial Liabilities			
	(i) Borrowings	23	7,085.86	6,115.52
	(ii) Trade Payables:	24		
	(a) Trade Payables - MSME		28.62	23.01
	(b) Trade Payables Other than MSME		6,515.40	4,426.39
	(iii) Other Financial Liabilities	25	4,877.73	2,843.76
	(b) Provisions	21	82.35	72.04
	(c) Other Current Liabilities	26	819.35	1,040.04
	Total		19,409.31	14,520.76
	TOTAL LIABILITIES		40,168.48	25,967.90
	TOTAL EQUITY AND LIABILITIES		82,990.87	62,710.29
	Significant Accounting Policies	3		

The accompanying notes are 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

Place: Hyderabad

Date : 28-05-2021

RAMESH BABU POTLURI

Chairman and Managing Director

DIN No : 00166381

T. LAKSHMI NARAYANA

Chief Financial Officer

VAMSI KRISHNA POTLURI

Executive Director

DIN No : 06956498

V.S.VENKATISH

Company Secretary

M.No.A21785

Standalone Statement of Profit and Loss

for the Year ended 31st March, 2021 (All amounts : Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	Note	Current Year 2020-21	Previous Year 2019-20
1	Income			
	Revenue from Operations	27	56,317.75	41,194.69
	Other Income	28	345.29	511.34
	Total Income		56,663.04	41,706.03
2	Expenses			
	Cost of Materials Consumed	29	31,326.57	25,950.18
	Changes in Inventories	30	2,673.26	(1,314.08)
	Manufacturing Expenses	31	3,939.38	3,363.87
	Employee Benefits Expense	32	4,117.17	3,935.22
	Finance Costs	33	1,116.25	1,221.14
	Depreciation and Amortization Expense	34	2,228.16	2,206.64
	Other Expenses	35	2,150.27	1,267.50
	Total Expenses		47,551.06	36,630.47
3	Profit Before Tax (1-2)		9,111.98	5,075.56
4	Tax Expense	36		
	(a) Current Tax			
	(i) relating to Current Year		1,600.00	900.00
	(ii) relating to Earlier Year		4.63	(5.86)
	(b) Deferred Tax		1,410.89	912.57
			3,015.52	1,806.71
5	Profit for the Year (3-4)		6,096.46	3,268.85
	Other Comprehensive Income / (Loss)	37		
	Items that will not be reclassified to Profit or Loss			
6	Remeasurement Gain/(Loss) of the defined benefit plans		(25.30)	(13.15)
7	Income Tax effect on the above		8.84	4.60
8	Other Comprehensive Income/(Loss) after Tax for the Year		(16.46)	(8.55)
9	Total Comprehensive Income/(Loss) for the Year		6,080.00	3,260.30
10	Earnings Per Share (Face Value of Re.1 each)			
	- Basic and Diluted	38	7.20	3.86
	Significant Accounting Policies	3		

The accompanying notes are integral part of the Standalone Financial Statements

as per our report of even date

for **SURYANARAYANA & SURESH**

Chartered Accountants

FRN 006631S

V NAGENDRA RAO

Partner

M.No. 227679

Place: Hyderabad

Date : 28-05-2021

For and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

RAMESH BABU POTLURI

Chairman and Managing Director

DIN No : 00166381

T. LAKSHMI NARAYANA

Chief Financial Officer

VAMSI KRISHNA POTLURI

Executive Director

DIN No : 06956498

V.S.VENKATISH

Company Secretary

M.No.A21785

Standalone Statement of Changes in Equity

for the Year Ended 31st March, 2021 (All amounts : Indian Rupees in Lakhs, unless otherwise stated)

a. Equity Share Capital

Particulars	As at March 31, 2021		As at March 31, 2020	
	Number of Shares	Amount (Rs)	Number of Shares	Amount (Rs)
As at the Beginning of the Year	8,46,52,030	846.52	8,46,52,030	846.52
Changes in Equity Share Capital	-	-	-	-
As at the End of the Year	8,46,52,030	846.52	8,46,52,030	846.52

b. Other Equity

Particulars	Reserves & Surplus				
	Securities Premium	Capital Redemption Reserve	General Reserve	Retained Earnings	Total Other Equity
Balance as at 01st April, 2019	6,981.84	155.00	6,304.28	19,704.72	33,145.84
Profit for the Year				3,268.85	3,268.85
Other Comprehensive Income for the year, net of Income Tax				(8.55)	(8.55)
Total Comprehensive Income for the Year	-	-	-	3,260.30	3,260.30
Transfer to General Reserve			1,000.00	(1,000.00)	-
Payment of dividends (including tax)				(510.27)	(510.27)
Balance as at 31st March, 2020	6,981.84	155.00	7,304.28	21,454.75	35,895.87
Balance as at 01st April, 2020	6,981.84	155.00	7,304.28	21,454.75	35,895.87
Profit for the Year				6,096.46	6,096.46
Other Comprehensive Income for the year, net of Income Tax				(16.46)	(16.46)
Total Comprehensive Income for the Year	-	-	-	6,080.00	6,080.00
Transfer to General Reserve			1,000.00	(1,000.00)	-
Balance as at 31st March, 2021	6,981.84	155.00	8,304.28	26,534.75	41,975.87

The accompanying notes are 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 No : 00166381

VAMSI KRISHNA POTLURI
 Executive Director
 DIN No : 06956498

Place: Hyderabad
 Date : 28-05-2021

T. LAKSHMI NARAYANA
 Chief Financial Officer

V.S.VENKATISH
 Company Secretary
 M.No.A21785

Standalone Statement of Cash Flow

For the year ended March 31, 2021 (All amounts : Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	Year ended 31st March, 2021	Year ended March 31, 2020
A	Cash Flow from Operating Activities		
	Profit Before Tax	9,111.98	5,075.56
	Adjustments for:		
	Depreciation and Amortisation Expense	2,228.16	2,206.64
	Interest Income	(15.19)	(16.06)
	Allowance for Doubtful Debts	7.84	-
	Interest on Non Current Borrowings	543.78	646.51
	Provision for Employee Benefits	5.23	12.26
	Amortisation of Transaction Cost on Borrowings	6.23	6.23
	Notional Rent Expense	-	4.94
	Profit on Sale of Assets	(1.02)	-
	Loss on Sale of Assets	0.80	5.14
	Operating Profit before Working Capital Changes	11,887.81	7,941.21
	Change in Operating Assets and Liabilities		
	(Increase)/Decrease in Trade Receivables	(5,698.75)	(2,274.82)
	(Increase)/Decrease in Inventories	(858.71)	719.96
	(Increase)/Decrease in Other Non Current Financial Assets	(14.48)	11.08
	(Increase)/Decrease in Other Non Current Asset	2,951.35	(1,602.82)
	(Increase)/Decrease in Other Current Financial Assets	(7.66)	(4.18)
	(Increase)/Decrease in Other Current Assets	576.83	186.48
	(Increase)/Decrease in Prepaid Taxes	11.30	47.37
	Increase/(Decrease) in Trade Payables	2,094.61	(375.78)
	Increase/(Decrease) in Other Current Liabilities	(292.33)	533.06
		(1,237.84)	(2,759.65)
	Cash generated from Operations	10,649.97	5,181.55
	Income Taxes Paid	(1,604.63)	(1,210.36)
	Net Cash Inflow from Operating Activities "A"	9,045.34	3,971.19
B	Cash flows from Investing Activities		
	Purchase of Property, Plant and Equipment	(15,174.90)	(4,273.40)
	Sale of Property, Plant and Equipment	13.31	13.36
	Margin Money Deposits	(16.62)	(27.45)
	Interest Received on Margin Money Deposit	18.98	31.12
	Net Cash Outflow from Investing Activities "B"	(15,159.23)	(4,256.37)
C	Cash Flows from Financing Activities		
	Proceeds from Long Term Borrowings	10,572.84	2,886.32
	Repayment of Long Term Borrowings	(1,727.00)	(1,075.00)

Standalone Statement of Cash Flow

For the year ended March 31, 2021 (All amounts : Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	Year ended 31st March, 2021	Year ended March 31, 2020
	Proceeds from Short Term Borrowings	1,172.57	1,199.56
	Repayment of Short Term Borrowings	(202.23)	(2,164.89)
	Interest paid on Borrowings	(614.40)	(575.90)
	Dividend Paid to Company's Shareholders	-	(510.26)
	Net Cash Inflow (Outflow) from Financing Activities "C"	9,201.78	(240.17)
	Net Increase (Decrease) in Cash and Cash Equivalents (A+B+C)	3,087.89	(525.35)
	Cash and Cash Equivalents at the Beginning of the Year (Refer Note 13)	954.42	1,479.77
	Cash and Cash Equivalents at End of the Year (Refer Note 13)	4,042.31	954.42

The accompanying notes are integral part of the Standalone Financial Statements

- The Cash Flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) Statement of Cash Flows.

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 No : 00166381

VAMSI KRISHNA POTLURI
 Executive Director
 DIN No : 06956498

Place: Hyderabad
 Date : 28-05-2021

T. LAKSHMI NARAYANA
 Chief Financial Officer

V.S.VENKATISH
 Company Secretary
 M.No.A21785

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 in the State of Telangana and also at Kandivalasa Village, Poosapatirega Mandal, Vijayanagaram District in the Andhra Pradesh apart from manufacturing facilities, the Company is having Research & Development Center at Gagillapur, Hyderabad in the State of Telangana.

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 by the Company as a going concern on the basis of relevant Ind AS that are effective at the Company's annual reporting date, 31st March, 2021. These Standalone Financial Statements for the year ended 31st March, 2021 were authorized and approved for issue by the Board of Directors on 28th May, 2021.

2.2 Basis of Measurement:

The standalone financial statements have been prepared on a historical cost and on accrual basis, except for the following items in the balance sheet:

- Certain financial assets are measured either at fair value or at amortised cost depending on the classification.

- 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.
- Right-of use the assets are recognized at the present value of lease payments that are not paid at that date.
- Assets held for sale are measured at fair value less cost to sell.

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.

Notes to the Standalone Financial Statements

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

- (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. Summary of Significant Accounting Policies:

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

3.1 Revenue Recognition:

Revenue is recognized 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 recognize revenues, the Company applies 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) recognize revenues when a performance obligation is satisfied.

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

The Company's revenue is derived from sale of goods, sale of services and income from licensing arrangements.

Most of such revenue is generated from the sale of goods. Accounting policies relating to revenue for the periods are as follows:

(i) Revenue from Sale of Goods:

Revenue is recognized 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 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.

Notes to the Standalone Financial Statements

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

(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 are recognized as income when the right to receive credit as per the terms of the scheme is established in respect of the export made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

(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).

3.2 Foreign Currency Transactions:

i. Functional and Presentation 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.

3.3 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.

Notes to the Standalone Financial Statements

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

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 Rs.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.

3.4 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.

3.5 Leases:

The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Effective April 1, 2019, the Company adopted Ind AS 116 "Leases", applied to all lease contracts existing on April 1, 2019 using the modified retrospective method.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

i) Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any measurement of lease liabilities. The cost of right-

Notes to the Standalone Financial Statements

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

of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

ii) Lease Liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is premeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of asset (i.e., those leases that have a lease term of 12 months or less

from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing activity in cash flow statement.

3.6 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 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.

Notes to the Standalone Financial Statements

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

3.7 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 Company cash management.

3.8 Trade Receivables:

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance.

3.9 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 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:

Investments in Subsidiaries, Associates and Joint ventures are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries and joint venture, the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Upon first-time adoption of Ind AS, the Company has elected to measure its investments in Subsidiaries, Associates and Joint ventures at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2016.

Notes to the Standalone Financial Statements

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

(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 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.

3.10 Impairment of Non-Financial Assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU)

Notes to the Standalone Financial Statements

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

fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

3.11 Income Taxes:

Current Income Tax

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, if any.

Deferred Income Tax

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 Company 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.

Minimum alternate tax (MAT)

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the

Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

Dividend Distribution Tax (DDT)

Final Dividend on share capital are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as liability on the date of declaration by the Company's Board of Directors. The entity recognised the income tax consequences of dividends in profit or loss, and equity according to where the entity originally recognized those past transactions or events. The Finance Act 2020 has repealed the Dividend Distribution tax. The Company is now required to pay/distribute dividend after deducting applicable taxes. The remittance of dividends outside India is governed by Indian law on foreign exchange and is also subject to withholding tax at applicable rates.

3.12 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.

3.13 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.

Notes to the Standalone Financial Statements

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

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.

3.14 Borrowings:

Borrowings are initially recognized at fair value, net of transaction cost incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other gains/ (losses).

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of financial statements for issue, not to demand payment as consequence of the breach.

3.15 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.

3.16 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.

3.17 Trade and other Payables:

These amounts represent liabilities for goods supplied and services provided to the Company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

3.18 Dividends

The Company recognises a liability to make cash distributions 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 date of declaration by the Company's Board of Directors.

Notes to the Standalone Financial Statements

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

3.19 Equity:

Ordinary Shares are classified as Equity share Capital. Incremental costs directly attributable to the issue of new ordinary shares or share options and buy back are recognized as a deduction from equity, net of tax effects, if any.

3.20 Research and Development:

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss. Development costs of products are also charged to the Statement of Profit and Loss unless a product's technical feasibility has been established, in which case such expenditure is capitalized. Development expenditure on an individual project are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliability the expenditure during development.

The amount capitalized comprises expenditure that can be directly attributed or allocated on a reasonable and consistent basis to creating, producing and making the asset ready to its intended use.

3.21 Post 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-measurement 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.

3.22 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

Notes to the Standalone Financial Statements

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

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.

3.23 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.

3.24 Exceptional Items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Company. These are material items of income or expense that have to be shown separately due to the significance of their nature or amount.

3.25 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.

3.26 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.

Notes to the Standalone Financial Statements

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

(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 judgment.

(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/Amortizable 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.

3.27 Recent Accounting Pronouncements:

The Ministry of Corporate Affairs (MCA) notifies new standard or amendments to the existing standard. There is no such notification which would have been applicable from 1st April, 2020.

3.28 Rounding of Amounts:

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs as per the requirement of Schedule III of the Companies Act, 2013 unless otherwise stated.

Notes to the Standalone Financial Statements

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

4 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
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(13)
I Year Ended 31st March, 2020											
a Gross Carrying Amount											
1 Opening Gross Carrying Amount	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
2 Additions	-	89.99	1,362.08	5.00	34.31	41.97	15.47	23.94	24.79	1,597.55	3,933.49
3 Disposals/Transfers	-	-	(11.15)	-	-	-	-	(11.70)	-	(22.85)	(1,551.31)
4 Closing Gross Carrying Amount as at 31st March, 2020 (1+2+3)	421.30	7,714.43	25,979.49	287.77	137.42	195.66	106.10	373.72	148.46	35,364.35	4,212.31
b Accumulated Depreciation and Impairment											
5 Opening Accumulated Depreciation	-	826.71	4,650.11	55.82	50.64	35.77	15.05	139.08	5.68	5,778.86	-
6 Depreciation Charge during the Year 2019-20	-	278.69	1,646.20	18.53	21.79	18.45	17.56	49.78	24.43	2,075.43	-
7 Disposals	-	-	(2.21)	-	-	-	-	(6.71)	-	(8.92)	-
8 Closing Accumulated Depreciation and Impairment as at 31st March, 2020 (5+6+7)	-	1,105.40	6,294.10	74.35	72.43	54.22	32.61	182.15	30.11	7,845.37	-
c Net Carrying Amount as at 31st March, 2020 (4-8)	421.30	6,609.03	19,685.39	213.42	64.99	141.44	73.49	191.57	118.35	27,518.98	4,212.31
II Year Ended 31st March, 2021											
a Gross Carrying Amount											
1 Opening Gross Carrying Amount	421.30	7,714.43	25,979.49	287.77	137.42	195.66	106.10	373.72	148.46	35,364.35	4,212.31
2 Additions	-	4,613.89	14,675.79	427.34	46.72	31.28	12.95	-	0.69	19,808.66	16,317.53
3 Disposals/Transfers	-	-	(30.80)	-	-	-	-	-	-	(30.80)	(19,855.47)
4 Closing Gross Carrying Amount as at 31st March, 2021 (1+2+3)	421.30	12,328.32	40,624.48	715.11	184.14	226.94	119.05	373.72	149.15	55,142.21	674.37
b Accumulated Depreciation and Impairment											
5 Opening Accumulated Depreciation	-	1,105.40	6,294.10	74.35	72.43	54.22	32.61	182.15	30.11	7,845.37	-
6 Depreciation Charge during the Year 2020-21	-	280.61	1,640.94	20.56	35.62	17.94	17.86	50.04	25.59	2,089.16	-
7 Disposals	-	-	(17.72)	-	-	-	-	-	-	(17.72)	-
8 Closing Accumulated Depreciation and Impairment as at 31st March, 2021 (5+6+7)	-	1,386.01	7,917.32	94.91	108.05	72.16	50.47	232.19	55.70	9,916.81	-
c Net Carrying Amount as at 31st March, 2021 (4-8)	421.30	10,942.31	32,707.16	620.20	76.09	154.78	68.58	141.53	93.45	45,225.40	674.37

4.1 Pledge on Property, Plant and Equipment :

Refer Note 40 for information on Property, Plant and Equipment pledged as security by the Company

4.2 Refer Note 50 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)

5 Right of Use Assets and Lease Liability

The Company has adopted Ind AS 116 - Leases with effect from 01.04.2019 using modified retrospective method . This has resulted in recognizing right of use assets and lease liability as on 01.04.2019.

5A Right of Use Assets

Following are the changes in the carrying value of right of use assets for the year ended March 31, 2021 and March 31,2020 :

Particulars	March 31,2021	March 31,2020
Opening Balance	446.31	-
Reclassification on adoption of Ind AS 116	-	541.95
Depreciation	95.64	95.64
Closing Balance	350.67	446.31

The aggregate depreciation expense on ROU assets is included under depreciation and amortization expense in the statement of Profit and Loss.

5B Lease Liability

The following is the movement in lease liabilities during the year ended March 31,2021 and March 31,2020 :

Particulars	March 31,2021	March 31,2020
Recognition on adoption of Ind AS 116/ Opening Balance	477.99	541.95
Finance cost accrued during the year	50.76	58.44
Payment of lease liabilities	122.40	122.40
Closing Balance	406.35	477.99

The table below provides details regarding the contractual maturities of lease liabilities as at 31st March, 2021 on an undiscounted basis

Particulars	March 31,2021	March 31,2020
Less than one year	122.40	122.40
One to five years	377.09	499.49
More than five years	-	-
Total	499.49	621.89

The Company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

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 Rs. 5.49 lakhs (Previous Year Rs. 5.14 lakhs).

Hence, disclosure requirement under Ind AS 17 "Leases" is not required.

Operating Lease Commitments - Company as Lessor :

The Company has given on Lease of its part premises in R & D Gagilapur for an amount of Rs.0.55 lakhs per month on lease to an associate company . The company has also given for sub lease of part of its corporate office building to related parties. The Company has recognized income for total amount of Rs.59.88 lakhs (Previous Year Rs.60.86 lakhs) under the head of other income.

Notes to the Standalone Financial Statements

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

6 Intangible Assets

Particulars	Computer Software	Patents	Total
(1)	(2)	(3)	(4)
I Year Ended 31st March, 2020			
a Gross Carrying Amount			
1 Opening Gross Carrying Amount as at 01st April, 2019	67.76	99.34	167.10
2 Additions	-	3.95	3.95
3 Closing Gross Carrying Amount as at 31st March, 2020 (1+2)	67.76	103.29	171.05
b Accumulated Amortisation and Impairment			
4 Opening Accumulated Amortisation as at 01st April, 2019	36.43	15.79	52.22
5 Amortisation Charge during the year 2019-20	10.95	24.62	35.57
6 Closing Accumulated Amortisation and Impairment as at 31st March, 2020 (4+5)	47.38	40.41	87.79
c Closing Net Carrying Amount as at 31st March, 2020 (3-6)	20.38	62.88	83.26
II Year Ended 31st March, 2021			
a Gross Carrying Amount			
1 Opening Gross Carrying Amount as at 01st April, 2020	67.76	103.29	171.05
2 Additions	0.61	119.74	120.35
3 Closing Gross Carrying Amounts as at 31st March, 2021 (1+2)	68.37	223.03	291.40
b Accumulated Amortisation and Impairment			
4 Opening Accumulated Amortisation as at 01st April, 2020	47.38	40.41	87.79
5 Amortisation Charge during the year 2020-21	9.28	34.09	43.37
6 Closing Accumulated Amortisation and Impairment as at 31st March, 2021 (4+5)	56.66	74.50	131.16
c Closing Net Carrying Amount as at 31st March, 2021 (3-6)	11.71	148.53	160.24

Non Current Financial Assets - Unsecured, Considered good

7 Non-Current Investments

Particulars	As at March 31, 2021		As at March 31, 2020	
	No. of Shares	Amount	No. of Shares	Amount
(Unquoted, carried at cost)				
Investment in Associates (fully paid up)				
Equity Shares of Rs.10/- each in M/s. VKT Pharma Private Limited	38,50,165	4,499.87	38,50,165	4,499.87
Total		4,499.87		4,499.87
Aggregate amount of unquoted investments		4,499.87		4,499.87
Aggregate amount of quoted investments and market value thereof		-		-
Aggregate amount of impairment in the value of investment		-		-

7.1 As on 31st March, 2021, the Company is holding 42.62 % (31st March, 2020 42.62%) of the total Paid up Capital of the said Associate Company.

Notes to the Standalone Financial Statements

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

8 Bank Balances

Particulars	As at March 31, 2021	As at March 31, 2020
Margin Money Deposits	237.72	224.89
Total	237.72	224.89

8.1 Margin Money Deposits are subject to the first charge against Bank guarantees and /are Letter of Credits.

9 Other Non-Current Financial Assets

Particulars	As at March 31, 2021	As at March 31, 2020
Security Deposits	346.43	331.95
Total	346.43	331.95

10 Other Non-Current Assets

Particulars	As at March 31, 2021	As at March 31, 2020
Capital Advances	563.28	3,514.63
Total	563.28	3,514.63

10.1 An amount of Rs.304.91 lakhs was included in the Capital Advances paid on account of land admeasuring AC 23.00 in JNPC, Parwada, Visakhapatnam District, and the amount so paid is equivalent to 100% land cost to APIIC and about 80% of development cost to Ramky Pharmacy respectively. Due to the cancellation of part of land allotted to the company in earlier, the company has filed a Writ Petition before the Hon'ble High Court and the Court has granted stay which is pending.

10.2 The company has participated State Bank of India (Bank) e-auction and successful bidder for the purchase of a property for Rs.1,055.00 Lakhs. The owner of the property has litigated with the Banker and filed case with Debt Recovery Tribunal (DRT), Hyderabad wherein the Company also impleaded and subsequently DRT has cancelled the e-auction. Aggrieved by this the company have filed an appeal before the Hon'ble Debt Recovery Appellate Tribunal (DRAT), Kolkatta and as on 31st march 2021 the appeal is pending before DRAT.

During April 2021, DRAT has dismissed the appeal and the company is planning to prefer an appeal before the Hon'ble High Court of Telangana.

Notes to the Standalone Financial Statements

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

11 Inventories

Particulars	As at March 31, 2021	As at March 31, 2020
(Cost or Net Realisable Value, whichever is lower and as valued and certified by the management)		
Raw Materials	6,966.81	3,400.91
Stock-in-Process	2,341.42	4,391.69
Finished Goods	4,445.03	5,068.02
Coal & Fuel	25.47	59.40
Total	13,778.73	12,920.02

11.1 Finished Goods includes stock in transit of Rs. 1,912.50 lakhs (31st March, 2020 Rs. 277.87 lakhs)

12 Trade Receivables

Particulars	As at March 31, 2021	As at March 31, 2020
Current - Unsecured		
(i) Considered Good	10,567.98	4,877.07
(ii) Considered Doubtful	10.49	2.65
Less: Allowance for Doubtful Debts	10.49	2.65
Total	10,567.98	4,877.07
Break-up of security details		
Trade Receivables considered Good-Secured	-	-
Trade Receivables considered Good-Un Secured	10,567.98	4,877.07
Trade Receivables which have significant increase in credit risk	-	-
Trade Receivables - credit impaired	10.49	2.65
Total	10,578.47	4,879.72
Less: Provision for Doubtfull Debts	10.49	2.65
Total Trade recivables	10,567.98	4,877.07

12.1 The Company has computed the expected credit loss allowance for doubtful trade receivables on the basis of age analysis on assumption of expected credit loss of 5% on outstanding receivables of more than 180days.

12.2 Trade Receivables includes an amount of Rs.1,457.21 lakhs (31st March, 2020 Rs.1,443.12 lakhs) due from a related party (Refer Note.48)

12.3 The expected credit loss allowance is based on the ageing of the days the receivables are due. In calculating expected credit loss, the Company has also considered credit information for its customers to estimate the probability of default in future and has taken into account estimates of possible effect from the pandemic relating to COVID-19.

Notes to the Standalone Financial Statements

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

13 Cash and Cash Equivalents

Particulars	As at March 31, 2021	As at March 31, 2020
(i) Balances with Banks		
- in Current Accounts	2,096.56	710.24
- in Deposit Accounts	1,750.00	-
- in EEFC account	187.28	232.36
(ii) Cash on Hand	8.47	11.82
Total	4,042.31	954.42

14 Bank Balances Other than Cash and Cash Equivalents

Particulars	As at March 31, 2021	As at March 31, 2020
Balances in Unclaimed Dividend Accounts	8.67	10.91
Total	8.67	10.91

15 Other Current Financial Assets

Particulars	As at March 31, 2021	As at March 31, 2020
(unsecured, considered good)		
Export Incentive Receivable	36.16	28.50
Total	36.16	28.50

16 Other Current Assets

Particulars	As at March 31, 2021	As at March 31, 2020
(unsecured, considered good)		
GST Credit Receivable	459.54	786.29
GST Refund Receivable	1,188.29	926.75
Prepaid Expenses	221.78	186.90
Interest Receivable	10.84	13.81
Advances to Suppliers	257.21	674.42
Export Incentives Receivable	1.82	153.28
Other Advances and Receivables	60.50	35.36
Total	2,199.98	2,776.81

Notes to the Standalone Financial Statements

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

17 Current Tax Assets (Net) **299.06** **310.36**

17.1 Current Tax Assets/(Liabilities)

Particulars	As at March 31, 2021	As at March 31, 2020
Advance Income Tax	1,850.16	1,165.65
TDS/TCS Receivable	48.90	44.71
Less: Provision for Income Tax	1,600.00	900.00
Total	299.06	310.36

18 Equity Share Capital

Particulars	As at March 31, 2021		As at March 31, 2020	
	Number of Shares	Amount	Number of Shares	Amount
Authorised Share Capital				
Equity Shares of Re. 1/- each	12,00,00,000	1,200.00	12,00,00,000	1,200.00
Issued, Subscribed and Fully Paid Up				
Equity Shares of Re. 1/- each	8,46,52,030	846.52	8,46,52,030	846.52
Total	8,46,52,030	846.52	8,46,52,030	846.52

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

Particulars	As at March 31, 2021		As at March 31, 2020	
	Number of Shares	Amount	Number of Shares	Amount
Equity Shares				
At the Beginning of the Year	8,46,52,030	846.52	8,46,52,030	846.52
Add: Issued/(Reduced) during the Year	-	-	-	-
At the End of the Year	8,46,52,030	846.52	8,46,52,030	846.52

18.2 Rights attached to Equity Shares

The Company has only one class of equity shares having face value of Re. 1/- per share. The Company declares and pays dividends in Indian rupees. 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. Every holder of equity shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Notes to the Standalone Financial Statements

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

18 Equity Share Capital (Contd..)

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

Particulars	As at March 31, 2021		As at March 31, 2020	
	Number of shares	% holding	Number of shares	% holding
Sri. Ramesh Babu Potluri	1,55,53,060	18.37%	1,45,06,960	17.14%
Smt. Hima Bindu Potluri	1,47,88,840	17.47%	1,33,98,360	15.83%
Sri. Vamsi Krishna Potluri	1,33,28,370	15.74%	48,10,590	5.68%
M/s. Potluri Infra Projects LLP	73,46,420	8.68%	59,70,000	7.05%
Sri. TVVSN Murthy	-	-	94,48,340	11.16%

18.4 Distributions made and proposed

Particulars	Current Year 2020-21	Previous Year 2019-20
Cash dividends on equity shares declared and paid:		
Dividend for the Financial Year 2018-19 : Re.0.25 per share	-	211.63
Dividend Distribution Tax	-	43.50
Interim/final dividend for the financial year 2019-20: Re.0.25 per Share	-	211.63
Dividend distribution tax on interim/final dividend	-	43.50
Total	-	510.26
Proposed dividends on equity shares:		
Dividend for the FY 2020-21 : Re.0.30 per Share	253.95	-
Total	253.95	-

The Board of Directors of the Company in their meeting held on 28th May 2021 has proposed a dividend for distribution to equity shareholders of Re. 0.30 per each equity share (face value Re.1/-) for the financial year 2020-21.

Proposed dividend on equity shares are subject to approval at the annual general meeting and are not recognised it as a liability as at March 31, 2020 Effective from April 01, 2020: Dividends will be taxed in the hands of recipient, hence there will be no liability in the hands of Company.

19 Other Equity

Particulars	As at March 31, 2021	As at March 31, 2020
Reserves and Surplus		
Securities Premium	6,981.84	6,981.84
Capital Redemption Reserve	155.00	155.00
General Reserve	8,304.28	7,304.28
Retained Earnings	26,534.75	21,454.75
Total	41,975.87	35,895.87

Notes to the Standalone Financial Statements

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

19 Other Equity (Contd..)

19.1 Securities Premium Reserve

Particulars	As at March 31, 2021	As at March 31, 2020
Opening Balance	6,981.84	6,981.84
Adjustments	-	-
Closing Balance	6,981.84	6,981.84

19.2 Capital Redemption Reserve

Particulars	31 March 2021	31 March 2020
Opening Balance	155.00	155.00
Adjustments	-	-
Closing Balance	155.00	155.00

19.3 General Reserve

Particulars	31 March 2021	31 March 2020
Opening Balance	7,304.28	6,304.28
Cancellation of Shares in pursuance of Demerger	-	-
Transferred from Statement of Profit & Loss	1,000.00	1,000.00
Closing Balance	8,304.28	7,304.28

19.4 Retained Earnings

Particulars	31 March 2021	31 March 2020
(a) Opening Balance	21,454.75	19,704.72
(b) Net Profit for the Year	6,096.46	3,268.85
(c) Transferred to General Reserve	(1,000.00)	(1,000.00)
(d) Dividends (Including Tax)	-	(510.27)
(e) Items of Other Comprehensive Income		
Remeasurement Gain/(Loss) of the defined benefit plans	(16.46)	(8.55)
Closing Balance	26,534.75	21,454.75

19.5 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 Companies Act,2013.

(b) Capital Redemption Reserve:

The Company has recognized Capital Redemption reserve on buy back of equity shares. The amount in capital redemption reserve is equal to nominal amount of the equity shares bought back. This reserve will be utilized in accordance with Section 69 of the Companies Act,2013.

Notes to the Standalone Financial Statements

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

19 Other Equity (Contd..)

(c) General Reserve:

Though mandatory transfer to General Reserve is not required under the Companies Act, 2013, 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.

(e) Analysis of items of OCI, net of tax

Re-measurements of defined benefit plans (Refer Note 37)

Re-measurements of defined plans comprises actuarial gains and losses and return on plan assets

20 Financial Liabilities

Non Current Borrowings

20.1 Secured (Refer Note.20.1.1)

Particulars	As at March 31, 2021	As at March 31, 2020
Term Loans from Banks		
(a) IDBI Bank Ltd	1,742.75	3,487.92
(b) Export Import Bank Loan-1	1,220.77	1,344.36
(c) Export Import Bank Loan-2	5,342.79	1,592.60
(d) Yes Bank	-	277.22
(e) State Bank of India	4,095.36	-
(f) RBL (WCTL GECL) Bank	1,106.46	-
(g) IDBI WCTL GECL	1,155.40	-
Sub Total	14,663.53	6,702.10

20.2 Unsecured (Refer Note.20.2.1)

Particulars	As at March 31, 2021	As at March 31, 2020
DSIR Assistance	120.00	120.00
Total	14,783.53	6,822.10

Notes to the Standalone Financial Statements

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

20 Financial Liabilities (contd..)

20.3 Current Maturities of Non Current Borrowings

Particulars	As at March 31, 2021	As at March 31, 2020
Secured		
Term Loans from Banks		
(i) IDBI Bank Ltd	1,700.00	1,200.00
(ii) Export Import Bank Loan-1	100.00	75.00
(iii) Export Import Bank Loan-2	754.00	377.00
(iv) Yes Bank	-	639.50
(v) State Bank of India	580.00	-
(vi) RBL (WCTL GECL)Bank	23.54	-
(vii) IDBI WCTL GECL	24.60	-
Total	3,182.14	2,291.50
Amount disclosed under the head "Other Current Financial Liabilities"	(3,182.14)	(2,291.50)
Total	-	-

20.1.1 Security Terms

- Term Loans availed from IDBI Bank Limited (IDBI Bank), State Bank of India (SBI) and Export-Import Bank of India (Exim Bank) are secured by first charge on all movable and immovable fixed assets of the company both present and future on pari-passu basis. They are further secured by second charge on current assets both present and future on pari-passu basis. These facilities are guaranteed by Sri Ramesh Babu Potluri, Chairman & Managing Director and Sri Vamsi Krishna Potluri, Executive Director of the Company in their personal capacities, except IDBI Bank. IDBI Bank facility is guaranteed by Sri Ramesh Babu Potluri, Chairman & Managing Director and Sri T V V S N Murthy, Director of the Company in their personal capacities.
- Long Term Working Capital Term Loans (LTWCTL) availed from Exim Bank are secured by first charge on all movable and immovable fixed assets of the company both present and future on pari-passu basis. Further secured by second charge on current assets of the Company both present and future on pari-passu basis. These facilities are guaranteed by Sri Ramesh Babu Potluri, Chairman & Managing Director of the Company in his personal capacity.
- Working Capital Term Loans (WCTL) under Guaranteed Emergency Credit Line (GECL) availed from IDBI Bank and RBL Bank Limited (RBL Bank) are secured by second charge on all movable and immovable fixed assets of the company both present and future on pari-passu basis . Further secured second charge on current assets of the Company both present and future on pari-passu basis. These facilities covered under GECL operated by National Credit Guarantee Trustee Company Limited (NCTC).
- The carrying amounts of financial and non-financial assets pledged as security for current and non - current borrowings are disclosed in Note 40.

Notes to the Standalone Financial Statements

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

20 Financial Liabilities (Contd..)

20.1.2 Rate of Interest :

Name of the Bank	Rate of Interest
Term Loans	
IDBI Bank (MCLR (Y) + 1.10% p.a.)	8.90%
Exim Bank (SBI MCLR (Y)+ 2.25% p.a)	9.20%
SBI (Converted FCNRB with fully hedged)	7.90%
Long Term Working Capital Loan	
Exim Bank (LTMLR+20 basis points)	8.60%
RBL Bank (1M MCLR)	8.00%
IDBI Bank (MCLR+0.15% p.a.)	7.95%

20.1.3 Terms of Repayment

- (a) The loan availed from IDBI Bank amounting to Rs.7,500 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	Rs. 100 Lakhs each
Next 4 Quarters	Rs. 200 Lakhs each
Next 4 Quarters	Rs. 300 Lakhs each
Next 4 Quarters	Rs. 400 Lakhs each
Next 4 Quarters	Rs. 425 Lakhs each
Next 4 Quarters	Rs. 450 Lakhs each

The Company has availed moratorium for principal installment for the above said loan as per RBI Relaxation on account COVID19 for two quarters

- (b) The loan availed from Exim Bank amounting to Rs.6,500 lakhs for funding the Expansion Project of Kandivalasa unit. The loan is repayable in 24 Quarterly Installments commencing from January, 2021, as mentioned below.

First 9 Quarters	Rs. 188.50 Lakhs each
Next 14 Quarters	Rs. 321.75 Lakhs each
Last 1 Quarter	Rs. 299.00 Lakhs each

- (c) The loan availed from State Bank of India amounting to Rs.5,000 lakhs for funding the Expansion Project of Kandivalasa unit. The loan is repayable in 24 Quarterly Installments commencing from January, 2021, as mentioned below.

First 9 Quarters	Rs. 145.00 Lakhs each
Next 14 Quarters	Rs. 247.50 Lakhs each
Last 1 Quarter	Rs. 230.00 Lakhs each

Notes to the Standalone Financial Statements

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

20 Financial Liabilities (Contd..)

20.1.3 Terms of Repayment (Contd..)

(d) The Long Term Working Capital Loan availed from Exim Bank amounting Rs. 1,500 lakhs is to be repaid in 20 structured quarterly installments commencing from 1st october,2019, as mentioned below:

First 4 Quarters	Rs. 25 Lakhs each
Next 4 Quarters	Rs. 25 Lakhs each
Next 4 Quarters	Rs. 50 Lakhs each
Next 4 Quarters	Rs. 125 Lakhs each
Next 4 Quarters	Rs. 150 Lakhs each

(e) The WCTL under GECL availed from IDBI Bank amounting Rs.1,180 lakhs is to be repaid in 47 monthly equated principal repayment of Rs.24.60 Lakhs and 48th monthly instalment of Rs.23.80 lakhs after moratorium period of one year i.e. March 2022 onwards

(f) The WCTL under GECL availed from RBL Bank amounting Rs.1,130 lakhs is to be repaid in 47 monthly equated principal repayment of Rs.23.54 Lakhs and 48th monthly instalment of Rs.23.62 lakhs after moratorium period of one year i.e. March 2022 onwards.

20.2.1 Financial Assistance received from Department of Scientific and Industrial Research (DSIR) of Rs. 120.00 Lakhs (previous year Rs. 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.

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

Particulars	31st March, 2021	31st March, 2020
Opening Borrowings	6,822.10	6,221.05
Add: Opening Current Maturities	2,291.50	1,075.00
Add: Amortisation of Transaction Cost	6.23	6.23
Add: Received during the year	10,572.84	2,886.32
Less: Paid during the year	1,727.00	1,075.00
Closing Borrowings	17,965.67	9,113.60
Less: Closing Current Maturities	3,182.14	2,291.50
Non Current Borrowings as per Balance Sheet	14,783.53	6,822.10

Notes to the Standalone Financial Statements

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

21 Provisions

Particulars	As at March 31, 2021	As at March 31, 2020
Provision for Employee Benefit Obligations		
Non Current		
Gratuity	125.81	118.88
Leave Encashment	58.18	53.76
Sub Total	183.99	172.64
Current		
Gratuity	52.28	44.77
Leave Encashment	30.07	27.27
Sub Total	82.35	72.04
Total		
Gratuity	178.09	163.65
Leave Encashment	88.25	81.03
Grand Total	266.34	244.68

21.1 For details of Post Employment Benefits. Refer Note 39.

22 Deferred Tax Liabilities (net)

The Balance Comprises Temporary Differences Attributable to:

Particulars	As at March 31, 2021	As at March 31, 2020
(a) Deferred Tax Liability		
(i) Property, Plant and Equipment	5,897.26	5,308.14
(ii) Others	25.28	41.37
Total	5,922.54	5,349.51
(b) Deferred Tax Asset		
(i) Expenses allowable on the basis of Payment	99.41	94.35
(ii) MAT Credit Entitlement	295.36	1,147.06
(iii) Other items giving rise to temporary differences	142.47	133.69
Total	537.24	1,375.10
Net Deferred Tax Liabilities (a) - (b)	5,385.30	3,974.41

(c) Movement in Deferred Tax Liabilities

Particulars	Property, Plant and Equipment	Other Items	Total
As at 31st March, 2019	4,638.28	8.37	4,646.65
Charged/(Credited)	669.86	33.00	702.86
As at 31st March, 2020	5,308.14	41.37	5,349.51
Charged/(Credited)	589.12	(16.09)	573.03
As at 31st March, 2021	5,897.26	25.28	5,922.54

Notes to the Standalone Financial Statements

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

22 Deferred Tax Liabilities (net) (Contd..)

(d) Movement in Deferred Tax Assets

Particulars	Expenses allowable on payment basis	MAT Credit	Other items	Total
As at 31st March, 2019	103.06	1,334.19	147.56	1,584.81
Charged/(Credited)	(8.71)	(187.13)	(13.87)	(209.71)
As at 31st March, 2020	94.35	1,147.06	133.69	1,375.10
Charged/(Credited)	5.06	(851.70)	8.78	(837.86)
As at 31st March, 2021	99.41	295.36	142.47	537.24

23 Current Borrowings

Particulars	As at March 31, 2021	As at March 31, 2020
Secured		
Working Capital Loans from Banks		
--- State Bank of India	4,395.22	3,513.74
--- RBL Bank Ltd	1,200.00	1,402.23
--- IDBI Bank Ltd	1,490.64	1,199.55
Total	7,085.86	6,115.52

23.1 Security Terms

- (a) Working Capital Facilities sanctioned by State Bank of India and RBL Bank are secured by first charge on all current assets of the Company both present and future on pari-passu basis. These facilities are further secured by second charge on all movable and immovable fixed assets of the Company both present and future on pari-passu basis and also guaranteed by Sri Ramesh Babu Potluri, Chairman and Managing Director, and Sri Vamsi Krishna Potluri, Executive 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) Working Capital Facilities sanctioned by IDBI Bank are secured by first charge on all current assets of the Company both present and future on pari-passu basis. These facilities are further secured by second charge on all movable and immovable fixed assets of the Company both present and future on pari passu basis and also guaranteed by Sri Ramesh Babu Potluri Chairman and Managing Director of the Company, in his personal capacity
- (d) The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 40.

Notes to the Standalone Financial Statements

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

23 Current Borrowings (Contd..)

23.2 Rate of Interest is as follows:

Name of the Bank	Rate of Interest
State Bank of India	
Cash Credit	7.90%
Export Packing Credit	7.50%
Stand by Loan	7.50%
IDBI Bank Limited - WCDL	8.00%
RBL Bank - WCDL	8.00%

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

23.4 The outstandings of all working capital facilities are well within the sanctioned limits.

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

Particulars	31st March, 2021	31st March, 2020
Opening Borrowings	6,115.52	7,080.86
Add: Received during the year	1,172.57	1,199.55
Less: Paid during the year	(202.23)	2,164.89
Closing Current Borrowings	7,085.86	6,115.52

24 Trade Payables

Particulars	31st March, 2021	31st March, 2020
(a) Creditor for Supply of Materials		
(i) Due to Micro and Small Enterprises	28.62	23.01
(ii) Due to Related Parties	1,374.13	244.97
(iii) Others	4,092.67	3,687.08
(b) Creditors for Expenses	1,048.60	494.34
Total	6,544.02	4,449.40

24.1 Trade Payables includes an amount of Rs.1,374.13 lakhs (Previous Year Rs 63.48 lakhs) payable to SMS Lifesciences India Limited a related party. (refer note 48)

25 Other Financial Liabilities

Particulars	31st March, 2021	31st March, 2020
Current		
Current Maturities of Long-Term Debt	3,182.14	2,291.50
Capital Creditors	1,686.92	470.74
Interest Accrued but not due	-	70.61
Unclaimed Dividend	8.67	10.91
Total	4,877.73	2,843.76

Notes to the Standalone Financial Statements

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

26 Other Current Liabilities

Particulars	31st March, 2021	31st March, 2020
Statutory Liabilities	335.21	82.66
Advance from Customers	466.00	932.06
Employee Benefits Payable	18.14	25.32
Total	819.35	1,040.04

27 Revenue from Operations

Particulars	Current Year 2020-21	Previous Year 2019-20
(a) Sale of Products		
Gross Sales (including GST)	58,190.01	43,307.54
Less: Goods and Service Tax	4,425.57	3,898.45
Net Revenue from Sales	53,764.44	39,409.09
(b) Income from Sale of Services		
(i) Conversion Charges	1,960.97	1,564.02
Less: Goods and Service Tax	299.13	238.58
Net Conversion Charges	1,661.84	1,325.44
(ii) Sale of Services*	773.43	-
Less: Goods and Service Tax	117.98	-
Net Revenue from Sale of Services	655.45	-
Net Revenue from Services	2,317.29	1,325.44
(c) Other Operating Income		
Export Incentives	236.02	460.16
Total Net Revenue from Operations (a+b+c)	56,317.75	41,194.69

*During the year the Company has entered into an agreement with one of its customer for sharing of profit on the sales of product manufactured by them using our Active Pharmaceutical Ingredients (API) and the Company has accounted share of profit under the head of sale of services.

28 Other Income

Particulars	Current Year 2020-21	Previous Year 2019-20
(i) Interest Income	31.44	35.16
(ii) Net Gain on Foreign Exchange	57.05	179.61
(iii) Miscellaneous Income (Net of GST)	256.80	296.57
Total	345.29	511.34

28.1 Miscellaneous Income includes Rent received from related parties of Rs.59.88 lakhs (Previous year Rs.60.86 lakhs)

29 Cost of Materials Consumed

Particulars	Current Year 2020-21	Previous Year 2019-20
Raw Material & Packing Material		
Stock at the Beginning of the Year	3,400.91	5,455.75
Add: Purchases	34,892.47	23,895.34
Less: Stock at the End of the Year	6,966.81	3,400.91
Total Materials Consumed	31,326.57	25,950.18

Notes to the Standalone Financial Statements

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

30 Changes in Inventory

Particulars	Current Year 2020-21	Previous Year 2019-20
(a) Opening Stock of Inventory:		
Finished Goods	5,068.02	3,871.58
Stock in Process	4,391.69	4,274.05
Sub Total (a)	9,459.71	8,145.63
(b) Closing Stock of Inventory:		
Finished Goods	4,445.03	5,068.02
Stock in Process	2,341.42	4,391.69
Sub Total (b)	6,786.45	9,459.71
(Increase)/Decrease in Stock (a-b)	2,673.26	(1,314.08)

31 Manufacturing Expenses

Particulars	Current Year 2020-21	Previous Year 2019-20
Power and Fuel	2,317.94	1,885.08
Consumable Stores	537.12	502.27
Testing Charges	79.41	125.29
Water Charges	13.41	13.70
Repairs & Maintenance to Buildings	67.48	81.36
Repairs & Maintenance to Plant & Machinery	736.77	582.29
Factory Maintenance	129.56	133.77
Effluent Treatment Charges	57.69	40.11
Total	3,939.38	3,363.87

32 Employee Benefit Expense

Particulars	Current Year 2020-21	Previous Year 2019-20
Salaries, Wages and Bonus	3,634.12	3,480.37
Contribution to Provident Fund	234.12	217.56
Contribution to ESI	22.06	29.87
Staff Welfare Expenses	226.87	207.42
Total	4,117.17	3,935.22

Notes to the Standalone Financial Statements

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

33 Finance Cost

Particulars	Current Year 2020-21	Previous Year 2019-20
Interest on Non Current Borrowings	543.78	646.51
Interest on Current Borrowings	427.15	403.65
Interest on Others	1.06	0.30
Interest on Lease Liability	50.76	58.44
Bank Charges	93.50	112.24
Total	1,116.25	1,221.14

34 Depreciation and Amortisation Expenses

Particulars	Current Year 2020-21	Previous Year 2019-20
Depreciation of Property, Plant and Equipment	2,089.15	2,075.43
Amortisation of Right-of-use Assets	95.64	95.64
Amortisation of Intangible Assets	43.37	35.57
Total	2,228.16	2,206.64

35 Other Expenses

Particulars	Current Year 2020-21	Previous Year 2019-20
Rent	10.43	10.08
Rates and Taxes	56.49	36.72
Insurance	181.24	94.89
Directors Remuneration	858.55	264.22
Travelling and Conveyance	6.30	43.38
Communication Expenses	12.13	13.29
Printing and Stationery	56.57	56.98
Repairs & Maintenance to Other Assets	11.32	20.84
Vehicle Maintenance	20.05	23.75
Payments to Auditors	11.00	11.00
Cost Audit Fee	0.75	0.75
General Expenses	205.49	159.90
Corporate Social Responsibility	116.48	53.18
Provision for Doubtful Debts	7.84	-
Interest on Indirect Taxes	2.61	10.40
Loss on Sale of Assets	0.80	5.14
Business Promotion Expenses	21.75	156.19
Regulatory Fee	83.19	93.05
Carriage Outward	252.88	118.69
Sales Commission	234.40	95.05
Total	2,150.27	1,267.50

Notes to the Standalone Financial Statements

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

35 Other Expenses (Contd..)

35.1 Details of Payments to Auditors

Particulars	Current Year 2020-21	Previous Year 2019-20
Audit Fee	11.00	8.00
Tax Audit Fee	-	2.00
Certification Fee	-	1.00
Total Payments to Auditors	11.00	11.00

35.2 Corporate Social Responsibility Expenditure

As per requirement of the Companies Act, 2013, gross amount required to be spent by the Company during the year is Rs.115.64 Lakhs (March 31, 2020 Rs.109.52 Lakhs)

CSR Activities	for the year ended March 31, 2021		
	In cash	Yet to be paid in cash	Total
(i) Construction/Acquisition of an Asset	-	-	-
(ii) For other than (i) above	116.48	-	116.48
	(53.18)	-	(53.18)

Amounts in bracket indicate previous year numbers.

36 Income Tax Expense

Particulars	Current Year 2020-21	Previous Year 2019-20
Current Tax		
Current tax provision for the year	1,600.00	900.00
Adjustments for current tax of prior periods	4.63	(5.86)
Total Current Tax	1,604.63	894.14
Deferred Tax		
Increase/(Decrease) in Deferred Tax Liabilities	581.86	707.47
Decrease/(Increase) in Deferred Tax Assets	837.87	209.70
Actuarial (Gain)/Loss	8.84	4.60
Total Deferred Tax Expense/(Benefit)	1,410.89	912.57
Total	3,015.52	1,806.71

36.1 Reconciliation of Tax Expense with Tax on Accounting Profits at normal rate is as follows:

Particulars	Current Year 2020-21	Previous Year 2019-20
(a) Profit before Income Tax Expenses	9,111.98	5,075.56
(b) Enacted Tax Rate in India	34.94%	34.94%
(c) Expected Tax Expenses (a)x(b)	3,184.09	1,773.60
(d) Tax Effect on Permanent Difference:		
Weighted Deduction under section 35(2AB) under the Income Tax Act, 1961	(73.00)	(700.15)

Notes to the Standalone Financial Statements

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

36 Income Tax Expense (Contd..)

36.1 Reconciliation of Tax Expense with Tax on Accounting Profits at normal rate is as follows:

Particulars	Current Year 2020-21	Previous Year 2019-20
Expenses not allowed under Income Tax Act	(81.12)	697.92
Other Adjustments	(19.08)	45.70
MAT Credit Entitlement for earlier years	-	(4.50)
Adjustment of Current Tax of Prior Periods	4.63	(5.86)
Total Adjustments	(168.57)	33.11
Current Tax Expense as per P & L	3,015.52	1,806.71
Effective Tax Rate	33.09%	35.60%

37 Other Comprehensive Income

Particulars	Current Year 2020-21	Previous Year 2019-20
Actuarial Gain/(Loss) on Post Employment Benefit Expenses	(21.96)	(9.09)
Return on Plan Assets excluding net interest	(3.34)	(4.06)
Sub-Total	(25.30)	(13.15)
Deferred Taxes on above	8.84	4.60
Net Comprehensive Income	(16.46)	(8.55)

38 Earning Per Share

Particulars	Current Year 2020-21	Previous Year 2019-20
(a) Net Profit	6,096.46	3,268.85
(b) Weighted average number of equity shares of Re.1/- each	846.52	846.52
(b) Earnings per share Basic & diluted	7.20	3.86

39 Employment Benefits

39.1 Defined Contribution plans

39.1.1 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 Rs.234.12 lakhs (Previous Year- Rs.217.56 lakhs).

Notes to the Standalone Financial Statements

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

39 Employment Benefits (Contd..)

39.1.2 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 Employees 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 Rs.22.06 lakhs(Previous Year- Rs. 29.87 lakhs).

39.2 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 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:

39.2.1 Net Employee Benefit Expense

Particulars	31st March, 2021		31st March, 2020	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
(Recognised in Employee Benefit Expenses)				
Current Service Cost	41.13	24.18	41.24	27.24
Interest Cost	9.67	4.53	10.39	4.38
Contribution paid	(61.65)	(4.13)	(54.24)	(5.81)
	(10.85)	24.58	(2.61)	25.81

39.2.2 Other Comprehensive Income

Particulars	31st March, 2021		31st March, 2020	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Actuarial Gain/(Loss)	21.96	(17.37)	9.09	(15.54)
Return on Plan Assets excluding net interest	3.34	-	4.06	-
Total Actuarial (Gain)/Loss recognized in OCI	25.30	(17.37)	13.15	(15.54)

Notes to the Standalone Financial Statements

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

39 Employment Benefits (Contd..)

39.2.3 Amount recognised in the Balance Sheet

Particulars	31st March, 2021		31st March, 2020	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Defined Benefit Obligation	411.48	88.25	349.91	81.03
Fair Value of Plan Assets	(233.39)	-	(186.26)	-
	178.09	88.25	163.65	81.03

39.2.4 Other Comprehensive Income in case of Employees Compensated Absence Scheme not considered as it was not funded.

39.2.5 Change in the Present Value of the Defined Benefit Obligation

Particulars	31st March, 2021		31st March, 2020	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Opening Defined Benefit Obligation	349.91	81.03	304.78	70.77
Current Service Cost	41.13	24.18	41.24	27.24
Interest Cost	22.00	4.53	21.63	4.38
Contribution Paid	-	(4.13)	-	(5.81)
Benefits Paid	(23.51)	-	(26.83)	-
Net Actuarial (gain)/ losses on Obligation for the year recognised under OCI	21.96	(17.37)	9.09	(15.54)
Closing Defined Benefit Obligation	411.48	88.25	349.91	81.03

39.2.6 Change in the Fair Value of Plan Assets

Particulars	31st March, 2021		31st March, 2020	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Opening Fair Value of Plan Assets	186.26	-	151.67	-
Return on Plan Assets Excluding Interest Income	(3.34)	-	(4.06)	-
Interest Income	12.33	-	11.24	-
Contribution paid	61.65	-	54.24	-
Benefits Paid	(23.51)	-	(26.83)	-
Closing Fair Value of Plan Assets	233.39	-	186.26	-

Notes to the Standalone Financial Statements

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

39 Employment Benefits (Contd..)

39.2.7 Acturial (Gain)/Loss on Obligation

Particulars	31st March, 2021		31st March, 2020	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Due to Financial Assumption	(1.57)	-	28.14	-
Due to Experience	23.53	-	(19.05)	-
Total Acturial (Gain)/Loss	21.96	-	9.09	-

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

Particulars	31st March, 2021	31st March, 2020
State Govt Security	138.24	110.32
Central Govt Securities	51.14	40.81
NCD/Bonds	31.11	24.83
Others	12.91	10.30
Total	233.39	186.26

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

39.2.9 Acturial Assumptions for estimating Company's Defined Benefit Obligation:

Particulars	31st March, 2021	31st March, 2020
Discount rate	6.80%	6.76%
Attrition Rate	PS : 0 to 40 2%	PS : 0 to 40 2%
Expected rate of increase in Salary	3.00%	3.00%
Mortality Table	IALM (2012-14)	IALM (2012-14)
Expected average remaining working lives of Employees	19.14	18.72

- 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.

Notes to the Standalone Financial Statements

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

39 Employment Benefits (Contd..)

39.2. 10 Sensitivity Analysis

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

Particulars	31st March, 2021	31st March, 2020
Defined Benefit Obligation	178.09	163.65
Effect of 1% change in assumed discount rate on defined benefit obligation		
Increase : +1%	375.15	318.88
Decrease: -1%	453.95	386.21
Effect of 1% change in assumed salary escalation rate on defined benefit obligation		
Increase : +1%	452.32	384.56
Decrease: -1%	375.81	319.64

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 while calculating the defined benefit liability recognised within the Balance Sheet.

39.2. 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 increased from 6.76% to 6.80% and hence there is a increase 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.

Notes to the Standalone Financial Statements

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

39 Employment Benefits (Contd..)

(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 10.96 years(2019-20 : 10.99 years). The expected cash flows over the subsequent years is as follows:

Expected Payout Gratuity	31st March, 2021	31st March, 2020
1st Year	59.28	48.89
2nd Year	12.94	10.49
3rd Year	14.69	11.21
4th Year	24.43	12.46
5th Year	13.96	21.85
beyond 5th Year	174.87	111.72

39.2. 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.

40 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).

Notes to the Standalone Financial Statements

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

40 Assets Pledged as Security (Contd..)

The carrying amounts of Company's assets pledged as security for Non Current and Current Borrowings of Rs. 24,931.53 (Previous year Rs.15,109.12) are as follows:

Particulars	31st March, 2021	31st March, 2020
Property, Plant and Equipment	45,225.40	27,518.98
Current Assets	30,932.89	21,878.09
Total Assets Pledged as Security	76,158.29	49,397.07

41 Research and Development

41.1 Details of Revenue Expenditure (expensed as and when incurred):

Particulars	31st March, 2021	31st March, 2020
Salaries & Wages	402.88	416.07
Materials Consumed	95.54	94.55
Repairs and Maintenance	136.06	126.03
Power and Fuel	62.32	66.98
Testing and analysis charges	7.33	14.18
Rates and Taxes	7.36	7.28
Insurance	4.50	3.97
General Expenses	18.85	14.79
Total	734.84	743.85

41.2 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 31 March, 2019	874.37	972.47	6.11	22.02	9.10	5.99	1,890.06
2 Additions	68.25	1,147.10	17.32	28.46	-	3.95	1,265.08
3 As at 31 March, 2020 (1+2)	942.62	2,119.57	23.43	50.48	9.10	9.94	3,155.14
4 Additions	0.84	204.92	0.54	2.36	-	0.24	208.90
5 As at 31 March, 2021 (3+4)	943.46	2,324.49	23.97	52.84	9.10	10.18	3,364.04
Depreciation							
6 As at 31 March, 2019	111.42	385.90	3.83	10.65	3.08	2.79	517.67
7 Charge for the Year	38.15	106.24	0.85	7.37	1.08	1.41	155.10
8 As at 31 March, 2020 (6+7)	149.57	492.14	4.68	18.02	4.16	4.20	672.77
9 Charge for the Year	39.42	177.64	1.90	13.26	1.08	1.70	235.00
10 As at 31 March, 2021 (8+9)	188.99	669.78	6.58	31.28	5.24	5.90	907.77
Net Carrying Value							
11 As at 31 March, 2019 (1-6)	762.95	586.57	2.28	11.37	6.02	3.20	1,372.39
12 As at 31 March, 2020 (3-8)	793.05	1,627.43	18.75	32.46	4.94	5.74	2,482.37
13 As at 31 March, 2021(5-10)	754.47	1,654.71	17.39	21.56	3.86	4.28	2,456.27

Notes to the Standalone Financial Statements

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

Financial Instruments and Risk Management

42 Categories of Financial Instruments

Particulars	Note	Level	As at March 31, 2021		As at March 31, 2020	
			Carrying Value	Fair Value	Carrying Value	Fair Value
A. Financial Assets						
(a) Measured at Amortised Cost						
(i) Non Current						
(a) Bank Balances	8	3	237.72	237.72	224.89	224.89
(b) Other Financial Assets	9	3	346.43	346.43	331.95	331.95
Sub - Total			584.15	584.15	556.84	556.84
(ii) Current						
(a) Trade Receivables	12	Refer Note 42.2	10,567.98	10,567.98	4,877.07	4,877.07
(b) Cash and Cash Equivalents	13		4,042.31	4,042.31	954.42	954.42
(c) Other Bank Balances	14		8.67	8.67	10.91	10.91
(d) Other Financial Assets	15		36.16	36.16	28.50	28.50
Sub - Total			14,655.12	14,655.12	5,870.90	5,870.90
Total Financial Assets			15,239.27	15,239.27	6,427.74	6,427.74
B. Financial Liabilities						
(a) Measured at Amortised Cost						
(i) Non Current						
(a) Borrowings	20	3	14,783.53	14,783.53	6,822.10	6,822.10
(ii) Current						
(a) Borrowings	23	Refer Note 42.2	7,085.86	7,085.86	6,115.52	6,115.52
(b) Trade Payables	24		6,544.02	6,544.02	4,449.40	4,449.40
(c) Other Financial Liabilities	25		4,877.73	4,877.73	2,843.76	2,843.76
Sub - Total			18,507.61	18,507.61	13,408.68	13,408.68
Total Financial Liabilities			33,291.14	33,291.14	20,230.78	20,230.78

42.1 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.

42.2 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.

42.3 The management has assessed that fair value of borrowings approximate to their carrying amounts largely since they are carried at floating rate of interest.

42.4 Other non current financial assets consists of deposits with Government authorities where the fair value is considered to be the carrying value.

Notes to the Standalone Financial Statements

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

43 Fair Value Measurements

43.1 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.

43.2 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.

43.3 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.

44 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.

44.1 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.

Notes to the Standalone Financial Statements

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

44 Financial Risk Management Objectives and Policies (Contd..)

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.

Credit risk is the risk of financial loss to the Company if a customer to a financial instrument fails to meet its contractual obligations and arises primarily from trade receivables, treasury operations etc. The credit risk related to trade receivables is influenced mainly by the individual characteristics of each customer.

The credit risk is managed by the company by establishing credit limits and continuously monitoring the credit worthiness of the customer. The Company also provides for expected credit losses based on the past experience where it believes that there is high probability of default. In general, all trade receivables greater than 180 days are reviewed and provided for by analysing individual receivables. The Company has considered possible effect from the pandemic relating to Covid-19 on Credit risks including forward looking information to develop expected credit losses.

Following are the Expected Credit Loss for Trade Receivables under simplified approach:

Particulars	31st March, 2021	31st March, 2020
Gross Carrying Amount	10,578.47	4,879.72
Expected Credit Losses (Loss Allowance Provision)	10.49	2.65
Net Carrying Amount of Trade Receivables	10,567.98	4,877.07

Expected Credit Loss for Trade Receivables under simplified approach:

Particulars	Outstanding		Total
	for < 180 days	for > 180 days	
Gross Carrying Amount of Trade Receivables	10,368.63	209.84	10,578.47
Expected Loss Rate	-	5.00%	5.00%
Expected Credit Losses (Loss allowance provision)	-	10.49	10.49
Net Carrying Amount of Trade Receivables	10,368.63	199.35	10,567.98

44.2 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, 2021					
Non Current Borrowings (including Current Maturities)	3,182.14	10,584.55	4,078.98	120.00	17,965.67
Current Borrowings	7,085.86				7,085.86
Interest Accrued but not due	-				

Notes to the Standalone Financial Statements

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

44 Financial Risk Management Objectives and Policies (Contd..)

44.2 Liquidity Risk: (Contd..)

Particulars	Upto 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	Total
Trade Payables	6,544.02				6,544.02
Capital Creditors	1,686.92				1,686.92
Total	18,498.94	10,584.55	4,078.98	120.00	33,282.47
31 March, 2020					
Non Current Borrowings (including Current Maturities)	2,291.50	5,632.74	1,000.00	189.36	9,113.60
Current Borrowings	6,115.52				6,115.52
Interest Accrued but not due	70.61				70.61
Trade Payables	4,449.40				4,449.40
Capital Creditors	470.74				470.74
Total	13,397.77	5,632.74	1,000.00	189.36	20,219.87

44.3 Market Risk:

Market risk is the risk that the fair value or future cash flows of a financial instruments 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.

44.3.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments 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, 2021	0.50%	0.50%	(125.26)	125.26
31 March, 2020	0.50%	0.50%	(76.15)	76.15

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

44.3.2 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.

Notes to the Standalone Financial Statements

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

44 Financial Risk Management Objectives and Policies (Contd..)

(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 Rs. In Lakhs	Conversion Rate
31st March, 2021				
Trade Receivables	USD	51.85	3,712.37	71.60
Trade Payables	USD	16.94	1,242.57	73.35
Advance from Customers	USD	6.11	437.15	71.60
Advance to Suppliers	USD	0.05	3.46	73.35
31st March, 2020				
Trade Receivables	USD	31.23	2,352.70	75.33
	EURO	0.56	44.71	80.20
Trade Payables	USD	7.57	570.09	75.33
Advance from Customers	USD	9.95	749.34	75.33
Advance to Suppliers	USD	7.55	568.36	75.33

(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, 2021	31st March, 2020
USD Sensitivity		
	Rs.	Rs.
Rs/USD - Increases by 1%	20.51	16.02
Rs/USD - Decreases by 1%	(20.51)	(16.02)

44.3.3 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)

45 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, 2021	31st March, 2020
Borrowings including Interest Accrued	25,051.53	15,299.73
Less: Cash and Short Term Deposits	4,042.31	954.42
Net Debt	21,009.22	14,345.31
Equity	846.52	846.52
Other Equity	41,975.87	35,895.87
Total Equity	42,822.39	36,742.39
Total Capital	63,831.61	51,087.70
Gearing Ratio (Net Debt/(Net Debt + Total Equity))	0.33	0.28

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current year

46 Segment Information

A Basis for segmentation

The operations of the Company are limited to one segment viz. Pharmaceutical products including ingredients and intermediaries. The products being sold under this segment are of similar nature and comprises of pharmaceutical products only. The Chairman & Managing Director has been identified as Chief Operating Decision Maker(CODM). CODM is reviews the internal management reports prepared based on aggregation of financial information of the Company on a periodic basis, for the purpose of allocation of resources and evaluation of performance. Accordingly, management has identified pharmaceutical segment as the only operating segment for the Company.

B Segment information for secondary segment reporting (by geographical segment)

The Company is engaged in the manufacture of Pharmaceuticals, which in the context of Ind AS 108 is considered only business segment.

The Company has reportable geographical segments based on location of its customers:

- (i) Revenue from customers within India – Domestic
- (ii) Revenue from customers outside India – Exports
- (iii) Revenue from customers - EOUs – Deemed Exports
- (iv) Revenue from Export Incentives

Notes to the Standalone Financial Statements

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

46 Segment Information (Contd..)

- a) Revenues are attributed to geographical areas based on the location of the customers as detailed below:

Particulars	Current Year 2020-21		Previous Year 2019-20	
	Revenue	%	Revenue	%
Exports	33,929.17	60.25%	15,093.43	36.64%
Deemed Exports	9,011.56	16.00%	16,742.24	40.64%
Domestic	13,141.00	23.33%	8,898.86	21.60%
Export Incentives	236.02	0.42%	460.16	1.12%
Total	56,317.75	100.00%	41,194.69	100.00%

- b) Non Current Asset

Particulars	As at 31st March, 2021	As at 31st March, 2020
With in India	52,057.98	40,832.20
Outside India	-	-
Total	52,057.98	40,832.20

Note:

Non-current assets for this purpose consist of property, plant and equipment, capital work in progress, intangible assets, intangible assets under development and other non-current assets.

47 Interest in Other Entities:

Name of the entity	Place of Business/ Country of incorporation	Principal activity	Ownership Interest held by the Company		Ownership interest held by Non-Controlling interests	
			31 March 2021	31 March 2020	31 March 2021	31 March 2020
VKT Pharma Private Limited	India	Manufacture and sale of API and Formulations	42.62%	42.62%	57.38%	57.38%

48 Related Party Transactions

(a) Key Management Personnel(KMP)

Name

Sri. Ramesh Babu Potluri
Sri. Vamsi Krishna Potluri
Sri. T Lakshmi Narayana
Sri. V.S. Venkatesh

Relationship

Chairman and Managing Director
Executive Director
Chief Financial Officer
Company Secretary

Notes to the Standalone Financial Statements

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

48 Related Party Transactions (Contd..)

(b) List of Related Parties over which Control / Significant Influence exists with whom the company has transactions :

Relationship	Name of the Company
Associate Company	1. VKT Pharma Private Limited
	1. SMS LifeSciences India Limited
Enterprises over which KMP are able to Exercise Significant Influence	2. Potluri Laboratories Private Limited
	3. Rchem (Somanahalli) Private Limited
	4. PixaLot Labs Pvt Ltd

(c) Transactions with Related Parties:

Particulars	31st March, 2021 Amount	31st March, 2020 Amount
Key Management Personnel		
Remuneration - Short Term Employee Benefits	900.01	340.97
Associate Company		
Sales	3,122.63	1,385.96
Rental Income	24.78	24.66
Enterprise with Significant Influence		
Purchases	5,118.92	1,557.00
Sales	255.21	54.73
Rental Income	45.88	47.15
Balance (Payable)/Receivable at the year end		
Key Management Personnel		
Remuneration Payable	372.74	46.91
Associate Company	1,453.63	1,443.12
Enterprise with Significant Influence	(1,370.55)	(241.36)

(d) Note:

- The above transactions are in the ordinary course of business and are at arm's length price.
- As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the Key Management Personnel and their relatives is not ascertainable and, therefore, not included above. Contribution to Provident Fund was also not included.

Notes to the Standalone Financial Statements

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

49 Contingent Liabilities

Particulars	31st March, 2021	31st March, 2020
Letter of credits opened in favor of suppliers for which goods are yet to be received	291.37	32.34
Customs Duty against Advance Authorizations	408.14	140.17
Entry Tax Liability	1.75	1.75

Note: Provident Fund

Pursuant to Supreme Court Judgement dated 28 February 2019, regarding the provident fund contribution wherein there has been a clarification provided of the inclusions of basic wages for the purpose of computation of contribution towards provident fund, the Company has been legally advised that there are interpretative challenges on the application of the judgement retrospectively. Based on the legal advice and in the absence of reliable measurement of the provision for earlier periods, the Company has assessed the impact of the judgement only from the year ended March 31, 2019 and concluded that there was no impact. Further, no contingent liability has been recognised based on retrospective application as amount cannot be reliably measured.

50 Commitments

Particulars	31st March, 2021	31st March, 2020
Capital Commitments	418.95	5,782.53
Export Obligations	5,477.10	9,992.76

51 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	As at 31st March, 2021	As at 31st March, 2020
(i) the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	28.62	23.01
(ii) Interest on payments beyond the appointed day paid to the suppliers during the year	-	-
(iii) Interest due and payable for the delay in making payment to suppliers during the year	-	-
(iv) Amount of interest accrued and remaining unpaid to suppliers at the end of the year	0.85	0.29
(v) Amount of further interest remaining due and payable to suppliers in succeeding years	-	-

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 Standalone Financial Statements

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

52 Impact of Covid-19 Pandemic

The Company considered the uncertainty relating to the COVID-19 pandemic in assessing the recoverability of its inventories, receivables and investments. As the company is into essential manufacturing service which is exempt from lockdown restrictions, there has been minimal impact in its operations and its supply chain. In this regard, the Company has considered internal and external information while finalizing various estimates in relation to its financial statements up to the date of approval by the Board of Directors and has not identified any material impact on the carrying value of assets, liabilities or provisions. As the outbreak continues to evolve, the Company will continue to closely monitor any material changes to future economic conditions.

53 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

Place: Hyderabad

Date : 28-05-2021

RAMESH BABU POTLURI

Chairman and Managing Director

DIN No : 00166381

T. LAKSHMI NARAYANA

Chief Financial Officer

VAMSI KRISHNA POTLURI

Executive Director

DIN No : 06956498

V.S.VENKATISH

Company Secretary

M.No.A21785

Independent Auditors' Report

To the Members of
SMS Pharmaceuticals Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated Ind AS financial statements of SMS Pharmaceuticals ("the Company") and its Associate Company and Joint Venture (collectively referred to as "the Group") which comprise the consolidated Balance Sheet as at March 31, 2021, 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 notes to the consolidated financial statements, including 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, 2021, 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
1	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

Sr. No.	Key Audit Matter	Auditor's Response
		<p>of procedures involving enquiry and observation, re performance and inspection of evidence in respect of operation of these controls.</p> <ul style="list-style-type: none"> • 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.

Management's Responsibility for the Consolidated Financial Statements

The Company's Board of Directors are 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 Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 financial 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 and its subsidiary companies which are companies incorporated in India, has adequate internal financial controls system 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 ability of the Group 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 consolidated 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors.

Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate makes it probable that the economic decisions of a reasonably knowledgeable user of the consolidated financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the consolidated financial statements.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

The consolidated financial statements/financial information reflects the company's share of net profit (and other comprehensive income) of Rs.(149.24) lakhs for the year ended 31.03.2021 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.

The accompanying consolidated financial statements includes unaudited financial statements and other unaudited financial information in respect of one joint venture which reflect group share of net profit Rs. Nil for the year ended 31.03.2021. These unaudited financial statements and other unaudited financial information have been furnished to us by the management. Our opinion, in so far as it relates amounts and disclosures included in respect of joint venture and our report in terms of sub section (3) of section 143 of the Act in so far as it relates to the aforesaid joint venture, is based solely on such unaudited financial statements and other financial information. In our opinion and according to the information and explanation given to us by the Management, these financial statements and other financial information are not material to the group.

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

1. 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, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 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, 2021 on its consolidated financial position in its financial statements as referred to in note 49 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, 2021.

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

V Nagendra Rao
Partner

M. No. 227679

UDIN: 21227679AAAER8755

Place: Hyderabad
Date: 28-05-2021

“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 consolidated Financial Statements as at March 31, 2021 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 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, 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, 2021, 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

Place: Hyderabad
Date: 28-05-2021

M. No. 227679
UDIN: 21227679AAAER8755

Consolidated Balance Sheet

as at 31st March, 2021 (All amounts : Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	Note	As at March 31, 2021	As at March 31, 2020
I	ASSETS			
1	Non-Current Assets			
	(a) Property, Plant and Equipment	4	45,225.40	27,518.98
	(b) Capital Work-in-Progress	4	674.37	4,212.31
	(c) Right-of-use Assets	5A	350.67	446.31
	(d) Intangible Assets	6	160.24	83.26
	(e) Financial Assets:			
	(i) Investments	7	2,730.28	2,581.04
	(ii) Bank Balances	8	237.72	224.89
	(iii) Other Financial Assets	9	346.43	331.95
	(f) Other Non-Current Assets	10	563.28	3,514.63
	Total		50,288.39	38,913.37
2	Current Assets			
	(a) Inventories	11	13,778.73	12,920.02
	(b) Financial Assets			
	(i) Trade Receivables	12	10,567.98	4,877.07
	(ii) Cash and Cash Equivalents	13	4,042.31	954.42
	(iii) Bank Balances (Other than (ii) above)	14	8.67	10.91
	(iv) Other Financial Assets	15	36.16	28.50
	(c) Other Current Assets	16	2,199.98	2,776.81
	(d) Current Tax Asset (Net)	17	299.06	310.36
	Total		30,932.89	21,878.09
	TOTAL ASSETS		81,221.28	60,791.46
II	EQUITY AND LIABILITIES			
1	Equity:			
	(a) Equity Share Capital	18	846.52	846.52
	(b) Other Equity	19	40,206.28	33,977.04
	Total		41,052.80	34,823.56
2	LIABILITIES			
A	Non-Current Liabilities			
	(a) Financial Liabilities			
	(i) Borrowings	20	14,783.53	6,822.10
	(ii) Lease Liabilities	5B	406.35	477.99
	(b) Provisions	21	183.99	172.64
	(c) Deferred Tax Liabilities (Net)	22	5,385.30	3,974.41
	Total		20,759.17	11,447.14
B	Current Liabilities			
	(a) Financial Liabilities			
	(i) Borrowings	23	7,085.86	6,115.52
	(ii) Trade Payables:	24		
	(a) Trade Payables - MSME		28.62	23.01
	(b) Trade Payables Otherthan MSME		6,515.40	4,426.39
	(iii) Other Financial Liabilities	25	4,877.73	2,843.76
	(b) Provisions	21	82.35	72.04
	(c) Other Current Liabilities	26	819.35	1,040.04
	Total		19,409.31	14,520.76
	TOTAL LIABILITIES		40,168.48	25,967.90
	TOTAL EQUITY AND LIABILITIES		81,221.28	60,791.46
	Significant Accounting Policies	3		

The accompanying notes are integral part of the Consolidated Financial Statements

as per our report of even date

for **SURYANARAYANA & SURESH**

Chartered Accountants

FRN 006631S

V NAGENDRA RAO

Partner

M.No. 227679

Place: Hyderabad

Date : 28-05-2021

For and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

RAMESH BABU POTLURI

Chairman and Managing Director

DIN No : 00166381

T. LAKSHMI NARAYANA

Chief Financial Officer

VAMSI KRISHNA POTLURI

Executive Director

DIN No : 06956498

V.S.VENKATISH

Company Secretary

M.No.A21785

Consolidated Statement of Profit and Loss

for the Year ended 31st March, 2021 (All amounts : Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	Note	Current Year 2020-21	Previous Year 2019-20
1	Income			
	Revenue from Operations	27	56,317.75	41,194.69
	Other Income	28	345.29	511.34
	Total Income		56,663.04	41,706.03
2	Expenses			
	Cost of Materials Consumed	29	31,326.57	25,950.18
	Changes in Inventories	30	2,673.26	(1,314.08)
	Manufacturing Expenses	31	3,939.38	3,363.87
	Employee Benefits Expense	32	4,117.17	3,935.22
	Finance Costs	33	1,116.25	1,221.14
	Depreciation and Amortization Expense	34	2,228.16	2,206.64
	Other Expenses	35	2,150.27	1,267.50
	Total Expenses		47,551.06	36,630.47
3	Profit Before Tax (1-2)		9,111.98	5,075.56
4	Tax Expense	36		
	(a) Current Tax			
	(i) relating to Current Year		1,600.00	900.00
	(ii) relating to Earlier Year		4.63	(5.86)
	(b) Deferred Tax		1,410.89	912.57
			3,015.52	1,806.71
5	Profit for the Year (3-4)		6,096.46	3,268.85
6	Share of Profit/(Loss) in associate companies		156.23	(111.48)
7	Net Profit(5+6)		6,252.69	3,157.37
	Other Comprehensive Income / (Loss)	37		
	Items that will not be reclassified to Profit or Loss			
8	Remeasurement Gain/(Loss) of the defined benefit plans		(25.30)	(13.15)
9	Share of Other Comprehensive Income in Associates		(9.44)	(9.09)
10	Income Tax effect on the above		8.84	4.60
11	Share of Income Tax effect on the above in Associates		2.45	2.36
12	Other Comprehensive Income/(Loss) after Tax for the Year		(23.45)	(15.28)
13	Total Comprehensive Income/(Loss) for the Year		6,229.24	3,142.09
14	Earnings Per Share (Face Value of Re.1 each)			
	-Basic and Diluted	38	7.39	3.73
	Significant Accounting Policies	3		

The accompanying notes are 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

Place: Hyderabad

Date : 28-05-2021

RAMESH BABU POTLURI

Chairman and Managing Director

DIN No : 00166381

T. LAKSHMI NARAYANA

Chief Financial Officer

VAMSI KRISHNA POTLURI

Executive Director

DIN No : 06956498

V.S.VENKATISH

Company Secretary

M.No.A21785

Consolidated Statement of Changes in Equity

for the Year Ended 31st March, 2021 (All amounts : Indian Rupees in Lakhs, unless otherwise stated)

a. Equity Share Capital

Particulars	As at March 31, 2021		As at March 31, 2020	
	Number of Shares	Amount (Rs)	Number of Shares	Amount (Rs)
As at the Beginning of the Year	8,46,52,030	846.52	8,46,52,030	846.52
Changes in Equity Share Capital	-	-	-	-
As at the End of the Year	8,46,52,030	846.52	8,46,52,030	846.52

b. Other Equity

Particulars	Reserves & Surplus				
	Securities Premium	Capital Redemption Reserve	General Reserve	Retained Earnings	Total Other Equity
Balance as at 01st April, 2019	6,981.84	155.00	6,304.28	17,904.10	31,345.22
Profit for the Year				3,268.85	3,268.85
Other Comprehensive Income for the year, net of Income Tax				(15.28)	(15.28)
Total Comprehensive Income for the Year	-	-	-	3,253.57	3,253.57
Others				(111.48)	(111.48)
Transfer to General Reserve			1,000.00	(1,000.00)	-
Payment of dividends (including tax)				(510.27)	(510.27)
Balance as at 31st March, 2020	6,981.84	155.00	7,304.28	19,535.92	33,977.04
Balance as at 01st April, 2020	6,981.84	155.00	7,304.28	19,535.92	33,977.04
Profit for the Year				6,096.46	6,096.46
Other Comprehensive Income for the year, net of Income Tax				(23.45)	(23.45)
Total Comprehensive Income for the Year	-	-	-	6,073.01	6,073.01
Others				156.23	156.23
Transfer to General Reserve			1,000.00	(1,000.00)	-
Balance as at 31st March, 2021	6,981.84	155.00	8,304.28	24,765.16	40,206.28

The accompanying notes are 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

Place: Hyderabad

Date : 28-05-2021

RAMESH BABU POTLURI

Chairman and Managing Director

DIN No : 00166381

T. LAKSHMI NARAYANA

Chief Financial Officer

VAMSI KRISHNA POTLURI

Executive Director

DIN No : 06956498

V.S.VENKATISH

Company Secretary

M.No. A21785

Consolidated Statement of Cash Flow

For the year ended March 31, 2021 (All amounts : Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	Year ended 31st March, 2021	Year ended March 31, 2020
A	Cash Flow from Operating Activities		
	Profit Before Tax	9,111.98	5,075.56
	Adjustments for:		
	Depreciation and Amortisation Expense	2,228.16	2,206.64
	Interest Income	(15.19)	(16.06)
	Allowance for Doubtful Debts	7.84	-
	Interest on Non Current Borrowings	543.78	646.51
	Provision for Employee Benefits	5.23	12.26
	Amortisation of Transaction Cost on Borrowings	6.23	6.23
	Notional Rent Expense	-	4.94
	Profit on Sale of Assets	(1.02)	-
	Loss on Sale of Assets	0.80	5.14
	Operating Profit before Working Capital Changes	11,887.81	7,941.21
	Change in Operating Assets and Liabilities		
	(Increase)/Decrease in Trade Receivables	(5,698.75)	(2,274.82)
	(Increase)/Decrease in Inventories	(858.71)	719.96
	(Increase)/Decrease in Other Non Current Financial Assets	(14.48)	11.08
	(Increase)/Decrease in Other Non Current Asset	2,951.35	(1,602.82)
	(Increase)/Decrease in Other Current Financial Assets	(7.66)	(4.18)
	(Increase)/Decrease in Other Current Assets	576.83	186.48
	(Increase)/Decrease in Prepaid Taxes	11.30	47.37
	Increase/(Decrease) in Trade Payables	2,094.61	(375.78)
	Increase/(Decrease) in Other Current Liabilities	(292.33)	533.06
		(1,237.84)	(2,759.65)
	Cash generated from Operations	10,649.97	5,181.55
	Income Taxes Paid	(1,604.63)	(1,210.36)
	Net Cash Inflow from Operating Activities "A"	9,045.34	3,971.19
B	Cash flows from Investing Activities		
	Purchase of Property, Plant and Equipment	(15,174.90)	(4,273.40)
	Sale of Property, Plant and Equipment	13.31	13.36
	Margin Money Deposits	(16.62)	(27.45)
	Interest Received on Margin Money Deposit	18.98	31.12
	Net Cash Outflow from Investing Activities "B"	(15,159.23)	(4,256.37)
C	Cash Flows from Financing Activities		
	Proceeds from Long Term Borrowings	10,572.84	2,886.32
	Repayment of Long Term Borrowings	(1,727.00)	(1,075.00)
	Proceeds from Short Term Borrowings	1,172.57	1,199.56
	Repayment of Short Term Borrowings	(202.23)	(2,164.89)

Consolidated Statement of Cash Flow

For the year ended March 31, 2021 (All amounts : Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	Year ended 31st March, 2021	Year ended March 31, 2020
	Interest paid on Borrowings	(614.40)	(575.90)
	Dividend Paid to Company's Shareholders	-	(510.26)
	Net Cash Inflow (Outflow) from Financing Activities "C"	9,201.78	(240.17)
	Net Increase (Decrease) in Cash and Cash Equivalents (A+B+C)	3,087.89	(525.35)
	Cash and Cash Equivalents at the Beginning of the Year (Refer Note 13)	954.42	1,479.77
	Cash and Cash Equivalents at End of the Year (Refer Note 13)	4,042.31	954.42

The accompanying notes are integral part of the Consolidated Financial Statements

- The Cash Flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) Statement of Cash Flows.

as per our report of even date

for SURYANARAYANA & SURESH

Chartered Accountants

FRN 006631S

V NAGENDRA RAO

Partner

M.No. 227679

Place: Hyderabad

Date : 28-05-2021

For and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

RAMESH BABU POTLURI

Chairman and Managing Director

DIN No : 00166381

T. LAKSHMI NARAYANA

Chief Financial Officer

VAMSI KRISHNA POTLURI

Executive Director

DIN No : 06956498

V.S.VENKATISH

Company Secretary

M.No. A21785

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 in the State of Telangana and also at Kandivalasa Village, Poosapatirega Mandal, Vijayanagaram District in the Andhra Pradesh apart from manufacturing facilities, the Company is having Research & Development Center at Gagillapur, Hyderabad in the State of Telangana.

2. Basis of preparation of Consolidated Financial Statements

2.1 Statement of Compliance

The consolidated 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 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, 31st March, 2021. These consolidated Financial Statements for the year ended 31st March, 2021 were authorized and approved for issue by the Board of Directors on 28th May, 2021.

2.2 Basis of Measurement:

The consolidated financial statements have been prepared on a historical cost and on accrual basis, except for the following items in the balance sheet:

- Certain financial assets are measured either at fair value or at amortised cost depending on the classification.

- 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.
- Right-of use the assets are recognized at the present value of lease payments that are not paid at that date.
- Assets held for sale are measured at fair value less cost to sell.

2.3 Basis of Consolidation:

The Consolidated financial statements of the Group 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.

- Investments in Associates are accounted under the equity method as per Indian Accounting Standard Ind AS 28- "Investments in Associates"
- 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.
- 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 Group 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.

- An asset is treated as current when it satisfies the below mentioned criteria:

Notes to the Consolidated Financial Statements

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

- 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. Summary of Significant Accounting Policies:

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

3.1 Revenue Recognition:

Revenue is recognized 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 recognize revenues, the Company applies 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) recognize revenues when a performance obligation is satisfied.

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

The Group revenue is derived from sale of goods, sale of services and income from licensing arrangements. Most of such revenue is generated from the sale of goods. Accounting policies relating to revenue for the periods are as follows:

(i) Revenue from Sale of Goods:

Revenue is recognized 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 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 Group estimates the amount of variable consideration using the expected value method

Notes to the Consolidated Financial Statements

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

Presented below are the points of recognition of revenue with respect to the Group'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 are recognized as income when the right to receive credit as per the terms of the scheme is established in respect of the export made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

(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).

3.2 Foreign Currency Transactions:

i. Functional and Presentation 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.

Notes to the Consolidated Financial Statements

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

3.3 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 Rs.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.

3.4 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.

Notes to the Consolidated Financial Statements

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

3.5 Leases:

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Effective April 1, 2019, the Group adopted Ind AS 116 "Leases", applied to all lease contracts existing on April 1, 2019 using the modified retrospective method.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

i) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

ii) Lease Liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected

to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is premeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of asset (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing activity in cash flow statement.

3.6 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 Group 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.

Notes to the Consolidated Financial Statements

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

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 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.

3.7 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.

3.8 Trade Receivables:

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual

cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance.

3.9 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 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 Group makes such election on an instrument by instrument basis. The classification is made on initial recognition and is irrevocable.

Notes to the Consolidated Financial Statements

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

Investment in Associates, Subsidiaries and Joint Venture:

Investments in Subsidiaries, Associates and Joint ventures are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries and joint venture, the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Upon first-time adoption of Ind AS, the Group has elected to measure its investments in Subsidiaries, Associates and Joint ventures at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2016.

(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 Group 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 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 Company in accordance with the contract and all the cash flows that the Company expects to receive. When estimating the cash flows, the Group 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.

Notes to the Consolidated Financial Statements

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

(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.

3.10 Impairment of Non-Financial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

3.11 Income Taxes:

Current Income Tax

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, if any.

Deferred Income Tax

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.

Minimum alternate tax (MAT)

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Group recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Group will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. The Group reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Group does not have convincing evidence that it will pay normal tax during the specified period.

Dividend Distribution Tax (DDT)

Final Dividend on share capital are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as liability on the date of declaration by the Group's Board of Directors. The entity recognised the income tax consequences of dividends in profit or loss, and equity according to where the entity originally recognized those past transactions or events. The Finance Act 2020 has repealed the Dividend Distribution tax. The Group is now required to pay/distribute dividend after deducting applicable taxes. The remittance of dividends outside India is governed by Indian law on foreign exchange and is also subject to withholding tax at applicable rates.

3.12 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

Notes to the Consolidated Financial Statements

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

(CODM). The Group 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.

3.13 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.

3.14 Borrowings:

Borrowings are initially recognized at fair value, net of transaction cost incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other gains/(losses).

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of

the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of financial statements for issue, not to demand payment as consequence of the breach.

3.15 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.

3.16 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.

Notes to the Consolidated Financial Statements

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

3.17 Trade and other Payables:

These amounts represent liabilities for goods supplied and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

3.18 Dividends

The Group recognises a liability to make cash distributions 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's Board of Directors.

3.19 Equity:

Ordinary Shares are classified as Equity share Capital. Incremental costs directly attributable to the issue of new ordinary shares or share options and buy back are recognized as a deduction from equity, net of tax effects, if any.

3.20 Research and Development:

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss. Development costs of products are also charged to the Statement of Profit and Loss unless a product's technical feasibility has been established, in which case such expenditure is capitalized. Development expenditure on an individual project are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliability the expenditure during development.

The amount capitalized comprises expenditure that can be directly attributed or allocated on a reasonable and consistent basis to creating, producing and making the asset ready to its intended use.

3.21 Post Employee Benefits:

(a) Defined Contribution Plan:

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

(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-measurement 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 up to 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

Notes to the Consolidated Financial Statements

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

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.

3.22 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.

3.23 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.

3.24 Exceptional Items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of

the Group. These are material items of income or expense that have to be shown separately due to the significance of their nature or amount.

3.25 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 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.

Notes to the Consolidated Financial Statements

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

3.26 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'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 Group can control the timing of reversal of deferred tax calculation on undistributed profits of its subsidiaries requires judgment.

(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/Amortizable 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 Group assesses the requirement of provisions against the outstanding warranties and guarantees. However, the actual future outcome may be different from this judgment.

3.27 Recent Accounting Pronouncements:

The Ministry of Corporate Affairs (MCA) notifies new standard or amendments to the existing standard. There is no such notification which would have been applicable from 1st April, 2020.

3.28 Rounding of Amounts:

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs as per the requirement of Schedule III of the Companies Act, 2013 unless otherwise stated.

Notes to the Consolidated Financial Statements

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

4 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
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(13)
I Year Ended 31st March, 2020											
a Gross Carrying Amount											
1 Opening Gross Carrying Amount	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
2 Additions	-	89.99	1,362.08	5.00	34.31	41.97	15.47	23.94	24.79	1,597.55	3,933.49
3 Disposals/Transfers	-	-	(11.15)	-	-	-	-	(11.70)	-	(22.85)	(1,551.31)
4 Closing Gross Carrying Amount as at 31st March, 2020 (1+2+3)	421.30	7,714.43	25,979.49	287.77	137.42	195.66	106.10	373.72	148.46	35,364.35	4,212.31
b Accumulated Depreciation and Impairment											
5 Opening Accumulated Depreciation	-	826.71	4,650.11	55.82	50.64	35.77	15.05	139.08	5.68	5,778.86	-
6 Depreciation Charge during the Year 2019-20	-	278.69	1,646.20	18.53	21.79	18.45	17.56	49.78	24.43	2,075.43	-
7 Disposals	-	-	(2.21)	-	-	-	-	(6.71)	-	(8.92)	-
8 Closing Accumulated Depreciation and Impairment as at 31st March, 2020 (5+6+7)	-	1,105.40	6,294.10	74.35	72.43	54.22	32.61	182.15	30.11	7,845.37	-
c Net Carrying Amount as at 31st March, 2020 (4-8)	421.30	6,609.03	19,685.39	213.42	64.99	141.44	73.49	191.57	118.35	27,518.98	4,212.31
II Year Ended 31st March, 2021											
a Gross Carrying Amount											
1 Opening Gross Carrying Amount	421.30	7,714.43	25,979.49	287.77	137.42	195.66	106.10	373.72	148.46	35,364.35	4,212.31
2 Additions	-	4,613.89	14,675.79	427.34	46.72	31.28	12.95	-	0.69	19,808.66	16,317.53
3 Disposals/Transfers	-	-	(30.80)	-	-	-	-	-	-	(30.80)	(19,855.47)
4 Closing Gross Carrying Amount as at 31st March, 2021 (1+2+3)	421.30	12,328.32	40,624.48	715.11	184.14	226.94	119.05	373.72	149.15	55,142.21	674.37
b Accumulated Depreciation and Impairment											
5 Opening Accumulated Depreciation	-	1,105.40	6,294.10	74.35	72.43	54.22	32.61	182.15	30.11	7,845.37	-
6 Depreciation Charge during the Year 2020-21	-	280.61	1,640.94	20.56	35.62	17.94	17.86	50.04	25.59	2,089.16	-
7 Disposals	-	-	(17.72)	-	-	-	-	-	-	(17.72)	-
8 Closing Accumulated Depreciation and Impairment as at 31st March, 2021 (5+6+7)	-	1,386.01	7,917.32	94.91	108.05	72.16	50.47	232.19	55.70	9,916.81	-
c Net Carrying Amount as at 31st March, 2021 (4-8)"	421.30	10,942.31	32,707.16	620.20	76.09	154.78	68.58	141.53	93.45	45,225.40	674.37

4.1 Pledge on Property, Plant and Equipment :

Refer Note 40 for information on Property, Plant and Equipment pledged as security by the Company

4.2 Refer Note 50 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

Notes to the Consolidated Financial Statements

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

5 Right of Use Assets and Lease Liability

The Company has adopted Ind AS 116 - Leases with effect from 01.04.2019 using modified retrospective method . This has resulted in recognizing right of use assets and lease liability as on 01.04.2019.

5A Right of Use Assets

Following are the changes in the carrying value of right of use assets for the year ended March 31, 2021 and March 31, 2020:

Particulars	March 31,2021	March 31,2020
Opening Balance	446.31	-
Reclassification on adoption of Ind AS 116	-	541.95
Depreciation	95.64	95.64
Closing Balance	350.67	446.31

The aggregate depreciation expense on ROU assets is included under depreciation and amortization expense in the statement of Profit and Loss.

5B Lease Liability

The following is the movement in lease liabilities during the year ended March 31,2021 and March 31,2020 :

Particulars	March 31,2021	March 31,2020
Recognition on adoption of Ind AS 116/ Opening Balance	477.99	541.95
Finance cost accrued during the year	50.76	58.44
Payment of lease liabilities	122.40	122.40
Closing Balance	406.35	477.99

The table below provides details regarding the contractual maturities of lease liabilities as at 31st March, 2021 on an undiscounted basis

Particulars	March 31,2021	March 31,2020
Less than one year	122.40	122.40
One to five years	377.09	499.49
More than five years	-	-
Total	499.49	621.89

The Company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

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 Rs. 5.49 lakhs (Previous Year Rs. 5.14 lakhs).

Hence, disclosure requirement under Ind AS 17 "Leases" is not required.

Operating Lease Commitments - Company as Lessor :

The Company has given on Lease of its part premises in R & D Gagilapur for an amount of Rs.0.55 lakhs per month on lease to an associate company . The company has also given for sub lease of part of its corporate office building to related parties. The Company has recognized income for total amount of Rs.59.88 lakhs (Previous Year Rs.60.86 lakhs) under the head of other income.

Notes to the Consolidated Financial Statements

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

6 Intangible Assets

Particulars	Computer Software	Patents	Total
(1)	(2)	(3)	(4)
I Year Ended 31st March, 2020			
a Gross Carrying Amount			
1 Opening Gross Carrying Amount as at 01st April, 2019"	67.76	99.34	167.10
2 Additions	-	3.95	3.95
3 Closing Gross Carrying Amount as at 31st March, 2020 (1+2)	67.76	103.29	171.05
b Accumulated Amortisation and Impairment			
4 Opening Accumulated Amortisation as at 01st April, 2019	36.43	15.79	52.22
5 Amortisation Charge during the year 2019-20	10.95	24.62	35.57
6 Closing Accumulated Amortisation and Impairment as at 31st March, 2020 (4+5)	47.38	40.41	87.79
c Closing Net Carrying Amount as at 31st March, 2020 (3-6)	20.38	62.88	83.26
II Year Ended 31st March, 2021			
a Gross Carrying Amount			
1 Opening Gross Carrying Amount as at 01st April, 2020	67.76	103.29	171.05
2 Additions	0.61	119.74	120.35
3 Closing Gross Carrying Amounts at 31st March, 2021 (1+2)	68.37	223.03	291.40
b Accumulated Amortisation and Impairment			
4 Opening Accumulated Amortisation as at 01st April, 2020	47.38	40.41	87.79
5 Amortisation Charge during the year 2020-21	9.28	34.09	43.37
6 Closing Accumulated Amortisation and Impairment as at 31st March, 2021 (4+5)	56.66	74.50	131.16
c Closing Net Carrying Amount as at 31st March, 2021 (3-6)	11.71	148.53	160.24

Non Current Financial Assets - Unsecured, Considered good

7 Non-Current Investments

Particulars	As at March 31, 2021		As at March 31, 2020	
	No. of Shares	Amount	No. of Shares	Amount
(Unquoted, carried at cost)				
Investment in Associates (fully paid up)				
Equity Shares of Rs.10/- each in M/s. VKT Pharma Private Limited	38,50,165	2,730.28	38,50,165	2,581.04
Total		2,730.28		2,581.04
Aggregate amount of unquoted investments		2,730.28		2,581.04
Aggregate amount of quoted investments and market value thereof		-		-
Aggregate amount of impairment in the value of investment		-		-

7.1 As on 31st March, 2021, the Company is holding 42.62 % (31st March, 2020 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)

8 Bank Balances

Particulars	As at March 31, 2021	As at March 31, 2020
Margin Money Deposits	237.72	224.89
Total	237.72	224.89

8.1 Margin Money Deposits are subject to the first charge against Bank guarantees and /are Letter of Credits.

9 Other Non-Current Financial Assets

Particulars	As at March 31, 2021	As at March 31, 2020
Security Deposits	346.43	331.95
Total	346.43	331.95

10 Other Non-Current Assets

Particulars	As at March 31, 2021	As at March 31, 2020
Capital Advances	563.28	3,514.63
Total	563.28	3,514.63

10.1 An amount of Rs.304.91 lakhs was included in the Capital Advances paid on account of land admeasuring AC 23.00 in JNPC, Parwada, Visakhapatnam District, and the amount so paid is equivalent to 100% land cost to APIIC and about 80% of development cost to Ramky Pharmacy respectively. Due to the cancellation of part of land allotted to the company in earlier, the company has filed a Writ Petition before the Hon'ble High Court and the Court has granted stay which is pending.

10.2 The company has participated State Bank of India (Bank) e-auction and successful bidder for the purchase of a property for Rs.1,055.00 Lakhs. The owner of the property has litigated with the Banker and filed case with Debt Recovery Tribunal (DRT), Hyderabad wherein the Company also impleaded and subsequently DRT has cancelled the e-auction. Aggrieved by this the company have filed an appeal before the Hon'ble Debt Recovery Appellate Tribunal (DRAT), Kolkatta and as on 31st march 2021 the appeal is pending before DRAT.

During April 2021, DRAT has dismissed the appeal and the company is planning to prefer an appeal before the Hon'ble High Court of Telangana.

11 Inventories

Particulars	As at March 31, 2021	As at March 31, 2020
(Cost or Net Realisable Value, whichever is lower and as valued and certified by the management)		
Raw Materials	6,966.81	3,400.91
Stock-in-Process	2,341.42	4,391.69
Finished Goods	4,445.03	5,068.02
Coal & Fuel	25.47	59.40
Total	13,778.73	12,920.02

11.1 Finished Goods includes stock in transit of Rs. 1,912.50 lakhs (31st March, 2020 Rs. 277.87 lakhs)

Notes to the Consolidated Financial Statements

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

12 Trade Receivables

Particulars	As at March 31, 2021	As at March 31, 2020
Current - Unsecured		
(i) Considered Good	10,567.98	4,877.07
(ii) Considered Doubtful	10.49	2.65
Less: Allowance for Doubtful Debts	10.49	2.65
Total	10,567.98	4,877.07
Break-up of security details		
Trade Receivables considered Good-Secured	-	-
Trade Receivables considered Good-Un Secured	10,567.98	4,877.07
Trade Receivables which have significant increase in credit risk	-	-
Trade Receivables - credit impaired	10.49	2.65
Total	10,578.47	4,879.72
Less: Provision for Doubtful Debts	10.49	2.65
Total Trade receivables	10,567.98	4,877.07

12.1 The Company has computed the expected credit loss allowance for doubtful trade receivables on the basis of age analysis on assumption of expected credit loss of 5% on outstanding receivables of more than 180days.

12.2 Trade Receivables includes an amount of Rs.1,457.21 lakhs (31st March, 2020 Rs.1,443.12 lakhs) due from a related party (Refer Note.48)

12.3 The expected credit loss allowance is based on the ageing of the days the receivables are due. In calculating expected credit loss, the Company has also considered credit information for its customers to estimate the probability of default in future and has taken into account estimates of possible effect from the pandemic relating to COVID-19.

13 Cash and Cash Equivalents

Particulars	As at March 31, 2021	As at March 31, 2020
(i) Balances with Banks		
- in Current Accounts	2,096.56	710.24
- in Deposit Accounts	1,750.00	-
- in EEFC account	187.28	232.36
(ii) Cash on Hand	8.47	11.82
Total	4,042.31	954.42

14 Bank Balances Other than Cash and Cash Equivalents

Particulars	As at March 31, 2021	As at March 31, 2020
Balances in Unclaimed Dividend Accounts	8.67	10.91
Total	8.67	10.91

Notes to the Consolidated Financial Statements

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

15 Other Current Financial Assets

Particulars	As at March 31, 2021	As at March 31, 2020
(unsecured, considered good)		
Export Incentive Receivable	36.16	28.50
Total	36.16	28.50

16 Other Current Assets

Particulars	As at March 31, 2021	As at March 31, 2020
(unsecured, considered good)		
GST Credit Receivable	459.54	786.29
GST Refund Receivable	1,188.29	926.75
Prepaid Expenses	221.78	186.90
Interest Receivable	10.84	13.81
Advances to Suppliers	257.21	674.42
Export Incentives Receivable	1.82	153.28
Other Advances and Receivables	60.50	35.36
Total	2,199.98	2,776.81

17 Current Tax Assets (Net)

299.06

310.36

17.1 Current Tax Assets/(Liabilities)

Particulars	As at March 31, 2021	As at March 31, 2020
Advance Income Tax	1,850.16	1,165.65
TDS/TCS Receivable	48.90	44.71
Less: Provision for Income Tax	1,600.00	900.00
Total	299.06	310.36

18 Equity Share Capital

Particulars	As at March 31, 2021		As at March 31, 2020	
	Number of Shares	Amount	Number of Shares	Amount
Authorised Share Capital				
Equity Shares of Re. 1/- each	12,00,00,000	1,200.00	12,00,00,000	1,200.00
Issued, Subscribed and Fully Paid Up				
Equity Shares of Re. 1/- each	8,46,52,030	846.52	8,46,52,030	846.52
Total	8,46,52,030	846.52	8,46,52,030	846.52

Notes to the Consolidated Financial Statements

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

18 Equity Share Capital (Contd..)

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

Particulars	As at March 31, 2021		As at March 31, 2020	
	Number of Shares	Amount	Number of Shares	Amount
Equity Shares				
At the Beginning of the Year	8,46,52,030	846.52	8,46,52,030	846.52
Add: Issued/(Reduced) during the Year	-	-	-	-
At the End of the Year	8,46,52,030	846.52	8,46,52,030	846.52

18.2 Rights attached to Equity Shares

The Company has only one class of equity shares having face value of Re. 1/- per share. The Company declares and pays dividends in Indian rupees. 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. Every holder of equity shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

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

Particulars	As at March 31, 2021		As at March 31, 2020	
	No. of Shares	Amount	No. of Shares	Amount
Sri. Ramesh Babu Potluri	1,55,53,060	18.37%	1,45,06,960	17.14%
Smt. Hima Bindu Potluri	1,47,88,840	17.47%	1,33,98,360	15.83%
Sri. Vamsi Krishna Potluri	1,33,28,370	15.74%	48,10,590	5.68%
M/s. Potluri Infra Projects LLP	73,46,420	8.68%	59,70,000	7.05%
Sri. TVVSN Murthy	-	-	94,48,340	11.16%

18.4 Distributions made and proposed

Particulars	Current Year 2020-21	Previous Year 2019-20
Cash dividends on equity shares declared and paid:		
Dividend for the Financial Year 2018-19 : Re.0.25 per share	-	211.63
Dividend Distribution Tax	-	43.50
Interim/final dividend for the financial year 2019-20: Re.0.25 per Share	-	211.63
Dividend distribution tax on interim/final dividend	-	43.50
Total	-	510.26
Proposed dividends on equity shares:		
Dividend for the FY 2020-21 : Re.0.30 per Share	253.95	-
Total	253.95	-

The Board of Directors of the Company in their meeting held on 28th May 2021 has proposed a dividend for distribution to equity shareholders of Re. 0.30 per each equity share (face value Re.1/-) for the financial year 2020-21.

Proposed dividend on equity shares are subject to approval at the annual general meeting and are not recognised it as a liability as at March 31, 2020 Effective from April 01, 2020: Dividends will be taxed in the hands of recipient, hence there will be no liability in the hands of Company.

Notes to the Consolidated Financial Statements

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

19 Other Equity

Particulars	As at March 31, 2021	As at March 31, 2020
Reserves and Surplus		
Securities Premium	6,981.84	6,981.84
Capital Redemption Reserve	155.00	155.00
General Reserve	8,304.28	7,304.28
Retained Earnings	24,765.16	19,535.92
Total	40,206.28	33,977.04

19.1 Securities Premium Reserve

Particulars	As at March 31, 2021	As at March 31, 2020
Opening Balance	6,981.84	6,981.84
Adjustments	-	-
Closing Balance	6,981.84	6,981.84

19.2 Capital Redemption Reserve

Particulars	31 March 2021	31 March 2020
Opening Balance	155.00	155.00
Adjustments	-	-
Closing Balance	155.00	155.00

19.3 General Reserve

Particulars	31 March 2021	31 March 2020
Opening Balance	7,304.28	6,304.28
Cancellation of Shares in pursuance of Demerger	-	-
Transferred from Statement of Profit & Loss	1,000.00	1,000.00
Closing Balance	8,304.28	7,304.28

19.4 Retained Earnings

Particulars	31 March 2021	31 March 2020
(a) Opening Balance	19,535.92	17,904.10
(b) Net Profit for the Year	6,096.46	3,268.85
(c) Transferred to General Reserve	(1,000.00)	(1,000.00)
(d) Dividends (Including Tax)	-	(510.27)
(e) Accumulated Share of Profit/(Loss) in Associates	156.23	(111.48)
(f) Items of Other Comprehensive Income Remeasurement Gain/(Loss) of the defined benefit plans	(23.45)	(15.28)
Closing Balance	24,765.16	19,535.92

Notes to the Consolidated Financial Statements

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

19 Other Equity(Contd..)

19.5 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 Companies Act,2013.

(b) Capital Redemption Reserve:

The Company has recognized Capital Redemption reserve on buy back of equity shares. The amount in capital redemption reserve is equal to nominal amount of the equity shares bought back. This reserve will be utilized in accordance with Section 69 of the Companies Act,2013.

(c) General Reserve:

Though mandatory transfer to General Reserve is not required under the Companies Act,2013, 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.

(e) Analysis of items of OCI, net of tax

Re-measurements of defined benefit plans (Refer Note 37)

Re-measurements of defined plans comprises actuarial gains and losses and return on plan assets

20 Financial Liabilities

Non Current Borrowings

20.1 Secured (Refer Note.20.1.1)

Particulars	As at March 31, 2021	As at March 31, 2020
Term Loans from Banks		
(a) IDBI Bank Ltd	1,742.75	3,487.92
(b) Export Import Bank Loan-1	1,220.77	1,344.36
(c) Export Import Bank Loan-2	5,342.79	1,592.60
(d) Yes Bank	-	277.22
(e) State Bank of India	4,095.36	-
(f) RBL (WCTL GECL)Bank	1,106.46	-
(g) IDBI WCTL GECL	1,155.40	-
Sub Total	14,663.53	6,702.10

Notes to the Consolidated Financial Statements

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

20 Financial Liabilities (Contd..)

20.2 Unsecured (Refer Note.20.2.1)

Particulars	As at March 31, 2021	As at March 31, 2020
DSIR Assistance	120.00	120.00
Total	14,783.53	6,822.10

20.3 Current Maturities of Non Current Borrowings

Particulars	As at March 31, 2021	As at March 31, 2020
Secured		
Term Loans from Banks		
(i) IDBI Bank Ltd	1,700.00	1,200.00
(ii) Export Import Bank Loan-1	100.00	75.00
(iii) Export Import Bank Loan-2	754.00	377.00
(iv) Yes Bank	-	639.50
(v) State Bank of India	580.00	-
(vi) RBL (WCTL GECL) Bank	23.54	-
(vii) IDBI WCTL GECL	24.60	-
Total	3,182.14	2,291.50
Amount disclosed under the head "Other Current Financial Liabilities"	(3,182.14)	(2,291.50)
Total	-	-

20.1.1 Security Terms

- Term Loans availed from IDBI Bank Limited (IDBI Bank), State Bank of India (SBI) and Export-Import Bank of India (Exim Bank) are secured by first charge on all movable and immovable fixed assets of the company both present and future on pari-passu basis. They are further secured by second charge on current assets both present and future on pari-passu basis. These facilities are guaranteed by Sri Ramesh Babu Potluri, Chairman & Managing Director and Sri Vamsi Krishna Potluri, Executive Director of the Company in their personal capacities, except IDBI Bank. IDBI Bank facility is guaranteed by Sri Ramesh Babu Potluri, Chairman & Managing Director and Sri T V V S N Murthy, Director of the Company in their personal capacities.
- Long Term Working Capital Term Loans (LTWCTL) availed from Exim Bank are secured by first charge on all movable and immovable fixed assets of the company both present and future on pari-passu basis. Further secured by second charge on current assets of the Company both present and future on pari-passu basis. These facilities are guaranteed by Sri Ramesh Babu Potluri, Chairman & Managing Director of the Company in his personal capacity.
- Working Capital Term Loans (WCTL) under Guaranteed Emergency Credit Line (GECL) availed from IDBI Bank and RBL Bank Limited (RBL Bank) are secured by second charge on all movable and immovable fixed assets of the company both present and future on pari-passu basis. Further secured second charge on current assets of the Company both present and future on pari-passu basis. These facilities covered under GECL operated by National Credit Guarantee Trustee Company Limited (NCTC).
- The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 40.

Notes to the Consolidated Financial Statements

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

20 Financial Liabilities (Contd..)

20.1.2 Rate of Interest :

Name of the Bank	Rate of Interest
Term Loans	
IDBI Bank (MCLR (Y) + 1.10% p.a.)	8.90%
Exim Bank (SBI MCLR (Y)+ 2.25% p.a)	9.20%
SBI (Converted FCNRB with fully hedged)	7.90%
Long Term Working Capital Loan	
Exim Bank (LTMLR+20 basis points)	8.60%
RBL Bank (1M MCLR)	8.00%
IDBI Bank (MCLR+0.15% p.a.)	7.95%

20.1.3 Terms of Repayment

- (a) The loan availed from IDBI Bank amounting to Rs.7,500 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	Rs. 100 Lakhs each
Next 4 Quarters	Rs. 200 Lakhs each
Next 4 Quarters	Rs. 300 Lakhs each
Next 4 Quarters	Rs. 400 Lakhs each
Next 4 Quarters	Rs. 425 Lakhs each
Next 4 Quarters	Rs. 450 Lakhs each

The Company has availed moratorium for principal installment for the above said loan as per RBI Relaxation on account COVID19 for two quarters

- (b) The loan availed from Exim Bank amounting to Rs.6,500 lakhs for funding the Expansion Project of Kandivalasa unit. The loan is repayable in 24 Quarterly Installments commencing from January, 2021, as mentioned below.

First 9 Quarters	Rs. 188.50 Lakhs each
Next 14 Quarters	Rs. 321.75 Lakhs each
Last 1 Quarter	Rs. 299.00 Lakhs each

- (c) The loan availed from State Bank of India amounting to Rs.5,000 lakhs for funding the Expansion Project of Kandivalasa unit. The loan is repayable in 24 Quarterly Installments commencing from January, 2021, as mentioned below.

First 9 Quarters	Rs. 145.00 Lakhs each
Next 14 Quarters	Rs. 247.50 Lakhs each
Last 1 Quarter	Rs. 230.00 Lakhs each

Notes to the Consolidated Financial Statements

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

20 Financial Liabilities (Contd..)

20.1.3 Terms of Repayment (Contd..)

(d) The Long Term Working Capital Loan availed from Exim Bank amounting Rs. 1,500 lakhs is to be repaid in 20 structured quarterly installments commencing from 1st october,2019, as mentioned below:

First 4 Quarters	Rs. 25 Lakhs each
Next 4 Quarters	Rs. 25 Lakhs each
Next 4 Quarters	Rs. 50 Lakhs each
Next 4 Quarters	Rs. 125 Lakhs each
Next 4 Quarters	Rs. 150 Lakhs each

(e) The WCTL under GECL availed from IDBI Bank amounting Rs.1,180 lakhs is to be repaid in 47 monthly equated principal repayment of Rs.24.60 Lakhs and 48th monthly instalment of Rs.23.80 lakhs after moratorium period of one year i.e. March 2022 onwards

(f) The WCTL under GECL availed from RBL Bank amounting Rs.1,130 lakhs is to be repaid in 47 monthly equated principal repayment of Rs.23.54 Lakhs and 48th monthly instalment of Rs.23.62 lakhs after moratorium period of one year i.e. March 2022 onwards.

20.2.1 Financial Assistance received from Department of Scientific and Industrial Research (DSIR) of Rs. 120.00 Lakhs (previous year Rs. 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.

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

Particulars	31st March, 2021	31st March, 2020
Opening Borrowings	6,822.10	6,221.05
Add: Opening Current Maturities	2,291.50	1,075.00
Add: Amortisation of Transaction Cost	6.23	6.23
Add: Received during the year	10,572.84	2,886.32
Less: Paid during the year	1,727.00	1,075.00
Closing Borrowings	17,965.67	9,113.60
Less: Closing Current Maturities	3,182.14	2,291.50
Non Current Borrowings as per Balance Sheet	14,783.53	6,822.10

Notes to the Consolidated Financial Statements

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

21 Provisions

Particulars	As at March 31, 2021	As at March 31, 2020
Provision for Employee Benefit Obligations		
Non Current		
Gratuity	125.81	118.88
Leave Encashment	58.18	53.76
Sub Total	183.99	172.64
Current		
Gratuity	52.28	44.77
Leave Encashment	30.07	27.27
Sub Total	82.35	72.04
Total		
Gratuity	178.09	163.65
Leave Encashment	88.25	81.03
Grand Total	266.34	244.68

21.1 For details of Post Employment Benefits. Refer Note 39.

22 Deferred Tax Liabilities (net)

The Balance Comprises Temporary Differences Attributable to:

Particulars	As at March 31, 2021	As at March 31, 2020
(a) Deferred Tax Liability		
(i) Property, Plant and Equipment	5,897.26	5,308.14
(ii) Others	25.28	41.37
Total	5,922.54	5,349.51
(b) Deferred Tax Asset		
(i) Expenses allowable on the basis of Payment	99.41	94.35
(ii) MAT Credit Entitlement	295.36	1,147.06
(iii) Other items giving raise to temporary differences	142.47	133.69
Total	537.24	1,375.10
Net Deferred Tax Liabilities (a) - (b)	5,385.30	3,974.41

(c) Movement in Deferred Tax Liabilities

Particulars	Property, Plant and Equipment	Other Items	Total
As at 31st March, 2019	4,638.28	8.37	4,646.65
Charged/(Credited)	669.86	33.00	702.86
As at 31st March, 2020	5,308.14	41.37	5,349.51
Charged/(Credited)	589.12	(16.09)	573.03
As at 31st March, 2021	5,897.26	25.28	5,922.54

Notes to the Consolidated Financial Statements

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

22 Deferred Tax Liabilities (net) (Contd..)

(d) Movement in Deferred Tax Assets

Particulars	Expenses allowable on payment basis	MAT Credit	Other items	Total
As at 31st March, 2019	103.06	1,334.19	147.56	1,584.81
Charged/(Credited)	(8.71)	(187.13)	(13.87)	(209.71)
As at 31st March, 2020	94.35	1,147.06	133.69	1,375.10
Charged/(Credited)	5.06	(851.70)	8.78	(837.86)
As at 31st March, 2021	99.41	295.36	142.47	537.24

23 Current Borrowings

Particulars	As at March 31, 2021	As at March 31, 2020
Secured		
Working Capital Loans from Banks		
--- State Bank of India	4,395.22	3,513.74
--- RBL Bank Ltd	1,200.00	1,402.23
--- IDBI Bank Ltd	1,490.64	1,199.55
Total	7,085.86	6,115.52

23.1 Security Terms

- (a) Working Capital Facilities sanctioned by State Bank of India and RBL Bank are secured by first charge on all current assets of the Company both present and future on pari-passu basis. These facilities are further secured by second charge on all movable and immovable fixed assets of the Company both present and future on pari-passu basis and also guaranteed by Sri Ramesh Babu Potluri, Chairman and Managing Director, and Sri Vamsi Krishna Potluri, Executive 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) Working Capital Facilities sanctioned by IDBI Bank are secured by first charge on all current assets of the Company both present and future on pari-passu basis. These facilities are further secured by second charge on all movable and immovable fixed assets of the Company both present and future on pari passu basis and also guaranteed by Sri Ramesh Babu Potluri Chairman and Managing Director of the Company, in his personal capacity
- (d) The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 40.

Notes to the Consolidated Financial Statements

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

23 Current Borrowings (Contd..)

23.2 Rate of Interest is as follows:

Name of the Bank	Rate of Interest
State Bank of India	
Cash Credit	7.90%
Export Packing Credit	7.50%
Stand by Loan	7.50%
IDBI Bank Limited - WCDL	8.00%
RBL Bank - WCDL	8.00%

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

23.4 The outstandings of all working capital facilities are well within the sanctioned limits.

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

Particulars	31st March, 2021	31st March, 2020
Opening Borrowings	6,115.52	7,080.86
Add: Received during the year	1,172.57	1,199.55
Less: Paid during the year	(202.23)	2,164.89
Closing Current Borrowings	7,085.86	6,115.52

24 Trade Payables

Particulars	31st March, 2021	31st March, 2020
(a) Creditor for Supply of Materials		
(i) Due to Micro and Small Enterprises	28.62	23.01
(ii) Due to Related Parties	1,374.13	244.97
(iii) Others	4,092.67	3,687.08
(b) Creditors for Expenses	1,048.60	494.34
Total	6,544.02	4,449.40

24.1 Trade Payables includes an amount of Rs.1,374.13 lakhs (Previous Year Rs 63.48 lakhs) payable to SMS Lifesciences India Limited a related party. (refer note 48)

25 Other Financial Liabilities

Particulars	31st March, 2021	31st March, 2020
Current		
Current Maturities of Long-Term Debt	3,182.14	2,291.50
Capital Creditors	1,686.92	470.74
Interest Accrued but not due	-	70.61
Unclaimed Dividend	8.67	10.91
Total	4,877.73	2,843.76

Notes to the Consolidated Financial Statements

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

26 Other Current Liabilities

Particulars	31st March, 2021	31st March, 2020
Statutory Liabilities	335.21	82.66
Advance from Customers	466.00	932.06
Employee Benefits Payable	18.14	25.32
Total	819.35	1,040.04

27 Revenue from Operations

Particulars	Current Year 2020-21	Previous Year 2019-20
(a) Sale of Products		
Gross Sales (including GST)	58,190.01	43,307.54
Less: Goods and Service Tax	4,425.57	3,898.45
Net Revenue from Sales	53,764.44	39,409.09
(b) Income from Sale of Services		
(i) Conversion Charges	1,960.97	1,564.02
Less: Goods and Service Tax	299.13	238.58
Net Conversion Charges	1,661.84	1,325.44
(ii) Sale of Services *	773.43	-
Less: Goods and Service Tax	117.98	-
Net Revenue from Sale of Services	655.45	-
Net Revenue from Services	2,317.29	1,325.44
(c) Other Operating Income		
Export Incentives	236.02	460.16
Total Net Revenue from Operations (a+b+c)	56,317.75	41,194.69

*During the year the Company has entered into an agreement with one of its customer for sharing of profit on the sales of product manufactured by them using our Active Pharmaceutical Ingredients (API) and the Company has accounted share of profit under the head of sale of services.

28 Other Income

Particulars	Current Year 2020-21	Previous Year 2019-20
(i) Interest Income	31.44	35.16
(ii) Net Gain on Foreign Exchange	57.05	179.61
(iii) Miscellaneous Income (Net of GST)	256.80	296.57
Total	345.29	511.34

28.1 Miscellaneous Income includes Rent received from related parties of Rs.59.88 lakhs (Previous year Rs.60.86 lakhs)

Notes to the Consolidated Financial Statements

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

29 Cost of Materials Consumed

Particulars	Current Year 2020-21	Previous Year 2019-20
Raw Material & Packing Material		
Stock at the Beginning of the Year	3,400.91	5,455.75
Add: Purchases	34,892.47	23,895.34
Less: Stock at the End of the Year	6,966.81	3,400.91
Total Materials Consumed	31,326.57	25,950.18

30 Changes in Inventory

Particulars	Current Year 2020-21	Previous Year 2019-20
(a) Opening Stock of Inventory:		
Finished Goods	5,068.02	3,871.58
Stock in Process	4,391.69	4,274.05
Sub Total (a)	9,459.71	8,145.63
(b) Closing Stock of Inventory:		
Finished Goods	4,445.03	5,068.02
Stock in Process	2,341.42	4,391.69
Sub Total (b)	6,786.45	9,459.71
(Increase)/Decrease in Stock (a-b)	2,673.26	(1,314.08)

31 Manufacturing Expenses

Particulars	Current Year 2020-21	Previous Year 2019-20
Power and Fuel	2,317.94	1,885.08
Consumable Stores	537.12	502.27
Testing Charges	79.41	125.29
Water Charges	13.41	13.70
Repairs & Maintenance to Buildings	67.48	81.36
Repairs & Maintenance to Plant & Machinery	736.77	582.29
Factory Maintenance	129.56	133.77
Effluent Treatment Charges	57.69	40.11
Total	3,939.38	3,363.87

Notes to the Consolidated Financial Statements

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

32 Employee Benefit Expense

Particulars	Current Year 2020-21	Previous Year 2019-20
Salaries, Wages and Bonus	3,634.12	3,480.37
Contribution to Provident Fund	234.12	217.56
Contribution to ESI	22.06	29.87
Staff Welfare Expenses	226.87	207.42
Total	4,117.17	3,935.22

33 Finance Cost

Particulars	Current Year 2020-21	Previous Year 2019-20
Interest on Non Current Borrowings	543.78	646.51
Interest on Current Borrowings	427.15	403.65
Interest on Others	1.06	0.30
Interest on Lease Liability	50.76	58.44
Bank Charges	93.50	112.24
Total	1,116.25	1,221.14

34 Depreciation and Amortisation Expenses

Particulars	Current Year 2020-21	Previous Year 2019-20
Depreciation of Property, Plant and Equipment	2,089.15	2,075.43
Amortisation of Right-of-use Assets	95.64	95.64
Amortisation of Intangible Assets	43.37	35.57
Total	2,228.16	2,206.64

35 Other Expenses

Particulars	Current Year 2020-21	Previous Year 2019-20
Rent	10.43	10.08
Rates and Taxes	56.49	36.72
Insurance	181.24	94.89
Directors Remuneration	858.55	264.22
Travelling and Conveyance	6.30	43.38
Communication Expenses	12.13	13.29
Printing and Stationery	56.57	56.98
Repairs & Maintenance to Other Assets	11.32	20.84
Vehicle Maintenance	20.05	23.75
Payment to Auditors	11.00	11.00
Cost Audit Fee	0.75	0.75
General Expenses	205.49	159.90

Notes to the Consolidated Financial Statements

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

35 Other Expenses (Contd..)

Particulars	Current Year 2020-21	Previous Year 2019-20
Corporate Social Responsibility	116.48	53.18
Provision for Doubtful Debts	7.84	-
Interest on Indirect Taxes	2.61	10.40
Loss on Sale of Assets	0.80	5.14
Business Promotion Expenses	21.75	156.19
Regulatory Fee	83.19	93.05
Carriage Outward	252.88	118.69
Sales Commission	234.40	95.05
Total	2,150.27	1,267.50

35.1 Details of Payments to Auditors

Particulars	Current Year 2020-21	Previous Year 2019-20
Audit Fee	11.00	8.00
Tax Audit Fee	-	2.00
Certification Fee	-	1.00
Total Payments to Auditors	11.00	11.00

35.2 Corporate Social Responsibility Expenditure

As per requirement of the Companies Act, 2013, gross amount required to be spent by the Company during the year is Rs.115.64 Lakhs (March 31, 2020 Rs.109.52 Lakhs)

CSR Activities	for the year ended March 31, 2021		
	In cash	Yet to be paid in cash	Total
(i) Construction/Acquisition of an Asset	-	-	-
(ii) For other than (i) above	116.48	-	116.48
	(53.18)	-	(53.18)

Amounts in bracket indicate previous year numbers.

36 Income Tax Expense

Particulars	Current Year 2020-21	Previous Year 2019-20
Current Tax		
Current tax provision for the year	1,600.00	900.00
Adjustments for current tax of prior periods	4.63	(5.86)
Total Current Tax	1,604.63	894.14

Notes to the Consolidated Financial Statements

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

36 Income Tax Expense (Contd..)

Particulars	Current Year 2020-21	Previous Year 2019-20
Deferred Tax		
Increase/(Decrease) in Deferred Tax Liabilities	581.86	707.47
Decrease/(Increase) in Deferred Tax Assets	837.87	209.70
Actuarial (Gain)/Loss	8.84	4.60
Total Deferred Tax Expense/(Benefit)	1,410.89	912.57
Total	3,015.52	1,806.71

36.1 Reconciliation of Tax Expense with Tax on Accounting Profits at normal rate is as follows:

Particulars	Current Year 2020-21	Previous Year 2019-20
(a) Profit before Income Tax Expenses	9,111.98	5,075.56
(b) Enacted Tax Rate in India	34.94%	34.94%
(c) Expected Tax Expenses (a)x(b)	3,184.09	1,773.60
(d) Tax Effect on Permanent Difference:		
Weighted Deduction under section 35(2AB) under the Income Tax Act, 1961	(73.00)	(700.15)
Expenses not allowed under Income Tax Act	(81.12)	697.92
Other Adjustments	(19.08)	45.70
MAT Credit Entitlement for earlier years	-	(4.50)
Adjustment of Current Tax of Prior Periods	4.63	(5.86)
Total Adjustments	(168.57)	33.11
Current Tax Expense as per P & L	3,015.52	1,806.71
Effective Tax Rate	33.09%	35.60%

37 Other Comprehensive Income

Particulars	Current Year 2020-21	Previous Year 2019-20
Actuarial Gain/(Loss) on Post Employment Benefit Expenses	(21.96)	(9.09)
Return on Plan Assets excluding net interest	(3.34)	(4.06)
Sub-Total	(25.30)	(13.15)
Associate Company	(9.44)	(9.09)
Total	(34.74)	(22.24)
Deferred Taxes on above	11.29	6.96
Net Comprehensive Income	(23.45)	(15.28)

38 Earning Per Share

Particulars	Current Year 2020-21	Previous Year 2019-20
(a) Net Profit	6,252.69	3,157.37
(b) Weighted average number of equity shares of Re.1/- each	846.52	846.52
(c) Earnings per share Basic & diluted	7.39	3.73

Notes to the Consolidated Financial Statements

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

39 Employment Benefits

39.1 Defined Contribution plans

39.1.1 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 Rs.234.12 lakhs (Previous Year- Rs.217.56 lakhs).

39.1.2 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 Employees 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 Rs.22.06 lakhs(Previous Year- Rs. 29.87 lakhs).

39.2 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 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:

39.2.1 Net Employee Benefit Expense

Particulars	31st March, 2021		31st March, 2020	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
(Recognised in Employee Benefit Expenses)				
Current Service Cost	41.13	24.18	41.24	27.24
Interest Cost	9.67	4.53	10.39	4.38
Contribution paid	(61.65)	(4.13)	(54.24)	(5.81)
	(10.85)	24.58	(2.61)	25.81

Notes to the Consolidated Financial Statements

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

39 Employment Benefits (Contd..)

39.2.2 Other Comprehensive Income

Particulars	31st March, 2021		31st March, 2020	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Actuarial Gain/(Loss)	21.96	(17.37)	9.09	(15.54)
Return on Plan Assets excluding net interest	3.34	-	4.06	-
Total Actuarial (Gain)/Loss recognized in OCI	25.30	(17.37)	13.15	(15.54)

39.2.3 Amount recognised in the Balance Sheet

Particulars	31st March, 2021		31st March, 2020	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Defined Benefit Obligation	411.48	88.25	349.91	81.03
Fair Value of Plan Assets	(233.39)	-	(186.26)	-
	178.09	88.25	163.65	81.03

39.2.4 Other Comprehensive Income in case of Employees Compensated Absence Scheme not considered as it was not funded.

39.2.5 Change in the Present Value of the Defined Benefit Obligation

Particulars	31st March, 2021		31st March, 2020	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Opening Defined Benefit Obligation	349.91	81.03	304.78	70.77
Current Service Cost	41.13	24.18	41.24	27.24
Interest Cost	22.00	4.53	21.63	4.38
Contribution Paid	-	(4.13)	-	(5.81)
Benefits Paid	(23.51)	-	(26.83)	-
Net Actuarial (gain)/ losses on Obligation for the year recognised under OCI	21.96	(17.37)	9.09	(15.54)
Closing Defined Benefit Obligation	411.48	88.25	349.91	81.03

Notes to the Consolidated Financial Statements

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

39 Employment Benefits (Contd..)

39.2.6 Change in the Fair Value of Plan Assets

Particulars	31st March, 2021		31st March, 2020	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Opening Fair Value of Plan Assets	186.26	-	151.67	-
Return on Plan Assets Excluding Interest Income	(3.34)	-	(4.06)	-
Interest Income	12.33	-	11.24	-
Contribution paid	61.65	-	54.24	-
Benefits Paid	(23.51)	-	(26.83)	-
Closing Fair Value of Plan Assets	233.39	-	186.26	-

39.2.7 Actuarial (Gain)/Loss on Obligation

Particulars	31st March, 2021		31st March, 2020	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Due to Financial Assumption	(1.57)	-	28.14	-
Due to Experience	23.53	-	(19.05)	-
Total Actuarial (Gain)/Loss	21.96	-	9.09	-

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

Particulars	31st March, 2021	31st March, 2020
State Govt Security	138.24	110.32
Central Govt Securities	51.14	40.81
NCD/Bonds	31.11	24.83
Others	12.91	10.30
Total	233.39	186.26

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

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

Particulars	31st March, 2021	31st March, 2020
Discount rate	6.80%	6.76%
Attrition Rate	PS : 0 to 40 2%	PS : 0 to 40 2%
Expected rate of increase in Salary	3.00%	3.00%
Mortality Table	IALM (2012-14)	IALM (2012-14)
Expected average remaining working lives of Employees	19.14	18.72

Notes to the Consolidated Financial Statements

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

39 Employment Benefits (Contd..)

39.2. 9 Actuarial Assumptions for estimating Company's Defined Benefit Obligation: (Contd..)

- (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.

39.2. 10 Sensitivity Analysis

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

Particulars	31st March, 2021	31st March, 2020
Defined Benefit Obligation	178.09	163.65
Effect of 1% change in assumed discount rate on defined benefit obligation		
Increase : +1%	375.15	318.88
Decrease: -1%	453.95	386.21
Effect of 1% change in assumed salary escalation rate on defined benefit obligation		
Increase : +1%	452.32	384.56
Decrease: -1%	375.81	319.64

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 while calculating the defined benefit liability recognised within the Balance Sheet.

39.2. 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 increased from 6.76% to 6.80% and hence there is a increase in liability leading to actuarial gain due to change in discount rate.

Notes to the Consolidated Financial Statements

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

39 Employment Benefits (Contd..)

39.2. 11 Other Information (Contd..)

(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.

The Weighted Average duration of the defined benefit obligation is 10.96 years(2019-20 : 10.99 years). The expected cash flows over the subsequent years is as follows:

Expected Payout Gratuity	31st March, 2021	31st March, 2020
1st Year	59.28	48.89
2nd Year	12.94	10.49
3rd Year	14.69	11.21
4th Year	24.43	12.46
5th Year	13.96	21.85
beyond 5th Year	174.87	111.72

39.2. 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.

Notes to the Consolidated Financial Statements

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

39 Employment Benefits (Contd..)

39.2. 12 Risk Exposure (Contd..)

- (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.

40 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 Rs.24,931.53 (Previous year Rs.15,109.12) are as follows:

Particulars	31st March, 2021	31st March, 2020
Property, Plant and Equipment	45,225.40	27,518.98
Current Assets	30,932.89	21,878.09
Total Assets Pledged as Security	76,158.29	49,397.07

41 Research and Development

41.1 Details of Revenue Expenditure (expensed as and when incurred):

Particulars	31st March, 2021	31st March, 2020
Salaries & Wages	402.88	416.07
Materials Consumed	95.54	94.55
Repairs and Maintenance	136.06	126.03
Power and Fuel	62.32	66.98
Testing and analysis charges	7.33	14.18
Rates and Taxes	7.36	7.28
Insurance	4.50	3.97
General Expenses	18.85	14.79
Total	734.84	743.85

Notes to the Consolidated Financial Statements

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

41 Research and Development (Contd..)

41.2 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 31 March, 2019	874.37	972.47	6.11	22.02	9.10	5.99	1,890.06
2 Additions	68.25	1,147.10	17.32	28.46	-	3.95	1,265.08
3 As at 31 March, 2020 (1+2)	942.62	2,119.57	23.43	50.48	9.10	9.94	3,155.14
4 Additions	0.84	204.92	0.54	2.36	-	0.24	208.90
5 As at 31 March, 2021 (3+4)	943.46	2,324.49	23.97	52.84	9.10	10.18	3,364.04
Depreciation							
6 As at 31 March, 2019	111.42	385.90	3.83	10.65	3.08	2.79	517.67
7 Charge for the Year	38.15	106.24	0.85	7.37	1.08	1.41	155.10
8 As at 31 March, 2020 (6+7)	149.57	492.14	4.68	18.02	4.16	4.20	672.77
9 Charge for the Year	39.42	177.64	1.90	13.26	1.08	1.70	235.00
10 As at 31 March, 2021 (8+9)	188.99	669.78	6.58	31.28	5.24	5.90	907.77
Net Carrying Value							
11 As at 31 March, 2019 (1-6)	762.95	586.57	2.28	11.37	6.02	3.20	1,372.39
12 As at 31 March, 2020 (3-8)	793.05	1,627.43	18.75	32.46	4.94	5.74	2,482.37
13 As at 31 March, 2021(5-10)	754.47	1,654.71	17.39	21.56	3.86	4.28	2,456.27

Financial Instruments and Risk Management

42 Categories of Financial Instruments

Particulars	Note	Level	As at March 31, 2021		As at March 31, 2020	
			Carrying Value	Fair Value	Carrying Value	Fair Value
A. Financial Assets						
(a) Measured at Amortised Cost						
(i) Non Current						
(a) Bank Balances	8	3	237.72	237.72	224.89	224.89
(b) Other Financial Assets	9	3	346.43	346.43	331.95	331.95
Sub - Total			584.15	584.15	556.84	556.84
(ii) Current						
(a) Trade Receivables	12	Refer Note 42.2	10,567.98	10,567.98	4,877.07	4,877.07
(b) Cash and Cash Equivalents	13		4,042.31	4,042.31	954.42	954.42
(c) Other Bank Balances	14		8.67	8.67	10.91	10.91
(d) Other Financial Assets	15		36.16	36.16	28.50	28.50
Sub - Total			14,655.12	14,655.12	5,870.90	5,870.90
Total Financial Assets			15,239.27	15,239.27	6,427.74	6,427.74
B. Financial Liabilities						
(a) Measured at Amortised Cost						
(i) Non Current						
(a) Borrowings	20	3	14,783.53	14,783.53	6,822.10	6,822.10

Notes to the Consolidated Financial Statements

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

42 Categories of Financial Instruments (Contd..)

Particulars	Note	Level	As at March 31, 2021		As at March 31, 2020	
			Carrying Value	Fair Value	Carrying Value	Fair Value
(ii) Current						
(a) Borrowings	23	Refer	7,085.86	7,085.86	6,115.52	6,115.52
(b) Trade Payables	24	Note	6,544.02	6,544.02	4,449.40	4,449.40
(c) Other Financial Liabilities	25	42.2	4,877.73	4,877.73	2,843.76	2,843.76
Sub - Total			18,507.61	18,507.61	13,408.68	13,408.68
Total Financial Liabilities			33,291.14	33,291.14	20,230.78	20,230.78

42.1 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.

42.2 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.

42.3 The management has assessed that fair value of borrowings approximate to their carrying amounts largely since they are carried at floating rate of interest.

42.4 Other non current financial assets consists of deposits with Government authorities where the fair value is considered to be the carrying value.

43 Fair Value Measurements

43.1 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.

43.2 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.

43.3 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.

Notes to the Consolidated Financial Statements

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

44 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.

44.1 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.

Credit risk is the risk of financial loss to the Company if a customer to a financial instrument fails to meet its contractual obligations and arises primarily from trade receivables, treasury operations etc. The credit risk related to trade receivables is influenced mainly by the individual characteristics of each customer.

The credit risk is managed by the company by establishing credit limits and continuously monitoring the credit worthiness of the customer. The Company also provides for expected credit losses based on the past experience where it believes that there is high probability of default. In general, all trade receivables greater than 180 days are reviewed and provided for by analysing individual receivables. The Company has considered possible effect from the pandemic relating to Covid-19 on Credit risks including forward looking information to develop expected credit losses.

Following are the Expected Credit Loss for Trade Receivables under simplified approach:

Particulars	31st March, 2021	31st March, 2020
Gross Carrying Amount	10,578.47	4,879.72
Expected Credit Losses (Loss Allowance Provision)	10.49	2.65
Net Carrying Amount of Trade Receivables	10,567.98	4,877.07

Notes to the Consolidated Financial Statements

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

44 Financial Risk Management Objectives and Policies (Contd..)

44.1 Credit Risk: (Contd..)

Expected Credit Loss for Trade Receivables under simplified approach:

Particulars	Outstanding		Total
	for < 180 days	for > 180 days	
Gross Carrying Amount of Trade Receivables	10,368.63	209.84	10,578.47
Expected Loss Rate	-	5.00%	5.00%
Expected Credit Losses (Loss allowance provision)	-	10.49	10.49
Net Carrying Amount of Trade Receivables	10,368.63	199.35	10,567.98

44.2 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, 2021					
Non Current Borrowings (including Current Maturities)	3,182.14	10,584.55	4,078.98	120.00	17,965.67
Current Borrowings	7,085.86				7,085.86
Interest Accrued but not due	-				
Trade Payables	6,544.02				6,544.02
Capital Creditors	1,686.92				1,686.92
Total	18,498.94	10,584.55	4,078.98	120.00	33,282.47
31 March, 2020					
Non Current Borrowings (including Current Maturities)	2,291.50	5,632.74	1,000.00	189.36	9,113.60
Current Borrowings	6,115.52				6,115.52
Interest Accrued but not due	70.61				70.61
Trade Payables	4,449.40				4,449.40
Capital Creditors	470.74				470.74
Total	13,397.77	5,632.74	1,000.00	189.36	20,219.87

44.3 Market Risk:

Market risk is the risk that the fair value or future cash flows of a financial instruments 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.

Notes to the Consolidated Financial Statements

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

44 Financial Risk Management Objectives and Policies (Contd..)

44.3 Market Risk: (Contd..)

44.3.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments 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, 2021	0.50%	0.50%	(125.26)	125.26
31 March, 2020	0.50%	0.50%	(76.15)	76.15

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

44.3.2 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 Rs. In Lakhs	Conversion Rate
31st March, 2021				
Trade Receivables	USD	51.85	3,712.37	71.60
Trade Payables	USD	16.94	1,242.57	73.35
Advance from Customers	USD	6.11	437.15	71.60
Advance to Suppliers	USD	0.05	3.46	73.35
31st March, 2020				
Trade Receivables	USD	31.23	2,352.70	75.33
	EURO	0.56	44.71	80.20
Trade Payables	USD	7.57	570.09	75.33
Advance from Customers	USD	9.95	749.34	75.33
Advance to Suppliers	USD	7.55	568.36	75.33

Notes to the Consolidated Financial Statements

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

44 Financial Risk Management Objectives and Policies (Contd..)

44.3.2 Foreign Currency Exchange Rate Risk: (Contd..)

(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, 2021	31st March, 2020
	Rs.	Rs.
Rs/USD - Increases by 1%	20.51	16.02
Rs/USD - Decreases by 1%	(20.51)	(16.02)

44.3.3 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.

45 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, 2021	31st March, 2020
Borrowings including Interest Accrued	25,051.53	15,299.73
Less: Cash and Short Term Deposits	4,042.31	954.42
Net Debt	21,009.22	14,345.31
Equity	846.52	846.52
Other Equity	40,206.28	33,977.04
Total Equity	41,052.80	34,823.56
Total Capital	62,062.02	49,168.87
Gearing Ratio (Net Debt/(Net Debt + Total Equity))	0.34	0.29

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current year

Notes to the Consolidated Financial Statements

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

46 Segment Information

A Basis for segmentation

The operations of the Company are limited to one segment viz. Pharmaceutical products including ingredients and intermediaries. The products being sold under this segment are of similar nature and comprises of pharmaceutical products only. The Chairman & Managing Director has been identified as Chief Operating Decision Maker(CODM). CODM reviews the internal management reports prepared based on aggregation of financial information of the Company on a periodic basis, for the purpose of allocation of resources and evaluation of performance. Accordingly, management has identified pharmaceutical segment as the only operating segment for the Company.

B Segment information for secondary segment reporting (by geographical segment)

The Company is engaged in the manufacture of Pharmaceuticals, which in the context of Ind AS 108 is considered only business segment.

The Company has reportable geographical segments based on location of its customers:

- (i) Revenue from customers within India – Domestic
- (ii) Revenue from customers outside India – Exports
- (iii) Revenue from customers EOU – Deemed Exports
- (iii) Revenue from Export Incentives

- a) Revenues are attributed to geographical areas based on the location of the customers as detailed below:

Particulars	Current Year 2020-21		Previous Year 2019-20	
	Revenue	%	Revenue	%
Exports	33,929.17	60.25%	15,093.43	36.64%
Deemed Exports	9,011.56	16.00%	16,742.24	40.64%
Domestic	13,141.00	23.33%	8,898.86	21.60%
Export Incentives	236.02	0.42%	460.16	1.12%
Total	56,317.75	100.00%	41,194.69	100.00%

b) Non Current Asset

Particulars	31st March, 2021	31st March, 2020
With in India	52,057.98	40,832.20
Outside India	-	-
Total	52,057.98	40,832.20

Note:

Non-current assets for this purpose consist of property, plant and equipment, capital work in progress, intangible assets, intangible assets under development and other non-current assets.

Notes to the Consolidated Financial Statements

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

47 Interest in Other Entities:

Name of the entity	Place of Business/ Country of incorporation	Principal activity	Ownership Interest held by the Company		Ownership interest held by Non-Controlling interests	
			31 March 2021	31 March 2020	31 March 2021	31 March 2020
VKT Pharma Private Limited	India	Manufacture and sale of API and Formulations	42.62%	42.62%	57.38%	57.38%

48 Related Party Transactions

(a) Key Management Personnel(KMP)

Name	Relationship
Sri. Ramesh Babu Potluri	Chairman and Managing Director
Sri. Vamsi Krishna Potluri	Executive Director
Sri. T Lakshmi Narayana	Chief Financial Officer
Sri. V.S. Venkatesh	Company Secretary

(b) List of Related Parties over which Control / Significant Influence exists with whom the company has transactions :

Relationship	Name of the Company
Associate Company	1. VKT Pharma Private Limited
	1. SMS LifeSciences India Limited
	2. Potluri Laboratories Private Limited
	3. Rchem (Somanahalli) Private Limited
Enterprises over which KMP are able to Exercise Significant Influence	4. Pixalot Labs Pvt Ltd

(c) Transactions with Related Parties:

Particulars	31st March, 2021 Amount	31st March, 2020 Amount
Key Management Personnel		
Remuneration - Short Term Employee Benefits	900.01	340.97
Associate Company		
Sales	3,122.63	1,385.96
Rental Income	24.78	24.66
Enterprise with Significant Influence		
Purchases	5,118.92	1,557.00
Sales	255.21	54.73
Rental Income	45.88	47.15
Balance (Payable)/Receivable at the year end		
Key Management Personnel		
Remuneration Payable	372.74	46.91
Associate Company	1,453.63	1,443.12
Enterprise with Significant Influence	(1,370.55)	(241.36)

Notes to the Consolidated Financial Statements

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

48 Related Party Transactions (Contd..)

(d) Note:

- i) The above transactions are in the ordinary course of business and are at arm's length price.
- ii) As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the Key Management Personnel and their relatives is not ascertainable and, therefore, not included above. Contribution to Provident Fund was also not included.

49 Contingent Liabilities

Particulars	31st March, 2021	31st March, 2020
Letter of credits opened in favor of suppliers for which goods are yet to be received	291.37	32.34
Customs Duty against Advance Authorizations	408.14	140.17
Entry Tax Liability	1.75	1.75

Note: Provident Fund

Pursuant to Supreme Court Judgement dated 28 February 2019, regarding the provident fund contribution wherein there has been a clarification provided of the inclusions of basic wages for the purpose of computation of contribution towards provident fund, the Company has been legally advised that there are interpretative challenges on the application of the judgement retrospectively. Based on the legal advice and in the absence of reliable measurement of the provision for earlier periods, the Company has assessed the impact of the judgement only from the year ended March 31, 2019 and concluded that there was no impact. Further, no contingent liability has been recognised based on retrospective application as amount cannot be reliably measured.

50 Commitments

Particulars	31st March, 2021	31st March, 2020
Capital Commitments	418.95	5,782.53
Export Obligations	5,477.10	9,992.76

51 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	31st March, 2021	31st March, 2020
(i) the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	28.62	23.01
(ii) Interest on payments beyond the appointed day paid to the suppliers during the year	-	-
(iii) Interest due and payable for the delay in making payment to suppliers during the year	-	-
(iv) Amount of interest accrued and remaining unpaid to suppliers at the end of the year	0.85	0.29
(v) Amount of further interest remaining due and payable to suppliers in succeeding years	-	-

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)

52 Impact of Covid-19 Pandemic

The Company considered the uncertainty relating to the COVID-19 pandemic in assessing the recoverability of its inventories, receivables and investments. As the company is into essential manufacturing service which is exempt from lockdown restrictions, there has been minimal impact in its operations and its supply chain. In this regard, the Company has considered internal and external information while finalizing various estimates in relation to its financial statements up to the date of approval by the Board of Directors and has not identified any material impact on the carrying value of assets, liabilities or provisions. As the outbreak continues to evolve, the Company will continue to closely monitor any material changes to future economic conditions.

53 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,2020								
Parent								
SMS Pharmaceuticals Ltd	104.31%	42,822.39	97.50%	6,096.46	70.22%	(16.46)	97.60%	6,080.00
Associate								
VKT Pharma Private Ltd	-4.31%	(1,769.59)	2.50%	156.23	29.78%	(6.99)	2.40%	149.25
Total	100.00%	41,052.80	100.00%	6,252.69	100.00%	(23.45)	100.00%	6,229.25
31st March,2020								
Parent								
SMS Pharmaceuticals Ltd	105.51%	36,742.39	103.53%	3,268.85	55.96%	(8.55)	103.76%	3,260.30
Associate								
VKT Pharma Private Ltd	-5.51%	(1,918.83)	-3.53%	(111.48)	44.04%	(6.73)	-3.76%	(118.21)
Total	100.00%	34,823.56	100.00%	3,157.37	100.00%	(15.28)	100.00%	3,142.09

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 March, 2021	31st March, 2020
Share Capital	903.38	903.38
Reserves & Surplus	2,827.14	2,445.23
Total Assets	18,660.44	16,634.29
Total Current Liabilities	4,830.91	3,464.75
Investments	7.22	7.22

Notes to the Consolidated Financial Statements

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

53 Additional Information, as required under schedule III to the Companies Act, 2013, of enterprises Consolidated as Subsidiary/Associates (Contd..)

Salient features of financial statements of subsidiary/associates as per the Companies Act, 2013 (Contd..)

Particulars	31st March, 2021	31st March, 2020
Turnover/Total Income	36.87	(6.65)
Profit/(Loss) before taxation	176.83	(558.15)
Provision for Taxation	(189.74)	(296.59)
Profit/(Loss) after taxation	366.57	(261.56)
Proposed dividend	-	-
% Share holding		

54 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

V NAGENDRA RAO

Partner
M.No. 227679

Place: Hyderabad
Date : 28-05-2021

For and on behalf of the Board of the Directors of
SMS Pharmaceuticals Limited

RAMESH BABU POTLURI

Chairman and Managing Director
DIN No : 00166381

T. LAKSHMI NARAYANA

Chief Financial Officer

VAMSI KRISHNA POTLURI

Executive Director
DIN No : 06956498

V.S.VENKATISH

Company Secretary
M.No. A21785

Notice of Annual General Meeting

Notice is hereby given that the 33rd Annual General Meeting (AGM) of the members of SMS Pharmaceuticals Limited (CIN: L24239TG1987PLC008066) will be held on Thursday, 30th September, 2021 at 09.00 am through Video Conferencing (VC)/ Other Audio-Visual Means (OAVM) and deemed venue of AGM is at the registered office of the Company situated at Plot. No.72, H.No. 8-2-334/3&4, Road No. 5, Opp. SBI Executive Enclave, Banjara hills, Hyderabad, Telangana, India 500034 to transact the following business:

ORDINARY BUSINESS:

1. ADOPTION OF FINANCIAL STATEMENTS

To receive consider and adopt the audited (Standalone and Consolidated) financial statement of the Company for the financial year ended 31st March, 2021 and the reports of the Board of Directors and the Auditors thereon;

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

“RESOLVED THAT the audited standalone and consolidated financial statements of the Company for the financial year ended 31st March, 2021 and the reports of the Board of Directors and Auditors thereon laid before this meeting, be and are hereby considered and adopted.”

2. TO DECLARE DIVIDEND ON EQUITY SHARES FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2021.

To declare dividend on the Equity shares of the Company for the financial year ended 31st March, 2021 and in this regard, pass the following resolution as an **Ordinary Resolution**

“RESOLVED THAT as per recommendation of the Board of Directors, approval of the members of the company be and is hereby given for the payment of dividend of Re.0.30 (i.e.,@30%) per equity share of the Company for the Financial Year 2020-21, and the same be paid out of the profits of the Company for the financial year ended March 31, 2021.”

3. RE-APPOINTMENT OF SRI. RAMESH BABU POTLURI (00166381) WHO RETIRES BY ROTATION, AND BEING ELIGIBLE, AND

OFFERS HIMSELF FOR REAPPOINTMENT

To re-appoint Sri. Ramesh Babu Potluri (DIN: 00166381) who retires by rotation, at this Annual General Meeting and being eligible, offers himself for re-appointment.

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

“RESOLVED THAT pursuant to the provisions of Section 152 and other applicable provisions of the Companies Act, 2013, Sri. Ramesh Babu Potluri (DIN: 00166381), who retires by rotation, be and is hereby re-appointed as a Director liable to retire by rotation.”

SPECIAL BUSINESS:

4. RE-APPOINTMENT OF SRI RAMESH BABU POTLURI (DIN: 00166381) AS CHAIRMAN AND MANAGING DIRECTOR OF THE COMPANY

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

“RESOLVED THAT pursuant to the provisions of Section 196, 197, 198 and 203 and other applicable provisions, if any, read with Schedule V of the Companies Act, 2013 read with Companies (Appointment and Qualifications of Directors) Rules, 2014 (as amended from time to time), under the provisions of the Articles of Association of the Company, and pursuant to the recommendations of the Nomination and Remuneration Committee and the Board, the consent and approval of the members of the Company, be hereby, accorded for the re-appointment of Sri Ramesh Babu Potluri (DIN: 00166381) as Whole-time Director designated as Chairman and Managing Director of the Company for a further period of five years with effect from 1st October, 2021, liable to retire by rotation, on the terms and conditions as set out in the Explanatory Statement.

RESOLVED FURTHER THAT pursuant to Schedule V, other provisions of the Companies Act, 2013 (as amended from time to time), and under the provisions of the Articles of Association of the Company, the Board of Directors of the Company, be hereby, authorized to vary, alter or modify the designation of Sri Ramesh Babu Potluri and the terms

and conditions of his appointment including remuneration and/or perquisites payable or to be provided (including any monetary value thereof) to him, as recommended by the nomination and remuneration committee, and to the extent the Board of Directors deem fit, provided however, the overall remuneration does not exceed the ceiling of 5% of the Company's net profits as prescribed by the Companies Act, 2013.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year during his tenure, the remuneration as set out in the Explanatory Statement annexed hereto or the revised remuneration in accordance with the limits specified under the Schedule V of Companies Act, 2013 (including any statutory modifications or re-enactments thereof, for the time being in force) or such other limits as may be prescribed by the Government from time to time in this regard, as minimum remuneration, as approved by the remuneration committee, be paid to Sri Ramesh Babu Potluri, subject to such approvals as may be required.

5. 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 2020-21 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 2020-21 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."

6. RATIFICATION OF REMUNERATION PAYABLE TO THE COST AUDITOR FOR THE FINANCIAL YEAR ENDING ON 31ST MARCH, 2022.

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 Sri. 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, 2022.

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."

7. RE-CLASSIFICATION OF SHAREHOLDERS FROM PROMOTER GROUP CATEGORY TO PUBLIC CATEGORY.

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

"RESOLVED THAT in accordance with Regulation 31A of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 including any statutory modification(s) or re-enactment thereof, for the time being in force and other applicable provisions, and subject to necessary approvals from the Securities Exchange Board of India(SEBI), Stock Exchanges and other appropriate Statutory/Regulatory authorities, as may be necessary,

the consent of the Members of the Company be and is hereby accorded to reclassify the following persons/entities (hereinafter individually & jointly referred to as the 'applicants') forming part of the Promoter Group from 'Promoter & Promoter Group category' to 'Public category':

S. No	Name of the Outgoing Promoter
1	(Late) Smt. Satya Vani Potluri
2	Talluri Veera Venkata Satyanarayana Murthy (HUF)
3	Sri. Talluri Veera Venkata Satyanarayana Murthy
4	Smt. Annapurna Talluri
5	Sri. Talluri Venkat Praveen
6	Smt. Sudeepthi Gopineedi

Further, (Late) Smt. Satyavani Potluri, Promoter Group currently holding NIL equity share in the Company has demised on 15th April, 2021 and shall automatically cease from "Promoter Group" pursuant to Regulation 31A(6)(c) of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015

"RESOLVED FURTHER THAT on approval of the SEBI/ Stock Exchange upon application for reclassification of the aforementioned applicants, the Company shall effect such

reclassification in the Statement of Shareholding pattern from immediate succeeding quarter under Regulation 31 of SEBI (Listing Obligation & Disclosure Requirements) Regulations 2015 and compliance to Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, and other applicable provisions."

"RESOLVED FURTHER THAT any of the Director of the Company or the Company Secretary or such other person as authorized by the Board, be and is hereby authorized to submit application for reclassification to the SEBI, Stock Exchanges, wherein the securities of the Company are listed or any other regulatory body, as may be required, and to take such steps expedient or desirable to give effect to this resolution."

By the order of the Board

Ramesh Babu Potluri
Chairman and Managing Director
(DIN:00166381)

Place: Hyderabad
Date: 07-08-2021

Notes to E-AGM NOTICE

1. In view of the continuing COVID-19 pandemic, the Ministry of Corporate Affairs (“MCA”) vide its Circular Nos. 14/2020 and 17/2020 dated April 8, 2020 and April 13, 2020 respectively, in relation to “Clarification on passing of ordinary and special resolutions by Companies under the Companies Act, 2013 and the rules made thereunder on account of the threat posed by Covid-19”, Circular No. 20/2020 dated May 5, 2020 in relation to “Clarification on holding of Annual General Meeting (AGM) through video conferencing (VC) or other audio visual means (OAVM)” and Circular No. 02/2021 dated January 13, 2021 in relation to “Clarification on holding of annual general meeting (AGM) through video conferencing (VC) or other audio visual means (OAVM)” (collectively referred to as “MCA Circulars”) and Securities and Exchange Board of India (“SEBI”) vide its circular no. SEBI/HO/CFD/CMD1/ CIR/P/2020/79 dated May 12, 2020 in relation to “Additional relaxation in relation to compliance with certain provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 due to Covid-19 pandemic” and Circular No. SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated January 15, 2021 in relation to “Relaxation from compliance with certain provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 due to the Covid -19 pandemic” (collectively referred to as “SEBI Circulars”) permitted the holding of the Annual General Meeting (“AGM”) through VC / OAVM, without the physical presence of the Members at a common venue. In compliance with the MCA Circulars and SEBI Circulars, the AGM of the members of the Company is being held through VC / OAVM. The registered office of the Company shall be deemed to be the venue for the AGM.

The Board of Directors of the Company at its meeting held on 7th August, 2021 concluded that the special business under 4 to 7, are critical and considered unavoidable, and hence need to be transacted at the 33rd AGM of the Company.

2. Pursuant to the provisions of the Act, a member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a member of the Company. Since this AGM is being held pursuant to the MCA circulars through VC/OAVM, the requirement of physical attendance of members has been dispensed with. Accordingly, in terms of the MCA circulars and the SEBI circulars, the facility for appointment of proxies by the members will not be available for this AGM and hence the proxy form, attendance slip and route map

of the AGM venue are not annexed to this notice. In terms of the said circulars, the 33rd AGM of the members will be held through VC/OAVM. Hence, members can attend and participate in the AGM through VC/OAVM only. The detailed procedure for participation in the meeting through VC/OAVM is as per **Note No. 20** and available at the Company’s website www.smspharma.com.

Deemed Venue for the AGM shall be registered office of the Company.

Company is providing VC/OAVM facility to its members to attend the 33rd AGM through Central Depository services Limited (CDSL).

The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available to at least 1000 members on first come first serve basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc., who are allowed to attend the AGM without restriction on account of first come first served basis. The detailed instructions for joining the Meeting through VC/OAVM forms part of this notes.

[Detailed procedure for participation in the meeting is mentioned in Note No. 20.]

- 3) In line with the aforesaid Circulars, the Notice of AGM along with Annual Report 2020-21 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/ Depositories as on Friday 3rd September, 2021. Members may note that Notice and Annual Report 2020-21 can also be accessed from the website of the Company at www.smspharma.com, websites of the Stock Exchange(s) www.bseindia.com and www.nseindia.com, website of CDSL (agency for providing the remote / venue e-voting facility) www.evotingindia.com.
- 4) The VC/OAVM facility for shareholders to join the meeting, shall be kept open 15 minutes before the start of the AGM (i.e. 8.45 am) and shall be closed on expiry of 15 minutes after start of the AGM (i.e. 9.15 am).

- 5) Pursuant to the MCA Circular No. 14/2020 dated 8th April, 2020, the facility to appoint proxy to attend and cast vote for the members is not available for this AGM. Institutional / Corporate shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to send a scanned copy (PDF / JPG Format) of their respective Board or governing body Resolution / Authorization etc., authorizing their representative to attend the AGM through VC / OAVM on their behalf and to vote through remote e-Voting. The said Resolution / Authorization shall be sent to the Scrutinizer by e-mail on its registered e-mail address to cs@smspharma.com to attend the AGM through VC/OAVM and participate thereat and cast their votes through e-voting.
- 6) The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Act. The Register of members and share transfer books of the Company will remain closed from **Friday, September 24, 2021 to Thursday, September 30, 2021** (both days inclusive) for the purpose of AGM.
- 7) The detailed procedure and instruction for e-voting is mentioned in Note **No. 16**.
- In line with aforementioned MCA and SEBI Circulars, the Notice of the AGM along with the Annual Report 2020-21 is being sent only through e-mail, to those Members whose e-mail addresses are registered with the Company/ Registrar & Share Transfer Agent (RTA)/ Depositories. The Notice convening the 33rd AGM has been uploaded on the website of the Company at www.smspharma.com and may also be accessed from the relevant section of the websites of the Stock Exchanges i.e., BSE Limited and the National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively.
- 8) The statutory registers under the Companies Act, 2013 and all other documents referred to in the notice will be available for inspection in electronic mode. Members who wish to inspect the register are requested to write to the company at cs@smspharma.com & complianceofficer@smspharma.com
- 9) Members seeking any information with regard to accounts or any other information are requested to write to the Company at **least 5 days** before the meeting so as to enable the management to keep the information ready.
- 10) No physical copy of the notice of the AGM and the Annual Report for the year 2020-21 has been sent to members who have not registered their e-mail addresses with the company/depository participants. However, Members will be entitled to a physical copy of the Annual Report for the year 2020-21, 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, once normalcy is restored.
- 11) Members who have not yet registered their e-mail address may register the same by following the procedure laid down in **Note No 18**.
- 12) Members holding the shares in physical mode are requested to notify immediately the change of their address and bank particulars to the RTA of the Company. In case shares are held in dematerialized form, the information regarding change of address and bank particulars should be given to their respective Depository Participant.
- Further, as per Regulation 40 of Listing Regulations, as amended, securities of listed companies can only be transferred in demat form with effect from 1st April, 2019, except in case of request for transmission or transposition of securities. In view of this, Members holding shares in physical form are requested to consider converting their holding to demat form. Members can contact Company / RTA for assistance in this regard.
- 13) In terms of Section 72 of the Act, nomination facility is available to individual Members holding shares in the physical mode. Members, who are desirous of availing this facility, may kindly write to Company's RTA for nomination form by quoting their folio number.
- 14) The Company's Statutory Auditors, M/s Suryananaryana & Suresh, Chartered Accountants, were appointed as Statutory Auditors of the Company for a period of Five (5) consecutive years at the AGM of the Members held on September 27, 2017 on remuneration to be determined by the Board of Directors. Pursuant to the amendment made by the Companies (Amendment) Act, 2017, effective from September 27, 2017, it is no longer necessary to seek the ratification of the shareholders for continuance of the above appointment. Hence, the Company is not seeking the ratification of the shareholders for the appointment of the Statutory Auditors.

- 15) Members who have not encashed the dividend warrant(s) for the financial year ended March 31, 2013 onwards are requested to make their claims directly to the Company or to M/s Aarthi Consultants Pvt. Ltd. at info@arthiconsultants.com & arthiconsultants@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.)
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
2018-19	Re. 0.25	30/09/2019	04/10/2026	1,27,001
2019-20	Re.0.25	18/03/2020 (interim Dividend)	18/04/2027	1,09,480

Further it is informed to the members that pursuant to the provisions of Section 124 of the Companies Act, 2013 read with the relevant Rules made thereunder, shares on which dividend has not been paid or claimed for seven (7) consecutive years or more shall be transferred to the IEPF Authority as notified by the Ministry of Corporate Affairs.

Members who have not encashed their dividend warrants are requested to make their claims to RTA (info@arthiconsultants.com) or Company (complianceofficer@smspharma.com).

The Board of Directors of the Company at their meeting held on 28th May, 2021 has recommended a dividend of Re. 0.30 (i.e. 30%) per equity share of Re.1/- face value, aggregating to Rs.2,53,95,609/- as dividend for the financial year 2020-21. Dividend if declared at the AGM will be deposited on or before 04th October, 2021. The dividend, if approved at the 33rd AGM, will be paid to those members whose names appear on the registrar of members of the Company as on Friday, 24th September, 2021.

If the dividend, as recommended by the Board of Directors, is approved at the AGM, payment of such dividend subject to deduction of tax at source will be paid within 30 days from the date of AGM as under:

- i. To all Beneficial Owners in respect of shares held in dematerialized form as per the data as may be made available by the National Securities Depository Limited ("NSDL") and the Central Depository Services (India) Limited ("CDSL"), collectively "Depositories".
- ii. To all Members in respect of shares held in physical form after giving effect to valid transmission or transposition requests lodged with the Company as of the closure of business hours.
- iii. As per Regulation 40 of SEBI Listing Regulations, as amended, securities of listed companies can be transferred only in dematerialized form with effect from, April 1, 2019, except in case of request received for transmission or transposition and relogged transfers of securities. Further, SEBI vide its circular no. SEBI/HO/ MIRSD/ RTAMB/ CIR /P/ 2020/236 dated December 2, 2020 had fixed March 31, 2021 as the cut-off date for relogging of transfer deeds and the shares that are relogged for transfer shall be issued only in demat mode. In view of this and to eliminate all risks associated with physical shares and for ease of portfolio management, members holding shares in physical form are requested to consider converting their holdings to dematerialized form. Members can contact the Company or Company's Registrars and Transfer Agents, Aarthi Consultants Private Limited Email Id: info@arthiconsultants.com
- iv. Pursuant to Finance Act, 2020 dividend income is taxable in the hands of shareholders w.e.f. April 1, 2020 and the Company is required to deduct tax at source from dividend paid to shareholders at the prescribed rates. For the prescribed rates for various categories, please refer to the Finance Act, 2020 and the amendments thereof. The shareholders are requested to update their PAN with the DP (if shares held in electronic form) and Company / RTA (if shares held in physical form). A Resident individual shareholder with PAN and who is not liable to pay income tax can submit a yearly declaration in Form No. 15G / 15H, to avail the benefit of non-deduction of tax at source by e-mail to info@arthiconsultants.com Shareholders are requested to note that in case their PAN is not registered, the tax will be deducted at a higher rate of 20%. The Notice to the shareholders

for deduction of tax at source as been sent to all the shareholders on 30th August, 2021

- v. Updating of bank mandate for receiving dividends directly in bank account through Electronic Clearing

System or any other electronic means in a timely manner:

Shares held in physical form: Members are requested to send a scanned copy of the following details/ documents at info@arthiconsultants.com at the earliest.

- a) Signed request letter mentioning their name, folio number, complete address and following details relating to bank account in which the dividend is to be received:
- Bank Name and Branch of Bank, Bank Account type and 11 digit IFSC Code;
 - Bank Account Number & Type allotted by the Bank after implementation of Core Banking Solutions;
- b) Self-attested scanned copy of cancelled cheque bearing the name of the Member or first holder, in case shares are held jointly;
- c) Self-attested scanned copy of the PAN Card; and
- d) Self-attested scanned copy of any document (such as Aadhaar Card, Driving Licence, Election Identity Card, Passport) in support of the address of the Member as registered with the Company

Shares held in electronic form: Members may please note that their bank details as furnished by the respective Depositories to the Company will be considered for remittance of dividend as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such Members for change/ addition/deletion in such bank details. Accordingly, the Members holding shares in demat form are requested to update their Electronic Bank Mandate with their respective Depository Participants (DP).

Further, please note that instructions, if any, already given by Members in respect of shares held in physical form, will not be automatically applicable to the dividend paid on shares held in electronic form.

- V) The Members who are unable to receive the dividend directly in their bank accounts through Electronic Clearing Service or any other electronic means, due

to non-registration of the Electronic Bank Mandate or other technical reasons like change in IFSC, inactive account etc., the Company shall dispatch the dividend warrant/ bankers' cheque/ demand draft to such members through postal or courier services to their registered address.

- VI) Members are also requested to intimate changes, if any, pertaining to their name, postal address, e-mail address, telephone/ mobile numbers, PAN, registering of nomination, power of attorney registration, Bank Mandate details, etc. to Registrar/respective DPs as may be applicable. Further, Members may note that SEBI has mandated the submission of PAN by every participant in securities market.

- vii) Consolidation of Physical Share Certificates: Members holding shares in physical form, in identical order of names, in more than one folio are requested to send to the Company or Registrar, the details of such folios together with the share certificates for consolidating their holdings in one folio. A consolidated share certificate will be issued to such Members after making requisite changes.

- viii) To prevent fraudulent transactions, Members are advised to exercise due diligence and notify the Company of any change in address or demise of any Member as soon as possible. Members are also advised not to leave their demat account(s) dormant for a long time. Periodic statement of holdings should be obtained from the concerned DPs and holdings should be verified from time to time.

16. Process and manner for members voting through Electronic means:

- a) As you are aware, in view of the situation arising due to COVID 19 global pandemic, the General Meetings of the Companies shall be conducted as per the guidelines issued by the Ministry of Corporate Affairs (MCA) vide Circular No.14/2020 dated 8th April, 2020, Circular No. 17/2020 dated 13th April, 2020 and Circular No. 14/2020 dated 5th May, 2020. The fourth coming AGM will thus be held through video conferencing (VC) or other audio visual means (OAVM). Hence, members can attend and participate in the ensuing AGM/EGM through VC/OAVM.

Pursuant to the provisions of Section 108 of the Act read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended), Regulation 44 of Listing Regulations (as amended), and the MCA Circulars, the Company is providing facility of remote

e-voting to its members in respect of the business to be transacted at the AGM. For this purpose, the Company has entered into an agreement with Central Depository Services (India) Limited ("CDSL") as the authorised e-Voting agency for facilitating voting through electronic means. The facility of casting votes by members using remote e-voting as well as e-voting system on the date of the AGM will be provided by CDSL.

- b) Members whose names are recorded in the Register of Members or in the Register of Beneficial Owners maintained by the Depositories as on the Cut-off date i.e. **Tuesday, 21st September, 2021**, shall be entitled to avail the facility of remote e-voting as well as e-voting system on the date of the AGM. Any recipient of the Notice, who has no voting rights as on the Cut-off date, shall treat this Notice as intimation only.
- c) A person who has acquired the shares and has become a member of the Company after the dispatch of the Notice of the AGM and prior to the Cut-off date i.e. Tuesday, 21st September, 2021 shall be entitled to exercise his/her vote either electronically i.e., remote e-voting or e-voting system on the date of the AGM by following the procedure mentioned in this part.
- d) The remote e-voting will commence on **Monday, September 27, 2021 at 9.00 a.m. and will end on Wednesday, September 29, 2021 at 5.00 p.m.** During this period, the members of the Company holding shares either in physical mode or in demat mode as on the **Cut-off date i.e., Tuesday, 21st September, 2021** may cast their vote electronically. The members will not be able to cast their vote electronically beyond the date and time mentioned above and the remote e-voting module shall be disabled for voting by CDSL thereafter.
- e) Once the vote on a resolution is casted by the member, he/she shall not be allowed to change it subsequently or cast the vote again.
- f) The voting rights of the members shall be in proportion to their share in the paid up equity share capital of the Company as on the Cut-off **date i.e., Tuesday, 21st September, 2021**.
- g) The Company has appointed Sri. C. Sudhir Babu, Practicing Company Secretary, (Proprietor, CSB Associates) to act as the Scrutinizer for conducting the remote e-voting process as well as the e-voting

system on the date of the AGM, in a fair and transparent manner.

17. Note for Non – Individual Shareholders and Custodians

- a) 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.
- b) A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- c) 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.
- d) The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- e) A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- f) Alternatively, Non Individual shareholders are required to send the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory who are authorized to vote, to the Scrutinizer and to the Company, if voted from individual tab & not uploaded same in the CDSL e-voting system for the scrutinizer to verify the same.
- g) 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 call 1800225533.

All grievances connected with the facility for voting by electronic means may be addressed to **Sri. Rakesh Dalvi (022-23058542) Sr. Manager**, Central Depository Services (India) Limited, A Wing, 25th Floor, Marathon Futurex, Mafatlal Mill

Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013 or send an email to helpdesk. evoting@cdslindia.com or call 1800225533.

18. Process for those members whose email ids are not registered:

- a) For members holding shares in Physical mode - please provide necessary details like Folio No., Name of shareholder by email to complianceofficer@smspharma.com and info@arthiconsultants.com
- b) Members holding shares in Demat mode can get their e-mail id registered by contacting their respective Depository Participant or by email to info@arthiconsultants.com

(Detailed procedure in this regard is laid down in our intimation to Stock Exchange(s) by the name of “Request to Shareholders to Register Email Address” on 17th July, 2020)

19. The instructions for shareholders for remote e-voting are as under:

- a) The voting period begins on **Monday, 27th September, 2021 at 9.00 a.m. and ends on Wednesday, 29th September, 2021 at 5.00 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 i.e. **Tuesday, 21st September, 2021** may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- b) Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting.

- c) Pursuant to SEBI Circular No. **SEBI/HO/CFD/CMD/CIR/P/2020/242 dated 09.12.2020**, under Regulation 44 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, listed entities are required to provide remote e-voting facility to its shareholders, in respect of all shareholders' resolutions. However, it has been observed that the participation by the public non-institutional shareholders/retail shareholders is at a negligible level.

Currently, there are multiple e-voting service providers (ESPs) providing e-voting facility to listed entities in India. This necessitates registration on various ESPs and maintenance of multiple user IDs and passwords by the shareholders.

In order to increase the efficiency of the voting process, pursuant to a public consultation, it has been decided to enable e-voting to all the demat account holders, by way of a single login credential, through their demat accounts/ websites of Depositories/ Depository Participants. Demat account holders would be able to cast their vote without having to register again with the ESPs, thereby, not only facilitating seamless authentication but also enhancing ease and convenience of participating in e-voting process.

- d) In terms of SEBI circular no. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access e-Voting facility.

Pursuant to above said SEBI Circular, Login method for e-Voting and joining virtual meetings for Individual shareholders holding securities in Demat mode is given below:

Type of shareholders	Login Method
Individual Shareholders holding securities in Demat mode with CDSL	<ol style="list-style-type: none"> 1) Users who have opted for CDSL Easi / Easiest facility, can login through their existing user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are https://web.cdslindia.com/myeasi/home/login or visit www.cdslindia.com and click on Login icon and select New System Myeasi. 2) After successful login the Easi / Easiest user will be able to see the e-Voting option for eligible companies where the evoting is in progress as per the information provided by company. On clicking the evoting option, the user will be able to see e-Voting page of the e-Voting service provider for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. Additionally, there is also links provided to access the system of all e-Voting Service Providers i.e. CDSL/NSDL/KARVY/LINKINTIME, so that the user can visit the e-Voting service providers' website directly.

Type of shareholders	Login Method
	<p>3) If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration</p> <p>4) Alternatively, the user can directly access e-Voting page by providing Demat Account Number and PAN No. from a e-Voting link available on www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the Demat Account. After successful authentication, user will be able to see the e-Voting option where the evoting is in progress and also able to directly access the system of all e-Voting Service Providers.</p>
Individual Shareholders holding securities in demat mode with NSDL	<p>1) If you are already registered for NSDL IDeAS facility, please visit the e-Services website of NSDL. Open web browser by typing the following URL: https://eservices.nsd.com either on a Personal Computer or on a mobile. Once the home page of e-Services is launched, click on the “Beneficial Owner” icon under “Login” which is available under ‘IDeAS’ section. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-Voting services. Click on “Access to e-Voting” under e-Voting services and you will be able to see e-Voting page. Click on company name or e-Voting service provider name and you will be re-directed to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.</p> <p>2) If the user is not registered for IDeAS e-Services, option to register is available at https://eservices.nsd.com. Select “Register Online for IDeAS “Portal or click at https://eservices.nsd.com/SecureWeb/IdeasDirectReg.jsp</p> <p>3) Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsd.com/ either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon “Login” which is available under ‘Shareholder/Member’ section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number hold with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting</p>
Individual Shareholders (holding securities in demat mode) login through their Depository Participants	You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. After Successful login, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.

Important note: Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. CDSL and NSDL

Login type	Helpdesk details
Individual Shareholders holding securities in Demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at 022- 23058738 and 22-23058542-43.
Individual Shareholders holding securities in Demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30

- e) Login method for e-Voting and joining virtual meeting for shareholders other than individual shareholders holding in Demat form & physical shareholders.
- 1) The shareholders should log on to the e-voting website www.evotingindia.com.
 - 2) Click on “Shareholders” module.
 - 3) 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. Shareholders holding shares in Physical Form should enter Folio Number registered with the Company.
 - 4) Next enter the Image Verification as displayed and Click on Login.
 - 5) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier e-voting of any company, then your existing password is to be used.
 - 6) If you are a first-time user follow the steps given below:

For Shareholders holding shares in Demat Form other than individual 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"> • Shareholders who have not updated their PAN with the Company/Depository Participant are requested to use the sequence number sent by Company/RTA or contact Company/RTA.
Dividend Bank Details OR Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. <ul style="list-style-type: none"> • If both 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 (v).

- f) After entering these details appropriately, click on “SUBMIT” tab.
- g) Shareholders holding shares in physical form will then directly reach the Company selection screen. However, shareholders 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.
- h) For shareholders holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- i) Click on the EVSN for the relevant <SMS Pharmaceuticals Limited> on which you choose to vote.
- j) 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.
- k) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- l) 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.
- m) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- n) You can also take a print of the votes cast by clicking on “Click here to print” option on the Voting page.
- o) If a demat account holder has forgotten the login password then Enter the User ID and the image

verification code and click on Forgot Password & enter the details as prompted by the system.

p) Facility for Non – Individual Shareholders and Custodians –Remote Voting

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to www.evotingindia.com and register themselves in the “Corporates” module.
- 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 linked in the login 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 favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- Alternatively Non Individual shareholders are required to send the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory who are authorized to vote, to the Scrutinizer and to the Company at the email address viz; complianceofficer@smspharma.com; cs@smspharma.com, if they have voted from individual tab & not uploaded same in the CDSL e-voting system for the scrutinizer to verify the same.

20. The instructions for shareholders voting on the day of the AGM on e-voting system are as under: -

- a) The procedure for attending meeting & e-Voting on the day of the AGM/ EGM is same as the instructions mentioned above for Remote e-voting.
- b) The link for VC/OAVM to attend meeting will be available where the EVSN of Company will be displayed after successful login as per the instructions mentioned above for Remote e-voting.

- c) Shareholders who have voted through Remote e-Voting will be eligible to attend the meeting. However, they will not be eligible to vote at the AGM/ EGM.
- d) Shareholders are encouraged to join the Meeting through Laptops / IPads for better experience.
- e) Further shareholders will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
- f) Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
- g) Shareholders who would like to express their views/ ask questions during the meeting may register themselves as a speaker by sending their request in advance atleast **5 days prior to meeting** mentioning their name, demat account number/folio number, email id, mobile number at (company email id). The shareholders who do not wish to speak during the AGM but have queries may send their queries in advance **5 days prior to meeting** mentioning their name, demat account number/folio number, email id, mobile number at (company email id). These queries will be replied to by the company suitably by email.
- h) Those shareholders who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting.
- i) Only those shareholders, who are present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system available during the EGM/AGM.
- j) If any Votes are cast by the shareholders through the e-voting available during the AGM and if the same shareholders have not participated in the meeting through VC/OAVM facility, then the votes cast by such shareholders shall be considered invalid as the facility of e-voting during the meeting is available only to the shareholders attending the meeting.

21. The results declared along with the Scrutinizer’s Report shall be placed on the Company’s website www.smspharma.com and on the website of CDSL i.e. www.cdslindia.com within three days of the passing of the

Resolutions at the 33rd AGM of the Company and shall also be communicated to the Stock Exchanges where the shares of the Company are listed.

PROCESS FOR THOSE SHAREHOLDERS WHOSE EMAIL/MOBILE NO. ARE NOT REGISTERED WITH THE COMPANY/ DEPOSITORIES.

1. For Physical shareholders- please provide necessary details like Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) by email to **Company/RTA email id.**
2. For Demat shareholders - please update your email id & mobile no. with your respective Depository Participant (DP)
3. For Individual Demat shareholders – Please update your email id & mobile no. with your respective Depository Participant (DP) which is mandatory while e-Voting & joining virtual meetings through Depository.

If you have any queries or issues regarding attending AGM & e-Voting from the CDSL e-Voting System, you can write an email to helpdesk.evoting@cdslindia.com or contact at 022- 23058738 and 022-23058542/43.

All grievances connected with the facility for voting by electronic means may be addressed to Sri. Rakesh

Dalvi, Sr. Manager, (CDSL,) Central Depository Services (India) Limited, A Wing, 25th Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013 or send an email to helpdesk.evoting@cdslindia.com or call on 022-23058542/43.

CONTACT DETAILS:

Company:	SMS Pharmaceuticals Limited Phone: 40-35359999 Email : complianceofficer@smspharma.com / cs@smspharma.com ;
Registrar and Transfer Agent:	Aarthi Consultants Private Limited Phone: 040-27638111/ 27642217 / 27634445 Email: info@aarthicconsultants.com
e-Voting Agency	Central Depository Services (India) Limited E-mail : helpdesk.evoting@cdslindia.com Phone : +91-22-22723333/8588
Scrutinizer	Sri. C. Sudhir Babu, Practicing Company Secretary Phone: 7981191458 / 9493676368 Email : csbassociates27@gmail.com

ANNEXURE TO NOTICE:

Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 and Regulation 36 (3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Item No: 4

Information in terms of Regulation 36(3) of the SEBI (LODR) Regulations, 2015

Sri Ramesh Babu Potluri is a Post-graduate Technocrat and having expertise in the field of organic chemistry. He started his career in the year 1984 with Cheminor Drugs Limited (Group of Dr. Reddy's Laboratories Limited), Hyderabad. With his innovative skills and methodological approaches in R & D he developed cost effective Ibuprofen by using cyanide route. Later he took active part in commercializing the same. He was first promoted as Assistant Production Manager and then in a short span was promoted as the Production Manager in Cheminor Drugs Limited. During his tenure he was responsible for significant reduction in production cost of Ibuprofen. He played a key role in getting US FDA approval for Ibuprofen for Cheminor Drugs Limited in 1987.

In 1990 he acquired SMS Pharmaceuticals Limited which at that point of time was a sick unit and became 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 as one of the largest producers of Ranitidine HCl. He had served on boards of organizations like Chemexil and was former advisor to AP State Government for Pharma sector.

He is neither associated with other directorships and nor director in other listed entities. He is the Chairman of the Corporate Social Responsibility Committee of the Company.

At the 28th Annual General Meeting held on 30.09.2016, the members had approved the re-appointment of Sri Ramesh Babu Potluri as Chairman and Managing Director of the Company for a period of five years w.e.f. 01.10.2016 at a remuneration of Rs. 15,00,000/- per month and other perquisites. The Nomination and Remuneration Committee and the Board at its meeting approved the re-appointment of Sri Ramesh Babu Potluri as Chairman and Managing Director of the Company for a further period of 5 years w.e.f. 01.10.2021 subject to approval

of the members, with remuneration, on the following terms and conditions:

- 1) **Salary:** Rs. 25,00,000 (Rs. Twenty five lakhs only) per month with an enhancement @ 15% per annum
- 2) **Allowances & Perquisites:**
 - a) **Housing:**
 - i) **Rent Free Accommodation.** If no accommodation is provided by the Company, the CMD shall be entitled to House Rental Allowance for an amount of Rs. 3,00,000/- (Rs. Three lakhs only) per month.
 - ii) **Actual expenses pertaining to maintenance of accommodation, Gas, Electricity, Water and other utilities will be / reimbursed by the Company.**
 - iii) **The Company shall provide such furniture, furnishings, domestic servant and security guards at his residence as may require.**
 - b) **Provident Fund, Gratuity:** Company's contribution to the Provident Fund and payment of Gratuity shall be as per the Rules of the Company.
 - c) **Medical Reimbursement:** Reimbursement of actual medical expenses incurred in India and abroad for self and dependent family members.
 - d) **Medical Insurance:** Premium will be paid by the Company as per the Company's Policy.
 - e) **Leave Travel Allowance (LTA):** LTA will be paid once in a year for maximum of one month salary, as per Rules of the Company.
 - f) **Leave Encashment:** As per rules of the Company.
 - g) **Personal Accident Insurance:** The premium shall not exceed Rs. 50,000/- per annum.
 - h) **Club Membership:** Subscription or reimbursement of membership fees (excluding admission and life membership) for two clubs.

- i) Benefits if any, assigned under Keyman Insurance Policy.
- j) Other allowances as may be decided by the Board / nomination and remuneration committee from time to time, subject to the provisions of the Companies Act, 2013.

Explanation:

- (1) Perquisites shall be evaluated as per Income-tax Rules, wherever applicable and in the absence of any such rule, Perquisites shall be evaluated at actual costs.
- (2) Family mentioned above means the spouse, dependent parents and dependent children of the Chairman and the Managing Director as mentioned in the applicable rules or schemes.

3) Remuneration based on profits:

Remuneration based on profits as percentage of profits as may be decided by the Board of Directors.

4) Amenities:

- a) Conveyance facility: The Company shall provide a Car with Driver.
- b) Communication facilities: The Company shall provide Telephone, Cell Phone, Internet, and other communication facilities at the Chairman and Managing Director's residence.
- c) Travelling expenses actually incurred on travelling and boarding and lodging for self and spouse and also attendant, if required accompanying him during domestic and overseas business trips.

Explanation: The following shall not be included for the purpose of computation of the Chairman and Managing Director's remuneration and perquisites as aforesaid.

- i) Company's contribution to the Provident Fund and Superannuation Fund.
- ii) Gratuity payable pursuant to the rules of the Company.
- iii) Encashment of Leave.

- iv) Amenities as mentioned above.

This may also be considered and treated as Abstract of the terms of appointment and Memorandum of Interest under Section 190 of the Companies Act, 2013.

The Board recommends the resolution for approval of the members.

None of the Directors of the Company except Sri Ramesh Babu Potluri and Sri Vamsi Krishna Potluri is interested or concerned in this Resolution.

Item No. 5

Approval/Ratification of related party transactions for purchase and sale of products/ by-products/ material at arm's length price with R. Chem (Somanahalli) Private Limited, Sales and purchase of products/by-products/material at arm's length price with VKT Pharma Private Limited and SMS Lifesciences India Limited.

A detailed description of the same is given 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. Vamsi Krishna Potluri (Executive Director) none of the other Directors, Key Managerial Personnel is, in any way, concerned or interested, financially or otherwise, in this resolution.

Item No. 6

The Board, on the recommendations 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 2021-22.

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, 2021 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.

Item No. 7

Regulation 31A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 has provided a regulatory mechanism for re-classification of promoters as Public Shareholders subject to fulfillment of conditions as provided therein.

In this regard, the Board of Directors approved for reclassification of following promoter group persons/entities pursuant to Regulation 31A of the Listing Regulations, 2015 for re-classifying them under the Public Category since their names have been included as a part of the Promoter group because they are 'Immediate relatives' of the Promoter and Chairman and Managing Director of the Company, Sri. Ramesh Babu Potluri as per the definition of promoter group as provided in Regulation 2(1)(zb)(ii) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 even though they are financially independent person/entities, who take independent investment decisions, without consulting Sri. Ramesh Babu Potluri and is in no way related to any of the business carried out by the Company. Further they do not hold any key managerial position or representations of the Board of Directors in the Company and have not engaged in any management or day to day affairs of the Company. None of their acts influences the decision taken by the Company and they do not have any special right through formal or informal arrangements with the Company or with Sri. Ramesh Babu Potluri, Promoter, Chairman and Managing Director of the Company.

S. NO	NAME	NO. OF SHARES	PERCENTAGE
1	(Late) Smt. Satya Vani Potluri	0	0
2	Talluri Veera venkata Satyanarayana Murthy (HUF)	0	0
3	Sri. Talluri Veera venkata Satyanarayana Murthy	0	0
4	Smt. Annapurna Talluri	0	0
5	Sri. Talluri Venkat Praveen	12,95,340	1.53

S. NO	NAME	NO. OF SHARES	PERCENTAGE
6	Smt. Sudeepthi Gopineedi	13,45,000	1.59
Total		26,40,340	3.12

In view of the explanations given by the applicants as detailed above and in consideration to the conditions as stipulated in Regulation 31A of the Listing Regulations, 2015, the Board of Directors of the Company at their meeting held on **7th August, 2021**, have approved the above applicants for reclassification from Promoter group category to Public category subject to approval by the members and relevant regulatory authorities. As required, intimation has been sent to Stock Exchanges based on declaration received from the aforesaid persons/entities.

None of the concerned persons/entities(applicants), acting individually and in concert, directly or indirectly exercise control over the management and affairs of the Company. Their shareholding along with persons acting in concert does not exceed 10% of the total share capital of the Company.

Further as per Rule 19A of the Securities Contracts (Regulation) Rules, 1957, the public shareholding as on date of the notice fulfills the minimum public shareholding requirement of at least 25% and the proposed reclassification does not intend to increase the Public Shareholding to achieve compliance with the minimum public shareholding requirement.

Your Directors recommend the passing of the Resolution in Item No. 7 of the Notice as a Special Resolution.

None of the Directors or Key Managerial Personnel of the Company or their relatives are in anyway concerned or interested in this Resolution except that Sri. Ramesh Babu Potluri and Sri. Vamshi Krishna Potluri.

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

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

1) Sri.Ramesh Babu Potluri

Brief profile and Nature of Expertise in Specific Functional Areas:

He is a Post-graduate Technocrat. He started his career in the year 1984 with Cheminor Drugs Limited (Group of Dr. Reddy's Limited Laboratory), Hyderabad. With his innovative skills and methodological approaches in R & D he developed cost effective Ibuprofen by using cyanide route. Later he took active part in commercializing the same. He was first promoted as Assistant Production Manager and then in a short span

was promoted as the Production Manager in Cheminor Drugs Limited. During his tenure he was responsible for significant reduction in production cost of Ibuprofen. He played a key role in getting US FDA approval for Ibuprofen for Cheminor Drugs Limited in 1987.

In 1990 he acquired SMS Pharmaceuticals Limited which at that point of time was a sick unit and became 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 it became one of the largest producers of Ranitidine HCl. He had served on boards of organizations like Chemexil and was former advisor to AP State Government for Pharma sector.

Inter-se relationship between Directors: None of the directors is related to Sri. Ramesh Babu Potluri except Sri. Vamsi Krishna Potluri, Executive Director, Son of Sri. Ramesh Babu Potluri)

Directorship/ Committee Membership in Listed Companies:

Sri. Ramesh Babu Potluri was the Director of SMS Lifesciences India Limited. He was also one of the members of "Audit Committee" "Stakeholders Relationship Committee" in SMS Pharmaceuticals Limited and SMS Lifesciences India Limited, was also Chairman of "Corporate Social Responsibility Committee" of SMS Lifesciences India Limited. Sri. Ramesh Babu Potluri Resigned from the Board of SMS Lifesciences India Limited with effect from 18th June, 2021.

No. of Shares held in the Company:

As on 31st March, 2021, Sri. Ramesh Babu Potluri held 1,55,53,060 shares in the SMS Pharmaceuticals Limited.

Brief profile and Nature of Expertise in Specific Functional Areas

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
Date of Birth	23.06.1959
Date of Appointment	01.12.2008
Qualification	M.Sc.
Expertise in Specific functional areas	Chemical
No. of shares held	1,55,53,060
List of Companies in Which Directorship held as on 31/03/2021	SMS Lifesciences India Limited, VKT Pharma Private Limited, Mahi Drugs Private Limited.
Chairman / Member of the Mandatory committees of the Board of the Companies on which he is director as on 31.03.2021	Chairman of the Board of Directors and also the Chairman of the Corporate Social Responsibility Committee Meeting, Member of Audit Committee and Stake holders Relationship Committee Meeting of SMS Pharmaceuticals Limited.

Notes:

1. 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.
2. 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 2020-21 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: 07-08-2021





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