



sms Pharmaceuticals Ltd.

ANNUAL REPORT
2016 - 17

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Corporate Information

Board of Directors:

Sri Ramesh Babu Potluri	Chairman & Managing Director
Sri T.V.V.S.N. Murthy	Vice-Chairman & Joint Managing Director
Dr. Mihir K. Chaudhuri	Director
Sri P. Sharath Kumar	Director
Dr. (Smt.) T. Neelaveni	Director
Sri P. S. Rao	Director
Dr. Ayman Sahli	Nominee Director of Gulf Pharmaceutical Industries, U.A.E. (upto 30.05.2017)
Sri Utpal Gokhale	Nominee Director of Exim Bank

Chief Financial Officer:

Sri N. Rajendra Prasad (upto 30.05.2017)

Company Secretary & Compliance Officer:

Sri Thirumalesh Tumma (w.e.f. 17.10.2016)
Sri Saurav Roy (upto 15.10.2016)

Registered Office:

Plot No. 19-III, Opp. Bharatiya Vidya Bhavan Public School
Road No. 71, Jubilee Hills, Hyderabad-500 096,
Telangana State, India.

Phone : 040-66288888,
Fax : 040-23551401/23551402
CIN : L24239AP1987PLC008066
Website: www.smspharma.com
Email : info@smspharma.com

Auditors:

M/s. Rambabu & Co.,

Chartered Accountants
31, Pancom Chambers, Rajbhavan Road,
Hyderabad-500 082, Telangana State.
Phone : 040-23311587
Fax : 040-23397182
Email : rambabuandco1982@yahoo.com

Internal Auditors:

M/s. Adusumilli and Associates,

Chartered Accountants
Flat No. 302, Sri Sai Residency
Balkampet Main Road, Hyderabad-500 038, Telangana State

Cost Auditor:

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

Secretarial Auditors:

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

Share Transfer Agents:

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

Bankers:

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

Manufacturing facilities :

Plot No.24 & 24 B and 36 & 37
S.V. Co-operative Industrial Estate
Bachupally, Ranga Reddy District
Hyderabad-500 090 Telangana State, India
Phone : 040-65986691
Email : admin_unit2@smspharma.com

Sy. No.160, 161, 163 to 167
Kandivalasa (V), Poosapatirega (M)
Vizianagaram District, Andhra Pradesh-535 204
Phone : 08922 0 308887 / 89
Fax : 08922 - 258052
Email : admin_unit7@smspharma.com

R&D Center :

Sy. No.186, 189 & 190, Gagillapur (V)
Qutubullapur (M), Ranga Reddy District
Hyderabad-500 043, Telangana State, India
Phone : 8374452494
Email : rnd@smspharma.com

NOTICE OF ANNUAL GENERAL MEETING

CIN : L24239AP1987PLC008066 Registered Office : 19-III, Road No.71,
Opp. Bharatiya Vidya Bhavan Public School, Jubilee Hills, Hyderabad-500 096, Telangana, India.
Tel. : 040-66288888 • Fax : 040 - 23551401 • www.smspharma.com • E-mail : info@smspharma.com

Notice is hereby given that the 29th Annual General Meeting of the members of SMS Pharmaceuticals Limited will be held on Wednesday the 27th day of September, 2017 at 11.00 A.M. at the Jubilee Hills International Centre (Jubilee Hills Club), Jubilee Hills, Hyderabad-500 033 to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Standalone and Consolidated Balance Sheet as at 31st March, 2017, Statement of Profit and Loss and Cash Flow Statement for the financial year ended 31st March, 2017 and reports of Directors' and Auditors' thereon.
2. To declare Dividend on the equity shares for the financial year 2016-17.
3. To re-appoint Mr. Ramesh Babu Potluri (DIN: 00166381) who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Statutory Auditors and fix their remuneration, 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 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder (including any statutory modifications (s) or re-enactment thereof, for the time being in force), and pursuant to the recommendations of the Audit Committee and subsequent approval in the Board Meeting, M/s. Suryanarayana & Suresh, Chartered Accountants, (Firm Registration No.006631S) who have confirmed their eligibility in terms of the provisions of Section 141 of the Companies Act, 2013 and Rule 4 of the Companies (Audit & Auditors) Rules, 2014, be and are hereby appointed as Statutory Auditors of the Company for a period of five

years, i.e., to hold office from the conclusion of 29th Annual General Meeting (AGM) till the conclusion of the 34th Annual General Meeting of the Company to be held in the year 2022, (subject to ratification of the appointment by the members at every Annual General Meeting held after this Annual General Meeting) and that the Board of Directors of the Company be and is hereby authorised to fix their remuneration.”

SPECIAL BUSINESS:

5. TO 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) Regulation, 2015, the approval / ratification of the members of the Company, be hereby, accorded to all the arrangements / transactions with SMS Pharmaceuticals Limited undertaken in the financial year 2016-17 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 2016-17 as set out in the Explanatory Statement.

“RESOLVED FURTHER THAT the Board of Directors and of the Company, be and is hereby, authorised 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 and execute such addendum contracts/arrangements/transactions, documents and writings and make such changes to the terms and conditions of these 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, 2018.

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 148 and other applicable provisions if any of the Companies Act, 2013 read with Rule 14 and other applicable rules of the Companies (Audit and Auditors) Rules, 2014 (as amended from time to time), and pursuant to the recommendations of the Audit Committee, Mr. K.S.N. Sarma, Cost Accountant having Registration No. 102145 and Membership No. 6875 appointed by the Board of Directors of the Company as Cost Auditor of the Company, who had confirmed his eligibility in terms of the provisions of Section 141 read with Section 148 of the Companies Act, 2013 for the financial year 2017-18, to conduct the audit of the cost records of the Company”.

“RESOLVED FURTHER THAT, pursuant to the recommendations of the Audit Committee and subsequent approval by the Board, the Cost Auditor be paid a remuneration of Rs.75,000/- (Rs. Seventy Five Thousand only) plus out of pocket expenses (if any) at actuals and applicable taxes”.

“RESOLVED FURTHER THAT the Board of Directors of the Company be hereby authorised 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 SEBI/Stock Exchanges and other appropriate statutory 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	Mr.Hari Kishore Potluri
2	Mr.P Suresh Babu
3	Mr.Rajeswara Rao Gopineedi
4	Mrs. Sukumari Koneru

“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 &



Pharmaceuticals Ltd.

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

Board, 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: 11-08-2017

Notes :

1. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, relating to special business to be transacted at the Meeting, wherever applicable is annexed hereto.
2. A MEMBER OF THE COMPANY ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT OF PROXY, IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY DULY COMPLETED AND SIGNED, NOT LESS THAN 48 HOURS BEFORE THE MEETING. PROXIES SUBMITTED ON BEHALF OF LIMITED COMPANIES, SOCIETIES, PARTNERSHIP FIRMS, ETC. MUST BE ACCOMPANIED BY APPROPRIATE RESOLUTION/AUTHORITY AS APPLICABLE, ISSUED ON BEHALF OF THE NOMINATING ORGANIZATION.
3. A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the company carrying voting rights. A member holding more than ten percent of the total share capital of the company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder/member.
4. Corporate members intending to send their authorized representative(s) to attend the meeting are requested to send to the company a certified copy of the board resolution authorizing their representative(s) to attend and vote on their behalf at the meeting.
5. During the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled to inspect the proxies lodged with the Company, at any time during the business hours of the Company, provided that not less than three days of notice in writing is given to the Company.
6. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
7. The Register of Contracts or Arrangements in which Directors are interested, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
8. The Register of Members and Transfer Books of the Company will be remaining closed from Friday 22nd September, 2017 to Wednesday 27th September, 2017, both days inclusive.
9. The Board of Directors of the Company at their meeting held on 30th May, 2017 has recommended a dividend of Re. 0.20 (i.e. 20%) per equity share of Re. 1/- face value, aggregating of Rs. 1,69,30,406/- as dividend for the financial year 2016-17. Dividend, if declared, at the AGM, will be paid on or after 3rd October, 2017. The dividend, if approved at the 29th AGM, will be paid to those members whose names appear on the register of members of the Company as of the end of the day on Thursday, 21st September, 2017.
10. Pursuant to Section 108 of the Companies Act, 2013, read with Rules 20 of the Companies (Management and Administration) Rules, 2014 as substituted by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), the Company is pleased to offer voting by electronic means to the members to cast their votes electronically on all resolutions set forth in this notice.
11. The Company will provide the "Remote E-Voting" facility to all the members, whose names appear on the register of members of the Company as of the end of the day on Thursday, 21st September, 2017. Pursuant to the above mentioned rule 4(3) (b) the Company will provide the Voting by way of ballot or

polling paper at the AGM Venue. The detailed instructions for e-voting are given as a separate attachment to this notice.

12. The E-Voting facility will be available during the following period:

Commencement of E-Voting :	From 9:00 A.M. (IST) on Sunday, 24 th September, 2017
End of E-Voting :	On 05:00 P.M. (IST) on Tuesday, 26 th September, 2017

13. The Notice of the AGM along with the Annual Report 2016-17 is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company / Depositories, unless any Member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode at their address. A copy of the notice of the AGM along with the Annual Report is also available for download on the website of the Company www.smspharma.com. To support the 'Green Initiative' Members who have not registered their e-mail addresses are requested to register the same with Aarthi Consultants Private Limited/Depositories. The members will be entitled to a physical copy of the annual report for the financial year 2016-17, free of cost, upon sending a request to the Company Secretary at Plot No:19-III, Road No:71, Jubilee Hills, Opp. Bharatiya Vidya Bhavan Public School, Hyderabad - 500096.
14. The members are requested to intimate immediately any change in their address or bank mandates to their depository participants with whom they are maintaining their demat accounts or to the Company's Share Transfer Agent M/s. Aarthi Consultants Private Limited at their office, 1-2-285, Domalguda Hyderabad, Telangana 500029" or mail them at info@aarthicconsultants.com stating their details, if the shares are held in physical form.
15. The business set out in the notice will be transacted through electronic voting system

and the company is providing facility for voting through electronic means. Instructions and other information relating to e-voting are given separately.

16. For the convenience of members and for proper conduct of the meeting, entry to the place of meeting will be regulated by attendance slip, which is part of the annual report. Members are requested to duly fill in and sign at the place provided on the attendance slip and hand it over at the entrance of the venue.
17. Shareholder/member desiring any information relating to the accounts are requested to write to the Company at least 7 days before the date of AGM so as to enable the management to keep the information ready.
18. Relevant documents referred to in the notice and the Explanatory Statement is open for inspection by the members at the Registered Office of the Company on all working days during business hours up to the date of Annual General Meeting.
19. The Company has transferred the unpaid or unclaimed dividends declared up to financial years 2008-09, from time to time on due dates, to the Investor Education and Protection Fund (the IEPF) established by the Central Government. Pursuant to the provisions of Sec. 124 of Companies Act, 2013 and Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on September 30, 2016 (date of last Annual General Meeting) on the website of the Company (www.smspharma.com), as also on the website of the Ministry of Corporate Affairs.
20. Members who have not en-cashed the dividend warrant(s) for the financial year ended March 31, 2009 onwards are requested to make their claims directly to the Company or to M/s Aarthi Consultants Pvt. Ltd. at info@aarthicconsultants.com & aarthicconsultants@gmail.com, without any delay:

Due date for transfer of unclaimed dividend to IEPF				
Year	Dividend per share (Rs.)	Date of declaration	Due date for transfer to IEPF	Amount of Unclaimed Dividend
2009-10	2	29/09/2010	06/10/2017	85102
2010-11	2	30/09/2011	07/10/2018	113604
2011-12	-	-	-	-
2012-13	2	30/09/2013	07/10/2020	109452
2013-14	2	30/09/2014	07/10/2021	155702
2014-15	2	29/09/2015	06/10/2022	180174
2015-16	Re.0.20	30/09/2016	07/10/2023	193310

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 5:

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

- Purchase and sale of products/by-products/material at arm's length price from RChem (Somanahalli) Private Limited.
- Sales and purchase of products/by-products/material at arm's length price to VKT Pharma Private Limited.

A detail description on the same as set out in form AOC -2 of Board's Report of this Annual Report.

The Board recommends the resolution for approval of the members.

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

Item No.6

The Board, on the recommendation of the Audit Committee has approved the re-appoint of the Cost Auditor Mr. K.S.N. Sarma, to conduct the Audit of the cost records of the Company for the Financial Year 2017-18.

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 year ending 31st March, 2018 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 merely because they are deemed to be 'Immediate relatives'/ controlled by the Immediate Relatives of the Promoter and Chairman and Managing Director of the Company, Mr. Ramesh Babu Potluri as per the definition of

promoter group as provided in Regulations 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 Mr. 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 act 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 Mr. Ramesh Babu Potluri, Promoter, Chairman and Managing Director of the Company. Similarly Mr. TVVSN Murthy, Promoter, Director has no interest in the profession/business being carried on by the Applicants.

Sl. No.	Name	No. Of Shares	%
1	Mr. Hari Kishore Potluri	4,30,060	0.51
2	Mr. P Suresh Babu	1,41,440	0.17
3	Mr. Rajeswara Rao Gopineedi	1,040	0.00
4	Mrs. Sukumari Koneru	40,000	0.05
	Total	6,12,540	0.73

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 30th May, 2017, have approved the above applications for reclassification received by the Company 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, 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 1% 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.

The Board recommends the resolution for approval of the members.

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 Mr. Ramesh Babu Potluri and Mr. Mr. TVVSN Murthy may be deemed to be concerned or interested in the resolution since the proposed outgoing Promoter Group members are related to them.

By the order of the Board

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

Place: Hyderabad
Date: 11-08-2017

DETAILS OF DIRECTORS SEEKING APPOINTMENT/ RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING

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

Mr.Potluri Ramesh Babu

Brief profile and Nature of Expertise In Specific Functional Areas:

He is a Post-graduate Technocrat.In 1990 he acquired SMS Pharmaceuticals Limited which at that point of time was a sick unit and 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 we became one of the largest producers of Ranitidine HCl. He had served on boards of organizations like Chemexcil and has

been advisor to AP State Government for Pharma sector.

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

Directorship/ Committee Membership in Listed Companies:

Except SMS Pharmaceuticals limited, he is not in Directorship in any other listed entity and committees thereof.

No. of Shares held in the Company:

As on 31st March,2017 Mr. Potluri Ramesh Babu held 1,45,06,960 shares in the Company

By the order of the Board

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

Place: Hyderabad
Date: 11-08-2017



Pharmaceuticals Ltd.

AGM Venue Route Map

Jubilee Hills International Centre (Jubilee Hills Club), Jubilee Hills,
Hyderabad- 500 033



SHAREHOLDER INSTRUCTIONS FOR E-VOTING

THE INSTRUCTIONS FOR SHAREHOLDERS VOTING ELECTRONICALLY ARE AS UNDER:

- (i) The voting period begins on Sunday **24-09-2017 at 09:00 A.M.** and ends on Tuesday **26-09-2017 at 05:00 P.M.** During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of **21-09-2017**, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iii) Click on Shareholders.
- (iv) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any Company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

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

- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform.

It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

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

BOARD'S REPORT

Dear Shareholders,

Your Directors have pleasure in presenting before you the 29th Annual Report of the Company together with Audited Statement of Accounts for the year ended 31st March, 2017.

FINANCIAL SUMMERY: (INR In lakh)

Particulars	Standalone	
	2016-17	2015-16
Gross Sales	41,455.68	58,246.88
Net Sales	39,830.15	55,607.10
Other Operating Income	3,952.80	4,712.24
Net Revenue from Operations	43,782.95	60,319.34
Other Income	142.71	360.79
EBIDTA	7,612.12	9,280.35
Finance Charges	1,538.66	1,709.81
Depreciation	1,917.72	1,943.30
Profit Before Tax	4,155.73	5,627.24
Taxation	603.31	1,463.32
Profit After Tax	3,552.42	4,163.92
Appropriations:		
Proposed Dividend	169.30	169.30
Dividend Tax	34.47	34.47
General Reserve	1,000.00	1,000.00
Earnings per share - Basic/ Diluted	4.20	4.92

STATE OF COMPANY AFFAIR'S

In Financial & Production terms

During the year 2016-17 the Company had achieved production of 594 M.T. of APIs and their Intermediates in comparison with 2,375 M.T for the FY 2015-16. The net sales of the Company for the FY 2016-17 has reached 39,830.15 lakhs as against 55,607.10 lakhs for the FY 2015-16. EPS has reached to Rs. 4.20 in the FY 2016-17 as against Rs. 4.92 in the FY 2015-16. The main reason for decline in production and turnover is on account of transfer of demerged units

to M/s. SMS Lifesciences India Limited, in pursuance of Scheme of Arrangement vide NCLT Order dated 15th May, 2017.

Subsidiaries and Associates:

Your company is having one associate company i.e., "VKT Pharma Private Limited" and is under the same management. Your Company is holding 40.26% equity shares in the said associate company and the share of loss for your company for the financial year 2016-17 was Rs.74,71,033/-. SMS Lifesciences India Limited is the wholly owned subsidiary of your Company during the Financial Year 2016-17. During the financial year a scheme of arrangement between SMS Pharmaceuticals Limited and SMS Lifesciences India Limited and their respective shareholders and creditors. The scheme was approved by the National Company Law Tribunal, Hyderabad as on 15th May, 2017, whereas the appointed date for the scheme is 01st April, 2016.

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 viz. 'AOC-1' is form part of this report as Annexure – '1'.

Change in Nature of Business

During the year under review there is no change in Nature of Business. A detailed report on the same viz. 'Management Analysis and Discussion Report' is form part of this report as Annexure – '2'

Share Capital

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

TRANSFER TO RESERVES:

Your Company has transferred an amount Rs. 1,000 Lakhs (previous year Rs. 1000 Lakhs) to General Reserve out of the amount available for appropriations.

DIVIDEND:

Your Directors have pleasure in recommending the dividend of Re. 0.20/- (i.e. 20%) per equity share of Re. 1/- face value, aggregating to Rs. 1,69,30,406/- 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.

DE-MERGER OF SEMI REGULATED UNITS:

The Scheme of arrangement between SMS Pharmaceuticals Limited (Demerged Company) with SMS Lifesciences India Limited (Resulting Company) and their respective Shareholders and Creditors. The Scheme of Arrangement (“Demerger”) provides for the demerger of the Semi Regulated Units No. I, IV and V along with premises situated at Industrial Estate, Santhnagar, Hyderabad; Industrial Development Area, Jeedimetla, Hyderabad ; Premises bearing Flat No.417, Nilgiri, Aditya Enclave, Ameerpet, Hyderabad; vacant land admeasuring Ac 19.00 cents situated at Pharma City, Parawada, Visakhapatnam and Investments relating to Semi Regulated Units (“Demerged Undertaking”) of SMS Pharmaceuticals Limited, the “Demerged Company” into SMS Lifesciences India Limited, the “Resulting Company as specified in the scheme.

The scheme was approved by the Hon'ble National Company Law Tribunal, Hyderabad Bench vide its Order No. C.P(CAA) No.7/230/232/HDB/2017 dated 15th May, 2017. The effective date of the Scheme is 17th May, 2017. SMS Lifesciences India Limited (Resulting Company) in accordance with the approved Scheme of Arrangement has allotted 30,23,287 equity shares of Rs.10/- each to the shareholders of your company by fixing Record Date as on 23rd June, 2017. Pursuant to the approved Scheme, the Resulting Company shares will be listed on Stock Exchanges viz., BSE & NSE where the equity shares of SMS Pharmaceuticals Limited are listed.

DIRECTORS' RESPONSIBILITY STATEMENT:

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

1. In preparation of the Financial Statements for the year ended 31st March, 2017 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.

LOANS, GUARANTEES AND INVESTMENTS:

Your Company had made investment in its associate company viz. M/s. VKT Pharma Private Limited for its business purpose. During the year under review, your Company had acquired 7,84,100 equity shares of face value of Rs.10/- each in the said associate at an average price of Rs.200.81

The Particulars of loans/advances given are provided in the Standalone Financial Statements. Please refer (Note no. 12.1 and 16.1 of 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, 2017 are furnished as Annexure –‘4’.

RELATED PARTY TRANSACTIONS:

All contracts/arrangements/transactions entered by the Company during the financial year 2016-17 with related parties were in the ordinary course of business and on an arm's length basis and are in compliance with the provisions of the Companies Act and the SEBI (Listing Obligation & Disclosure Requirement) Regulation, 2015. There are no materially significant related party transactions made by the company with Promoters, Directors and Key Managerial Personnel etc. which may have potential conflict with the interest of the Company. All related party transactions are presented to the Audit Committee on quarterly basis and also placed before the board.

A statement of all Related Party Transactions is being presented before the Audit Committee on Quarterly basis specifying the nature, value and terms and conditions of the transactions. The Company's Policy on Related Party Transactions 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 & modified by ICAI) form part of the notes to the financial statements provided in the annual report. The required form viz. 'AOC-2' is form part of this report as Annexure -'5'.

STATE OF BOARD AFFAIRS

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.

Mr. TVVSN Murthy has resigned on 30th May 2017 as Whole Time Director, designated as Vice Chairman and Joint Managing Director. However, he will continue as a Non-Executive Director of the Company.

M/s. Gulf Pharmaceutical Industries has withdrawn their Nominee Director Mr. Ayman Sahli from the Board of Directors of the Company w.e.f 30th May, 2017

The board had appointed Mr. Thirumalesh Tumma in place of Mr. Saurav Roy on 17th October, 2016 and designated him as Company Secretary and Compliance Officer of the Company pursuant to provisions of Section 203 of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015. Mr. Saurav Roy resigned as Company Secretary and Compliance Officer w.e.f 15th October, 2017.

Mr. N.Rajendra Prasad, Chief Financial Officer (CFO) of the Company has resigned from the Company w.e.f., 30th May, 2017.

Further the Board has affirmed the Compliance of the Code of Conduct as applicable on the Directors and Senior Management Personnel.

As per the Articles of Association of the Company all the Executive Directors are compulsorily liable to retire by rotation. Accordingly Mr. Ramesh Babu Potluri, whole time director designated as Chairman and Managing Director, is liable to retire by rotation at the ensuing Annual General Meeting scheduled on 27th September, 2017 and being eligible, seeks reappointment. A brief profile of directors seeking re-appointment are given along with the AGM Notice for the reference of the shareholders.

Independent Directors:

Pursuant to 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 Section 149 (6) of the Companies Act, 2013 and Regulation 25(1) of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015.

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

Annual Evaluation:

Your company had conducted a separate Meeting of Independent Directors on 25th February, 2017 in which they had evaluated the performance of

Executive directors and Non- Executive/Nominee Director's. Further, in the Board Meeting held on 30th May, 2017 the Board had evaluated the performance of Independent Directors and their contribution in the Board. The evaluation had been made on specified standards.

Risk Management Policy

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

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

KMP Appointment & Remuneration Policy

The Company has a 'Nomination and Remuneration Committee Charter' the Nomination and Remuneration Committee abide by the said Charter for appointing any Key Managerial Persons (KMP). During the year under review, the Committee had recommended for appointment of Company Secretary. Appointment of any KMP is made by the Nomination and Remuneration Committee in commensuration of the requirement of the position and experience of the candidate.

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

During the year under review the Board of Directors met Five times. The dates on which the Board Meetings were held on 14th May 2016, 10th August 2016, 13th August, 2016 (Adjourned Meeting), 5th November 2016, 11th February 2017. A detailed report on the above mentioned along with reporting required under Sec. 177(8) and 177(10) of the Companies Act, 2013 and composition of various committees formed part of the report viz. 'Corporate Governance Report' is form part of this report as Annexure – '6'

Extract of Annual Return:

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

DEPOSITS

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

CORPORATE SOCIAL RESPONSIBILITY

Persuant to Section 135 and Schedule-VII of the Companies Act, 2013, and Companies (Corporate Social Responsibility Policy) Rules, 2014 your company had formulated a Corporate Social Responsibility Policy (CSR Policy). The said policy contains the scope of CSR Expenditure and provides guidance for way forward for expending the same. The composition of CSR committee and other details mentioned under 'Corporate Governance Report' forms part of this report as Annexure – '6'

As per the provisions of the Section 135 of the Act, the average net profits of the company during the preceding three years stands as Rs. 5221.15 lakhs hence the company is required to spend a sum of Rs. 104.22 lakhs towards CSR Expenditure in FY 2016-17. The details of it are mentioned under 'CSR Expenditure' in statutory format is form part of this report as Annexure-'8'.

PARTICULARS OF EMPLOYEES:

The information required under Section 197 (12) of the Companies Act, 2013 read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is mentioned under 'Employees Remuneration Report' is form part of this report as Annexure – '9'.

None of the employees is receiving salary of more than Rs. 5 Lakh per month.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

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

AUDITORS:

Statutory Auditors

The shareholders at their 28th Annual General Meeting (AGM) held on 30-09-2016, approved the reappointment of M/s. Rambabu & Co., Chartered Accountants (ICAI Firm Registration No. 002976S), as Statutory Auditors of the Company to hold the office till the conclusion of the 29th Annual General Meeting.

The Audit Committee of the Board of Directors recommended and the Board has appointed M/s. Suryanarayana & Suresh Chartered Accountants, as Statutory Auditors of the Company in place of M/s. Rambabu & Co., for a period of five years, i.e., to hold office from the conclusion of 29th Annual General Meeting (AGM) till the conclusion of the 34th Annual General Meeting of the Company to be held in the year 2022, (subject to ratification of the appointment by the members at every Annual General Meeting held after this Annual General Meeting if required as per the provisions of Companies Act, 2013).

M/s. Suryanarayana & Suresh, Chartered Accountants are eligible for appointment and have confirmed their eligibility under Section 141 of the Companies Act, 2013, read with Rule 4 of the Companies (Audit & Auditors) Rules, 2014. They have consented to the said appointment. They have further confirmed that they are not disqualified to be appointed as statutory auditor.

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, 2017. Secretarial Audit Report for the financial year 2016-17 forms part of this report as Annexure-'II'

Cost Auditor

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, and the Companies (Cost Records & Audit) Amendment Rules, 2014, the Company maintains Cost Records Your Board has on the recommendations of the Audit Committee, appointed Sri K.S.N. Sarma having Registration No.102145 and Membership

No.6875 as Cost Auditor of the Company for the financial year 2017-18. The provisions also require that the remuneration of the Cost Auditor is to be approved by the shareholders, as mentioned under AGM Notice under item no. 6. As a matter of record, the Cost Audit Report for the year 2015-16 was filed with the Central Government within the prescribed time limit and for the year 2016-17 will be filed within the stipulated time.

INTERNAL FINANCIAL CONTROL SYSTEMS AND THEIR ADEQUACY:

Your Company has laid down 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 that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company, (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets that could have a material effect on the Financial Statements.

WHISTEL BLOWER POLICY/VIGIL MECHANISM

The Company has established a mechanism through which all the stakeholders can report the suspected frauds and genuine grievances to the appropriate authority. The whistle Blower Policy which has been approved by the Board of Directors of the Company has been uploaded on the Company's website of the company (<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:

Qualifications by the Secretarial Auditors:

During the period under review the Company has complied with the provisions of the Act, Rules,

Regulations, Guidelines, Standards, etc., as mentioned above except the provisions in relation to Section 135 of the Companies Act, 2013 relating to the Corporate Social Responsibility (CSR). The Company has failed to spend at least 2% of the average net profits of the Company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.

Management Reply:

The Company's CSR liability for the FY 2016-17 is Rs. 104.20 Lakhs. During the year the Company has spent an amount of Rs.29.00 Lakhs on various activities covered under CSR Rules. The company could not able to spend the total liability amount with in the financial year. However the company has initiated for construction of a school building health and drinking water facilities and the balance amount will spent in due course.

There are no other qualifications, reservations or adverse remarks made by the Statutory Auditor, Cost Auditor in their report.

REPORTING ON SEXUAL HARRASEMENT:

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

The Company is committed for providing equal opportunities without regard to their race, caste, sex, religion, colour, nationality, disability, etc. All women associates (permanent, temporary, contractual and trainees) as well as any women visiting the Company's office premises or women service providers are covered under this policy. All employees are treated with dignity with a view to maintain a work

environment free of sexual harassment whether physical, verbal or psychological.

During the year under review, the Company has not received any complaints on sexual harassments. No workshops were carried out against sexual harassment, but awareness program carried out at each manufacturing unit and corporate office for women employees' regarding this policy and the said policy is also displayed on the website of the Company.

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

No significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future. Further, No material Changes and commitments which affecting the financial position of the Company.

Acknowledgements:

Your Directors place on record sincere appreciation for the significant contribution made by the employees through their dedication, hard work and commitments. Your Directors gratefully acknowledge and appreciate the support extended by the Banks, Financial Institutions, various government authorities, customers and also shareholders of the Company, for their continued support and confidence reposed in the Company.

By the order of the Board

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

Place: Hyderabad
Date: 11-08-2017

FORM AOC-I

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

**Statement containing salient features of the financial statement of subsidiaries/
associate companies/joint ventures**

Part "A": Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in Rs. in Lakhs)

Sl. No.	Particulars	Details
1. *	Name of the subsidiary	SMS Lifesciences India Limited
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	No
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	Not Applicable
4.	Share capital	1.00
5.	Reserves & surplus	8,082.36
6.	Total assets	17,681.61
7.	Total Liabilities	17,681.61
8.	Investments	4.11
9.	Turnover	21,430.28
10.	Profit before taxation	1,813.40
11.	Provision for taxation	548.66
12.	Profit after taxation	1,264.74
13.	Proposed Dividend	0.00
14.	Extend of Holding %	100.00

*SMS Lifesciences India Limited ceased to be wholly owned subsidiary of the company pursuant to the Scheme of Arrangement.

Part “B”: Associates and Joint Ventures

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

Sl. No.	Name of associates/Joint Ventures	VKT Pharma Private Limited
1	Latest audited Balance Sheet Date	31.03.2017
2	Shares of Associate/Joint Ventures held by the company on the year end No. Amount of Investment in Associates/Joint Venture Extend of Holding%	34,93,5 00 Equity Shares of Rs.10/- each. Rs.3697.38 Lakhs 40.26
3	Description of how there is significant influence	Based on the percentage of holding over these investees.
4	The associate is consolidated	Financial Statement Consolidated for FY 2016-17
5	Net worth attributable to shareholding as per latest audited Balance Sheet	2081.02 Lakhs
6	Profit/Loss for the year i. Considered in Consolidation ii. Not Considered in Consolidation	(713.18) Lakhs

By the order of the Board

Place: Hyderabad
Date: 11-08-2017

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY PERSPECTIVE

The Indian pharmaceutical industry stands tall as one of the few high value industries, where we have cracked the code and actualized a “Make-in-India” success story. India prides itself on a strong incumbent competitor landscape, with more than ten internationally competitive pharmaceutical companies boasting revenues worth of \$500 million. Today India is undeniably a powerhouse for global pharma, with formulation development, supply reliability and credibility and high volume manufacturing capacity as the key strengths. The above figure depicts some key metrics of the Indian pharma industry. Current Indian Pharma Industry Value: \$ 36.7 Billion in 2017 and it is expected to reach \$ 55 billion by 2020.

Investments

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

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

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

Government Initiatives

The Government of India unveiled 'Pharma Vision 2020' aimed at making India a global leader in end-to-end drug manufacture. Approval time for new facilities has been reduced to boost investments. Further, the government introduced mechanisms such as the Drug Price Control Order and the National Pharmaceutical Pricing Authority to deal with the issue of affordability and availability of medicines.

The Union Ministry of Chemicals and Petrochemicals, has announced setting up of chemical hubs across the country, early environment clearances in existing clusters, adequate infrastructure, and establishment of a Central Institute of Chemical Engineering and Technology.

Some of the major initiatives taken by the government to promote the pharmaceutical sector in India are as follows:

- The Government of India plans to set up around eight mini drug-testing laboratories across major ports and airports in the country, which is expected to improve the drug regulatory system and infrastructure facilities by monitoring the standards of imported and exported drugs and reduce the overall time spent on quality assessment.
- India is expected to rank among the top five global pharmaceutical innovation hubs by 2020, based on Government of India's decision to allow 50 per cent public funding in the pharmaceuticals sector through its Public Private Partnership (PPP) model.
- Indian Pharmaceutical Association (IPA), the professional association of pharmaceutical companies in India, plans to prepare data integrity guidelines which will help to measure and benchmark the quality of Indian companies with global peers.
- The Government of India plans to incentivise bulk drug manufacturers, including both state-run and private companies, to encourage 'Make in India' programme and reduce dependence on imports of Active Pharmaceutical Ingredients (API), nearly 85 per cent of which come from China.
- The Department of Pharmaceuticals has set up an inter-ministerial co-ordination committee, which would periodically review, coordinate and facilitate the resolution of the issues and constraints faced by the Indian pharmaceutical companies.
- The Department of Pharmaceuticals has planned to launch a venture capital fund of Rs 1,000 crore

(US\$ 149.11 million) to support start-ups in the research and development in the pharmaceutical and biotech industry.

Outlook:

It has been witnessed by the domestic pharmaceutical industry that with increase in GDP and per capita income, more customers are able to afford organized healthcare. It is also looking at various other high growth and niche areas in the domestic segment.

With India becoming a hub for manufacturing and research operations, the Company looks to get significant growth from this area as well. Our manufacturing facilities have passed successful inspections from regulatory bodies like COFEPRIS and multinational customers who perform their own audits for approving the supplier. Our research labs are well equipped to deal with in process R&D as well as new products and intermediates development.

Company has set ambitious goals for the years through to 2020 in expectation of moderate upward trend in the global economy. The Company has world class manufacturing facilities and an enviable basket of approved markets and strong relationship built with some of the best names in the pharma industry has set in motion a set of strategic initiatives to improve the revenues and profitability of the Company.

The focus will be on expanding the markets and the profitability of the portfolio will be analyzed on continual basis. By implementing these strategies, the Company aims to increase its revenues, EBITDA and return on investment higher than the industry average.

COMPANY'S PERSPECTIVE

Domestic API Business:

The domestic API business is a very critical component of SMS Pharmaceuticals Limited business. The company has built an important relationship with traders and formulators and is known as the leading company in Ranitidine, Famotidine and Sildenafil citrate. Ranitidine manufacturers who were our competitors earlier have now stopped manufacturing the product and to continue with their supplies to their customers as part of registrations and agreements are

buying advanced intermediates from us giving indirect business to the company. SMS Pharmaceuticals Limited will continue to focus on domestic market trying to increase the capacities to meet the rising demands for API as well as for intermediates.

International Business:

SMS Pharmaceuticals Limited international business is targeted at the regulatory and ROW markets. However there is ever increasing requirements across the countries that are gradually becoming semi regulatory from the ROW stage. However with a strong and experience quality team and 25 years of operating international GMP facilities, the company is well placed and prepared to the switch over and can easily comply with the rising requirements.

Many Drug Master Files are filed for all the API's in various countries with inspection and approval by regulatory body like COFEPRIS from Mexico, the internal processes and documentation is sturdy enough to face any kind of inspections. In product like Ranitidine, the company is leading exporter having market shares of up to 100% in few countries like Russia.

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

Internal Control systems and their adequacy:

The Company has put in place a qualified team to ensure that the internal controls are complied with the objectives of the internal control system to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances.

SMS Pharmaceuticals Limited "SMSPL" has a well-defined internal control system which is adequately monitored. Checks and balances and control systems have been established to ensure that the Assets are safe guarded, utilized with proper authorization and recorded in the books of account.

There is a proper definition of rules and responsibilities across the organization to ensure information flow and monitoring. These are supplemented by internal audit carried out by a firm of Chartered Accountants. The Company has an Audit Committee consisting of Three Directors, who all are independent Directors. This Audit Committee reviews the internal audit reports, statutory audit reports, cost audit report, secretarial audit report, the quarterly and annual financial statements and discusses all significant audit observations and follow up actions arising from them.

Performance and operations review.

During the year 2016-17 the Company had achieved production of 594 M.T. of APIs and their Intermediates in comparison with 2,375 M.T for the FY 2015-16. The net sales of the Company for the FY 2016-17 has reached to Rs.39,830.15 lakhs as against Rs.55,607.10 lakhs for the FY 2015-16. EPS has reached to Rs. 4.20 in the FY 2016-17 as against Rs. 4.92 in the FY 2015-16. The main reason for decline in production and turnover is on account of transfer of demerged units to M/s. SMS Lifesciences India Limited, in pursuance of Scheme of Arrangement vide NCLT Order dated 15th May, 2017.

Your company has incurred Rs. 527.75 Lakhs towards R&D expenditure for the year 2016-17 as against Rs. 481.80 Lakhs in the previous year.

Your company continues to work towards optimizing the capacities of its manufacturing facilities and also adding additional capacities aimed at the business opportunities available to it in its domain capability in line with its strategy to work with innovators laying complimentary role and a non-compete model with its customers.

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 1079 employees directly employed. Industrial relations continue to be peaceful and harmonious. The management has initiated various measures.

Safety, Health and Environment

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

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

Cautionary Statement

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

We cannot guarantee that these forward-looking statements will be realized, although we believe we



Pharmaceuticals Ltd.

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: 11.08.2017

Equity Buildup Report

Annexure - 3

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

Note: *Shares allotted as per MOU dated 24.12.2006.**Record date 18.12.2015 where as Ex-date 17.12.2015

By the order of the Board

Place: Hyderabad
Date: 11.08.2017

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

FORM NO. MBP-2

Annexure - 4

*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	Rs.	Rs	Rs		
Acquisition of Security for investment	30-04-2016	VKT Pharma Pvt. Ltd.	Equity	55000	10	175	1,01,75,000	N.A.	For making investment in ongoing projects, taken up by associate company
	17-06-2016	VKT Pharma Pvt. Ltd.	Equity	165000	10	175	3,05,25,000	N.A.	
	26-08-2016	VKT Pharma Pvt. Ltd.	Equity	50000	10	175	92,50,000	N.A.	
	19-09-2016	VKT Pharma Pvt. Ltd.	Equity	68000	10	175	1,25,80,000	N.A.	
	27-09-2016	VKT Pharma Pvt. Ltd.	Equity	35000	10	175	64,75,000	N.A.	
	05-10-2016	VKT Pharma Pvt. Ltd.	Equity	71500	10	175	1,32,27,500	N.A.	
	19-10-2016	VKT Pharma Pvt. Ltd.	Equity	9000	10	175	16,65,000	N.A.	
	24-10-2016	VKT Pharma Pvt. Ltd.	Equity	10000	10	175	18,50,000	N.A.	
	05-11-2016	VKT Pharma Pvt. Ltd.	Equity	10600	10	175	19,61,000	N.A.	
24-03-2017	VKT Pharma Pvt. Ltd.	Equity	310000	10	215	6,97,50,000	N.A.		
*Acquisition of company	01-04-2016	SMS Lifesciences India Limited	Equity	10,000	10	-	1,00,000	N.A.	Made as wholly owned subsidiary

*SMS Lifesciences India Limited ceased to be wholly owned subsidiary of the company pursuant to the Scheme of Arrangement.

By the order of the Board

Place: Hyderabad
Date: 11.08.2017

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

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	Details	Details
a)	Name (s) of the related party	Mr. P. Vamsi Krishna (VP - Operations)	Mr. T.V. Praveen (VP - Marketing)
a)	Nature of relationship;	Son of Mr. Ramesh Babu Potluri (CMD of the Company).	Son of Mr. TVVS Murthy (Director of the Company).
b)	Nature of contracts/arrangements/ transaction	remuneration payable to related party under place of profit in the company	remuneration payable to related party under place of profit in the company
c)	Duration of the contracts/ arrangements/transaction	09/08/2016 – 30/09/2019	01/10/2016 – 30/09/2019
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Re-appointed as Vice President (Operations) of the Company at a Monthly Remuneration of Rs. 3.25 lakhs per month	Re-appointed as Vice President (Marketing) of the Company at a Monthly Remuneration of Rs. 4.25 lakhs per month.
e)	Justification for entering into such contracts or arrangements or transactions'	Joined the company from 09/08/2013, under his leadership company had established new operational setup and achieved new level of efficiencies in its operational capacity.	Joined the company from 01/01/2009, since then company grow leaps & bounds. Under his leadership company had accessed new markets and continuously increasing its revenues.
f)	Date of approval by the Board	10/08/2016	10/08/2016
g)	Amount paid as advances, if any	Not Applicable	Not Applicable
h)	Date on which the Special Resolution was passed in General meeting as required under first proviso to section 188	30/09/2016	30/09/2016



SMS
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Sl. No.	Particulars	Details	Details
a)	Name (s) of the related party	R. Chem (Somanahalli) Private Limited	VKT Pharma Private Limited
a)	Nature of relationship;	1. Mr. Suresh Babau, Managing Director is brother of Mr. Ramesh babu. 2. Mr. TVVSN Murthy, Director of the company, is a major shareholder.	Common Directors & Associate Company
b)	Nature of contracts/arrangements/transaction	Purchase of material in the ordinary course of business Sale of materials in the ordinary course of business	Purchase of material in the ordinary course of business. Sales of material in ordinary course of business.
c)	Duration of the contracts/arrangements/transaction	Transactions done within FY 2016-17.	Transactions done within FY 2016-17.
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Total amount of Purchase was Rs. 106.79 Lakhs. Total amount of Sale was Rs. 0.04 Lakhs.	Total amount of Purchase was Rs. 0.37 Lakhs. Total amount of Sale was Rs. 14.64 Lakhs.
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.
f)	Date of approval by the Board	11.02.2017 & 30.05.2017	11.02.2017 & 30.05.2017
g)	Amount paid as advances, if any	NIL	NIL

By the order of the Board

Place: Hyderabad
Date: 11.08.2017

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

REPORT ON CORPORATE GOVERNANCE

(Pursuant to first proviso to Regulations 34(3) & 53(f) read with Schedule V of SEBI LODR Regulation, 2015)

In compliance with Regulation 34(3) read with Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations), your Company's Report on Corporate Governance for the year ended 31st March, 2017 is as follows:

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

SMS Pharmaceuticals Limited believes that good governance goes beyond good working results & financial propriety. Good Corporate Governance is not an end in itself. It is the means to create confidence with stakeholders and establish business integrity for an organization. SMS Pharmaceuticals has come a long way in adopting some of the key principles of Corporate Governance like transparency, fairness disclosures and accountability and these principles have been strongly cemented in the pillars, it has been founded upon. The business strategies and operations of the Company are governed by these principles to ensure fiscal accountability, ethical corporate behavior and fairness to all stakeholders.

Besides complying with legal requirements, SMS Pharmaceuticals has adopted best practices and set responsible standards of business. Good Corporate Governance practices have led the Company to raise its standards beyond compliance and foster commitment through-out the Company to adhere to these practices. SMS Pharmaceuticals continues to benchmark itself and strives to meet the expectations of all its stakeholders.

BOARD OF DIRECTORS:

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, 2017 the Company's Board consists of eight (8) members, out of which 50% are independent directors, who are leading professionals in their respective fields. Apart from that the Board comprises of two(2) executive directors who are promoter director too and two(2) nominee directors. The composition of the Board is in conformity with Regulation 17 of the SEBI Listing Regulations read with Section 149 of the Companies Act, 2013. None of the Directors are related to each other. The Board consists a woman director as required under Rule 3 of Companies (Appointment and Qualification of Directors) Rules, 2014.

Dr. Ayman Sahli, Nominee Director was withdrawn as Nominee Director from the board w.e.f 30th May, 2017 then the board consist of 7 (Seven) members.

In accordance with the provisions of the Sec. 165 of the Companies Act, 2013 none of the Directors on the Board hold directorships in more than ten (10) public companies. Further, as per Regulation 26(1) of the SEBI Listing Regulations none of them is a member of more than ten(10) committees or chairman of more than five(5) committees across all the public companies in which they are Directors. The Committee membership excludes memberships in private/overseas/Sec.8 Companies. Necessary disclosures regarding Committee positions in other public companies as on 31st March, 2017 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, 2017 are given herein below. Other directorships do not include directorships

of private limited companies, foreign companies and companies under Section 8 of the Act. Chairmanships/ Memberships of Board Committees shall only include Audit Committee and Stakeholders' Relationship Committee:

Name of Director & Designation	DIN No.	Category* (Designation)	No. of Board Meetings during the Year 2016-17		Attended Last AGM 30.9.16	No. of Directorships in other Public Companies	No. of Committee Position held in Public Companies (including this company)	
			Held	Attended			Chairman	Member
Mr. Ramesh Babu Potluri (Chairman & Managing Director)	00166381	Executive Director	5	5	yes	1	0	0
Mr. T.V.V.S.N Murthy Vice Chairman & Joint Managing Director *	00465198	Executive Director	5	5	Yes	1	0	1
Dr. Mihir K. Chaudhuri	00489843	Independent Director	5	1	No	0	0	0
Mr. P. Sarath Kumar	01456746	Independent Director	5	5	Yes	1	2	4
Dr. T. Neelaveni	00065571	Independent Director	5	4	No	0	0	2
Mr. P. S. Rao	00099066	Independent Director	5	4	No	3	1	2
Dr. Ayman Sahli **	02680724	Non-Executive & Nominee Director	5	--	No	0	0	0
Mr. Utpal Gokhale	02619302	Non-Executive & Nominee Director	5	3	No	0	0	0

Notes

* Mr. TVVSN Murthy (Vice Chairman & Joint Managing Director) of the Company has resigned for the position of Vice Chairman and Joint Managing Director w.e.f 30th May, 2017, and Continue as Non-Executive Director.

** Dr. Ayman Sahli, Nominee Director of M/s. Gulf Pharmaceutical Industries , U.A.E resigned from the board w.e.f 30th May, 2017.

B. Board Meetings:

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

During the year under the review the Board met Five(5) Board, at which proper quorum was present. The dates on which the said meetings were held:

14-05-2016, 10-08-2016, 13-08-2016 (Adjourned meeting), 05-11-2016 and 11-02-2017.

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

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

During the year, one meeting of the Independent Directors was held on 25th February, 2017. The Independent Directors, inter-alia, reviewed the performance of non-independent directors, Chairman of the Company and the Board as a whole.

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

The details of the familiarization programme of the Independent Directors are available on the website of the Company at the following link: <http://www.smspharma.com/investors/downloads/independent-directors-familiarization-programme.pdf>

The Company had not issued any convertible instruments. Details of equity shares of the Company held by the Directors as on March 31, 2017 are given below:

Name of Director	No. of Equity Share held as on 31-03-2017
Mr. Ramesh Babu Potluri	1,45,06,960
Mr. T.V.V.S.N Murthy	8,227,000
Mr. P. Sarath Kumar	85,000

BOARD COMMITTEES

A. AUDIT COMMITTEE:

The composition of the Audit Committee is in alignment with provisions of Section 177 of the Companies Act, 2013 read with the Rules issued thereunder and Regulation 18 of SEBI(LODR)Regulations,2015. The Company has formulated an “Audit Committee Charter” in accordance to changing regulatory norms. The Charter contains the elaborated procedural guidelines for conducting the Audit Committee Meeting including the terms of references / role & responsibilities of the Committee members. The said Charter is in compliance with the requirement of Section 177 of the Companies Act, 2013 and applicable rules made there under, Regulation 18 of SEBI Listing Agreement it includes the Part-C of Schedule II (i.e. Role of Audit Committee and Review of Information by Committee) as per SEBI Listing Agreement.

During the financial year 2016-17 the Audit Committee met four (4) times during the year at which proper quorum was present and the gap between two meetings did not exceed one hundred and twenty days on:

14-05-2016, 08-08-2016, 05-11-2016 and 11-02-2017.

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

S.No.	Name of the Director	Designation	Category	Committee Meetings	
				Held	Attended
1	Mr. P. Sarath Kumar	Chairperson	Independent Director	4	4
2	Dr. T. Neelaveni	Member	Independent Director	4	3
3	Mr. PS. Rao	Member	Independent Director	4	3

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 Regulation 19 of SEBI(LODR)Regulations,2015. The Company has formulated a “Nomination and Remuneration Committee Charter” in accordance to 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, Regulation 19 of SEBI Listing Agreement it includes the Part-D(A) of Schedule II (i.e. Role of Nomination and Remuneration Committee and Review of Information by Committee) as per SEBI Listing Agreement.

During the financial year 2016-17 the Nomination and Remuneration Committee met Two (2) times on 08-08-2016 and 15.10.2016 at which proper quorum was present.

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

S.No.	Name of the Director	Designation	Category	Committee Meetings	
				Held	Attended
1	Dr. T. Neelaveni	Chairperson	Independent Director	2	1
2	Mr. P. Sarath Kumar	Member	Independent Director	2	2
3	Mr. P.S. Rao	Member	Independent Director	2	2

Performance Evaluation Criteria for Independent Directors:

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

The criteria for performance evaluation are as follows:

Role & Accountability:

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

Objectivity:

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

Leadership & Initiative:

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

Personal Attributes:

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

REMUNERATION OF DIRECTORS

The remuneration details of paid/payable to the directors for the year ended on 31st March, 2017 forms part of MGT-9 annexed as “Annexure – 7” to this Board Report.

The Company has only 2 Executive Directors and rest of the Board Contains 4 Independent and Non –Executive Directors and 2 Nominee Directors. Independent Directors were paid only sitting fee and no pecuniary relationship or transactions held during the year with the non-executive director’s vis-à-vis the listed entity. The Company does not have any Employee Stock Option Scheme. Payments to Directors are mentioned hereunder:

Executive Directors

(Rs. in Lakhs)

Name of the Director	Salary and Allowances	Commission	Perquisites	Bonus/ Stock Options	Total
Sri Ramesh Babu Potluri (Chairman & Managing Director)	132.00	92.24	4.83	NIL	229.07
*Sri TVVSN Murthy (Vice Chairman & Joint Managing Director)	132.00	92.24	2.86	NIL	227.10

* Mr. TVVSN Murthy (Vice Chairman & Joint Managing Director) of the Company has resigned for the position of Vice Chairman and Joint Managing Director w.e.f 30th May, 2017, and Continue as Non-Executive Director.

Independent & Nominee Directors:

The details of remuneration paid/payable to the Independent/ Nominee Directors for the year ended on 31st March, 2017 as given below;

(₹ in Lakhs)

Name of the Independent Director	Sitting Fees	Name of the Nominee Director	Sitting Fees
Dr. Mihir K Chaudhuri	0.05	Mr. Utpal Gokhale (Exim Bank)	0.55
Sri. P. Sarath Kumar	2.21		
Dr. T. Neelaveni	1.36	*Dr. Ayman Sahli (M/s. Gulf Pharmaceuticals Limited)	N.A.
Mr. P.S. Rao	1.21		

* Dr. Ayman Sahli, Nominee Director of M/s. Gulf Pharmaceutical Industries , U.A.E resigned from the board w.e.f 30.05.2017.

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 Meeting including the terms of references / role & 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, Regulation 20 of SEBI Listing Agreement it includes the Part-D(B) of Schedule II (i.e. Role of Nomination and Remuneration Committee and Review of Information by Committee) as per SEBI Listing Agreement.

During the financial year 2016-17 the Stakeholder Relationship Committee met Two (2) times during the year at 08-08-2016 and 11-02-2017 at which proper quorum was present.

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

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

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 Committee met on 05-11-2016 at which proper quorum was present.

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

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

Name, designation and address of Compliance Officer:

Mr. Thirumalesh Tumma
Company Secretary and Compliance Officer
SMS Pharmaceuticals Limited
Plot No.19-III, Road No.71, Opp. Bharatiya Vidya Public School,
Jubilee Hills, Hyderabad, Telanagana – 500033.
E-mail: complianceofficer@smspharma.com
Phone: + 91-40-6628 8888
Fax: + 91-40-2355 1401, 2355 1402
Website: www.smspharma.com

Investor Grievances

Details of investor complaints received and redressed during the year 2016- 17 are as follows

Opening Balance	Received during the year	Resolved during the year	Closing Balance
Nil	1	1	Nil

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.
2013-14	30 th September, 2014	11.00 A.M.	Jubilee Hills Club, Jubilee Hills, Hyderabad-500 033.	2
2014-15	29 th September, 2015	11.00 A.M.		1
2015-16	30 th September, 2016	11.00 A.M.		3

The Company had passed resolution via postal as well as by court convened meeting of shareholders during the financial year details of those given hereunder pursuant to the Schedule-V(C)(7)(c) of the SEBI Listing Regulations:

Details of the Procedure for the Resolution passed by shareholders through court convened meeting:

Pursuant to the provisions of Section 391 to 394 of the Companies Act, 1956 read with Section 100 to 103 of the said Act and other applicable provision of the Companies Act, 2013. The notice of the court convened meeting dated 15th November, 2016 had been dispatched to members on 25th November, 2016 for seeking their consent on the following Resolutions:

To approve the scheme of Arrangement between SMS Pharmaceuticals Limited (Transferor Company) with SMS Lifesciences India Limited (Transferee Company) and their respective shareholders and creditors.

Procedure:

The notice of court convened meeting along with necessary enclosures had been dispatched on Friday the 25th November 2016 by registered post. The Company has published a Newspaper advertisement on 26th November 2016 about dispatch of Notice of court convened meeting in Business Standard (English) and Andhra Bhoomi (Telugu).

The Company tied up with the Central Depository Services Limited (CDSL) for providing e-voting platform. The e-voting commenced on Tuesday from 9.00 a.m, on 13th December 2016 and closed at 5.00 p.m, on Friday 16th December, 2016. The votes cast through e-voting were unblocked on 17th December 2016.

The consolidated summary voting results:

Particulars	No. of equity shares	Percentage
Total Valid Votes polled	67397776	79.61
Votes with Assent for the Resolution	67393966	99.99
Votes with Assent for the Resolution	3810	0.01

Details of the Procedure for the Resolution passed through postal ballot :

Pursuant to Section 110 and other applicable provision of the Companies Act, 1956 read with Companies (Management and Administration) Rules, 2014, Regulation 44 and other applicable provision of SEBI(LODR) Regulations, 2015 and SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015. The notice of the postal ballot dated 15th November, 2016 had been dispatched among the members for seeking their consent on the following Resolutions:

To approve the scheme of Arrangement between SMS Pharmaceuticals Limited (Transferor Company) with SMS Lifesciences India Limited (Transferee Company) and their respective shareholders and creditors.

Procedure:

The notice of postal ballot along with necessary enclosures had been dispatched on 16th November 2016 by registered post.

The Company has published a Newspaper advertisement on 17th November 2016 in Business Standard (English) and Andhra Bhoomi (Telugu).

The Company tied up with the Central Depository Services Limited (CDSL) for providing e-voting platform. All postal ballot forms received and e-voting cast up to 5.00 pm on 16th December 2016 were considered for scrutiny.

The consolidated summary voting results:

Out of total member 16,421, Promoters, (20 in number) are holding 5,72,22,890 number of shares and public (16,401 in number) are holding 2,74,29,140 number of shares. The promoters have not participated in voting and votes cast by public shareholder only are considered.

Particulars	No. of equity shares	Percentage
Total Valid Votes polled	9893203	36.12
Votes with Assent for the Resolution	9889253	99.96
Votes with Assent for the Resolution	3950	0.04

MEANS OF COMMUNICATION

Quarterly Results:

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.

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:

29th Annual General Meeting

Day and Date : Wednesday, 27th September, 2017

Financial Year : 2016-2017

Time : 11.00 A.M.

Venue : Jubilee Hills International Center, (Jubilee Hills, Club), Hyderabad, Telanagana – 500033

As required under Regulation 36(3) of the SEBI Listing Regulations, particulars of Director seeking re-appointment at the forthcoming AGM are given herein and in the Annexure to the Notice of the AGM to be held on 27th September, 2017.

Date of book closure : 22nd September, 2017 to 27th September, 2017

Dividend Payment Date: The dividend, if declared, will be paid/credited on or after 3rd October, 2017.

Listing on Stock Exchange & Stock Code:

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

Listing Fees as applicable is paid.

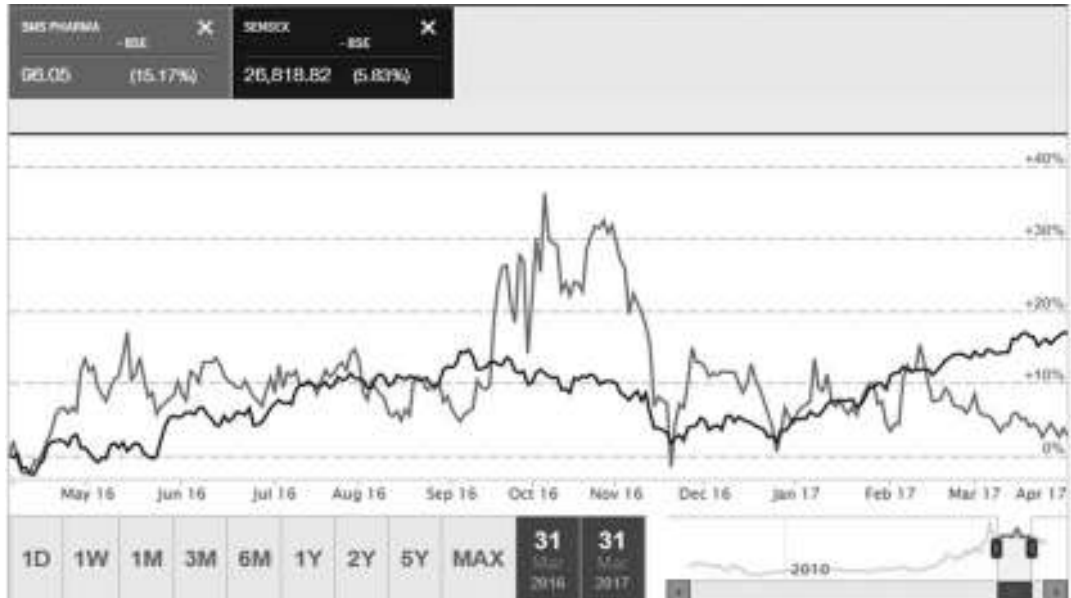
Stock market data: The Stock of the Company was listed in the Month February, 2007.

The table below shows the monthly high and low price on the NSE and BSE Limited during the year 2016-17.

Month	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2016	96.60	80.50	96.50	80.10
May, 2016	100.00	87.00	100.20	86.60
June, 2016	97.85	86.10	96.00	85.60
July, 2016	100.00	88.05	100.80	89.80
August, 2016	97.20	86.85	97.50	85.85
September, 2016	110.75	85.25	111.00	86.05
October, 2016	115.00	88.00	115.10	99.05
November, 2016	110.70	78.00	110.80	81.00
December, 2016	97.50	81.60	97.30	82.95
January, 2017	96.80	85.75	96.80	85.10
February, 2017	99.95	84.50	99.30	84.70
March, 2017	93.80	85.00	91.45	85.15

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

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

Share Transfer System

The Board in pursuant to regulation 40 of SEBI Listing Regulations had authorized Company Secretary and Company's Share Transfer Agent M/s Aarathi Consultants Private Limited to look into the transfer of securities on day to day basis and report the same as on Stakeholder's Relationship Committee Meeting or Board Meeting occurred. All Shares as & when received with proper documents transferred within Statutory Time limit.

Distribution of Equity Shareholding

The table below shows the distribution of shareholding of various groups as on 31st March, 2017.

Total Nominal Value Rs. 8,46,52,030 (Re.1/- Nominal & Paid Up Value of Each Share comprising total Number of Shares = 84652030).

Slab of shareholdings	Shareholders	%	No. of Shares	%
1 — 5000	16054	96.86	6752594	7.98
5001 — 10000	224	1.35	1812258	2.14
10001 — 20000	122	0.74	1887446	2.23
20001 — 30000	44	0.27	1091936	1.29
30001 — 40000	25	0.15	872609	1.03
40001 — 50000	17	0.10	771867	0.91
50001 — 100000	37	0.22	2715715	3.21
100001 and above	52	0.31	68747605	81.21
Total	16575	100.00	84652030	100.00

Pattern of shareholding as on 31st March, 2017

Sl. No.	Category of Shareholders	No. of Shareholders	No. of Shares
(A)	Shareholding of Promoter and Promoter Group	16	57222890
(B)	Public shareholding		
	B1) Institutions	0	0
	Mutual Funds/	0	0
	Financial Institutions/ Banks	2	62499
	Any Other (specify)		-
	Sub Total B1	2	62499
	B2) Central Government/ State Government(s)/ President of India	0	0

Sl. No.	Category of Shareholders	No. of Shareholders	No. of Shares
	B3) Non-Institutions	0	0
	Individual share capital upto Rs. 2 Lacs	16021	16809016
	Individual share capital in excess of Rs. 2 Lacs	6	4214296
	NBFCs registered with RBI	3	45440
	Any Other (specify)		
	Foreign Individuals or NRI – Reparable & Non Reparable	226	1817077
	Bodies Corporate	206	3179426
	Clearing Members	92	306543
	Overseas corporate bodies	1	992633
	Trust	1	1710
	Unclaimed Suspense	1	500
	Sub Total B3	16557	27366641
	Total Public Shareholding(B)=(B1 + B2 + B3)	16559	27429140
	TOTAL (A) + (B)	16575	84652030

Dematerialisation 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.

99.43 % of our equity shares representing 84172140 equity shares have been dematerialized as on 31st March, 2017.

The breakup as on 31st March, 2017 as follows:

Particulars	No. of Share	Percentage of shares
NSDL	4,44,37,573	52.49
CDSL	3,97,34,567	46.94
Total Demat Shares	8,41,72,140	99.43
Physical	4,79,890	0.57
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.

For Commodity price risk or foreign exchange risk and hedging activities please refer to Management Discussion and Analysis Report for the same.

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, 2017 the company does not have any outstanding GDRs/ ADRs/ Warrants or any convertible instruments.

OTHER DISCLOSURE:

Related party transactions

During the year under review no materially significant transactions entered into between the company and related parties as defined under Section 185 or 188 of the Companies Act, 2013 along with Regulation 23 of SEBI Listing Regulations; which might had/may have potential conflict with the interest at large of the Company. All the related party transaction for the year ended on 31st March, 2017 formed part of **AOC-2** annexed as **“Annexure – 5”** to the Board Report. Further the company was presented the related party transaction before the Audit Committee on quarterly basis and also before the Board. The “Policy on Related Party Transaction” hosted on the website of the Company at the following link:<http://www.smspharma.com/investors/downloads/policy-on-related-party-transactions.pdf>

Strictures and Penalties:

There was no non-compliance, penalties, strictures imposed on the Company during the last three financial years 2014-15, 2015-16 and 2016-17 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 instance 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>

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 2009-10, 2010-11, 2012-13, 2013-14, 2014-15 and 2015-16 are requested to claim the unpaid/unclaimed dividend from the Company before transfer to the fund.

Details of shares held in demat suspense account with HSE Securities Ltd. (IN302734-10034023) for the period from 01/04/2016 to 31/03/2017.

(i)	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year.	No. of shareholders No. of shares	: :	2 500
(ii)	Number of shareholders who approached issuer for transfer of shares from suspense account during the year.	No. of shareholders No. of shares	: :	- --
(iii)	Number of shareholders to whom shares were transferred from suspense account during the year.	No. of shareholders No. of shares	: :	-- --
(iv)	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year.	No. of shareholders No. of shares	: :	2 500
(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 : cs@smspharma.com

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

Manufacturing facilities :

Plot No.24 & 24 B and 36 & 37
S.V. Co.operative Industrial Estate
Bachupally, Ranga Reddy District
Hyderabad-500 090 Telangana State, India
Phone : 040-65986691
Email : admin_unit2@smspharma.com

Sy. No.160, 161, 163 to 167
Kandivalasa (V), Poosapatirega (M)
Vizianagaram District, Andhra Pradesh-535 204
Phone : 08922 0 308887 / 89
Fax : 08922 – 258052
Email : admin_unit7@smspharma.com

R&D Center :

Sy. No.186, 189 & 190, Gagillapur (V)
Qutubullapur (M), Ranga Reddy District
Hyderabad-500 043, Telangana State, India
Phone : 8374452494
Email : rnd@smspharma.com

By the order of the Board

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

Place: Hyderabad
Date: 11-08-2017

FORM NO. MGT 9
EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2017

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	L24239AP1987PLC008066
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:19-III, Road No:71, Jubilee Hills, Opp.Bharatiya Vidya Bhavan Public School, 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@aarthiconsultants.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

S. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
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 Ltd.	U24100TG2006PTC050221	Associate	40.26%	2(6)
2	*SMS Lifesciences India Ltd.	U74930TG2006PLC050223	Wholly owned subsidiary	100.00%	2(87)

* SMS Lifesciences India Limited ceased to be wholly owned subsidiary of the company pursuant to the Scheme of Arrangement.

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	48205430	-	48205430	56.95	51355470	-	51355470	60.67	3.72
b) Central Govt			-	-			-	-	-
c) State Govt(s)			-	-			-	-	-
d) Bodies Corp.	5867420	-	5867420	6.93	5867420	-	5867420	6.93	-
e) Banks / FI			-	-			-	-	-
f) Any other			-	-			-	-	-
Sub Total (A) (1)	54072850	-	54072850	63.88	57222890	-	57222890	67.60	3.72
(2) Foreign									
a) NRI Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Any other	-	-	-	-	-	-	-	-	-
Sub Total (A) (2)	-	-	-	-	-	-	-	-	-
TOTAL (A)	54072850	-	54072850	63.88	57222890	-	57222890	67.60	3.72
B. Public Shareholding									
I. Institutions									
a) Mutual Funds	178385	-	178385	0.21	-	-	-	-	(0.21)
b) Banks / FI	50486	-	50486	0.06	62499	-	62499	0.07	0.01
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-

g) FIs									
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	22292	-	22292	0.03	-	-	-	-	(0.03)
Sub-total (B)(1):-	251163	-	251163	0.30	62499	-	62499	0.07	(0.22)
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	3101587	1700	3103287	3.67	3177766	1660	3179426	3.76	0.09
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital up to Rs. 1 lakh	14463819	804830	15268649	18.04	7688654	225880	7914534	9.35	(8.69)
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	4450530	-	4450530	5.26	13108778	-	13108778	15.49	10.23
c) Others (specify)	-	-	-	-	-	-	-	-	-
NBFCs Registered with RBI					45440		45440	0.05	0.05
Unclaimed Suspense A/c	-	-	-	-	500	-	500	0	0
Non Resident Indians	1991211	2980	1994191	2.36	1815097	1980	1817077	2.15	(0.21)
Overseas Corporate Bodies	5239473	-	5239473	6.19	992633	-	992633	1.17	(5.02)
Foreign Nationals	-	-	-	-	-	-	-	-	-
Clearing Members	270177	-	270177	0.32	306543	-	306543	0.36	0.04
Trusts	-	1710	1710	0	-	1710	1710	0	0
Foreign Bodies - D R	-	-	-	-	-	-	-	-	-
Sub-total (B)(2):-	29516797	811220	30328017	35.83	27135411	231230	27366641	32.33	(3.5)
Total Public (B)	29767960	811220	30579180	36.12	27197910	231230	27429140	32.40	(3.72)
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	83840810	811220	84652030	100.00	84420800	231230	84652030	100.00	-

(ii) Shareholding of Promoter

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Hima Bindu Potluri	12373360	14.62	-	12373360	14.62	-	-
2	Ramesh Babu Potluri	11356960	13.42	-	14506960	17.14	-	3.72
3	T V V S N Murthy	8227000	9.72	-	8227000	9.72	-	-
4	*Potluri Infra Projects LLP	5860000	6.92	-	5860000	6.92	-	-
5	T Annapurna	4390340	5.19	-	4390340	5.19	-	-
6	T V V S N Murthy (HUF)	3981340	4.70	-	3981340	4.70	-	-
7	Gopineedi Sudeepthi	1750000	2.07	-	1750000	2.07	-	-
8	Vamsi Krishna Potluri	2030590	2.40	-	2030590	2.40	3.55	-
9	Trilok Potluri	1431340	1.69	-	1431340	1.69	-	-
10	T V Praveen	1295340	1.53	-	1295340	1.53	-	-
11	Satya Vani Potluru	756660	0.89	-	756660	0.89	-	-
12	Hari Kishore Potluri	430060	0.51	-	430060	0.51	-	-
13	P Suresh Babu	141440	0.17	-	141440	0.17	-	-
14	Sukumari Koneru	40000	0.05	-	40000	0.05	-	-
15	Rajeshwara Rao Gopineedi	1000	0.00	-	1040	0.00	-	-
16	Potluri Laboratories Private Limited.	7420	0.01	-	7420	0.01	-	-
	Total	54072850	63.89	-	57222890	67.60	3.55	3.72

* During the year M/s. Potluri Infra Projects Pvt Ltd has converted into LLP

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

SN	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			54072850	63.88		
	<u>Changes during the year</u>						
	Mr. Rajeshwara Rao Gopineedi	04-Nov-16	Purchase	40	0.00	54072890	
	Mr. Ramesh Babu Potluri	30-Sep-16	Purchase	3150000	3.72	57222890	
	At the end of the year					57222890	67.60

(iv) Shareholding Pattern of top ten Shareholders

(Other than Directors, Promoters and Holders of GDRs and ADRs):

SN	For each of the Top 10 shareholders	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	Gulf Pharmaceutical Industries						
	At the beginning of the year	1-Apr-16		5239473	6.19		
	Changes during the year	01- July-16	Transfer	(639473)	0.75	4600000	5.43
		29-July-16	Transfer	(117469)	0.14	4482531	5.30
		05-Aug-16	Transfer	(80001)	0.09	4402530	5.20
		19-Aug-16	Transfer	(259897)	0.31	4142633	4.89
		30-Sep-16	Transfer	(3150000)	3.72	992633	1.17
	At the end of the year	31-Mar-17				992633	1.17
2	Venkata Subbaraju Penmatsa						
	At the beginning of the year	1-Apr-16		1795000	2.12		
	Changes during the year	10-Feb-17	Transfer	(5,000)	0	1790000	2.11
	At the end of the year	31-Mar-17				1790000	2.11
3	Aniruddh Mundra						
	At the beginning of the year	01-Apr-16		1250000	1.48		
	Changes during the year	01-Apr-16	Transfer	(100)	0	1249900	1.48
		08-Apr-16	Transfer	(100000)	0.12	1149900	1.36
	At the end of the year	31-Mar-17				1149900	1.36
4	Vivek Mundra						
	At the beginning of the year	1-Apr-16		1020000	1.20		
	Changes during the year	24-Jun-16	Purchase	45,000	0.05	1065000	1.26
		30-Jun-16	Purchase	2063	0	1067063	1.26
		01-Jul-16	Purchase	90983	0.11	1158046	1.37
		08-Jul-16	Purchase	4788	0	1162834	1.37
	At the end of the year	31-Mar-17				1162834	1.37
5	Madhusudan Kela						
	At the beginning of the year	1-Apr-16		400000	0.47		
	Changes during the year	-					
	At the end of the year	31-Mar-17				400000	0.47



SMS
Pharmaceuticals Ltd.

SN	For each of the Top 10 shareholders	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
6	MEENA A KOTHARI						
	At the beginning of the year	1-Apr-16		400000	0.47		
	Changes during the year	29-April-16	Transfer	(13187)	0.01	386813	0.46
		06-May-16	Transfer	(8924)	0.01	377889	0.45
		13-May-16	Transfer	(178064)	0.21	199825	0.24
		03-Jun-16	Transfer	(37405)	0.04	162420	0.19
		10-Jun-16	Transfer	(16678)	0.01	145742	0.17
		1-Jul-16	Transfer	(5742)	0	140000	0.16
		29-Jul-16	Transfer	(11000)	0.01	129000	0.15
		26-Aug-16	Transfer	(15541)	0.01	113459	0.13
		02-Sep-16	Transfer	(3930)	0	109529	0.13
	At the end of the year	31-Mar-17				109529	0.13
7	Westend Propmart Private Limited						
	At the beginning of the year	1-Apr-16		380000	0.44		
	Changes during the year	-	-	-			
	At the end of the year	31-Mar-17				380000	0.45
8	ALPANA MUNDRA						
	At the beginning of the year	1-Apr-16		354170	0.41		
	Changes during the year						
	At the end of the year	31-Mar-17				354170	0.42
9	Securities Holdings India Private Limited						
	At the beginning of the year	1-Apr-16		346220	0.40		
	Changes during the year						
	At the end of the year	31-Mar-17				346220	0.41
10	Nannapaneni Durga Prasad Rao						
	At the beginning of the year	1-Apr-16		250360	0.29		
	Changes during the year	06-May-16	Transfer	(15000)	0.01	235360	0.28
		13-May-16	Purchase	14869	0.01	250229	0.30
		20-May-16	Purchase	5131	0	255360	0.30
		01-July-16	Transfer	(13027)	0.01	242333	0.29
		22-July-16	Transfer	(10355)	0.01	231978	0.27
		19-Aug-16	Transfer	(5000)	0	226978	0.27

SN	For each of the Top 10 shareholders	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
		16-Sep-16	Transfer	(3514)	0	223464	0.26
		24-Sep-16	Transfer	(35000)	0.04	188464	0.22
		30-Sep-16	Transfer	(11080)	0.01	177384	0.21
	At the end of the year	31-Mar-17				177384	0.21

(v) Shareholding of Directors and Key Managerial Personnel:

SN	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	Mr. Ramesh Babu Potluri						
	At the beginning of the year	1-Apr-16		11356960	13.42	-	-
	Changes during the year	30-Sep-16	Purchase	3150000	3.72	14506960	17.14
	At the end of the year	31-Mar-17				14506960	17.14
2	Mr. TVVSN Murthy						
	At the beginning of the year	1-Apr-16		8227000	9.72	-	-
	Changes during the year			-	-	-	-
	At the end of the year	31-Mar-17				8227000	9.72
3	Mr. Sarath Kumar Pakalapaty						
	At the beginning of the year	1-Apr-16		85000	0.10	-	-
	Changes during the year			-	-	-	-
	At the end of the year	31-Mar-17				85000	0.10

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment. (Amt. INR)				
Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	19,986.15	429.94	-	20,416.09
ii) Interest due but not paid				
iii) Interest accrued but not due	54.39			54.39
Total (i+ii+iii)	20,040.54	429.94	-	20,470.48
Change in Indebtedness during the financial year				
* Addition				
* Reduction				
i) Principal Amount	5,156.82	309.94	-	5466.76
ii) Interest due but not paid				
iii) Interest accrued but not due	37.64			37.64

Net Change	5194.46	309.94	-	5504.4
Indebtedness at the end of the financial year				
i) Principal Amount	14,829.33	120.00		14,949.33
ii) Interest due but not paid				
iii) Interest accrued but not due	16.75	-		16.75
Total (i+ii+iii)	14,846.08	120.00	-	14,966.08

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
		Mr. Ramesh Babu Potluri	Mr. TVVSN Murthy	
	Name	Chairman	Vice Chairman	
	Designation			
1	Gross salary	In lacs	In lacs	In lacs
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	132.00	132.00	264.00
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	4.83	2.86	7.69
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
	Commission			
4	- as % of profit	92.24	92.24	184.48
	- others, specify			-
5	Others, please specify			-
	Total (A)	229.07	227.10	456.17
	Overall Ceiling as per the Act			461.19

B. Remuneration to other Directors

S N.	Particulars of Remuneration	Name of Directors				Total Amount (INR)
		Sri. P Venkata Subba Rao	Dr. Mihir K. Chaudhuri	Sri. P. Sarath Kumar	Dr. (Mrs. T. Neelaveni	
1	Independent Directors					
	Fee for attending board committee meetings	1.21	0.06	2.21	1.36	4.83
	Commission	-	-	-	-	-
	Others, please specify	-	-	-	-	-
	Total (1)	1.21	0.06	2.21	1.36	4.83



SMS
Pharmaceuticals Ltd.

S N.	Particulars of Remuneration	Name of Directors				Total Amount (INR)
		Exim Bank (Sri. Utpal Gokhale Nominee Director)	Dr. Ayman Sahli Nominee Director of M/s. Gulf Pharmaceuticals			
2	Other Non-Executive Directors					-
	Fee for attending board committee meetings	0.56	-			0.56
	Commission					-
	Others, please specify					-
	Total (2)	0.56	-	-	-	0.56
	Total (B)=(1 + 2)	1.76	0.05	2.21	1.36	5.39
	Total Managerial Remuneration					461.56
	Overall Ceiling as per the Act					507.31

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

SN.	Particulars of Remuneration	Name of Key Managerial Personnel				Total Amount (Rs)
		CEO	CFO	CS		
	Designation					
	Name	N.A.	Mr. N. Rajendra Prasad	*Saurav Roy Upto 15 th October 2016	**Thirumalesh Thumma- From 17 th October 2016	
1	Gross salary		13.53	2.01	2.51	18.05
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961		-	-	-	-
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961		-	-	-	-
2	Stock Option		-	-	-	-
3	Sweat Equity		-	-	-	-
	Commission		-	-	-	-
4	- as % of profit		-	-	-	-
	- others, specify		-	-	-	-
5	Others, please specify					-
	Total		- 13.53	2.01	2.51	18.05

* Mr. Saurav Roy resigned as Company Secretary with effect from 15th October 2016.

** Mr. Thirumalesh Thumma joined as Company Secretary with effect from 17th October 2016.

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

By the order of the Board

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

Place: Hyderabad
Date: 11-08-2017

ANNUAL REPORT ON CSR ACTIVITIES

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

1	A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs	The Company shall carry its normal business in a manner that is beneficial to society & environment also in addition to propagation of business. For SMS Pharmaceutical Limited, Corporate Social Responsibility (CSR) means having business policies that are ethical, equitable, environmentally conscious, gender sensitive and sensitive towards the differently abled. We are working: i. Promoting preventive health care, sanitation making available for safe drinking water. ii. Education and rural development and related activities.		
2	The Composition of the CSR Committee	Mr. Ramesh Babu Potluri	Executive Director	Chairperson
		Mr. P.S. Rao	Non- Executive & Independent Director	Member
		Mr. P. Sarath Kumar	Non- Executive & Independent Director	Member
3	Average net profit of the company for last three financial years	Rs. 5211.15 Lakhs		
4	Prescribed CSR Expenditure (two per cent. of the amount as in item 3 above)	Rs. 104.22 Lakhs		
5	Details of CSR spent during the financial year			
	(a) Total amount to be spent for the financial year	Rs. 29.01 Lakhs		
	(b) Amount unspent, if any	Rs. 75.21		

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

S. No.	CSR project or activity identified	sector in which the project is covered	Location of Project or Programme	Amount outlay (budget) project wise (Rs in Lakhs)	Amount spent on the projects or programs Sub heads: (1)Direct expenditure (2) Overheads (Rs in Lakhs)	Cumulative -expenditure upto to the reporting period (Rs in Lakhs)	Amount spent Direct or through implementing agency
(i).	Donation of sewage removing hydrolic truck	Health care and sanitation	Elamanchili Gram Panchayat, West Godhavari Dist., Andhra Pradesh	6.00	Direct Expenditure Rs.6.00 Lakhs	6.00	Direct



S. No.	CSR project or activity identified	sector in which the project is covered	Location of Project or Programme	Amount outlay (budget) project wise (Rs in Lakhs)	Amount spent on the projects or programs Sub heads: (1)Direct expenditure (2) Overheads (Rs in Lakhs)	Cumulative -expenditure upto to the reporting period (Rs in Lakhs)	Amount spent Direct or through implementing agency
(ii).	Support for open heart surgery program for children at Govt. General Hospital Guntur, Andhra Pradesh and heart and lung transplantation programme	Health Care	Guntur Dist., Andhra Pradesh	10.00	Through Sahrudaya Health, Medical and Educational Trust Rs.10.00 Lakhs	10.00	Through Sahrudaya Health, Medical and Educational Trust
(iii)	Donation to Vidhya Vahini programme for Promotion of education	Pomotion of Education,	Utnoor, Adilabad Dist., Telangana	10.00	Through Ekalavya Foundation Rs.10.00 Lakhs	10.00	Through Elalavya Foundation
(iv)	Supporting for supply safe drinking water, drilling of bore wells	Safe Drinking water, sanitation	Kandivalasa Village, Vijayanagaram Dist, Andhra Pradesh	3.01	Direct Expenditure Rs.3.00 Lakhs	3.01	Direct
	TOTAL			29.01	29.01	29.01	-

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

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

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

By the order of the Board

Ramesh Babu Potluri

Chairman & Managing Director
(DIN:00166381)

Place: Hyderabad

Date: 11-08-2017

Annexure-9

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

NAME	DESIGNATION	Remuneration for FY 2016-17	% increase in remuneration during FY 2016-17	Ratio of remuneration of each director to the median remuneration of employees
Mr. P. Ramesh Babu	Executive Director (Chairman & Managing Director)	229.07	18.76	1:104
Mr. TVSN Murthy	Executive Director (Vice Chairman & Joint Managing Director)	227.10	18.67	1:104
Dr. Mihir K. Chaudhuri	Non-Executive & Independent Director	-	-	-
Sri P. Sarath Kumar	Non-Executive & Independent Director	-	-	-
Dr. T. Neelaveni	Non-Executive & Independent Director	-	-	-
Mr. P. S. Rao	Non-Executive & Independent Director	-	-	-
Dr. Ayman Sahli	Non-Executive & Nominee Director	-	-	-
Mr. Utpal Gokhale	Non-Executive & Nominee Director	-	-	-
Mr. Nadella Rajendra Prasad	Chief Financial Officer	13.53	5.16	NA
Mr. Thirumalesh Tumma*	Company Secretary	2.51	NA	NA
Mr. Saurav Roy**	Company Secretary	2.01	NA	NA

Note: * Mr. Thirumalesh Tumma, joined as Company Secretary with effect from 17th October 2016.

** Mr. Saurav Roy resigned as Company Secretary with effect from 15th October 2016.

1. The average percentage increase in remuneration of directors is 18.71 %, the average percentage increase in remuneration of CFO is 5.16%.
2. The average percentage increase in remuneration of employees except Directors & KMPs is 16.31%.
3. The Change in median remuneration of employees 21.94 %.
4. At the year end the company had 1079 employees directly employed.
5. Remuneration paid to the Managerial Personnel is as per remuneration policy of the Company.

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

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

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

CONSERVATION OF ENERGY

The Company had taken initiatives to reduce power consumption in all production blocks by fixing of LED Bulbs in place of CFL Bulbs and other measures are taken to reduce energy consumption by using energy efficient equipment's. The company regularly reviews power consumption patterns across all locations and implement requisite improvements/changes in the process in order to optimize power consumption, further the company is identifying cheaper power sources both in-house and external and utilizing alternative sources of energy. The Company has taken initiative of steam condensate recovery from all blocks to boiler, it reduce the consumption of coal & fresh water.

TECHNOLOGY ABSORPTION

1. Efforts in brief, made towards technology absorption:

The Company is focused on has its own full-fledged R&D centre, continues to build technological self-reliance by promoting in house research, innovation and creativity to design, develop and upgrade its product pipeline continuously and supported with analyst, support staff and ancillary facilities which has been developing and improving Processes for manufacture of new and existing Active Pharmaceutical Ingredients and drug intermediates. No technology absorption is involved however the company has continuously engaged in research on new products and process improvement on existing products as part of continuous improvement to reduce cost and make the existing processes more eco-friendly. The efforts are aimed at developing zero effluent manufacturing facilities. As soon as the development of technology, the same shall be transferred to the manufacturing sites for commercial production.

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

- a. The company has started two molecules in R&D to reduce the cost reduction.
- b. Development of new products.
- c. During the year the Company's four patents and two research papers were published.
- d. A large part of our external API sales is to the regulated markets of US / Europe, and earns valuable foreign exchange, as also a reputation for quality and dependability.

3. R&D Expenditure :

The details of expenditure incurred in R&D center of the company for the FY 2016-17 refer Note No.34 of Notes to Financial Statements.

4. Foreign Exchange earnings and outgo :

The Foreign exchange earned in terms of actual inflows during the year and the foreign exchange outflow during the year in terms of actual outflows, please refer Note No. 33, 40 and 41 of Notes to Financial Statements.

By the order of the Board

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

Place: Hyderabad
Date: 11-08-2017

Form No. MR-3
SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

[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 , 2017 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, 2017 according to the provisions of:

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

- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (**not Applicable to the Company during the Audit Period**); and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (**not Applicable to the Company during the Audit Period**);
 - (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- (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 also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India; and
- (ii) The Listing Agreements entered by the Company with BSE Limited and National Stock Exchange of India Limited.

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.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc., as mentioned above except the provisions in relation to Section 135 of the Companies Act, 2013 relating to the Corporate Social Responsibility (CSR). The Company has failed to spend at least 2% of the average net profits of the Company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.

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 at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

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

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 the semi-regulated units of the Company were demerged and transferred to SMS Lifesciences India Limited with effect from 01-04-2016 (appointed date) vide order dated 15-05-2017 of the National Company Law Tribunal, which is having major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines and standards.

For **SVVS & Associates**
Company Secretaries LLP

Place: Hyderabad
Date: 30-05-2017

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

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

ANNEXURE

The Members

SMS Pharmaceuticals Limited

Hyderabad

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

For **SVVS & Associates**
Company Secretaries LLP

Place: Hyderabad
Date: 30-05-2017

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

COMPLIANCE CERTIFICATE

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

- A) We have reviewed Annual audited financial statements and cash flow statement for the year ended 31st March, 2017 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, 2017 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

N. Rajendra Prasad
Chief Financial Officer

Place: Hyderabad
Date: 30.05.2017

For SMS Pharmaceuticals Limited

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

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members
SMS Pharmaceuticals Limited
Hyderabad.

We have examined the compliance of conditions of Corporate Governance by SMS Pharmaceuticals Limited ('the Company') for the year ended 31st March 2017, as per the relevant provisions of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') as referred to in Regulation 15(2) of the Listing Regulations for the period 01st April, 2016 to 31st March, 2017.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company had complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Regulations, as applicable.

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

for **RAMBABU & Co.,**
Chartered Accountants
FRN: 002976S

Ravi Rambabu
Partner
M.No.018541

Place: Hyderabad
Date: 11-08-2017

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, 2017 as envisaged in Listing Regulations.

For SMS Pharmaceuticals Limited

Place: Hyderabad
Date: 30-05-2017

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



Pharmaceuticals Ltd.

Standalone Financial Statements 2016-17

Independent Auditor's Report

To
The Members of
SMS PHARMACEUTICALS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **SMS PHARMACEUTICALS LIMITED** (“**the Company**”) which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (“the Act”) with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under and the Order under Section 143(11) of the Act.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. 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. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the 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, 2017, and its Profit and its Cash Flow for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "**Annexure A**" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. 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 Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - e. On the basis of written representations received from the directors as on March 31, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 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 Company and the operating effectiveness of such controls, refer to our separate Report in "**Annexure B**".
 - g. 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 2017 on its financial position in its financial statements as referred to in note 30, 31, and 32 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. The Company has been regular in transferring amounts to the Investor Education and Protection Fund in accordance with the relevant provisions of the Companies Act, 2013 and the Rules made there under.
 - iv. The Company has provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 and these are in accordance with the books of accounts maintained by the Company. Refer to Note 2.27 to the financial statements.

for **RAMBABU & Co.**,
Chartered Accountants
FRN: 002976S

Ravi Rambabu
Partner
M.No.018541

Place: Hyderabad
Date: 30-05-2017

“Annexure A” to the Independent Auditors’ Report

Referred to in paragraph I under the heading ‘Report on Other Legal & Regulatory Requirement’ of our report of even date to the financial statements of the Company for the year ended March 31, 2017:

- i) 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.
- ii) In respect of Inventories:
 - a) As explained to us the inventories except goods in transit and stocks lying with third parties 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.
- iii) 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.
- iv) 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.
- v) 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.
- vi) 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.
- vii) 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 has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income-Tax, Sales tax, Service Tax, Duty of Customs, Duty of Excise, Value added Tax, Cess 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, 2017 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.
 - c) The Company has been regular in transferring amounts to the Investor Education and Protection Fund in accordance with the relevant provisions of the Companies Act 2013 and the Rules made there under.
- viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks. The Company has not issued any debentures.
- ix) 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.
- x) 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.
- xi) 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, 2013.
- xii) 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.
- xiii) In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.
- xiv) 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.
- xv) 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.
- xvi) 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 **RAMBABU & Co.,**
Chartered Accountants
FRN: 002976S

Place: Hyderabad
Date: 30-05-2017

Ravi Rambabu
Partner
M.No.018541

“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, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management 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 judgement, 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, 2017, 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 **RAMBABU & Co.,**
Chartered Accountants
FRN: 002976S

Place: Hyderabad
Date: 30-05-2017

Ravi Rambabu
Partner
M.No.018541



SMS
Pharmaceuticals Ltd.

Balance Sheet as at 31st March, 2017

(Amount: ₹ in Lakhs)

Sl. No	Particulars	Note No.	As at 31.03.2017	As at 31.03.2016
I	EQUITY AND LIABILITIES			
1	Shareholders' Funds			
	(a) Share Capital	1	846.52	846.52
	(b) Reserves & Surplus	2	25,323.70	28,589.63
			<u>26,170.22</u>	<u>29,436.15</u>
2	Non-Current Liabilities			
	(a) Long Term Borrowings	3	7,457.50	11,322.50
	(b) Deferred Tax Liability	4	4,069.80	4,490.03
	(c) Long Term Provisions	5	188.52	343.38
			<u>11,715.82</u>	<u>16,155.91</u>
3	Current Liabilities			
	(a) Short Term Borrowings	6	5,975.96	7,274.74
	(b) Trade Payables	7	6,693.29	8,440.29
	(c) Other Current Liabilities	8	1,906.89	4,037.40
	(d) Short Term Provisions	9	69.30	290.11
			<u>14,645.44</u>	<u>20,042.54</u>
	TOTAL		<u>52,531.48</u>	<u>65,634.60</u>
II	ASSETS			
1	Non Current Assets			
	(a) Fixed Assets	10		
	(i) Tangible Assets		29,003.69	36,994.95
	(ii) Intangible Assets		41.60	40.23
	(iii) Capital Work In Progress		1,081.06	1,279.89
	(b) Non Current Investments	11	3,698.38	2,126.90
	(c) Long Term Loans & Advances	12	355.14	437.40
			<u>34,179.87</u>	<u>40,879.37</u>
2	Current Assets			
	(a) Inventories	13	9,251.93	11,268.37
	(b) Trade Receivables	14	2,171.62	6,108.77
	(c) Cash and Bank Balances	15	1,426.58	1,508.24
	(d) Short Term Loans & Advances	16	2,536.41	2,251.97
	(e) Other Current Assets	17	2,965.07	3,617.88
			<u>18,351.61</u>	<u>24,755.23</u>
	TOTAL		<u>52,531.48</u>	<u>65,634.60</u>
	Significant Accounting Policies	30		

SMS LifeSciences India Limited has become Wholly Owned Subsidiary (WOS) of the Company w.e.f. 01-04-2016 and the Company has demerged its Semi Regulatory Units and transferred the same to the said WOS w.e.f. 01-04-2016 vide NCLT Order dated 15-05-2017.

The notes referred to above form an integral part of these Financial Statements

as per our report of even date

for and on behalf of the Board

for RAMBABU & CO.,
Chartered Accountants
FRN : 002976S

RAMESH BABU POTLURI
Chairman and
Managing Director

TVVSN MURTHY
Vice Chairman and
Joint Managing Director

RAVI RAMBABU
Partner
M.No.18541

T THIRUMALES
Company Secretary

N RAJENDRA PRASAD
Chief Financial Officer

Place : Hyderabad
Date : 30-05-2017

Statement of Profit and Loss for the year ended 31st March, 2017

(Amount: ₹ in Lakhs)

Sl. No	Particulars	Note No.	Current Year 2016-17	Previous Year 2015-16
1	Revenue from operations	18	43,782.95	60,319.34
2	Other Income	19	142.71	360.79
3	Total Revenue (1+2)		43,925.66	60,680.13
4	Expenses :			
	Cost of Materials Consumed	20	32,502.87	39,945.32
	Changes in Inventories	21	(2,918.27)	(963.93)
	Employee Benefit Expenses	22	2,705.11	3,811.31
	Finance Cost	23	1,538.66	1,709.81
	Depreciation and Amortisation	10	1,917.72	1,943.30
	Other Expenses	24	4,023.84	8,607.08
	Total Expenses		39,769.93	55,052.89
5	Profit / (Loss) before Tax		4,155.73	5,627.24
6	Tax Expenses			
	(a) Current Tax Expenses (MAT)		900.00	1,225.00
	(b) Tax Expenses for Earlier Years		(8.94)	7.75
	(c) Deferred Tax		633.30	917.22
	(d) MAT Credit Entitlement		(193.11)	(686.65)
	(e) MAT Credit Entitlement for Earlier Years		(727.94)	-
	Sub Total		603.31	1,463.32
7	Profit after Tax (5-6)		3,552.42	4,163.92
8	Earnings Per Share	25		
	(1) Basic and Diluted (Amount in ₹)		4.20	4.92
	Significant Accounting Policies	30		

The notes referred to above form an integral part of these Financial Statements as per our report of even date

for and on behalf of the Board

for RAMBABU & CO.,
Chartered Accountants
FRN : 002976S

RAMESH BABU POTLURI
Chairman and
Managing Director

TVVSN MURTHY
Vice Chairman and
Joint Managing Director

RAVI RAMBABU
Partner
M.No.18541

T THIRUMALES
Company Secretary

N RAJENDRA PRASAD
Chief Financial Officer

Place : Hyderabad
Date : 30-05-2017

Cash Flow Statement for the Year ended 31st March, 2017

(Amount: ₹ in Lakhs)

S I. No	Particulars	Current Year 2016-17	Previous Year 2015-16
A	Cash Flows from Operating Activities :		
	Net Profit Before Tax	4,155.73	5,627.24
	Add: Loss from sale of assets	-	4.94
	Add : Depreciation	1,917.72	1,943.30
	Add : Interest on Term Loans	1,203.70	810.04
	Add: Bad Debts written off	2.96	55.94
	Add: Retirement Benefits	12.80	-
	Add: Bonus	37.28	-
	Operating Profit before working capital changes	7,330.19	8,441.46
	Adjustment for:		
	Trade Receivables	(53.27)	(244.55)
	Inventories	(2,167.12)	(2,666.32)
	Loans and Advances & Other Assets	80.96	295.81
	Other Current Assets	(24.89)	358.01
	Trade Payables	3,511.71	2,394.64
	Other Current Liabilities	(439.55)	827.14
	Short term provisions	(27.85)	(1,081.80)
		879.99	(117.07)
	Cash Generated From Operating activities	8,210.18	8,324.39
	Income Tax Paid	(821.54)	(2,202.40)
	Net cash from operating activities “ A “	7,388.64	6,121.99
B	Cash Flows from Investing activities :		
	Purchase of fixed assets	(2,320.50)	(8,878.69)
	Proceeds from sale of fixed assets	-	11.21
	Margin Money Deposits Made	(40.68)	-
	Investment in Equity Shares	(1,575.59)	(804.09)
	Net cash used in investing activities “ B “	(3,936.77)	(9,671.57)

Cash Flow Statement (Contd...)

(Amount: ₹ in Lakhs)

SI. No	Particulars	Current Year 2016-17	Previous Year 2015-16
C	Cash Flows from Financing activities :		
	Proceeds from long term borrowings	-	4,956.03
	Proceeds from Short term borrowings	1,498.13	290.19
	Repayment of Long Term borrowings	(1,137.29)	(1,495.21)
	Repayment of Short term borrowings	(2,263.29)	(48.27)
	Interest Paid	(1,213.21)	(833.73)
	Dividend paid	(203.77)	(203.77)
	Net Cash used in Financing Activities “ C “	(3,319.43)	2,665.24
	Net (Decrease) / Increase in Cash and Cash Equivalents (A+B+C)	132.44	884.34
	Cash and Cash Equivalents at the beginning of the Year	1,125.10	240.76
	Less: Cash / Cash Equivalents transferred to resulting Company in pursuance of Demerger Scheme	29.01	
	Cash and Cash Equivalents at the end of the Year	1,228.53	1,125.10

The notes referred to above, form an integral part of these Financial Statements

as per our report of even date

for RAMBABU & CO.,
Chartered Accountants
FRN : 002976S

RAVI RAMBABU
Partner
M.No.18541

Place : Hyderabad
Date : 30-05-2017

for and on behalf of the Board

RAMESH BABU POTLURI
Chairman and
Managing Director

T THIRUMALESH
Company Secretary

TVVSN MURTHY
Vice Chairman and
Joint Managing Director

N RAJENDRA PRASAD
Chief Financial Officer

Notes Forming Part of the Financial Statements

Note No.1 Share Capital :

Particulars	As at 31.03.2017		As at 31.03.2016	
	No. of Shares	Amount ₹ in Lakhs	No. of Shares	Amount ₹ in Lakhs
Authorised Share Capital				
Equity Shares of ₹ 1/- (Previous year ₹ 1/-) each	120,000,000	1,200.00	120,000,000	1,200.00
	120,000,000	1,200.00	120,000,000	1,200.00
Issued, Subscribed & Paid Up				
Equity Shares of ₹ 1/- (Previous year ₹ 1/-) each	84,652,030	846.52	84,652,030	846.52
TOTAL	84,652,030	846.52	84,652,030	846.52

I.1 Details of share holders holding more than 5% shares in the Company :

Name of the share holder	As at 31.03.2017		As at 31.03.2016	
	No of Shares	% held	No of Shares	% held
Hima Bindu Potluri	12,373,360	14.62	12,373,360	14.62
Ramesh Babu Potluri	14,506,960	17.14	11,356,960	13.42
TVVSN Murthy	8,227,000	9.72	8,227,000	9.72
Potluri Infra Projects LLP	5,860,000	6.92	5,860,000	6.92
T Annapurna	4,390,340	5.19	4,390,340	5.19
Gulf Pharmaceutical Industries	992,633	1.17	5,239,473	6.19

I.2 Reconciliation of the No. of Shares Outstanding is set out below :

Particulars	No of shares	
	As at 31.03.2017	As at 31.03.2016
Equity Shares at the beginning of the year ₹ 1/- each (Previous year ₹ 10/- each)	84,652,030	8,465,203
Sub-Division (The face value of ₹ 10/- each in to face value of ₹ 1/- each)	-	76,186,827
Equity Shares at the end of the year ₹ 1/- each (Previous year ₹ 1/- each)	84,652,030	84,652,030

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	As at 31.03.2017	As at 31.03.2016
2 Reserves and Surplus		
a. Securities Premium Account	6,981.84	6,981.84
b. Capital Redemption Reserve	155.00	155.00
c. General Reserve		
At the Commencement of the Year	3,305.28	9,123.63
(-) Deletions during the year	-	-
(+) Transfer from Statement of Profit and Loss	1,000.00	1,000.00
At the end of the year	4,305.28	10,123.63
2.1 Out of the above opening balance, an amount of ₹ 6,818.35 Lakhs was transferred to M/s. SMS Lifesciences India Limited, a wholly owned subsidiary, in pursuance of the Demerger Scheme.		
d. Surplus Balance in Profit and Loss Statement		
At the Commencement of the Year	11,329.16	8,369.01
Add : Profit for the Year	3,552.42	4,163.92
	14,881.58	12,532.93
Less:		
Provision for Proposed Dividend on Equity Shares	-	169.30
Corporate Dividend Tax on Above	-	34.47
Transfer to General Reserve	1,000.00	1,000.00
At the end of the Year	13,881.58	11,329.16
TOTAL	25,323.70	28,589.63

- 2.2 The Board of Directors have recommended to the share holders, in their meeting held on 30.05.2017, for payment of dividend @ ₹ 0.20/- (20%) for equity share of ₹ 1/- each. As per revised AS-4 i.e "Contingencies and Events Occurring after the Balance Sheet Date" liability for dividend shall not be recognised as a liability at the balance sheet date. Hence the Company has not made the provision for this.



Pharmaceuticals Ltd.

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

	As at 31.03.2017		As at 31.03.2016	
	Current Maturities	Non Current Portion	Current Maturities	Non Current Portion
3 Long Term Borrowings				
3.1 i) Secured (Term Loans)				
a) State Bank of India				
Term loan - II	850.00	637.50	850.00	1,487.50
b) Export Import Bank of India				
Term Loan - II	-	-	600.00	2,100.00
c) IDBI Bank Ltd	600.00	6,700.00	200.00	7,300.00
d) Hire Purchase Loans- Vehicles	65.87	-	103.37	70.54
	1,515.87	7,337.50	1,753.37	10,958.04
3.2 ii) Unsecured				
Sales Tax Deferment Loan	-	-	65.48	244.46
D S I R Assistance	-	120.00	-	120.00
	-	120.00	65.48	364.46
TOTAL	1,515.87	7,457.50	1,818.85	11,322.50

3.1.1 Exim Bank Term Loan Balance of ₹ 2,100.00 Lakhs as on 01-04-2016 was transferred to M/s. SMS LifeSciences India Limited, a Wholly Owned Subsidiary, in pursuance of the Demerger Scheme.

3.1.2 Term Loans availed from State Bank of India and IDBI bank are secured by first charge on pari-passu basis of all movable and immovable fixed assets both present and future and second charge on pari-passu basis of all current assets both present and future and guaranteed by Sri P Ramesh Babu, Chairman and Managing Director and Sri TVVSN Murthy, Vice Chairman and Joint Managing Director of the Company in their personal capacities.

3.1.3 Term Loans along with working capital facilities sanctioned by State Bank of India are having the following additional security apart from the details of security mentioned supra.

- i) Equitable mortgage of commercial flat No 416 admeasuring 618 Sq.ft, situated in Nilgiri Block, Aditya Enclave, Ameerpet, Hyderabad, along with undivided share of land of 25 sq. yds., belonging to M/s. Potluri Laboratories Pvt. Ltd (formally Known as Hima Farms Pvt Ltd) in which Spouse of Sri P Ramesh Babu, Chairman and Managing Director of the Company, is a director.
- ii) Equitable mortgage of Agricultural land admeasuring 3.65 acres situated in Yalamanchili Village of West Godavari district, Andhra Pradesh belonging to Sri TVVSN Murthy, Vice Chairman and Joint Managing Director of the Company.
- iii) Corporate Guarantee by M/s. Potluri Laboratories Pvt Ltd (formerly Known as Hima Farms Pvt Ltd) to the extent of collateral security extended by them.
- iv) Personal Guarantee by Smt. T Annapurna, spouse of Sri TVVSN Murthy, Vice Chairman and Joint Managing Director of the Company.

Notes Forming Part of the Financial Statements

3.1.4 Hire Purchase Loan from ICICI Bank Ltd outstanding as on 01-04-2016 of ₹ 4.67 Lakhs was transferred to M/s SMS LifeSciences India Limited, a Wholly Owned Subsidiary, in pursuance of the Demerger Scheme.

3.1.5 Hire Purchase Loans from BMW India Financial Services Pvt Ltd and Daimler Financial Services Pvt Ltd are secured by the respective vehicles on which loan availed.

3.1.6 Terms of Repayment

- a) Term Loan II availed from State Bank of India for an amount of ₹ 4,250.00 Lakhs is repayable in 20 Quarterly Installments of ₹ 212.50 Lakhs each, commenced from June, 2014. The loan carries interest rate of 11.65% p.a
- b) The loan availed from IDBI Bank amounting to ₹ 7,500 Lakhs for funding the Expansion Project of Kandivalasa unit. The loan carries interest rate of 12.50% p.a The loan is repayable in 24 Quarterly Installments commencing from December, 2016, as mentioned below.

First 4 Quarters	₹ 100 Lakhs each
Next 4 Quarters	₹ 200 Lakhs each
Next 4 Quarters	₹ 300 Lakhs each
Next 4 Quarters	₹ 400 Lakhs each
Next 4 Quarters	₹ 425 Lakhs each
Next 4 Quarters	₹ 450 Lakhs each

3.1.7 Current Maturities of Long Term borrowings have been disclosed separately under the head other current liabilities (Refer Note No.3)

3.2.1 Sales Tax Deferment outstanding as on 01-04-2016 of ₹ 244.46 Lakhs was transferred to M/s. SMS LifeSciences India Limited, a Wholly Owned Subsidiary, in pursuance of the Demerger Scheme.

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

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

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	As at 31.03.2017	As at 31.03.2016
4 Deferred Tax Liability		
Opening Deferred Tax Liability	3,436.50	3,572.81
Add / Less : for the Year	633.30	917.22
Closing Deferred Tax Liability	4,069.80	4,490.03
Details for the deferred tax liability are as furnished below :		
4.1	Deferred Tax Liability amount of ₹ 1,053.54 Lakhs was transferred to M/s. SMS LifeSciences India Limited, a Wholly Owned Subsidiary, in pursuance of Demerger Scheme and the same was adjusted against the opening balance of ₹ 4,490.03 Lakhs.	
(A) Deferred Tax Liability:		
Depreciation on Assets	4,168.76	4,608.87
Sub Total	4,168.76	4,608.87
(B) Deferred Tax Asset:		
On timing differences		
Provision for Gratuity, Leave Encashment and Bonus	89.23	118.84
Others	9.73	-
Sub Total	98.96	118.84
Net Deferred Tax Liability (A-B)	4,069.80	4,490.03
5 Long Term Provisions		
Provision for employee benefits (refer note no.35)		
Provision for Gratuity to the extent of unfunded	122.82	231.74
Provision for leave encashment - Unfunded	65.70	111.64
TOTAL	188.52	343.38

- 5.1 Out of Provision for Gratuity and Leave Encashment of ₹ 343.38 Lakhs outstanding as on 01-04-2016, an amount of ₹ 118.91 Lakhs and ₹ 48.75 Lakhs respectively were transferred to M/s. SMS LifeSciences India Limited, a Wholly Owned Subsidiary, in pursuance of the Demerger Scheme.

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	As at 31.03.2017	As at 31.03.2016
6 Short Term Borrowings		
6.1 i) Secured		
(Working Capital Facilities)		
a) State Bank of India		
Cash Credit	2,522.93	1,695.72
Stand by Loan	809.57	1,799.39
Bills Discounting - Export	48.76	540.83
Export Packing Credit	1,096.56	2,445.01
b) IDBI Bank Ltd		
Cash Credit / EPC	0.01	793.79
c) RBL Bank		
Cash Credit	1,498.13	-
TOTAL	5,975.96	7,274.74

6.1.1 Out of opening balance of Bill Discounting of ₹ 540.83 Lakhs, an amount of ₹ 533.63 Lakhs was transferred to M/s. SMS LifeSciences India Limited, a Wholly Owned Subsidiary, in pursuance of the Demerger Scheme.

6.1.2 (a) Working capital facilities sanctioned by State Bank of India, IDBI Bank Ltd and RBL Bank are secured by first charge on pari-passu basis of all current assets both present and future. These facilities are further secured by way of second charge on pari-passu basis of all movable and immovable fixed assets of the Company both present and future and also guaranteed by Sri P Ramesh Babu Chairman and Managing Director, and Sri TVVSN Murthy, Vice Charman and Joint Managing Director of the Company, in their personal capacities.

(b) Working Capital Facilities along with term loans extended by State Bank of India are having the following additional security apart from the details of security mentioned supra.

i) Equitable mortgage of commercial flat No 416 admeasuring 618 Sq.ft, situated in Nilgiri Block, Aditya Enclave, Ameerpet, Hyderabad, along with undivided share of land of 25 sq. yds., belonging to M/s. Potluri Laboratories Pvt. Ltd (formally Known as Hima Farms Pvt Ltd) in which Spouse of sri P Ramesh Babu, Chairman and Managing Director of the Company, is a director.

ii) Equitable mortgage of Agricultural land admeasuring 3.65 Acres situated in Yalamanchili Village of West Godavari District, belonging to Sri TVVSN Murthy, Vice Chairman and Joint Managing Director of the Company.

iii) Corporate Guarantee by M/s. Potluri Laboratories Pvt Ltd (formerly Known as Hima Farms Pvt Ltd.), to the extent of collateral security extended by them.

iv) Personal Guarantee of Smt. T.Annapurna, spouse of Sri TVVSN Murthy, Vice Chairman and Joint Managing Director of the Company.

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	As at 31.03.2017	As at 31.03.2016
7 Trade Payables		
Dues to Micro and Small Enterprises	20.65	394.50
Others	6,136.16	7,132.48
Total Creditors for Purchases	6,156.81	7,526.98
Creditors for Expenses	536.48	913.31
TOTAL	6,693.29	8,440.29
7.1 Out of outstanding balances as on 01-04-2016, Creditors for Purchases and Expenses of ₹ 4,711.59 Lakhs and ₹ 547.11 Lakhs respectively, were transferred to M/s. SMS LifeSciences India Limited, a Wholly Owned Subsidiary, in pursuance of the Demerger Scheme.		
7.2 Creditors for Purchases includes an amount of ₹ 91.25 Lakhs (previous year ₹ Nil) due to M/s. R-Chem (Somanahalli) Pvt Ltd, a related party.		
8 Other Current Liabilities		
Current Maturities of Long Term Debt (refer note no 3)	1,515.87	1,818.85
Statutory Dues	141.54	138.81
Advance received from Customers	178.24	804.51
Creditors for capital goods	46.12	1,211.87
Interest Accrued but not due on Term Loans	16.75	54.39
Unclaimed Dividend	8.37	8.97
TOTAL	1,906.89	4,037.40
8.1 Out of Other Current Liabilities (except Unclaimed Dividend) outstanding as on 01-04-2016, an amount of ₹ 1,131.44 Lakhs were transferred to M/s. SMS LifeSciences India Limited, a Wholly Owned Subsidiary, in pursuance of the Demerger Scheme.		
9 Short Term Provisions		
(a) Provision for employee benefits		
Bonus Payable	69.30	86.34
(b) Others		
Provision for Equity Dividend (refer note no 2.2)	-	169.30
Provision for Dividend Distribution Tax	-	34.47
TOTAL	69.30	290.11
9.1 Out of the amount of Bonus Payable as on 01-04-2016, an amount of ₹ 26.46 Lakhs transferred to M/s SMS LifeSciences India Limited, a Wholly Owned Subsidiary, in pursuance of Demerger Scheme.		

NOTE NO.10 : Fixed Assets & Depreciation statement for the Year ending 31.03.2017

(Amount: ₹ in Lakhs)

	Name of the Asset	Gross Block			Depreciation				Net Block		
		As at 01.04.2016	Additions During the Year	Deletion During the Year	As at 31.03.2017	Up to 31.03.2016	For The Year	on Deletions	Total up to 31.03.2017	WDV as at 31.03.2017	WDV as at 31.03.2016
a	Tangible Assets :										
	Land & Land Development	417.60	3.70	-	421.30	-	-	-	-	421.30	721.95
	Buildings	8,474.82	178.57	-	8,653.39	1,051.56	271.69	-	1,323.25	7,330.14	8,761.37
	Plant & Machinery	25,633.76	1,090.96	19.27	26,705.45	4,597.91	1,534.65	12.22	6,120.34	20,585.11	26,554.37
	Pollution Control Equipment	417.67	-	-	417.67	130.80	19.03	-	149.83	267.84	380.98
	Data Processing Equipment	126.12	28.35	-	154.47	98.79	16.66	-	115.45	39.02	37.82
	Furnitures & Fixtures	134.40	4.04	-	138.44	51.04	12.23	-	63.27	75.17	122.70
	Office Equipment	67.40	1.23	-	68.63	51.63	4.43	-	56.06	12.57	19.06
	Vehicles	412.86	15.11	-	427.97	118.22	43.97	-	162.19	265.78	374.58
	Improvements on Leased Premises	65.52	-	-	65.52	65.52	-	-	65.52	-	-
	Land Scaping	21.23	-	-	21.23	12.58	1.89	-	14.47	6.76	22.12
	Sub total	35,771.38	1,321.96	19.27	37,074.07	6,178.05	1,904.55	12.22	8,070.38	29,003.69	36,994.95
	(Previous Year)	(38,723.82)	(11,323.16)	(102.06)	(49,944.92)	(11,105.01)	(1,932.21)	(87.25)	(12,949.97)	(36,994.95)	27,618.81)
b	Intangible Assets :										
	Computer Software	126.58	13.81	-	140.39	89.91	11.90	-	101.81	38.58	36.67
	Patents	8.50	0.74	-	9.24	4.94	1.27	-	6.21	3.03	3.56
	Sub total	135.08	14.55	-	149.63	94.85	13.17	-	108.02	41.61	40.23
	(Previous Year)	(119.97)	(16.19)	-	(136.16)	(84.85)	(11.09)	-	(95.94)	(40.22)	(35.12)
	Total	35,906.46	1,336.51	19.27	37,223.70	6,272.90	1,917.72	12.22	8,178.40	29,045.30	37,035.18
	(Previous Year)	(38,843.79)	(11,339.35)	(102.06)	(50,081.08)	(11,189.86)	(1,943.30)	(87.25)	(13,045.91)	(37,035.17)	(27,653.93)
c	Capital Work-in-Progress	1,018.01	1,171.51	1,108.46	1,081.06	-	-	-	-	1,081.06	1,279.89
	(Previous Year)	(2,942.98)	(9,289.89)	(10,952.98)	(1,279.89)	-	-	-	-	(1,279.89)	(2,942.98)
	Total (a+b+c)	36,924.47	2,508.02	1,127.73	38,304.76	6,272.90	1,917.72	12.22	8,178.40	30,126.36	38,315.07
	(Previous Year)	(41,786.77)	(20,629.24)	(11,055.04)	(51,360.97)	(11,189.86)	(1,943.30)	(87.25)	(13,045.91)	(38,315.06)	(30,596.91)

Refer Note No 32

Fixed Assets relating to Demerged Undertakings as defined in the Scheme having Gross value of ₹ 14,174.63 Lakhs along with accumulated Depreciation of ₹ 6,785.22 Lakhs as on 01-04-2016 were transferred to M/s. SMS LifeSciences India Limited, a Wholly Owned Subsidiary, in pursuance of the Demerger Scheme. A part from this, Intangible Assets having Gross Value of ₹ 1.09 Lakhs along with accumulated Depreciation of ₹ 1.09 Lakhs and Capital Work in Progress of ₹ 261.88 Lakhs were also transferred.

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	As at 31.03.2017	As at 31.03.2016
11 Non Current Investments		
At Cost - Non-Trade - Unquoted - Long Term Investments		
34,93,500 Equity Shares of ₹ 10/- each in M/s VKT Pharma Pvt Ltd (Previous Year 27,09,400 Equity Shares of ` 10/- each)	3,697.38	2,122.79
10,000 Equity Shares of ` 10/- each in M/s SMS Lifesciences India Limited	1.00	-
17,538 Equity Shares of ` 10/- each in M/s Patancheru Enviro Tech Ltd.	-	1.76
2,253 Equity Shares of ₹ 100/- in M/s Jeedimetla Effluent Treatment Limited	-	2.25
1000 Equity Shares of ₹ 10 each in M/s Sireen Drugs Private Limited	-	0.10
TOTAL	3,698.38	2,126.90
11.1 Investments as on 01-04-2016 of ₹ 4.11 Lakhs were transferred to M/s. SMS LifeSciences India Limited, a Wholly Owned Subsidiary, in pursuance of the Demerger Scheme.		
11.2 During the year 2016-17 the Company has invested an amount of ₹ 1,574.59 Lakhs towards 7,84,100 Equity Shares of ₹ 10/- each. (4,74,100 Equity Shares at a premium of ₹ 175/- and 3,10,000/- Equity Shares at a premium of ₹ 215/-) in M/s. VKT Pharma Private Limited, an associated Company under the same management. As on 31.03.2017 the Company is holding 40.26 % (Previous Year 34.33%) of the total Paid up Capital of the said Associate Company.		
12 Long Term Loans & Advances		
(Unsecured considered good)		
(a) Deposits Recoverable	237.33	312.49
(b) Advance for Capital Goods	117.81	124.91
TOTAL	355.14	437.40
12.1 Out of Deposits Recoverable on 01-04-2016, an amount of ₹ 149.47 Lakhs was transferred to M/s SMS LifeSciences India Limited, a Wholly Owned Subsidiary, in pursuance of the Demerger Scheme.		
12.2 Deposits recoverable consists of ₹ 198.97 Lakhs (Previous year ₹ 259.64 Lakhs) with Electricity Department, ₹ 30.60 Lakhs (Previous year ₹ 30.59 Lakhs) Rent Deposit and ₹ 7.76 Lakhs (Previous year ₹ 22.26 Lakhs) with Others.		

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	As at 31.03.2017	As at 31.03.2016
13 Inventories		
(as Valued and Certified by the Management)		
Raw Materials	2,943.89	5,064.96
(Valued at Cost)		
Stock in Process	5,681.51	5,309.96
(at cost and an appropriate share of overheads.)		
Finished Goods	573.53	836.57
(valued at lower of cost or net realisable value)		
Coal & Fuel (Valued at Cost)	53.00	56.88
TOTAL	9,251.93	11,268.37
13.1 Out of the total inventories of ₹ 11,268.37 Lakhs as on 01-04-2016, an amount of ₹ 4,183.56 Lakhs transferred to M/s. SMS LifeSciences India Limited, a Wholly Owned Subsidiary, in pursuance of the Demerger Scheme.		
14 Trade Receivables		
Unsecured		
(a) Outstanding for a period exceeding Six months		
Considered Good	163.90	203.28
Considered Doubtful	-	55.94
	163.90	259.22
Less: Bad debts written off	2.96	55.94
	160.94	203.28
(b) Others		
Considered Good	2,010.68	5,905.49
TOTAL	2,171.62	6,108.77
14.1 Out of the Trade Receivables balance of ₹ 6,108.77 Lakhs as on 01-04-2016, an amount of ₹ 3,987.46 Lakhs was transferred to M/s. SMS LifeSciences India Limited, a Wholly Owned Subsidiary, in pursuance of the Demerger Scheme.		
14.2 Trade Receivables includes an amount of ₹ 1.87 Lakhs (previous year ₹ 147.39 Lakhs) due from M/s. VKT Pharma Private Limited, a related party.		
15 Cash and Bank Balances		
(a) Cash and Cash Equivalents :		
(i) Cash on Hand	5.94	15.14
(ii) Balances with Scheduled Banks		
- in Current Accounts	1,222.59	109.96
- in short Term Deposit	-	1,000.00
(b) Other Bank Balances :		
(i) Deposit against Margin Money	189.68	373.37
(ii) Fixed Deposits	-	0.80
(iii) Unclaimed Dividend Accounts	8.37	8.97
TOTAL	1,426.58	1,508.24

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

- 15.1** Out of Cash in Hand and Bank balances as on 01-04-2016, an amount of ₹ 2.12 Lakhs and ₹ 26.89 Lakhs transferred to M/s. SMS LifeSciences India Limited, a Wholly Owned Subsidiary, in pursuance of Demerger Scheme.
- 15.2** Out of the Margin Money Deposits and Fixed Deposit as on 01-04-2016, an amount of ₹ 224.37 Lakhs and ₹ 0.80 Lakhs respectively transferred to M/s. SMS Lifesciences India Limited, a Wholly Owned Subsidiary, in pursuance of Demerger Scheme.
- 15.3** Out of the above amount, cash and cash equivalents was ₹ 1,228.53 Lakhs (previous year ₹ 1,125.10 Lakhs).
- 15.4** Deposit against margin money amount of ₹ 189.68 Lakhs (Previous Year ₹ 373.37 Lakhs) have maturity period of more than 12 months.
- 15.5** Transactions of Specified Bank Notes during the period from 08-11-2016 to 30-12-2016 are as follows:

Particulars	SBNs	Other Denomination Notes	Total
Closing Cash in hand as on 08-11-2016	7.09	2.75	9.84
(+) Permitted receipts		9.89	9.89
(-) Permitted Payments		(10.25)	(10.25)
(-) Amount Deposited in Banks	(7.09)		(7.09)
Closing Cash Balance as on 30-12-2016	-	2.39	2.39

16 Short Term Loans & Advances

(Unsecured and Considered Good)

Advances for Raw Materials	110.32	624.21
Advances to others	39.75	78.29
MAT Credit	2,386.34	1,549.47
TOTAL	2,536.41	2,251.97

- 16.1** Out of the above Short Term Loans and Advances of ₹ 2,251.97 Lakhs as on 01-04-2016, an amount of ₹ 488.44 Lakhs was transferred to M/s. SMS LifeSciences India Limited, a Wholly Owned Subsidiary, in pursuance of the Demerger Scheme.

17 Other Current Assets

Prepaid Taxes (Net of Provision for Income Tax of ₹ 900.00 Lakhs)	116.83	96.82
Prepaid Expenses	41.42	62.20
Interest Receivable	19.80	89.71
Cenvat & Service Tax Credit Receivable	2,008.17	2,505.53
VAT Credit Receivable	695.09	803.32
Export Incentives Receivable	83.76	60.30
TOTAL	2,965.07	3,617.88

- 17.1** Out of the Other Current Assets of ₹ 3,617.88 Lakhs as on 01-04-2016, an amount of ₹ 608.18 Lakhs was transferred to M/s. SMS LifeSciences India Limited, a Wholly Owned Subsidiary, in pursuance of the Demerger Scheme.

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	As at 31.03.2017	As at 31.03.2016
18 Revenue From Operations		
(a) Sale of Products		
Gross Revenue From Sales		
Sale of Products	41,203.09	58,010.76
Export Incentives	252.59	236.12
	<u>41,455.68</u>	<u>58,246.88</u>
Less : Excise Duty	889.03	1,819.13
Sales Tax	736.50	820.65
Total Taxes	<u>1,625.53</u>	<u>2,639.78</u>
Net Revenue from Sales	39,830.15	55,607.10
(b) Other Operating Income		
1) Sale of Services (Gross)	12.90	105.59
Less : Service Tax	0.04	12.91
Net Revenue from Services	<u>12.86</u>	<u>92.68</u>
2) Conversion Charges	3,939.94	4,619.56
Net Other Operating Income	3,952.80	4,712.24
Net Revenue from Operations and Services	43,782.95	60,319.34
19 Other Income		
(a) Interest Income	27.59	212.07
(b) Exchange Fluctuation	44.00	50.11
(c) Profit on Sale of Assets	-	4.10
(d) Miscellaneous Income	71.12	94.51
TOTAL	142.71	360.79
20 Materials Consumed		
(a) Raw Materials		
Opening Stock	3,685.34	3,343.40
Add : Purchases	31,431.83	41,171.25
	<u>35,117.17</u>	<u>44,514.65</u>
Less: Closing Stock	2,856.97	5,035.78
Sub-Total (a)	32,260.20	39,478.87
(b) Packing Materials		
Opening Stock	17.31	29.00
Add : Purchases	259.11	466.63
	<u>276.42</u>	<u>495.63</u>
Less : Closing Stock	33.75	29.18
Sub-Total (b)	242.67	466.45
Total Materials Consumed (a+b)	<u>32,502.87</u>	<u>39,945.32</u>

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	As at 31.03.2017	As at 31.03.2016
21 Changes in Inventories of Finished Goods and Stock in Process		
(Increase) / Decrease in Stocks		
(a) At the Commencement of the Year :		
Stock in Process	2,552.71	4,220.10
Finished Goods	784.06	962.51
Sub-Total (a)	3,336.77	5,182.61
(b) At the End of the Year :		
Stock in Process	5,681.51	5,309.97
Finished Goods	573.53	836.57
Sub-Total (b)	6,255.04	6,146.54
(Increase) / Decrease in Stocks (a)-(b)	(2,918.27)	(963.93)
22 Employee Benefit Expenses		
Salaries, Wages and Bonus	2,340.04	3,355.79
Contribution to PF & Other Funds	180.79	205.05
Staff Welfare Expenses	184.28	250.47
TOTAL	2,705.11	3,811.31
23 Finance Cost		
Interest on Term Loans	1,203.70	810.04
Interest on Working Capital	285.61	730.69
Interest on Direct Taxes	-	4.41
Interest on Others	0.52	10.81
Bank Charges	48.83	153.86
TOTAL	1,538.66	1,709.81
24 Other Expenses		
Power & Fuel	1,811.89	3,285.35
Consumable Stores	433.18	439.37
Testing Charges	61.79	58.16
Water Charges	11.40	95.62
Conversion Charges	0.27	1,358.25
Effluent Treatment Charges	29.49	190.92
Repairs & Maintenance - Plant & Machinery	367.77	833.13
Repairs & Maintenance - Buildings	13.58	205.06
Factory Maintenance	110.91	158.70
Travelling Expenses- Directors	23.91	17.57
Travelling Expenses	28.15	59.31

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	As at 31.03.2017	As at 31.03.2016
Postage & Telephones	23.25	31.94
Printing & Stationary	49.16	74.65
Director's Remuneration	456.17	395.77
Rent, Rates & Taxes	80.54	142.15
Insurance	99.20	119.50
CSR Expenditure	29.01	19.22
General Expenses	81.24	179.81
Loss on Sale of assets	-	4.94
Cost Audit Fee	1.00	0.75
Payment to Auditors	11.09	17.10
Repairs to other assets	14.83	37.91
Vehicle Maintenance	18.48	45.97
Carriage Outward	43.43	333.07
Sales Commission	50.22	252.85
Business Promotion Expenses	137.31	192.81
Interest on Indirect Taxes	33.61	1.26
Bad Debts Written Off	2.96	55.94
TOTAL	4,023.84	8,607.08
24.1 Audit Fee consists of		
As Statutory Audit	11.00	17.00
for Reimbursement of expenses	0.09	0.10

25 Earnings Per Share (Basic and Diluted)

Net profit for basic EPS	3,552.42	4,163.92
Annualized Basic Earnings Per Share (Amount in ₹)	4.20	4.92

26 Note on CSR Liability

As per the Section 135 (1) of the Companies Act, 2013 Corporate Social Responsibility provisions are applicable to the Company and the liability for the financial year 2016-17 was ₹ 104.20 Lakhs. During the year 2016-17 the Company has spent an amount of ₹ 29.01 Lakhs and initiated for construction of a school building, to provide health centers and drinking water facilities with an estimate of ₹ 80.00 Lakhs.

27 Scheme of arrangement (De-Merger) between SMS Pharmaceuticals Ltd (SMSPL), the Company and SMS LifeSciences India Ltd (LifeSciences), resulting Company

The Board of Directors of the Company in their meeting held on 13th August, 2016 had approved the Scheme of arrangement between the Company and SMS LifeSciences India Limited to demerge the Semi-Regulated units.

The National Company Law Tribunal (NCLT), Hyderabad vide its order dt. 15.05.2017 has sanctioned the scheme U/s 391 to 394 of the Companies Act, 1956 read with sections 100 to 104 of the Companies Act, 2013 between the Company and SMS LifeSciences India Limited for transfer of all the assets and liabilities pertaining to each of the demerger undertaking at their book value appearing in the books of

Notes Forming Part of the Financial Statements

the Company as on 01.04.2016 (Appointed date). The Scheme is effective from the date of filing of the certified copy of the order of the NCLT with the registrar of Companies, Hyderabad i.e. 17.05.2017.

In terms of the scheme, SMS LifeSciences India Limited is required to issue and allot shares to each member of the Company whose name is recorded in the register of members of the Company in the following proportion.

“1 (One) Equity Share of ₹ 10/- each (fully paid up) of Resulting Company shall be issued and allotted for every 28 (Twenty Eight) Equity Shares of Re. 1/- each (Fully Paid Up) by the shareholders in the demerged Company”

Assets and liabilities as on 01-04-2016 at book value were transferred to M/s. SMS LifeSciences India Limited. The details of assets and liabilities transferred are as under

Particulars	Amount: ₹ in Lakhs
Assets Transferred	
Non-Current Assets	
Fixed Assets	7,663.51
Investments	4.11
Loans and Advances	149.47
Current Assets	
Inventories	4,183.56
Trade Receivables	3,987.46
Cash and Bank Balances	254.18
Loans and Advances	488.44
Other Current Assets	608.18
Sub Total (A)	17,338.91
Liabilities Assumed	
Non-Current Liabilities	
Long Term Borrowings	2,349.13
Deferred Tax Liability	1,053.54
Long Term Provisions	167.66
Current Liabilities	
Short Term Borrowings	533.63
Trade Payables	5,258.70
Other Current Liabilities	1,131.44
Short Term Provisions	26.46
Sub Total (B)	10,520.56
Net Assets Transferred (A) - (B)	6,818.35
Utilization of Reserve as per the demerger Scheme	
General Reserve	6,818.35

Notes Forming Part of the Financial Statements

28. Corporate Information

SMS Pharmaceuticals Limited is a multi location, multi-product Company manufacturing Active Pharma Ingredients and their intermediates. SMS Pharmaceuticals Limited has manufacturing facilities at Bachupally, apart from R&D center at Gagillpur in and around Hyderabad city and also at Kandivalasa in Vijayanagaram Dist and having registered office at Plot No. 19-III, Road No. 71, Jubilee Hills, Hyderabad.

29. Basis of Accounting

The Financial statements have been prepared to comply in all material respects with the accounting standards specified under section 133 of the companies Act, 2013 read with Rule 7 of the companies (Accounts) Rules, 2014 and the relevant provisions of the Act, and in accordance with the generally accepted accounting principles in India under the historical cost convention and on accrual basis, except in case of assets in which provision for impairment is made and revaluation are carried out. The Accounting policies are consistent with those used in the previous year.

30. Significant Accounting Policies

a. Use of Estimates

The preparation of Financial statements are in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. The difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

b. Fixed Assets:

- i. Fixed Assets are stated at cost of acquisition as reduced by accumulated depreciation. All costs including financial costs up to the date of commissioning and attributable to the fixed assets are capitalized apart from taxes, freight and other incidental expenses related to the acquisition and installation of the respective assets as reduced by taxes to the extent of recoverable.
- ii. Assets acquired on Hire Purchase arrangements, if any, are accounted for as assets in accordance with AS-19 issued by the Institute of Chartered Accountants of India.

c. Capital Work In progress:

Assets under installation or under construction and which are not ready for put to use as on the date of balance sheet are shown as Capital work in progress. Advances given towards acquisition of assets were shown under long term loans and advances.

d. Depreciation:

Depreciation on Fixed Assets is provided on Straight Line based on use full lives estimated by the management which are in accordance with Schedule – II of the Companies Act, 2013. The management believes that depreciation rates currently used fairly reflects its estimate of the useful lives and residual values of fixed assets.

Depreciation on addition to/deletion from fixed assets made during the year is provided on pro-rata basis from/up to the date of such addition/deletion as the case may be. In case of assets costing less than ₹ 5,000/- purchased during the year also depreciation has been provided at normal rates on pro-rata basis from the date of purchase.

The amount incurred towards improvements and other relating expenses on leased premises duly charged to Statement of Profit and Loss during the primary lease period.

Depreciation on landscape is being provided @10% under straight line method.

Notes Forming Part of the Financial Statements

e. Investments:

Long term Investments are carried at cost. Provision for diminution in the value of long-term investments is made if such diminution is other than temporary in nature in the opinion of the management.

f. Inventories:

Inventories are valued at lower of cost or net realizable value. Cost of inventories comprises cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

- Raw Materials - Valued at cost on weighted average basis
- Stores and spares - Valued at cost on weighted average basis
- Stock-in- Process - At cost and an appropriate share of overheads
- Finished Goods - At cost or net realizable value, whichever is lower

g. Sales:

Sales include value of goods, Excise Duty, Export Benefits and Sales Tax where ever applicable. However Excise Duty and Sales Tax to the extent of recoverable from customers are disclosed as reduction from turnover.

h. Research & Development Expenses:

- i. Revenue expenditure on research and development activities is expensed as and when incurred
- ii. The expenditure on capital assets having alternative use either in R & D activity or otherwise are capitalized and amortized according to the useful life of the respective assets as specified in schedule II of the Companies Act, 2013.

i. Patents:

Expenditure incurred for filing of patents and related expenditure being capitalized and showing under the head Intangible Assets and depreciation is provided @25% on straight line method.

j. Operating Leases:

Assets taken on lease under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under operating leases are recognized as expenses on accrual basis in accordance with the respective lease agreement.

k. Retirement Benefits:

i. Defined Contribution Plans:

Provident Fund:

Employer's Contribution towards Provident Fund at the prescribed rates payable to the Employees Provident Fund Scheme by the Central Government is charged to statement of profit and loss.

Notes Forming Part of the Financial Statements

ii. Defined Benefit Plans:

- (1) **Gratuity:** Liability towards gratuity is accounted on the basis of actuarial valuation made by an independent actuary. The actuarial valuation is done as per projected unit credit method. Actuarial gain/loss is taken to statement of profit and loss.
- (2) Liability towards gratuity was funded through a policy with Life Insurance Corporation of India. The difference between actuarial valuation of independent valueur and that of the amount contributed through LIC policy being charged to statement of profit and loss. The said difference amount was unfunded.
- (3) **Leave encashment benefit:** The unavailed leave liability is accounted based on actuarial valuation using projected unit credit method. This liability was unfunded.

iii. State Plans:

Employers' contribution payable to employee's state insurance is charged to statement of profit and loss.

I. Excise Duty / Sales Tax:

Excise Duty and Sales Tax are accounted for at the time of dispatch / sale. These taxes are included in sales. However the amounts to the extent of realizable from customers are disclosed as reduction from gross sales in statement of profit and loss and the remaining amounts were shown as expenditure under the head other expenses as Central Excise Duty and Sales Tax respectively.

m. Service Tax:

Income derived from rendering of services being considered as net off Service Tax and the amount of Service Tax liability in respect of services rendered by the Company was not charged to the statement of Profit and Loss to the extent recoverable from customers.

n. Cenvat / VAT / Service Tax Credit:

Cenvat / VAT credit claimed on capital goods (Plant and Machinery) is credited to relevant Plant and Machinery Account, except the assets being used in R&D centers. Cenvat / Vat credit on purchase of raw materials, packing materials, consumables, spares and components are deducted from the cost of respective materials.

Service Tax credit availed as service receiver is deducted from the relevant expenditure.

Un utilized Cenvat / VAT / Service Tax is accounted as asset and carried in the balance sheet under the head Other Current Assets.

o. Revenue Recognition:

- i. Revenue from sale of goods is recognized when significant risks and rewards in respect of ownership of the products are transferred to the customer. Export Benefits are recognized on accrual basis.
- ii. Interest is recognized on a time proportion basis taking into account the amount outstanding and the rate of interest applicable.
- iii. Service income is recognized as per the terms of the contracts with customers when the related services are performed or agreed milestones are achieved.

p. Foreign Currency Transactions:

- i. Transactions denominated in foreign currency are normally recorded at the exchange rate prevailing at the time of the transaction.

Notes Forming Part of the Financial Statements

- ii. Any income or expense on account of exchange differences on foreign currency transactions are recognised in the statement of profit and loss.
 - iii. Financial Derivative Contracts are accounted on the date of their settlement and realized gain/loss in respect of settled contracts are recognized in the statement of profit and loss along with underlined transactions.
- q. Taxation:**
- Tax expense or saving is the aggregate of current year tax and Deferred Tax charged or credited as the case may be to the statement of profit and loss for the year. It also includes adjustment relating to excess or short provision made for earlier years.
- i. Current year charge:**

The provision for taxation is made based on an estimate of assessable income determined by the Company under the Income Tax Act, 1961. MAT credit is recognized, as an asset only when and to the extent that there is convincing evidence that the Company will pay normal Income Tax during the specified year.
 - ii. Deferred Tax:**

Deferred Income Tax is recognized for the future tax consequences attributable to timing differences between the financial statements determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income using the tax rate that have been enacted by the balance sheet date. Deferred tax assets are recognized and carried forward only to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.
- r. Borrowing Costs:**
- i. Borrowing costs that are attributable to the acquisition of Fixed Assets are capitalized as part of the cost of the asset till the date the asset is ready for commercial use.
 - ii. Other borrowing costs are treated as expenses in the period, in which they are incurred, except bank charges for processing / renewal of working capital.
 - iii. The bank charges for processing of working capital application are charged to expenses as and when incurred.
- s. Provisions and Contingent Liabilities:**
- Provisions are recognized only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent Liabilities are generally not provided for and are disclosed by way of Notes to Financial Statements.
- t. Impairment of Assets:**
- The carrying amounts of assets are reviewed at each balance sheet date. If there is any indication of impairment based on internal / external factors, an asset is impaired when the carrying amount of asset exceeds the recoverable amount. An impairment loss is charged to the profit and loss account in the year in which an asset is identified as impaired. An impairment loss recognized in prior accounting periods is reversed if there has been change in the estimate of the recoverable amount.
- u. Export Benefits:**
- All export benefits on exports are recognized on accrual basis.

Notes Forming Part of the Financial Statements

31. Contingent Liabilities not provided for

(Amount: ₹ in Lakhs.)

Particulars		2016-17	2015-16
(a)	Guarantees given by banks	-	-
(b)	Letter of credits opened in favor of suppliers for which goods are yet to be received	-	570.30
(c)	Disputed Income Tax demands against Which Company is in Appeals.	-	22.62
(d)	Interest dues in respect of disputed demands of Income Tax and Central Excise.	-	168.71
(e)	Interest on disputed demand of Central Excise (Refer Note No.32. (iii))	-	16.40
(f)	Capital Commitments	-	166.01

31.1 The Contingent Liabilities mentioned above under 31(c) to (e) are vested with M/s. SMS LifeSciences India Limited in pursuance of the Demerger Scheme.

32. Capital work-in-progress includes an amount of ₹ 304.91 Lakhs (Previous year ₹ 556.79 Lakhs) paid for acquiring land to the extent of Ac.23 bearing plot no.45 & 56 in Jawaharlal Nehru Pharma City Parawada in Viskhapatanm Dist.

Total land allotted to the Company was Ac.42. Subsequently, a dispute arose with M/s Ramkey Pharma City (India) Ltd, the developer, the Company obtained orders from Hon'ble High Court, restraining the alienation of the said land till further orders. This land was under litigation with developer and the matter is sub-judice before the Hon'ble High Court. Out of Ac.42, an extent of Ac. 19 of land has transferred to M/s SMS LifeSciences India Ltd by virtue of scheme of arrangement.

33. Remittance in Foreign Currency on Account of Dividend:

		Paid in	Paid in
		2016-17	2015-16
i)	Year to which the dividend relates	2015-16	2013-14 & 2014-15
ii)	Number of non-resident shareholders to whom remittances were made	1(One)	1 (One)
iii)	Number of shares on which remittances were made	41,42,633	7,21,409 & 6,59,029
iv)	Amount remitted: Amount ₹ in Lakhs.	8.28	14.43 & 13.18

Notes Forming Part of the Financial Statements

34. Research and Development Expenditure:

a) Details of Capital Expenditure

(Amount: ₹ in Lakhs)

S.No.	Particulars	2016-17	2015-16
1	Lab Equipment	110.39	126.42
2	Patents	0.74	2.33
3	Computers	1.79	3.56
4	Electrical Equipment	0.57	1.55
5	Furniture & Fixtures	0.42	-
6	Plant & Machinery	2.55	-
7	Vehicles	9.10	-
TOTAL		125.56	133.86

b) Details of Revenue Expenditure

(Amount: ₹ in Lakhs)

S.No.	Particulars	2016-17	2015-16
1	Salaries & Wages	248.04	211.94
2	Materials Consumed	65.42	52.63
3	Power	21.34	21.53
4	Repairs & Maintenance	41.95	38.14
5	Rates & Taxes	6.35	5.85
6	Testing Charges	8.57	6.12
8	Other Expenses	10.51	11.71
TOTAL		402.18	347.92

35. Information on Employee benefits required under accounting standard 15 :-

(1) Defined Contribution Plans:

(Amount: ₹ in Lakhs)

	2016-17	2015-16
Contribution to Provident Fund	156.81	180.05

(2) Defined Benefit Plans: i. Gratuity (Partly Funded)

ii. Leave Encashment (Un funded)

Notes Forming Part of the Financial Statements

Disclosures (as per actuary certification)

(Amount: ₹ in Lakhs)

Particulars	2016-17		2015-16	
	Gratuity (Unfunded)	Leave Encashment (Unfunded)	Gratuity (Unfunded)	Leave Encashment (Unfunded)
(i) STATEMENT OF PROFIT AND LOSS :				
Current Service Cost	22.29	22.29	28.86	28.24
Interest cost on benefit obligation	9.66	2.08	18.16	3.67
Net Actuarial (Gain)/Loss recognized in the year	12.82	(15.53)	16.87	(19.80)
Short Term compensated absence Liability	-	-	-	9.02
Past service cost	-	-	-	-
Contribution paid	(39.71)	(6.03)	(20.58)	(5.54)
Expected return on planned Assets	4.92	-	(4.47)	-
Net benefit expenses	9.98	2.81	38.84	15.59
(ii) BALANCE SHEET:				
Change in the present value of the defined benefit obligation are as follows:				
Opening defined benefit obligation	112.83	62.89	192.90	96.05
Interest cost	9.66	2.08	18.16	3.67
Current services cost	22.29	22.29	28.86	28.24
Actuarial (Gain)/Loss on obligation	12.82	(15.53)	16.87	(19.80)
Expected return on planed Assets	4.92	-	(4.47)	-
Short Term compensated absence liability	-	-	-	9.02
Contribution paid	(39.71)	(6.03)	(20.58)	(5.54)
Closing defined benefit obligation	122.81	65.70	231.74*	111.64*
Past Service Cost	-	-	-	-

- Net benefit expenses of ₹ 9.98 lakhs relating to Gratuity charged to Statement of Profit & Loss being the difference between the independent actuary valuation and that of amount contributed through LIC. This amount was unfunded and total amount of unfunded was ₹ 122.82 lakhs as on the balance sheet date.

*Refer Note No. 5.1

Notes Forming Part of the Financial Statements

(iii) The Principal Assumptions Used in Actuarial Valuation

Salary rise	3%	3%
Discount rate	6.69%	7.46%
Attrition rate	2%	2%

36. Disclosure Required by Micro, Small and Medium Enterprises (Development) Act, 2006.

Disclosure of Sundry Creditors under Current Liabilities is based on the information available with the Company regarding the status of the suppliers as defined under the "Micro, Small and Medium Enterprises Development (Act, 2006)" and relied upon by the auditors.

During the year the Company has paid no interest in terms of Section 16 of the said Act. Particulars of amount due to the MSMED customers, interest due and paid during the year are as furnished below.

(Amount: ₹ in lakhs)

Particulars	2016-17	2015-16
Principal amount remaining unpaid as at the end of the year	20.13	394.50
Interest due and payable for the period of delay	0.52	2.92
Interest paid on above	Nil	Nil

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.

37. Related Party Disclosures:

Disclosures as required by the Accounting Standard 18 of the Institute of Chartered Accountants of India are given below:

(i) Key Managerial personnel (KMP) and their relatives

S.No.	Name	Relationship
1.	Sri. P Ramesh Babu	Chairman and Managing Director
2.	Sri. TVVSN Murthy	ViceChairman and Joint Managing Director
3.	Sri. TV Praveen	Relative of the Key Managerial personnel
4.	Sri. P Vamsikrishna	Relative of the Key Managerial personnel
5.	Smt. P HimaBindu	Relative of the Key Managerial personnel
6.	N Rajendra Prasad	Chief Financial Officer
7.	Saurou Roy	Company Secretary (Upto 15-10-2016)
8.	T Thirumalesh	Company Secretary (17-10-2016 onwards)

(ii) list of Related Parties

S.No.	Name of the Company	Relationship
1.	SMS Lifesciences (India) Limited	Wholly Owned Subsidiary
2.	VKT Pharma Pvt. Limited	Associate Company
3.	Potluri Packing Industries Private Limited	Enterprises over which KMP are able to Exercise significant influence.
4.	Potluri Laboratories Private Limited.	
5.	Potluri Infra Projects LLP	
6.	Rchem (Somanahalli) Private Limited	

Notes Forming Part of the Financial Statements

(iii) Transactions:

(Amount: ₹ in Lakhs)

Particulars	Associate Company & Companies in which KMP having significant influence	Key Management Personnel	Relatives of Key Management Personnel	Total
Remuneration & Commission (Previous Year)		474.22 (401.47)	31.72 (46.25)	505.94 (447.72)
Purchases (Previous Year)	107.17 (94.77)			107.17 (94.77)
Sales (Previous Year)	14.68 (291.87)			14.68 (291.87)
Conversion Charges paid (Previous Year)	- (805.54)			- (805.54)
Investments (Previous Year)	1,574.58 (803.99)			1,574.58 (803.99)
Rent (Previous Year)	- (4.50)			- (4.50)
Advances (Previous Year)	- (255.75)			- (255.75)
Balance outstanding :				
Receivable (Previous Year)	1.87 (403.13)			1.87 (403.13)
Payable (Previous Year)	91.25 (-)	190.97 (266.81)	0.43 (2.19)	282.65 (2.69.00)

38. Segment Reporting:

As the Company's business during the reporting year consists of single reportable business segment of manufacturing and sale of Active Pharmaceutical Ingredients and their intermediates, no separate disclosure pertaining to segmental reporting is given. As part of business segment, revenues are attributed to geographical areas based on the location of the customers as detailed below:

(Amount: ₹ in Lakhs.)

Particulars	2016-17		2015-16	
	Revenue	%	Revenue	%
Exports	5,600.29	14.06	17,146.50	30.84
Sales to EOU	27,091.53	68.02	27,292.78	49.08
Domestic	6,885.74	17.29	10,931.70	19.66
Export Incentives	252.59	0.63	236.12	0.42
Total	39,830.15	100.00	55,607.10	100.00

Notes Forming Part of the Financial Statements

39. Consumption of Raw Materials:

(Amount: ₹ in Lakhs)

Particulars	2016-17		2015-16	
	Value	%	Value	%
Imported	954.97	2.96	6,093.67	15.44
Indigenous	31,305.23	97.04	33,385.20	84.56
Total	32,260.20	100.00	39,478.87	100.00

40. Expenditure in Foreign Currency

40.1 CIF Value of Imports:

(Amount: ₹ in Lakhs)

Particulars	2016-17	2015-16
Raw Materials	880.99	6,391.78
Capital Goods	128.99	367.37
TOTAL	1,009.98	6,759.15

40.2 Other Expenses :

(Amount: ₹ in Lakhs)

Particulars	2016-17	2015-16
Sales Commission	42.61	169.50
Travelling Expenses	1.91	2.32
TOTAL	44.52	171.82

41. Earnings in Foreign Currency:

(Amount: ₹ in Lakhs)

Particulars	2016-17	2015-16
FOB Value of Exports	5,014.38	15,265.56

42. Balances of sundry debtors/ creditors and Loans and advances are subject to confirmation and reconciliation.

43. M/s. SMS LifeSciences India Limited has become Wholly Owned Subsidiary (WOS) w.e.f 01-04-2016

44. Consequent to the scheme of demerger effective from 01-04-2016 the figures for the year ended 31-03-2017 are not comparable with the corresponding figures disclosed under previous year ended 31-03-2016. The previous Year figures have been regrouped / reclassified, wherever necessary to corroborate with current year figures.

45. Figures have been rounded off to the nearest Rupee.

as per our report of even date

for and on behalf of the Board

for RAMBABU & CO.,
Chartered Accountants
FRN.002976S

RAMESH BABU POTLURI
Chairman and
Managing Director

TVVSN MURTHY
Vice Chairman and
Joint Managing Director

RAVI RAMBABU
Partner
M No.18541
Place: Hyderabad
Date: 30.05.2017

T THIRUMALESH
Company Secretary

N RAJENDRA PRASAD
Chief Financial Officer

Consolidated Financial Statements 2016-17

Independent Auditor's Report

To
The Members of
SMS PHARMACEUTICALS LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of SMS PHARMACEUTICALS LIMITED ("the Company") and its subsidiary company M/s. SMS LIFESCIENCES INDIA LIMITED which is audited by us and its associate company VKT PHARMA PRIVATE LIMITED which is Audited by other Statutory Auditors (collectively referred to as "the Group") which comprise the consolidated Balance Sheet as at March 31, 2017, the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (here in referred as "the consolidated financial statements")

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these consolidated 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under and the Order under Section 143(11) of the Act.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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.

Opinion

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, 2017, and its consolidated Profit and its consolidated Cash Flow for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- I. As required by section 143 (3) of the Act, we report that:
 - a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c. The consolidated Balance Sheet, the consolidated Statement of Profit and Loss 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 associates as on March 31, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 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 Holding Company, its associate company and 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 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 2017 on its consolidated financial position in its financial statements as referred to in note 30, 31 and 32 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. The Company has been regular in transferring amounts to the Investor Education and Protection Fund in accordance with the relevant provisions of the Companies Act 2013 and the Rules made there under.

for **RAMBABU & Co.**,
Chartered Accountants
FRN: 002976S

Ravi Rambabu
Partner
M.No.018541

Place: Hyderabad
Date: 30-05-2017

“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 M/s. SMS PHARMACEUTICALS LIMITED (“the Holding Company”) and its subsidiary company M/s. SMS LIFESCIENCES INDIA LIMITED in respect of standalone Financial Statements as at March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, 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, 2017, 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 **RAMBABU & Co.,**
Chartered Accountants
FRN: 002976S

Place: Hyderabad
Date: 30-05-2017

Ravi Rambabu
Partner
M.No.018541



SMS
Pharmaceuticals Ltd.

Consolidated Balance Sheet as at 31st March, 2017

(Amount: ₹ in Lakhs)

Sl. No	Particulars	Note No.	As at 31.03.2017	As at 31.03.2016
I	EQUITY AND LIABILITIES			
1	Shareholders' Funds			
	(a) Share Capital	1	846.52	846.52
	(b) Reserves & Surplus	2	32,617.02	28,513.77
			33,463.54	29,360.29
2	Non-Current Liabilities			
	(a) Long Term Borrowings	3	9,070.05	11,322.50
	(b) Deferred Tax Liability	4	5,071.99	4,490.03
	(c) Long Term Provisions	5	418.87	343.38
			14,560.91	16,155.91
3	Current Liabilities			
	(a) Short Term Borrowings	6	6,379.78	7,274.74
	(b) Trade Payables	7	12,241.11	8,440.29
	(c) Other Current Liabilities	8	2,541.12	4,037.40
	(d) Short Term Provisions	9	142.88	290.11
			21,304.89	20,042.54
	TOTAL		69,329.34	65,558.74
II	ASSETS			
1	Non Current Assets			
	(a) Fixed Assets	10		
	(i) Tangible Assets		36,352.56	36,994.95
	(ii) Intangible Assets		41.60	40.23
	(iii) Capital Work In Progress		1,359.61	1,279.89
	(b) Non Current Investments	11	2,912.45	2,051.04
	(c) Long Term Loans & Advances	12	565.37	437.40
			41,231.59	40,803.51
2	Current Assets			
	(a) Inventories	13	13,631.38	11,268.37
	(b) Trade Receivables	14	6,053.84	6,108.77
	(c) Cash and Bank Balances	15	1,717.44	1,508.24
	(d) Short Term Loans & Advances	16	2,992.79	2,251.97
	(e) Other Current Assets	17	3,702.30	3,617.88
			28,097.75	24,755.23
	TOTAL		69,329.34	65,558.74
	Significant Accounting Policies	29		

SMS LifeSciences India Limited has become Wholly Owned Subsidiary (WOS) of the Company w.e.f. 01-04-2016 and the Company has demerged its Semi Regulatory Units and transferred the same to the said WOS w.e.f. 01-04-2016 vide NCLT Order dated 15-05-2017.

The notes referred to above form an integral part of these Financial Statements

as per our report of even date

for and on behalf of the Board

for RAMBABU & CO.,
Chartered Accountants
FRN : 002976S

RAMESH BABU POTLURI
Chairman and
Managing Director

TVVSN MURTHY
Vice Chairman and
Joint Managing Director

RAVI RAMBABU
Partner
M.No.18541

T THIRUMALES
Company Secretary

N RAJENDRA PRASAD
Chief Financial Officer

Place : Hyderabad
Date : 30-05-2017

Consolidated Statement of Profit and Loss for the year ended 31st March, 2017

(Amount: ₹ in Lakhs)

Sl. No	Particulars	Note No.	Current Year 2016-17	Previous Year 2015-16
1	Revenue from Operations	18	65,373.25	60,319.34
2	Other Income	19	315.07	360.79
3	Total Revenue (1 + 2)		65,688.32	60,680.13
4	Expenses :			
	Cost of Materials Consumed	20	44,870.82	39,945.32
	Changes in Inventories	21	(3,278.95)	(963.93)
	Employee Benefit Expenses	22	4,430.89	3,811.31
	Finance Cost	23	2,147.68	1,709.81
	Depreciation and Amortisation	10	2,473.18	1,943.30
	Other Expenses	24	9,075.57	8,607.08
	TOTAL EXPENSES		59,719.19	55,052.89
5	Profit / (Loss) before Tax		5,969.13	5,627.24
6	Tax Expenses			
	(a) Current Tax Expenses		1,500.00	1,225.00
	(b) Tax Expenses for Earlier Years		(8.94)	7.75
	(c) Deferred Tax		581.96	917.22
	(d) MAT Credit Entitlement			
	Current Year		(193.11)	(686.65)
	Earlier Years		(727.94)	
	Sub Total		1,151.97	1,463.32
7	Profit after Tax (5-6)		4,817.16	4,163.92
	Share of Profit/(Loss) in Associate Companies		(713.18)	(74.71)
	Net Profit		4,103.98	4,089.21
8	Earnings Per Share			
	(1) Basic and Diluted (Amount in ₹)	25	4.85	4.83
	Significant Accounting Policies	29		

The notes referred to above form an integral part of these Financial Statements as per our report of even date

for and on behalf of the Board

for RAMBABU & CO.,
Chartered Accountants
FRN : 002976S

RAMESH BABU POTLURI
Chairman and
Managing Director

TVVSN MURTHY
Vice Chairman and
Joint Managing Director

RAVI RAMBABU
Partner
M.No.18541

T THIRUMALESH
Company Secretary

N RAJENDRA PRASAD
Chief Financial Officer

Place : Hyderabad
Date : 30-05-2017

Consolidated Cash Flow Statement for the Year ended 31st March, 2017

(Amount: ₹ in Lakhs.)

Sl. No	Particulars	Current Year 2016-17	Previous Year 2015-16
A	Cash Flows from operating activities :		
	Net Profit Before Tax	5,969.13	5,627.24
	Add: Loss from sale of assets	-	4.94
	Add: Miscellaneous Exp written off	1.09	-
	Add : Depreciation	2,473.18	1,943.30
	Add : Interest on Term Loans	1,487.77	810.04
	Add: Bad Debts written off	6.92	55.94
	Add: Retirement Benefits	75.49	-
	Add: Bonus	55.15	-
	Operating Profit before working capital changes	10,068.73	8,441.46
	Adjustment for:		
	Trade Receivables	(45.17)	(244.55)
	Inventories	(2,363.01)	(2,666.32)
	Loans and Advances & Other Assets	51.74	295.81
	Other current assets	(208.71)	358.01
	Trade Payables	3,800.15	2,394.64
	Other Current Liabilities	(523.73)	827.14
	Short term provisions	(40.38)	(1,081.80)
		670.89	(117.07)
	Cash Generated From Operating activities	10,739.62	8,324.39
	Income Tax Paid	(1,325.00)	(2,202.40)
	Net cash from operating activities “ A “	9,414.62	6,121.99
B	Cash Flows from Investing activities :		
	Purchase of fixed assets	(3,075.51)	(8,878.69)
	Proceeds from sale of fixed assets	-	11.21
	Margin Money Deposits Made	(98.64)	-
	Investment in Equity Shares	(1,575.58)	(804.09)
	Net cash used in investing activities “ B “	(4,749.73)	(9,671.57)

Consolidated Cash Flow Statement (Contd...)

(Amount: ₹ in Lakhs.)

Sl. No	Particulars	Current Year 2016-17	Previous Year 2015-16
C	Cash Flows from Financing activities :		
	Proceeds from long term borrowings	-	4,956.03
	Proceeds from Short term borrowings	1,498.13	290.19
	Repayment of Long Term borrowings	(1,753.37)	(1,495.21)
	Repayment of Short term borrowings	(2,393.38)	-
	Repayment of Unsecured Loans	(197.40)	(48.27)
	Interest Paid	(1,504.10)	(833.73)
	Dividend paid	(203.77)	(203.77)
	Buyback of Equity Shares	-	-
	Net Cash used in financing activities “ C “	(4,553.89)	2,665.24
	Net (Decrease) / Increase in Cash and Cash Equivalents (A+B+C)	111.00	884.34
	Cash and Cash Equivalents at the beginning of the Year	1,125.10	240.76
	Cash Equivalents of Subsidiary on 01-04-2016	0.16	-
	Cash and Cash Equivalents at the end of the Year	1,236.26	1,125.10

The notes referred to above, form an integral part of these Financial Statements

as per our report of even date

for and on behalf of the Board

for **RAMBABU & CO.,**
Chartered Accountants
FRN : 002976S

RAMESH BABU POTLURI
Chairman and
Managing Director

TVVSN MURTHY
Vice Chairman and
Joint Managing Director

RAVI RAMBABU
Partner
M.No.18541

T THIRUMALESH
Company Secretary

N RAJENDRA PRASAD
Chief Financial Officer

Place : Hyderabad
Date : 30-05-2017

Consolidated Notes Forming Part of the Financial Statements

Note No.1: SHARE CAPITAL:

Particulars	As at 31.03.2017		As at 31.03.2016	
	No. of Shares	Amount: ₹ in Lakhs	No. of Shares	Amount: ₹ in Lakhs
Authorised Share Capital				
Equity Shares of ₹ 1/- (Previous year ₹ 1/-) each	120,000,000	1,200.00	120,000,000	1,200.00
	120,000,000	1,200.00	120,000,000	1,200.00
Issued, Subscribed & Paid Up				
Equity Shares of ₹ 1/- (Previous year ₹ 1/-) each	84,652,030	846.52	84,652,030	846.52
TOTAL	84,652,030	846.52	84,652,030	846.52

I.1 Details of share holders holding more than 5% shares in the Company :

Name of the share holder	As at 31.03.2017		As at 31.03.2016	
	No of Shares	% held	No of Shares	% held
Ramesh Babu Potluri	14,506,960	17.14	11,356,960	13.42
Hima Bindu Potluri	12,373,360	14.62	12,373,360	14.62
TVVSN Murthy	8,227,000	9.72	8,227,000	9.72
Potluri Infra Projects LLP	5,860,000	6.92	5,860,000	6.92
T. Annapurna	4,390,340	5.19	4,390,340	5.19
Gulf Pharmaceutical Industries	992,633	1.17	5,239,473	6.19

I.2 Reconciliation of the No. of Shares Outstanding is set out below :

Particulars	No of shares	
	As at 31.03.2017	As at 31.03.2016
Equity Shares at the beginning of the year of ₹ 1/- each (Previous year ₹ 10/- each)	84,652,030	8,465,203
Sub-Division (The face value of ₹ 10/- each in to face value of ₹ 1/- each)	-	76,186,827
Equity Shares at the end of the year of ₹ 1/- each (Previous year ₹ 1/- each)	84,652,030	84,652,030

Consolidated Notes Forming Part of the Financial Statements (Amount: ₹ in Lakhs)

Particulars	As at 31.03.2017	As at 31.03.2016
2 RESERVES AND SURPLUS		
a. Securities Premium Account	6,981.84	6,981.84
b. Capital Redemption Reserve	155.00	155.00
c. General Reserve		
at the Commencement of the Year	10,123.63	9,123.63
(-) Deletions during the year	-	-
(+) Transfer from Profit and Loss statement	1,000.00	1,000.00
at the end of the year	11,123.63	10,123.63
d. Surplus Balance in Profit and Loss Statement		
At the Commencement of the Year	11,252.57	8,367.86
Add : Profit for the Year	4,103.98	4,089.21
	15,356.55	12,457.07
Less:		
Provision for Proposed Dividend on Equity Shares	-	169.30
Corporate Dividend Tax on Above	-	34.47
Transfer to General Reserve	1,000.00	1,000.00
At the end of the Year	14,356.55	11,253.30
e. Miscellaneous Expenditure to the extent not written off		
Opening Balance	(1.09)	-
Less: Written off during the year	1.09	-
Closing Balance		
TOTAL	32,617.02	28,513.77

2.1 The Board of Directors of M/s. SMS Pharmaceuticals Limited have recommended to the share holders, in their meeting held on 30.05.2017, for payment of dividend @ Re. 0.20 (20%) for equity share of Re1/- each. As per revised AS-4 i.e “Contingencies and Events Occurring After the Balance Sheet Date” liability for dividend is not to be recognised as a liability at the balance sheet date. Hence the Company has not made the provision for this.

Consolidated Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	As at 31.03.2017		As at 31.03.2016	
	Current Maturities	Non Current Portion	Current Maturities	Non Current Portion
3 LONG TERM BORROWINGS				
3.1 i) Secured				
(Term Loans)				
a) State Bank of India				
Term loan - II	850.00	637.50	850.00	1,487.50
b) Export Import Bank of India				
Term Loan - II	600.00	1,500.00	600.00	2,100.00
c) IDBI Bank Ltd	600.00	6,700.00	200.00	7,300.00
d) Hire Purchase Loans- Vehicles	70.54	-	103.37	70.54
	2,120.54	8,837.50	1,753.37	10,958.04
3.2 ii) Unsecured				
Sales Tax Deferment Loan (Refer Note No. 3.2.1)	-	112.55	65.48	244.46
D S I R Assistance (Refer Note No. 3.2.3)	-	120.00	-	120.00
	-	232.55	65.48	364.46
TOTAL	2,120.54	9,070.05	1,818.85	11,322.50

3.1.1 Term Loans availed from State Bank of India, Export-Import Bank of India and IDBI bank are secured by first charge on pari-passu basis of all movable and immovable fixed assets both present and future and second charge on pari-passu basis of all current assets both present and future and guaranteed by Sri P Ramesh Babu, Chairman and Managing Director and Sri TVVSN Murthy, Vice Chairman and Joint Managing Director of the Company in their personal capacities.

3.1.2 Term Loans along with working capital facilities sanctioned by State Bank of India are having the following additional security apart from the details of security mentioned supra.

- i) Equitable mortgage of commercial flat No 416 admeasuring 618 Sq.ft, situated in Nilgiri Block, Aditya Enclave, Ameerpet, Hyderabad, along with undivided share of land of 25 sq. yds., belonging to M/s. Potluri Laboratories Pvt. Ltd (formerly Known as Hima Farms Pvt Ltd) in which Spouse of Sri P Ramesh Babu, Chairman and Managing Director of the Company, is a director.
- ii) Equitable mortgage of Agricultural land admeasuring 3.65 acres situated in Yalamanchili Village of West Godavari district, Andhra Pradesh belonging to Sri TVVSN Murthy, Vice Chairman and Joint Managing Director of the Company.
- iii) Corporate Guarantee by M/s.Potluri Laboratories Pvt Ltd (formerly Known as Hima Farms Pvt Ltd.) to the extent of collateral security extended by them.
- iv) Personal Guarantee by Smt.T Annapurna, spouse of Sri TVVSN Murthy, Vice Chairman and Joint Managing Director of the Company.

Consolidated Notes Forming Part of the Financial Statements (Amount: ₹ in Lakhs)

3.1.3 Hire Purchase Loans availed from ICICI Bank Ltd, BMW India Financial Services Pvt Ltd and Daimler Financial Services Pvt Ltd are secured by the respective vehicles.

3.1.4 Terms of Repayment

- a) Term Loan II availed from State Bank of India for an amount of ₹ 4,250.00 Lakhs is repayable in 20 Quarterly Installments of ₹ 212.50 Lakhs, commenced from June, 2014. The loan carries interest rate of 11.65% p.a.
- b) Term loan availed from Export Import Bank of India amounting to ₹ 3,000.00 Lakhs for funding the Expansion Project of Kazipally unit. The loan is repayable in 20 Quarterly Installments of ₹ 150.00 Lakhs each, commencing from December, 2015. The loan carries interest rate of 11.75% p.a
- c) The loan availed from IDBI Bank amounting to ₹ 7,500.00 Lakhs for funding the Expansion Project of Kandivalasa unit. The loan carries interest rate of 12.50% p.a The loan is repayable in 24 Quarterly Installments commencing from December, 2016, as mentioned below.

First 4 Quarters	₹ 100 Lakhs each
Next 4 Quarters	₹ 200 Lakhs each
Next 4 Quarters	₹ 300 Lakhs each
Next 4 Quarters	₹ 400 Lakhs each
Next 4 Quarters	₹ 425 Lakhs each
Next 4 Quarters	₹ 450 Lakhs each

3.1.5 Current Maturities of Long Term borrowings have been disclosed separately under the head other current liabilities (Refer Note No.8)

3.2.1 During the year the Company has pre-paid Sales Tax Deferment Loan for an amount of ₹ 197.39 Lakhs (including current year liability of ₹ 65.48 Lakhs). On this the Company has availed discount of ₹ 22.62 Lakhs for this Pre-Payment.

3.2.2 Sales Tax (deferment) Loan liability balance amount due for repayment is as under:

Year	Amount ₹ in Lakhs	Year of Repayment
2006-07	69.63	2019-20
2007-08	42.92	2020-21
Total	112.55	

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

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

Consolidated Notes Forming Part of the Financial Statements (Amount: ₹ in Lakhs)

Particulars	As at 31.03.2017	As at 31.03.2016
4 Deferred Tax Liability		
Opening Deferred Tax Liability	4,490.03	3,572.81
Add / Less : for the Year	581.96	917.22
Closing Deferred Tax Liability	<u>5,071.99</u>	<u>4,490.03</u>
Details for the deferred tax liability are as furnished bellow :		
(A) Deferred Tax Liability:		
Depreciation on Assets	5,261.68	4,608.87
Sub Total	<u>5,261.68</u>	<u>4,608.87</u>
(B) Deferred Tax Asset:		
On timing differences		
Provision for Gratuity, Leave Encashment and Bonus	179.95	118.84
Others	9.74	-
Sub Total	<u>189.69</u>	<u>118.84</u>
Net Deferred Tax Liability (A-B)	<u>5,071.99</u>	<u>4,490.03</u>
5 Long Term Provisions		
Provision for employee benefits (refer note no.36)		
Provision for Gratuity to the extent of unfunded	303.32	231.74
Provision for leave encashment - Unfunded	115.55	111.64
TOTAL	<u>418.87</u>	<u>343.38</u>
6 Short Term Borrowings		
6.1 i) Secured		
(Working Capital Facilities)		
a) State Bank of India		
Cash Credit	2,522.93	1,695.72
Stand by Loan	809.56	1,799.39
Bills Discounting - Export	452.29	540.83
Export Packing Credit	1,096.56	2,445.01
b) IDBI Bank Ltd		
Cash Credit / EPC	0.01	793.79
c) RBL Bank		
Cash Credit	1,498.13	-
d) Unsecured	0.30	-
TOTAL	<u>6,379.78</u>	<u>7,274.74</u>
6.1.1 Working capital facilities sanctioned by State Bank of India, IDBI Bank Ltd, RBL Bank and Export-Import Bank of India are secured by first charge on pari-passu basis of all current assets both present and future. These facilities are further secured by way of second charge on pari-passu basis of all movable and immovable fixed assets of the Company both present and future and also guaranteed by Sri P Ramesh Babu Chairman and Managing Director, and Sri TVVSN Murthy, Vice Charman and Joint Managing Director of the Company, in their personal capacities.		

Consolidated Notes Forming Part of the Financial Statements (Amount: ₹ in Lakhs)

6.1.2 Working Capital Facilities along with term loans extended by State Bank of India are having the following additional security apart from the details of security mentioned supra.

- i) Equitable mortgage of commercial flat No 416 admeasuring 618 Sq.ft, situated in Nilgiri Block, Aditya Enclave, Ameerpet, Hyderabad, along with undivided share of land of 25 sq. yds., belonging to M/s. Potluri Laboratories Pvt Ltd (formerly Known as Hima Farms Pvt Ltd) in which Spouse of Sri P Ramesh Babu, Chairman and Managing Director of the Company, is a director.
- ii) Equitable mortgage of Agricultural land admeasuring 3.65 Acres situated in Yalamanchili Village of West Godavari District, belonging to Sri TVVSN Murthy, Vice Chairman and Joint Managing Director of the Company.
- iii) Corporate Guarantee by M/s. Potluri Laboratories Pvt Ltd (formerly Known as Hima Farms Pvt Ltd), i.e., to the extent of collateral security extended by them.
- iv) Personal Guarantee of Smt. T Annapurna spouse of Sri TVVSN Murthy, Vice Chairman and Joint Managing Director of the Company.

	As at 31.03.2017	As at 31.03.2016
7 Trade Payables		
Dues to Micro and Small Enterprises	504.23	394.50
Others	10,782.39	7,132.48
Creditors for purchases	11,286.62	7,526.98
Creditors for expenses	954.49	913.31
TOTAL	12,241.11	8,440.29

7.1 Creditors for purchases includes an amount of ₹ 91.25 Lakhs (previous year ₹ Nil) due to M/s. R-Chem (Somanahalli) Pvt Ltd, a related party.

8 Other Current Liabilities

Current Maturities of Long Term Debt (refer note no 3)	2,120.54	1,818.85
Statutory Dues	210.37	138.81
Advance received from Customers	115.52	804.51
Creditors for capital goods	48.25	1,211.87
Interest Accrued but not due on Term Loans	38.07	54.39
Unclaimed Dividend	8.37	8.97
TOTAL	2,541.12	4,037.40

9 Short Term Provisions

(a) Provision for employee benefits

Bonus Payable	101.11	86.34
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(b) Others

Provision for Income Tax (Net of Prepaid Taxes)	41.77	-
Provision for Equity Dividend (refer note no 2.1)	-	169.30
Provision for Dividend Distribution Tax (“)	-	34.47

TOTAL	142.88	290.11
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Consolidated Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

NOTE NO.10 : Fixed Assets & Depreciation statement for the Year ending 31.03.2017

Name of the Asset	Gross Block				Depreciation				Net Block		
	As at 01.04.2016	Additions During the Year	Deletion During the Year	As at 31.03.2017	Up to 31.03.2016	For The Year	on Deletions	Total up to 31.03.2017	WDV as at 31.03.2017	WDV as at 31.03.2016	
a	Tangible Assets :										
Land & Land Development	721.95	3.70	-	725.65	-	-	-	-	725.65	721.95	
Buildings	10,473.64	179.37	-	10,653.01	1,712.27	332.55	-	2,044.82	8,608.19	8,761.37	
Plant & Machinery	36,522.97	1,567.80	-	38,090.77	9,968.60	1,983.23	-	11,951.83	26,138.94	26,554.37	
Pollution Control Equipment	969.84	-	-	969.84	588.86	36.65	-	625.51	344.33	380.98	
Data Processing Equipment	205.21	45.66	-	250.87	167.39	25.33	-	192.72	58.15	37.82	
Furnitures & Fixtures	249.75	4.95	-	254.70	127.04	16.37	-	143.41	111.29	122.71	
Office Equipment	113.31	1.60	-	114.91	94.26	4.91	-	99.17	15.74	19.05	
Vehicles	585.27	15.12	11.64	588.75	210.69	57.53	11.06	257.16	331.59	374.58	
Improvements on Leased Premises	65.52	-	-	65.52	65.52	-	-	65.52	-	-	
Land Scaping	37.46	-	-	37.46	15.34	3.44	-	18.78	18.68	22.12	
Sub total	49,944.92	1,818.20	11.64	51,751.48	12,949.97	2,460.01	11.06	15,398.92	36,352.56	36,994.95	
(Previous Year)	(38,723.82)	(11,323.16)	(102.06)	(49,944.92)	(11,105.01)	(1,932.21)	(87.25)	(12,949.97)	(36,994.95)	(27,618.81)	
b	Intangible Assets :										
Computer Software	126.58	13.81	-	140.39	89.91	11.90	-	101.81	38.58	36.67	
Patents	9.58	0.74	-	10.32	6.03	1.27	-	7.30	3.02	3.56	
Sub total	136.16	14.55	-	150.71	95.94	13.17	-	109.11	41.60	40.23	
(Previous Year)	(119.97)	(16.20)	-	(136.17)	(84.85)	(11.09)	-	(95.94)	(40.23)	(35.12)	
Total	50,081.08	1,832.75	11.64	51,902.19	13,045.91	2,473.18	11.06	15,508.03	36,394.16	37,035.18	
(Previous Year)	(38,843.79)	(11,339.36)	(102.06)	(50,081.09)	(11,189.86)	(1,943.30)	(87.25)	(13,045.91)	(37,035.18)	(27,653.93)	
c	Capital Work-in-Progress										
	1,279.89	1,662.34	1,582.62	1,359.61	-	-	-	-	1,359.61	1,279.89	
(Previous Year)	(2,942.98)	(9,289.89)	(10,952.98)	(1,279.89)	-	-	-	-	(1,279.89)	(2,942.98)	
Total (a+b+c)	51,360.97	3,495.09	1,594.26	53,261.80	13,045.91	2,473.18	11.06	15,508.03	37,753.77	38,315.07	
(Previous Year)	(41,786.77)	(20,629.25)	(11,055.04)	(51,360.98)	(11,189.86)	(1,943.30)	(87.25)	(13,045.91)	(38,315.07)	(30,596.91)	

* Refer Note No.31

Consolidated Notes Forming Part of the Financial Statements (Amount: ₹ in Lakhs)

Particulars	As at 31.03.2017	As at 31.03.2016
11 Non Current Investments		
(a) At Cost - Non-Trade - Unquoted - Long Term Investments		
17,538 Equity Shares of ₹ 10/- each in M/s Patancheru Enviro Tech Ltd.	1.76	1.76
2,253 Equity Shares of ₹ 100/- in M/s Jeedimetla Effluent Treatment Ltd.	2.25	2.25
1000 Equity Shares of ₹ 10 each in M/s Sireen Drugs Private Ltd.	0.10	0.10
(b) Investment in Associate		
Carrying Cost of Investment in M/s VKT Pharma Pvt Ltd	2,908.34	2,046.93
TOTAL	2,912.45	2,051.04
11.1 The Company has invested in 34,93,500 (Previous Year 27,09,400) Equity shares of ₹ 10/- each for an amount of ₹ 3,697.38 Lakhs (Previous Year ₹ 2,122.79 Lakhs) in M/s. VKT Pharma Pvt Ltd for securing 40.26 % (P Y 34.33 %) of the total paid up capital of the said Company. Carrying amount of ₹ 2,908.34 Lakhs (Previous Year ₹ 2,046.93 Lakhs) includes Goodwill of ₹ 1,616.31 Lakhs (Previous Year ₹ 280.92 Lakhs)		
12 Long Term Loans & Advances		
(Unsecured considered good)		
(a) Deposits Recoverable	445.51	312.49
(b) Advance for Capital Goods	119.86	124.91
TOTAL	565.37	437.40
12.1 Deposits recoverable consists of ₹ 380.00 Lakhs (Previous year ₹ 259.63 Lakhs) with Electricity Department, ₹ 30.60 Lakhs (Previous year ₹ 30.60 Lakhs) Rent Deposit and ₹ 34.91 Lakhs (Previous year ₹ 22.26 Lakhs) with Others.		
13 Inventories		
(as Valued and Certified by the Management)		
Raw Material (Valued at Cost)	4,120.76	5,064.96
Stock in Process (at cost and an appropriate share of overheads.)	8,774.73	5,309.96
Finished Goods (Valued at lower of cost or net realisable value)	650.75	836.57
Coal & Fuel (Valued at Cost)	85.14	56.88
TOTAL	13,631.38	11,268.37

Consolidated Notes Forming Part of the Financial Statements (Amount: ₹ in Lakhs)

Particulars	As at 31.03.2017	As at 31.03.2016
14 Trade Receivables		
Unsecured		
(a) Outstanding for a period exceeding six months		
Considered Good	189.77	203.28
Considered Doubtful	5.08	55.94
	194.85	259.22
Less: Bad debts written off	6.92	55.94
	187.93	203.28
(b) Others		
Considered Good	5,865.91	5,905.49
TOTAL	6,053.84	6,108.77
14.1 Trade Receivables includes an amount of ₹ 53.86 Lakhs (previous year ₹ 147.39 Lakhs) due from M/s. VKT Pharma Private Limited, a related party.		
15 Cash and Bank Balances		
(a) Cash and Cash Equivalents :		
(i) Cash on Hand	8.57	15.14
(ii) Balances with Scheduled Banks in Current Accounts	1,227.69	109.96
(iii) in short Term Deposit	-	1,000.00
(b) Other Bank Balances :		
(i) Deposit against Margin Money	472.01	373.37
(ii) Fixed Deposits	0.80	0.80
(iii) Unclaimed Dividend Accounts	8.37	8.97
TOTAL	1,717.44	1,508.24

15.1 Out of the above amount, cash and cash equivalents was ₹ 1,236.26 Lakhs (previous year ₹ 1,125.10 Lakhs)

15.2 Deposit against margin money amount of ₹ 472.01 Lakhs (Previous Year ₹ 373.37 Lakhs) have maturity period of more than 12 months.

15.3 Fixed Deposits amount of ₹ 0.80 Lakhs (Previous Year ₹ 0.80 Lakhs) have maturity period of more than 12 months.

15.4 Transactions of Specified Bank Notes during the period from 08-11-2016 to 30-12-2016 are as follows:

Particulars	SBNs	Other Denomination Notes	Total
Closing Cash in hand as on 08-11-2016	10.50	4.18	14.68
(+) Permitted receipts		14.10	14.10
(-) Permitted Payments	-	(14.74)	(14.74)
(-) Amount Deposited in Banks	(10.50)	-	(10.50)
Closing Cash Balance as on 30-12-2016	-	3.54	3.54

Consolidated Notes Forming Part of the Financial Statements (Amount: ₹ in Lakhs)

Particulars	As at 31.03.2017	As at 31.03.2016
16 Short Term Loans & Advances		
(Unsecured and Considered Good)		
Advances for Raw Materials	350.21	624.21
Advances to others	172.06	78.29
MAT Credit	2,470.52	1,549.47
TOTAL	2,992.79	2,251.97
16.1 Advances for Raw Materials includes ₹ 78.96 Lakhs (Previous Year ₹ 93.25 Lakhs) to M/s. Rchem (Somanahalli) Pvt Ltd, a related party.		
17 Other Current Assets		
Prepaid Taxes (Net of Provision for Income Tax)	116.83	96.82
Prepaid Expenses	43.28	62.20
Interest Receivable	48.82	89.71
Cenvat & Service Tax Credit Receivable	2,484.09	2,505.53
VAT Credit Receivable	824.14	803.32
Export Incentives Receivable	185.16	60.30
TOTAL	3,702.32	3,617.88

Particulars	Current Year 2016-17	Previous Year 2015-16
18 Revenue From Operations		
(a) Sale of Products		
Gross Revenue From Sales		
Sale of Products	63,641.86	58,010.76
Export Incentives	611.28	236.12
	64,253.14	58,246.88
Less : Excise Duty	2,090.65	1,819.13
Sales Tax	902.06	820.65
Total Taxes	2,992.71	2,639.78
Net Revenue from Sales	61,260.43	55,607.10
(b) Other Operating Income		
1) Sale of Services (Gross)	12.90	105.59
Less : Service Tax	0.04	12.91
Net Revenue from Services	12.86	92.68
2) Conversion Charges	4,099.96	4,619.56
Net Other Operating Income	4,112.82	4,712.24
Net Revenue from Operations and Services	65,373.25	60,319.34

Consolidated Notes Forming Part of the Financial Statements (Amount: ₹ in Lakhs)

Particulars	Current Year 2016-17	Previous Year 2015-16
19 Other Income		
(a) Interest Income	63.43	212.07
(b) Exchange Fluctuation	153.97	50.11
(c) Profit on Sale of Assets	-	4.10
(d) Miscellaneous Income	97.67	94.51
TOTAL	315.07	360.79
20 Materials Consumed		
(a) Raw Materials		
Opening Stock	5,035.78	3,343.40
Add : Purchases	43,339.77	41,171.25
	48,375.55	44,514.65
Less: Closing Stock	4,019.20	5,035.78
Sub-Total (a)	44,356.35	39,478.87
(b) Packing Materials		
Opening Stock	29.18	29.00
Add : Purchases	533.69	466.63
	562.87	495.63
Less : Closing Stock	48.40	29.18
Sub-Total (b)	514.47	466.45
Total Materials Consumed (a+b)	44,870.82	39,945.32
21 Changes in Inventories of Finished Goods and Stock in Process (Increase) / Decrease in Stocks		
(a) At the Commencement of the Year :		
Stock in Process	5,309.96	4,220.10
Finished Goods	836.57	962.51
Sub-Total (a)	6,146.53	5,182.61
(b) At the End of the Year :		
Stock in Process	8,774.73	5,309.97
Finished Goods	650.75	836.57
Sub-Total (b)	9,425.48	6,146.54
(Increase) / Decrease in Stocks (a)-(b)	(3,278.95)	(963.93)
22 Employee Benefit Expenses		
Salaries, Wages and Bonus	3,890.88	3,355.79
Contribution to PF & Other Funds	264.07	205.05
Staff Welfare Expenses	275.94	250.47
TOTAL	4,430.89	3,811.31



Pharmaceuticals Ltd.

Consolidated Notes Forming Part of the Financial Statements (Amount: ₹ in Lakhs)

	Particulars	Current Year 2016-17	Previous Year 2015-16
23	Finance Cost		
	Interest on Term Loans	1,487.77	810.04
	Interest on Working Capital	495.27	730.69
	Interest on Direct Taxes	-	4.41
	Interest on Others	5.92	10.81
	Bank Charges	158.72	153.86
	TOTAL	2,147.68	1,709.81
24	Other Expenses		
	Power & Fuel	3,852.16	3,285.35
	Consumable Stores	556.22	439.37
	Testing Charges	76.91	58.16
	Water Charges	127.21	95.62
	Conversion Charges	1,192.31	1,358.25
	Effluent Treatment Charges	306.43	190.92
	Repairs & Maintenance - Plant & Machinery	711.82	833.13
	Repairs & Maintenance - Buildings	67.84	205.06
	Factory Maintenance	150.18	158.70
	Travelling Expenses- Directors	23.91	17.57
	Travelling Expenses	47.79	59.31
	Postage & Telephones	36.56	31.94
	Printing & Stationary	80.81	74.65
	Director's Remuneration	456.17	395.77
	Rent, Rates & Taxes	134.71	142.15
	Insurance	131.33	119.50
	CSR Expenditure	29.01	19.22
	General Expenses	116.59	179.81
	Loss on Sale of assets	-	4.94
	Cost Audit Fee	1.00	0.75
	Payment to Auditors	17.08	17.10
	Repairs to other assets	19.91	37.91
	Vehicle Maintenance	45.35	45.97
	Carriage Outward	404.61	333.07
	Sales Commission	279.51	252.85
	Business Promotion Expenses	163.19	192.81
	Interest on Indirect Taxes	40.04	1.26
	Bad Debts Written Off	6.92	55.94
	TOTAL	9,075.57	8,607.08

Consolidated Notes Forming Part of the Financial Statements (Amount: ₹ in Lakhs)

Particulars	Current Year 2016-17	Previous Year 2015-16
24.1 Audit Fee consists of		
As Statutory Audit	17.00	17.00
For Reimbursement of expenses	0.08	0.10
25 Earnings Per Share (Basic and Diluted)		
Net profit for basic EPS	4,103.98	4,089.21
EPS Basic & Diluted	4.85	4.83

26. Scheme of arrangement (De-Merger) between SMS Pharmaceuticals Ltd (SMSPL), the Company and SMS LifeSciences India Ltd (LifeSciences), resulting Company

The Board of Directors of the Company in their meeting held on 13th August, 2016 had approved the Scheme of arrangement between the Company and SMS LifeSciences India Limited to demerge the Semi-Regulated units.

The National Company Law Tribunal (NCLT), Hyderabad vide its order dt. 15.05.2017 has sanctioned the scheme U/s 391 to 394 of the Companies Act, 1956 read with sections 100 to 104 of the Companies Act, 2013 between the Company and SMS LifeSciences India Limited for transfer of all the assets and liabilities pertaining to each of the demerger undertaking at their book value appearing in the books of the Company as on 01.04.2016 (Appointed date). The Scheme is effective from 17.5.2017 i.e., the date of filing of the certified copy of the order of the NCLT with the registrar of Companies, Hyderabad.

In terms of the scheme, SMS LifeSciences India Limited is required to issue and allot shares to each member of the Company whose name is recorded in the register of members of the Company in the following proportion.

“1 (One) Equity Share of ₹ 10/- each (fully paid up) of Resulting Company shall be issued and allotted for every 28 (Twenty Eight) Equity Shares of ₹ 1/- each (Fully Paid Up) by the shareholders in the demerged Company”

The book value of assets and liabilities as on 01-04-2016 were transferred to SMS LifeSciences India Limited. The details of assets and liabilities transferred are as under

Particulars	Amount: ₹ in Lakhs
Assets transferred	
Non-Current Assets	
Fixed Assets	7,663.51
Investments	4.11
Loans and Advances	149.47
Current Assets	
Inventories	4,183.56
Trade Receivables	3,987.46
Cash and Bank Balances	254.18
Loans and Advances	488.44
Other Current Assets	608.18
Sub Total (A)	17,338.91

Particulars	Amount: ₹ in Lakhs
Liabilities assumed	
Non-Current Liabilities	
Long Term Borrowings	2,349.13
Deferred Tax Liability	1,053.54
Long Term Provisions	167.66
Current Liabilities	
Short Term Borrowings	533.63
Trade Payables	5,258.70
Other Current Liabilities	1,131.44
Short Term Provisions	26.46
Sub Total (B)	10,520.56

27. Corporate Information

SMS Pharmaceuticals Limited is a multi location, multi-product Company manufacturing Active Pharma Ingredients and their intermediates. SMS Pharmaceuticals Limited has manufacturing facilities at IDA Kazipally, Bachupally, IDA Jeedimetla, and Bolaram apart from R&D center at Gagillpur in and around Hyderabad city and also at Kandivalasa in Vijayanagaram Dist and having registered office at Plot No. 19-III, Road No. 71, Jubilee Hills, Hyderabad.

28. Basis of Accounting and preparation of Consolidated financial statements:

The Consolidated financial statement of the Company and its associates have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of Companies Act, 2013, read with Rule 7 of the Companies, (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013 ("the 2013 Act") / Companies Act, 1956 ("the 1956 Act"), as applicable. The consolidated financial statements have been prepared on accrual basis under the historical cost convention.

(a) Principles of Consolidation

The Consolidated Financial Statements relate to SMS Pharmaceuticals Limited, its Wholly Owned Subsidiary Company, M/s. SMS LifeSciences India Limited and its Associate Company, M/s. VKT Pharma Pvt Ltd.

- (i) The financial statements of the subsidiary Company used in the consolidation are drawn up to the reporting date as that of the Company i.e. 31st March, 2017.
- (ii) The financial statements of the Company and its subsidiary Company have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses, after eliminating intra-group balances, intra-group transactions and resulting un realised profits or losses, unless cost cannot be recovered.
- (iii) The intra-group balances, intra-group transactions and unrealised profits or losses have been eliminated to the extent of the group's share in the entity's Consolidated Financial Statements, as per AS 21.
- (iv) In case of Associates, investments are accounted under the equity method as per Accounting Standard (AS) 23 – "Accounting for Investment in Associates in Consolidated Financial Statements".

- (b) The Consolidated Financial Statements include the accounts of SMS Pharmaceuticals Limited, its wholly owned subsidiary and its associate Company.

Name of the Subsidiary	SMS Lifesciences India Limited,
Company's Interest	100%
Date on which Company has become Subsidiary	01-04-2016
Name of the Associate	VKT Pharma Private Limited
Company's Interest	40.26%
Financial Year of Subsidiary and Associate ended on	31-03-2017

29. Significant Accounting Policies

a. Use of Estimates

The preparation of Financial statements are in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. The difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

b. Fixed Assets:

- i. Fixed Assets are stated at cost of acquisition as reduced by accumulated depreciation. All costs including financial costs up to the date of commissioning and attributable to the fixed assets are capitalized apart from taxes, freight and other incidental expenses related to the acquisition and installation of the respective assets as reduced by taxes to the extent of recoverable.
- ii. Assets acquired on Hire Purchase arrangements, if any, are accounted for as assets in accordance with AS-19 issued by the Institute of Chartered Accountants of India.

c. Capital Work In progress:

Assets under installation or under construction and which are not ready for put to use as on the date of balance sheet are shown as Capital work in progress. Advances given towards acquisition of assets were shown under long term loans and advances.

d. Depreciation:

Depreciation on Fixed Assets is provided on Straight Line based on use full lives estimated by the management which are in accordance with Schedule – II of the Companies Act, 2013. The management believes that depreciation rates currently used fairly reflects its estimate of the useful lives and residual values of fixed assets.

Depreciation on addition to/deletion from fixed assets made during the year is provided on pro-rata basis from/up to the date of such addition/deletion as the case may be. In case of assets costing less than ₹ 5,000/- purchased during the year also depreciation has been provided at normal rates on pro-rata basis from the date of purchase.

The amount incurred towards improvements and other relating expenses on leased premises duly charged to Statement of Profit and Loss during the primary lease period.

Depreciation on landscape is being provided @10% under straight line method.

e. Investments:

Long term Investments are carried at cost. Provision for diminution in the value of long-term investments is made if such diminution is other than temporary in nature in the opinion of the management.

f. Inventories:

Inventories are valued at lower of cost or net realizable value. Cost of inventories comprises cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Raw Materials	-	Valued at cost on weighted average basis
Stores and spares	-	Valued at cost on weighted average basis
Stock-in- Process	-	At cost and an appropriate share of overheads
Finished Goods	-	At cost or net realizable value, whichever is lower

g. Sales:

Sales include value of goods, Excise Duty, Export Benefits and Sales Tax where ever applicable. However Excise Duty and Sales Tax to the extent of recoverable from customers are disclosed as reduction from turnover.

h. Research & Development Expenses:

- i. Revenue expenditure on research and development activities is expensed as and when incurred.
- ii. The expenditure on capital assets having alternative use either in R & D activity or otherwise are capitalized and amortized according to the useful life of the respective assets as specified in schedule II of the Companies Act, 2013.

i. Patents:

Expenditure incurred for filing of patents and related expenditure being capitalized and showing under the head Intangible Assets and depreciation is provided @25% on straight line method.

j. Operating Leases:

Assets taken on lease under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under operating leases are recognized as expenses on accrual basis in accordance with the respective lease agreement.

k. Retirement Benefits:

i. Defined Contribution Plans:

Provident Fund:

Employer's Contribution towards Provident Fund at the prescribed rates payable to the Employees Provident Fund Scheme by the Central Government is charged to statement of profit and loss.

ii. Defined Benefit Plans:

- (1) **Gratuity:** Liability towards gratuity is accounted on the basis of actuarial valuation made by an independent actuary. The actuarial valuation is done as per projected unit credit method. Actuarial gain/loss is taken to statement of profit and loss.
- (2) Liability towards gratuity was funded through a policy with Life Insurance Corporation of India. The difference between actuarial valuation of independent valueur and that of the amount contributed through LIC policy being charged to statement of profit and loss. The said difference amount was unfunded.

(3) Leave encashment benefit: The unavailed leave liability is accounted based on actuarial valuation using projected unit credit method. This liability was unfunded.

iii. State Plans:

Employers' contribution payable to employee's state insurance is charged to statement of profit and loss.

I. Excise Duty / Sales Tax:

Excise Duty and Sales Tax are accounted for at the time of dispatch / sale. These taxes are included in sales. However the amounts to the extent of realizable from customers are disclosed as reduction from gross sales in statement of profit and loss and the remaining amounts were shown as expenditure under the head other expenses as Central Excise Duty and Sales Tax respectively.

m. Service Tax:

Income derived from rendering of services being considered as net off Service Tax and the amount of Service Tax liability in respect of services rendered by the Company was not charged to the statement of Profit and Loss to the extent recoverable from customers.

n. Cenvat / VAT / Service Tax Credit:

Cenvat / VAT credit claimed on capital goods (Plant and Machinery) is credited to relevant Plant and Machinery Account, except the assets being used in R&D centers. Cenvat / Vat credit on purchase of raw materials, packing materials, consumables, spares and components are deducted from the cost of respective materials.

Service Tax credit availed as service receiver is deducted from the relevant expenditure.

Un utilized Cenvat / VAT / Service Tax is accounted as asset and carried in the balance sheet under the head Other Current Assets.

o. Revenue Recognition:

- i. Revenue from sale of goods is recognized when significant risks and rewards in respect of ownership of the products are transferred to the customer. Export Benefits are recognized on accrual basis.
- ii. Interest is recognized on a time proportion basis taking into account the amount outstanding and the rate of interest applicable.
- iii. Service income is recognized as per the terms of the contracts with customers when the related services are performed or agreed milestones are achieved.

p. Foreign Currency Transactions:

- i. Transactions denominated in foreign currency are normally recorded at the exchange rate prevailing at the time of the transaction.
- ii. Any income or expense on account of exchange differences on foreign currency transactions are recognised in the statement of profit and loss.
- iii. Financial Derivative Contracts are accounted on the date of their settlement and realized gain / loss in respect of settled contracts are recognized in the statement of profit and loss along with underlined transactions.

q. Taxation:

Tax expense or saving is the aggregate of current year tax and Deferred Tax charged or credited as the case may be to the statement of profit and loss for the year. It also includes adjustment relating to excess or short provision made for earlier years.

i. Current year charge:

The provision for taxation is made based on an estimate of assessable income determined by the Company under the Income Tax Act, 1961. MAT credit is recognized, as an asset only when and to the extent that there is convincing evidence that the Company will pay normal Income Tax during the specified year.

ii. Deferred Tax:

Deferred Income Tax is recognized for the future tax consequences attributable to timing differences between the financial statements determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income using the tax rate that have been enacted by the balance sheet date. Deferred tax assets are recognized and carried forward only to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

r. Borrowing Costs:

- i. Borrowing costs that are attributable to the acquisition of Fixed Assets are capitalized as part of the cost of the asset till the date the asset is ready for commercial use.
- ii. Other borrowing costs are treated as expenses in the period, in which they are incurred, except bank charges for processing / renewal of working capital.
- iii. The bank charges for processing of working capital application are charged to expenses as and when incurred.

s. Provisions and Contingent Liabilities:

Provisions are recognized only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent Liabilities are generally not provided for and are disclosed by way of Notes to Financial Statements.

t. Impairment of Assets:

The carrying amounts of assets are reviewed at each balance sheet date. If there is any indication of impairment based on internal / external factors, an asset is impaired when the carrying amount of asset exceeds the recoverable amount. An impairment loss is charged to the profit and loss account in the year in which an asset is identified as impaired. An impairment loss recognized in prior accounting periods is reversed if there has been change in the estimate of the recoverable amount.

u. Export Benefits:

All export benefits on exports are recognized on accrual basis.

Consolidated Notes Forming Part of the Financial Statements

30. Contingent Liabilities not provided for

(Amount: ₹ In Lakhs)

Particulars		2016-17	2015-16
(a)	Guarantees given by banks	24.00	-
(b)	Letter of credits opened in favor of suppliers for which goods are yet to be received	1,129.83	570.30
(c)	Disputed Income Tax demands against which Company is in Appeals.	22.62	22.62
(d)	Interest dues in respect of disputed demands of Income Tax and Central Excise.	177.72	168.71
(e)	Interest on disputed demand of Central Excise(Refer Note No.32. (iii))	16.40	16.40
(f)	Capital Commitments	--	166.01

31. Capital work-in-progress includes an amount of ₹ 556.79 Lakhs(Previous year ₹ 556.79 Lakhs) paid for acquiring land to the extent of Ac.42 bearing plot no.45,46& 56 in Jawaharlal Nehru Pharma City Parawada in Viskhapatnam Dist. Which was under litigation with developer and the matter is sub-judice before the Hon'ble High Court.

Subsequently, a dispute arose with M/s RamkeyPharma City (India) Ltd, the developer, the Company obtained orders from Hon'ble High Court, restraining the alienation of the said land till further orders. This land was under litigation with developer and the matter is sub-judice before the Hon'ble High Court.

32. (i) The Company has entered in to an agreement with M/s. Divya Enterprises Limited for purchase of 918 sqm industrial plot and buildings and structures situated at D-63,Phase – I, Jeedimetla, for a consideration of ₹ 60.00 Lakhs. Pending registration of the same, the Company has paid the entire amount to the vendor for the said property and has taken the possession during the year 2002-03. The said property was not registered in the name of the Company as on the Balance Sheet date.
- (ii) The Company has constructed/modified buildings and structures to suit the requirement for carrying out its manufacturing activity in the said premises. The Company has incurred an amount of ₹ 169.67 Lakhs during the earlier years for modification of buildings and also for acquiring required equipment and other assets. The said assets were capitalized and the Company is claiming depreciation since 2005-06.
- (iii) Central excise department has issued a demand for an amount of ₹ 16.40 Lakhs towards interest for the period from 01-04-1995 to 18-03-2011 jointly in the name of Divya Enterprises Limited and SMS Pharmaceuticals Limited for which M/s Divya Enterprises Limited has obtained stay from the Honourable High court of Andhra Pradesh in the year 2013.No manufacturing activity is carried out at this premises.

Consolidated Notes Forming Part of the Financial Statements

33. Remittance in Foreign Currency on Account of Dividend:

	Paid in	
	2016-17	2015-16
i) Year to which the dividend relates	2015-16	2013-14 & 2014-15
ii) Number of non-resident shareholders to whom remittances were made	1 (One)	1 (One)
iii) Number of shares on which remittances were made	41,42,633	7,21,409 & 6,59,029
iv) Amount remitted: (Amount: ₹ in Lakhs)	8.29	14.43 & 13.18

34. Research and Development Expenditure:

a) Details of Capital Expenditure (Amount: ₹ in Lakhs)

S.No.	Particulars	2016-17	2015-16
1	Lab Equipment	110.39	126.42
2	Patents	0.74	2.33
3	Computers	1.80	3.56
4	Electrical Equipment	0.57	1.56
5	Furniture & Fixtures	0.43	-
6	Plant & Machinery	2.55	-
7	Vehicles	9.10	-
TOTAL		125.58	133.87

b) Details of Revenue Expenditure (Amount: ₹ in Lakhs)

S.No.	Particulars	2016-17	2015-16
1	Salaries & Wages	248.03	211.94
2	Materials Consumed	65.42	52.63
3	Power	21.34	21.53
4	Repairs & Maintenance	41.95	38.14
5	Rates & Taxes	6.35	5.86
6	Testing Charges	8.57	6.12
8	Other Expenses	10.51	11.71
TOTAL		402.17	347.93

35. Information on Employee benefits required under accounting standard 15 :-

(1) Defined Contribution Plans:	(Amount: ₹ in Lakhs)	
	2016-17	2015-16
Contribution to Provident Fund	229.31	180.05
(2) Defined Benefit Plans: i. Gratuity (Partly Funded)		
ii. Leave Encashment (Unfunded)		

Consolidated Notes Forming Part of the Financial Statements

Disclosures (as per actuary certification)

(Amount: ₹ in Lakhs)

	Particulars	2016-17		2015-16	
		Gratuity (Unfunded)	Leave Encashment (Unfunded)	Gratuity (Unfunded)	Leave Encashment (Unfunded)
(i)	STATEMENT OF PROFIT AND LOSS:				
	Current Service Cost	35.44	36.90	28.86	28.24
	Interest cost on benefit obligation	20.91	3.88	18.16	3.67
	Net Actuarial (Gain)/Loss recognized in the year	50.02	(27.69)	16.87	(19.80)
	Short Term compensated absence Liability	-	-	-	9.02
	Past service cost	-	-	-	-
	Contribution paid	(39.71)	(9.18)	(20.58)	(5.54)
	Expected return on planned Assets	4.92	-	(4.47)	-
	Net benefit expenses	71.58	3.91	38.84	15.59
(ii)	BALANCE SHEET:				
	Change in the present value of the defined benefit obligation are as follows:				
	Opening defined benefit obligation	231.74	111.64	192.90	96.05
	Interest cost	20.91	3.88	18.16	3.67
	Current services cost	35.44	36.90	28.86	28.24
	Actuarial (Gain)/Loss on obligation	50.02	(27.69)	16.87	(19.80)
	Expected return on planed Assets	4.92	-	(4.47)	-
	Short Term compensated absence liability	-	-	-	9.02
	Contribution paid	(39.71)	(9.18)	(20.58)	(5.54)
	Closing defined benefit obligation	303.32	115.55	231.74	111.64
	Past Service Cost	-	-	-	-

- Net benefit expenses of ₹ 71.58 lakhs relating to Gratuity charged to Statement of Profit & Loss being the difference between the independent actuary valuation and that of amount contributed through LIC. This amount was unfunded and total amount of unfunded was ₹ 303.32 lakhs as on the balance sheet date.

(iii) The Principal Assumptions used in Actuarial Valuation

Salary rise	3%	3%
Discount rate	6.69%	7.46%
Attrition rate	2%	2%

Consolidated Notes Forming Part of the Financial Statements

36. Disclosure Required by Micro, Small and Medium Enterprises (Development) Act, 2006.

Disclosure of Sundry Creditors under Current Liabilities is based on the information available with the Company regarding the status of the suppliers as defined under the “Micro, Small and Medium Enterprises Development (Act, 2006)” and relied upon by the auditors.

During the year the Company has paid no interest in terms of Section 16 of the said Act. Particulars of amount due to the MSME customers interest due and paid during the year are as furnished below.

(Amount: ₹ in Lakhs)

Particulars	2016-17	2015-16
Principal amount remaining unpaid as at the end of the year	498.71	394.50
Interest due and payable for the period of delay	5.92	2.92
Interest paid on above	Nil	Nil

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.

37. Related Party Disclosures:

Disclosures as required by the Accounting Standard 18 of the Institute of Chartered Accountants of India are given below:

(i) Key Managerial personnel (KMP) and their relatives

S.No.	Name	Relationship
1.	Sri. P Ramesh Babu	Chairman and Managing Director
2.	Sri. TVVSN Murthy	Vice Chairman and Joint Managing Director
3.	Sri. TV Praveen	Relative of the Key Managerial personnel
4.	Sri. P Vamsikrishna	Relative of the Key Managerial personnel
5.	Smt. P Hima Bindu	Relative of the Key Managerial personnel
6.	N Rajendra Prasad	Chief Financial Officer
7.	Saurou Roy	Company Secretary (Upto 15-10-2016)
8.	T Thirumalesh	Company Secretary (17-10-2016 Onwards)

(ii) list of Related Parties

S.No.	Name of the Company	Relationship
1.	VKT Pharma Private Limited	Associate Company
2.	Potluri Packing Industries Private Limited	Enterprises over which KMP are able to Exercise significant influence.
3.	Potluri Laboratories Private Limited.	
4.	Potluri Infra Projects LLP	
5.	Rchem (Somanahalli) Private Limited	

Consolidated Notes Forming Part of the Financial Statements

(iii) Transactions:

(Amount: ₹ in Lakhs.)

Particulars	Associate Company & Companies in which KMP having significant influence	Key Management Personnel	Relatives of Key Management Personnel	Total
Remuneration & Commission (Previous Year)		474.22 (401.47)	71.84 (46.25)	546.06 (447.72)
Purchases (Previous Year)	323.46 (94.77)			323.46 (94.77)
Sales (Previous Year)	413.54 (291.87)			413.54 (291.87)
Conversion Charges paid(Previous Year)	858.05 (805.54)			858.05 (805.54)
Investments (Previous Year)	1,574.59 (803.99)			1,574.59 (803.99)
Rent (Previous Year)	- (4.50)			- (4.50)
Advances (Previous Year)	- (255.75)			- (255.75)
Balance outstanding :				
Receivable (Previous Year)	41.57 (403.13)			41.57 (403.13)
Payable (Previous Year)	- (-)	220.19 (266.81)	2.24 (2.19)	222.43 (269.00)

38. Segment Reporting:

As the Company's business during the reporting year consists of single reportable business segment of manufacturing and sale of Active Pharmaceutical Ingredients and their intermediates, no separate disclosure pertaining to segmental reporting is given as part of business segment, revenues are attributed to geographical areas based on the location of the customers as detailed below:

(Amount: ₹ in Lakhs.)

Particulars	2016-17		2015-16	
	Revenue	%	Revenue	%
Exports	19,454.37	31.76	17,146.50	30.84
Sales to 100 % EOU	27,287.06	44.54	27,292.78	49.08
Domestic	13,907.72	22.70	10,931.70	19.66
Export Incentives	611.29	1.00	236.12	0.42
TOTAL	61,260.44	100.00	55,607.10	100.00

Consolidated Notes Forming Part of the Financial Statements

39. Consumption of Raw Materials: (Amount: ₹ in Lakhs.)

Particulars	2016-17		2015-16	
	Value	%	Value	%
Imported	7,637.99	17.22	6,093.67	15.44
Indigenous	36,718.36	82.78	33,385.20	84.56
TOTAL	44,356.35	100.00	39,478.87	100.00

40. Expenditure in Foreign Currency

40.1 CIF Value of Imports: (Amount: ₹ in Lakhs.)

Particulars	2016-17	2015-16
Raw Materials	7,203.10	6,391.78
Capital Goods	233.62	367.37
Total	7,436.72	6,759.15

40.2 Other Expenses : (Amount: ₹ in Lakhs.)

Particulars	2016-17	2015-16
Sales Commission	217.34	169.50
Travelling Expenses	2.94	2.32
Total	220.28	171.82

41. Earnings in Foreign Currency: (Amount: ₹ in Lakhs.)

Particulars	2016-17	2015-16
FOB Value of Exports	17,384.32	15,265.56

42. Balances of sundry debtors/ creditors and Loans and advances are subject to confirmation and reconciliations.

43. Previous year figures have been regrouped, reclassified, whenever necessary to corroborate with current year figures.

44. Figures have been rounded off to the nearest Rupee.

as per our report of even date

for RAMBABU & CO.,
Chartered Accountants
FRN.002976S

RAVI RAMBABU
Partner
M No.18541

Place: Hyderabad
Date: 30.05.2017

for and on behalf of the Board

RAMESH BABU POTLURI
Chairman and
Managing Director

TVVSN MURTHY
Vice Chairman and
Joint Managing Director

T THIRUMALESH
Company Secretary

N RAJENDRA PRASAD
Chief Financial Officer



Pharmaceuticals Ltd.

SMS PHARMACEUTICALS LIMITED

CIN : L24239AP1987PLC008066

Registered Office : I9-III,

Opp. Bharatiya Vidya Bhavan Public School,

Road No.71, Jubilee Hills, Hyderabad-500 096, Telangana, India.

Tel. : 040-66288888 • Fax : 040 - 23551401 • www.smspharma.com

• E-mail : info@smspharma.com

ATTENDANCE SLIP

Name of the Member(s)/ Proxy :

(In Block Letters)

Folio No. :

DP ID - Client ID :

No. of Shares Held :

I hereby record my presence at the 29th Annual General Meeting of the Company at Jubilee Hills International Centre (Jubilee Hills Club), Jubilee Hills, Hyderabad -500 033 on 27th day of September, 2017 at 11.00 A.M.

Signature of the Member(s) / Proxy

Notes:

1. Members are requested to bring their copies of Annual Report at the AGM.
2. Please strike off whichever is not applicable.



Pharmaceuticals Ltd.

SMS PHARMACEUTICALS LIMITED

CIN : L24239AP1987PLC008066

Registered Office : I9-III,

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• E-mail : info@smspharma.com

PROXY FORM

Name of the Member (s) :

Registered Address :

Email-Id :

Folio No./Client ID :

DP ID :

I/We, being the member(s) of shares of the above named Company, hereby appoint -

1. Name:

Address:.....

..... E-mail Id :.....

Signature:..... or failing him

2. Name:

Address:.....

..... E-mail Id :.....

Signature:..... or failing him

3. Name:

Address:.....

..... E-mail Id :.....

Signature:..... or failing him

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 29th Annual General Meeting, SMS Pharmaceuticals Limited to be held on 27th day of September, 2017 at 11.00 A.M. at Jubilee Hills International Centre (Jubilee Hills Club), Jubilee Hills, Hyderabad -500 033 and at any adjournment thereof in respect of such resolutions as are indicated below:

Res. No.	Resolution	Vote for	Vote against
Ordinary Business			
1.	To receive, consider and adopt the Audited Standalone and Consolidated Financial Statements of the Company for the year ended 31st March, 2017 along with the Reports of the Board of Directors' and Auditors' thereon.		
2.	To declare Dividend on the equity shares for the financial year 2016-17.		
3.	To re-appoint Sri Ramesh Babu Potluri (DIN: 00166381) who retires by rotation, and being eligible, offers himself for re-appointment.		
4.	To appoint M/s. Suryanarayana & Suresh, Chartered Accountants as Statutory Auditors of the Company and fix their remuneration.		
Special Business			
5.	To Ratify / Approve The Related Party Contracts/Arrangements/ Transactions of the Company		
6.	Ratification of Remuneration payable to the Cost Auditor for the Financial Year ending on 31st March, 2018		
7.	Reclassification of shareholders from promoter group category to public category.		

Signed this..... day of..... 2017.

Signature of shareholder(s)

Signature of Proxy holder(s)

Please Affix
₹ 1/-
Revenue
Stamp

Notes:

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. Please complete all details including details of member(s) before submission.

(To be handed over at the entrance of the Meeting Hall)

If undelivered, please return to:



smsPharmaceuticals Ltd.

Regd. Off: Plot No. 19-III,
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