



Pharmaceuticals Ltd.

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## NOTICE

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

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Notice is hereby given that the 27<sup>th</sup> Annual General Meeting of the Company will be held on Tuesday the 29<sup>th</sup> day of September, 2015 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 Financial Statements of Company for the year ended 31<sup>st</sup> March, 2015 along with the Reports of the Board of Directors' and Auditors' thereon.
2. To declare dividend for the financial year 2014-15.
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 Statutory Auditors and fix their remuneration and in this regard, 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 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. Rambabu & Co., Chartered Accountants, (ICAI Firm Registration No. 002976S) 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 re-appointed as Statutory Auditors of the Company for a period of one year, i.e., to hold office from the conclusion of 27<sup>th</sup> Annual General Meeting (AGM) till the conclusion of the 28<sup>th</sup> Annual General Meeting of the Company to be held in the year 2016, and the Board of directors be and are hereby authorised to fix their remuneration.”

### SPECIAL BUSINESS:

5. **To alter/substitute the Articles of association of the Company and in this regard, adopt new set of Articles of Association of the Company** containing regulations in conformity with the Companies Act, 2013 and 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 14 and all other applicable provisions of the Companies Act, 2013, if any, read with Companies (Incorporation) Rules, 2014 (including any statutory modifications (s) or re-enactment thereof, for the time being in force), a new set of Articles of Association placed before the members, be and is here by adopted and substituted in place of the existing Articles of Association of the company.

**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, 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. **To approve the remuneration of the Cost Auditors** for the Financial year ending 31<sup>st</sup> March, 2016 and in this regard, 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 all other applicable provisions of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(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, Sri K.S.N. Sarma, Cost Auditor (Registration No. M – 6875), to conduct the audit of the cost records of the Company for the Financial



year ending 31<sup>st</sup> March, 2016, be paid a remuneration of ₹ 75,000 (Rupees Seventy Five Thousand only) per annum plus out of pocket expenses, at actuals.

**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, 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.”

7. **To approve the Related Party Contracts/ Arrangements/Transactions of the Company** and in this regard, 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 188 and all other applicable provisions of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 (including any statutory modifications (s) or re-enactment thereof, for the time being in force) and provisions of revised Clause 49-VII of Listing Agreement (effective from 1<sup>st</sup> October, 2014), the approval/ratification of the shareholders be and is hereby accorded to the Board of Directors for continuing the existing related party transactions for FY 2014-15 and entering into further contracts/arrangements/ transactions with ‘Related Parties’ as defined under section 2(76) of the Companies Act, 2013 and Clause-49(VII)(B)(ii) of Listing Agreement for maximum amounts per annum for FY 2015-16 as mentioned herein below.

<b>Approval/Ratification of Existing Contracts with Related Parties for the financial year 2014-15</b>				
	<b>Sec. 188 of the Companies Act, 2013 read with Rule 15(3) of Companies (Meetings of Board and its Powers) Rules, 2014</b>	<b>Prescribed Limit (₹ in Lakhs)</b>	<b>The particulars of the transactions During the year 2014-15</b>	<b>Transaction Amount (₹ in Lakhs)</b>
(a)	sale, purchase or supply of any goods or materials;	5,180.38	R Chem Pvt. Ltd.; Purchase of by products.	91.17
			R Chem Pvt. Ltd.; Sale of - Materials	123.32
			VKT Pharma Pvt. Ltd. ; Sale of materials	82.31
	<b>Total</b>	<b>5,180.38</b>		<b>296.80</b>
(d)	availing or rendering of any services;	5,000.00	R Chem Pvt. Ltd.; Conversion charges paid	579.64
			- R Chem Pvt. Ltd.; Car Hiring Charges	1.20
			- Potluri Laboratories Pvt. Ltd.; Car Hiring Charges	1.05
			- Smt. P. Hima Bindu; Rent paid	1.75
	<b>Total</b>	<b>5,000.00</b>		<b>583.64</b>
(f)	such related party’s appointment to any office or place of profit in the company, its subsidiary company or associate company;	30.00	Sri P. Vamshi Krishna; Salary paid	17.31
			Sri T. V. Praveen ; Salary paid	32.42
	<b>Total</b>	<b>30.00</b>		<b>49.73*</b>

\*Note: Please refer explanatory notes & AOC-2 for details.



<b>Approval for entering into contract/lease/arrangements/transactions with 'Related Parties' up to Prescribed Limit for the financial year 2015-16 as under mentioned:</b>		
<b>Sec. 188 of the Companies Act, 2013 read with Rule 15(3) of Companies (Meetings of Board and its Powers) Rules, 2014</b>		<b>Prescribed Limit (₹ in Lakh)</b>
(a)	sale, purchase or supply of any goods or materials;	5,792
(b)	selling or otherwise disposing of, or buying, property of any kind;	2,532
(c)	leasing of property of any kind;	2,532
(d)	availing or rendering of any services;	5,000.
(e)	appointment of any agent for purchase or sale of goods, materials, services or property;	
	- Limit Prescribed under Rule 15(3)(a)(i)	5,792
	- Limit Prescribed under Rule 15(3)(a)(ii)	2,532
	- Limit Prescribed under Rule 15(3)(a)(iv)	5,000
(f)	such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and	30
(g)	underwriting the subscription of any securities or derivatives thereof, of the company.	253

**RESOLVED FURTHER THAT** the Board of Directors 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, 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."

8. **To approve the enhancement in prescribed limit of remuneration payable to related parties appointment to any office or place of profit** in the company, and in this regard, 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 188(1)(f) and all other applicable provisions of the Companies Act, 2013 read with the Rules made thereunder (including any statutory modifications(s) or re-enactment thereof, for the time being in force) and provisions of revised Clause 49-VII of Listing Agreement (effective from 1<sup>st</sup>

October, 2014), the approval/ratification of the shareholders be and is hereby accorded to the Board of Directors to enhance the prescribed limit of remuneration payable to related parties appointment to any office or place of profit in the company, as computed under applicable provisions of Companies Act, 2013 and its allied rules from ₹ 30 Lakh (Rupees Thirty Lakh) to ₹ 100 Lakh (Rupees One Hundred Lakh) per annum.”

**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, 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.”

By Order of the Board

**Ramesh Babu Potluri**  
Chairman & Managing Director

Place : Hyderabad  
Date : 08.08.2015



## Notes:

1. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, relating to special business to be transacted at the Meeting is annexed hereto. Information under Clause 49 of the listing agreement relating to Directors proposed to be appointed/reappointed is provided in Annexure to this Notice.
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. PURSUANT TO THE PROVISIONS OF SECTION 105 OF THE COMPANIES ACT, 2013 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.
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 Thursday 24<sup>th</sup> September, 2015 to Tuesday 29<sup>th</sup> September, 2015, both days inclusive.
9. The Notice of the AGM along with the Annual Report 2014-15 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. A copy of the notice of the AGM along with the Annual Report is also available for download from the website of the Company [www.smspharma.com](http://www.smspharma.com). To support the 'Green Initiative' Members who have not registered their e-mail addresses are requested to register the same with Aarathi Consultants Private Limited/Depositories.
10. The shareholders 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. Aarathi Consultants Private Limited, if the shares are held in physical form.
11. 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.
  12. The dividend that may be declared by the Company will be paid on or after 6th October, 2015, to those members off the Company holding shares in physical form whose names appear on the Register of Members as on 29<sup>th</sup> September, 2015. In respect of shares held in electronic form, the dividend will be paid to the beneficial owners of the shares as per details that may be provided by the Depositories for this purpose.
  13. The Board of Directors of the Company at their Meeting held on 8<sup>th</sup> August, 2015 has recommended a dividend of ₹ 2 per share on equity share of ₹ 10 each as dividend for the financial year 2014-15. Dividend, if declared, at the Annual General Meeting, will be paid on or after 6th October, 2015.
  14. 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.
  15. Shareholders 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.
  16. 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.
  17. The Company has transferred the unpaid or unclaimed dividend declared up to the financial years 2006-07, 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 30<sup>th</sup> September, 2014 (date of last Annual General Meeting) on the website of the Company ([www.smspharma.com](http://www.smspharma.com)), as also on the website of the Ministry of Corporate Affairs.
- Members who have not en-cashed the dividend warrant(s) for the financial year ended 31<sup>st</sup> March, 2008 onwards are requested to make their claims directly to the Company or to M/s Aarathi Consultants Pvt. Ltd. at [info@aarathiconsultants.com](mailto:info@aarathiconsultants.com) & [aarthiconsultants@gmail.com](mailto:aarthiconsultants@gmail.com) , without any delay

<b>Due date for transfer of unclaimed dividend to IEPF</b>				
<b>Year</b>	<b>Dividend rate per share (₹)</b>	<b>Date of declaration</b>	<b>Due date for transfer to IEPF</b>	<b>Amount of Unpaid Dividend (₹)</b>
2007-08	2	29-09-2008	06-10-2015	1,76,707
2008-09	2	30-09-2009	07-10-2016	1,97,868
2009-10	2	29-09-2010	06-10-2017	95,602
2010-11	2	30-09-2011	07-10-2018	1,16,604
2011-12	2	29-09-2012	06-10-2019	N.A.
2012-13	2	30-09-2013	07-10-2020	1,13,452
2013-14	2	30-09-2014	07-10-2021	2,452



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## Explanatory Statement Pursuant to Section 102 of the Companies Act, 2013 (“the Act”)

### **Item No. 5: Adaptation of New Articles of Association in alignment with New Companies Act, 2013**

The Articles of Association (“AoA”) of the Company currently in force were originally adopted when the Company was incorporated under the Companies Act, 1956.

With the introduction of the Companies Act, 2013 several regulations of the existing AoA of the Company require alteration or deletions. It is therefore considered and proposed by the Board expedient to replace the existing AoA with the entirely new set of AoA. The substitution of the existing AoA with the new AoA is proposed to align the AoA of the Company with the provisions of the Companies Act, 2013.

A copy of the proposed set of new draft, Articles of Association, of the Company would be available for inspection at the registered office of the Company during the business hours on any working day, up to the date of Annual General Meeting and during the Annual General Meeting. The proposed draft Articles of Association is also available on the Company’s website at [www.smspharma.com](http://www.smspharma.com) for perusal by the shareholders

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

The Board recommends passing of the resolution as a Special Resolution.

### **Item No. 6: Approval of Remuneration of Cost Auditor**

The Board, on the recommendation of the Audit Committee has approved the re-appoint of the Cost Auditor Sri K.S.N. Sarma, to conduct the Audit of the cost records of the Company for the financial year 2015-16.

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 approval of the members. Accordingly consent of the members is sought for passing an Ordinary

Resolution as set out in item 6 of the notice, for approval of the remuneration payable to the Cost Auditor for the year ending 31<sup>st</sup> March, 2016.

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

The Board recommends the resolution for approval of the members.

### **Item No. 7: Approval for entering into Related Party Transactions by the Company.**

The Companies Act, 2013 aims to ensure transparency in the transactions and dealings with the related parties of the Company. The provisions of Section 188(1) of the Companies Act, 2013 that govern the Related Party Transactions, requires that for entering into any contract or arrangement with the related party, the Company shall obtain prior approval of the Board of Directors and prior approval of the shareholders by way of an Ordinary Resolution, if the said transactions are not, in the ordinary course of business and at arm’s length price or exceeding the prescribed limits. Although we are in prescribed limit, but to have more transparency in related parties’ transactions the Board is seeking shareholders’ approval for the said transactions.

In the light of provisions of the Companies Act, 2013, the Board of Directors of your Company has approved the proposed transactions along with annual limit as mentioned under proposed resolution that your Company may enter into with the related parties (as defined under section 2(76) of the Companies Act, 2013). Pursuant to explanation of Rule 15(3) of Companies (Meetings of Board and its Powers) Rules, 2014. Relevant details of contracts / arrangements entered by the company so far are mentioned in AOC – 2 as a part of Annexure to Directors Report.

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



The Board recommends the resolution for approval of the members

**Item No. 8: For approval of enhancement in prescribed limit of remuneration payable to related party's appointment to any office or place of profit in the company.**

The Companies Act, 2013 aims to ensure transparency in the transactions and dealings with related parties of the Company. The provisions of Section 188(1)(f) of the Companies Act, 2013 that govern the related party's appointment to any office or place of profit in the company, its subsidiary company or associate company.

Sri T. V. Praveen son of Sri TVVS Murthy (Vice Chairman and Joint Managing director) and Sri P. Vamsi Krishna son of Sri Ramesh Babu Potluri (Chairman and Managing Director) were appointed as officers holding a place of profit under the erstwhile Section 314(1B) of the Companies Act, 1956 at a monthly remuneration of ₹ 3.00 lakh and ₹ 1.50 lakh per month respectively and a resolution to this effect was passed by the shareholders in the 25<sup>th</sup> Annual General Meeting held on 30<sup>th</sup> September, 2013, subject to the approval of the Central Government.

Pursuant to applicable rules of Director's Relatives (Office or Place of Profit) Rules, 2011 and subsequent modifications thereof "Rules", approval from Central Government sought for appointment and terms of reference thereon for Sri T.V. Praveen; which was accorded by the Central Government for three years up to 31<sup>st</sup> December, 2016 vide their letter no. SRNB86666047/3/2013-CL-VII on 24<sup>th</sup> January, 2014 ("said Approval"). Appointment and terms of reference of Sri P. Vamsi. Krishna falls within the permissible limit specified under "Rules".

The said approval allowed a total remuneration of, ₹ 30 Lakh (Rupees Thirty Lakh only) per annum for a period from 01-04-2016 to 31-12-2016 for Sri T.V. Praveen; and further required, the Company to seek fresh approval of the Central Government in the event of increase in remuneration in excess of the aforesaid limit.

By virtue of the Companies Act, 2013 ("Act") which has replaced the Companies Act, 1956, approval of

the Central Government is now not required for appointment of a related party to an office or place of profit in the Company. However, in terms of Section 188(1)(f) of the Act read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 ("Rules") in aggregate maximum Permissible limit for Remuneration payable to related parties is ₹ 30 Lakh (Rupees Thirty Lakh only) per annum; irrespective of the no. of persons employed; and General Circular No. 30/2014, the Company now seeks prior approval of the shareholders to, enhance the prescribed limit of remuneration payable to related parties appointment to any office or place of profit in the company, as computed under applicable provisions of Companies Act, 2013 and its allied rules from ₹ 30 Lakh (Rupees Thirty Lakh) to ₹ 100 Lakh (Rupees one Hundred Lakh) per annum ("Maximum Remuneration") in a Financial Year starting from the Financial Year 1<sup>st</sup> April, 2015. This Maximum Remuneration shall be inclusive of perquisites, viz. car, medical insurance, contribution to superannuation fund, provident fund, gratuity, leave travel allowance, Sweat Equity Shares, ESOPS, Securities as defined under Securities Contract (Regulation) Act, 1952 and such other benefits which are payable or applicable to employees in similar senior management cadre and same position in the Company as may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors, from time to time.

In terms of Clause 49 of the Listing Agreement and Section 188(1)(f) of the Companies Act, 2013 read with applicable rules, the Company has sought and obtained the approval and consent of the Nomination and Remuneration Committee and the Board respectively for enhancement in prescribed limit of remuneration payable to related parties appointment to any office or place of profit in the company. The Audit Committee and Board considered the said Maximum Remuneration payable to the related parties appointment to any office or place of profit in the company, are in the ordinary course of business and at arms' length basis transaction.

Sri T.V. Praveen and Sri P. Vamsi Krishna associated with the Company from last few years and meanwhile gave their best for its immense growth.



Their present roles are crucial to provide impetus to the expanding International Business in the emerging market business of the Company. They are focusing on tapping the potential markets. Considering their qualification, experience and present role prescribed limit of Companies Act is not commensurate, hence requires approval of the shareholders.

Except from Sri Ramesh Babu Potluri (Chairman and Managing Director) and Sri TVS Murthy (Vice Chairman and Joint Managing director) and their son Sri P. Vamsi Krishna (Vice President – Operations) and Sri T.V. Praveen (Vice President – Marketing) respectively, none of the other Directors, Key

Managerial Personnel or their relatives is, in any way, concerned or interested, financially or otherwise, in this resolution.

The Board recommends the resolution for approval of the members

By Order of the Board

**Ramesh Babu Potluri**  
Chairman & Managing Director

Place : Hyderabad  
Date : 08.08.2015

### AGM Venue Route Map:

