

Research &
Development



Integrated
Business model



Market
leadership



Ready for the next leap

Read across pages

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Forward-looking statements

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

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Scan above QR code to know more about us.

Corporate Information

Board of Directors

Sri. Ramesh Babu Potluri
Chairman and Managing Director

Sri. Sarath Kumar Pakalapati
Independent Director

Smt. Dr. Neelaveni Thummala
Independent Director

Sri. Sharvan Kudaravalli
Independent Director

Sri. Sarvepalli Srinivas
Independent Director

Smt. Shilpa R Waghmare
Nominee Director of Exim Bank
(up to 08.08.2022)

Sri. Vamsi Krishna Potluri
Executive Director

Sri. TVVSN Murthy
Non-Executive Director
(up to 28.05.2021)

Key Managerial Persons

Sri. Lakshmi Narayana Tammineedi
Chief Financial Officer

Sri. Thirumalesh Tumma
Company Secretary (from 16.02.2022)

Sri. V S Venkatesh
Company Secretary (up to 15.02.2022)

Statutory Auditors

M/s. Suryanarayana & Suresh
Chartered Accountants

Flat. No: C2, Millennium House # 8-2-601/B
Road No. 10, Near Zaheer Nagar Cross Road
Banjara Hills, Hyderabad – 500034

Secretarial Auditors

M/s. SVVS & Associates Company Secretaries LLP

Company Secretaries

#307, Babukhan Estate, Basheerbagh
Hyderabad – 500001
Telangana

Registered Office

Plot No. 72, H.No. 8-2-334 / 3 & 4,
Road No. 5, Opp. SBI Executive Enclave,
Banjara Hills, Hyderabad – 500034
Telangana, India.
CIN: L24239TG1987PLC008066

Internal Auditors

M/s. Adusumilli and Associates
Chartered Accountants

Off. 7-1-390, Flat. No. 302, Sri Sai Residency,
Balkampet Main Road,
Hyderabad-500038, Telangana

Cost Auditors

Sri. K S N Sarma
Cost Accountant

216, Rangadhamamu
HMT Satavahana Nagar, Kukatpally,
Hyderabad – 500072, Telangana

Contact Details

www.smspharma.com
Tel: 040-35359999 / 3535 9999
Fax: 040-25259889
Email: info@smspharma.com

Manufacturing Facilities:

Plot.No.24 & 24B and 36 & 37
S.V. Co-Operative Industrial Estate,
Buchupally, Medchal- Malkajgiri District,
Hyderabad, Telangana – 500090,
Ph.No. +91-9100072351/52/54
Email: unit2@smspharma.com

Sy. No. 160, 161, 163 to 168,
Kandivalasa Village, Poosaptirega Mandal,
Vizianagaram District,
Andhra Pradesh. 535204.
Ph.No. +91- 08922 – 258051 / 53/54
Email: admin_unit7@smspharma.com

Research and Development Centre

Sy. No. 186, 189 & 190, Gagillapur Village,
Dundigal- Gandimaisamma Mandal,
Medchal-Malkajgiri District
Hyderabad, Telangana – 500043,
Ph.No. + 91 – 8418 – 257337 / 8
Mail: rnd_smspharma.com

Registrar & Share Transfer Agent

M/s. Aarathi Consultants Private Limited
1-2-285, Domalguda, Hyderabad – 500029
Ph: 040-27638111
Email: info@aarathiconsultants.com

Bankers

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

36%

Of sales in FY22 from regulated markets, with USA being the highest

Leadership

In Regulatory & Domestic Markets with APIs covering top 10 therapeutics

23%

EBIDTA margin, improving year-on-year

13.1%


PAT margin, improving year-on-year

11.9%

ROCE



Ready
for the next
leap



Over the years, we have pursued specific strategies to build a robust foundation for growth. We have invested in growing our manufacturing scale, strengthened our backward and vertical integration, put significant emphasis on research and innovation and well-diversified our presence across geographies, markets, therapies, products and customers.

We have a wide array of manufacturing capabilities and our sophisticated technology have the ability to support an entire R&D product life cycle. We have attained leadership position in key products and our integrated business model provides economies of scale, leading to lower competitive intensity and high operating margins.

Our niche product portfolio, leadership in select high-value complex APIs, incremental capacity addition and a strong balance sheet enable us to fast-track our growth strategies and amplify our value proposition. We are geared for the next level of growth.

Delivering value with consistent quality focus

We are among the leading pharmaceutical companies with strong capabilities in API manufacturing. With presence across 75+ countries, our growing market presence is a testimony to our robust business model.

For over three decades, SMS Pharma specialises in research, development and manufacturing of a broad range of pharmaceuticals. At SMS Pharma, we have steadily integrated our operations and that has been pivotal in ensuring uninterrupted and timely production of cost-effective drugs, with high quality standards. Our two state-of-the-art manufacturing facilities at Hyderabad and Visakhapatnam enable us to produce key API's across major therapeutic segments.



2
State-of-the-art manufacturing facilities

14
Therapeutic segments covered

Integrated
Business model with backward integration

80
Regulatory filings

36+
Products

30
Process patents

Growing our reach and market reputation



Certifications



How we create value responsibly

Our pillars



Vision

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



Mission

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

Inputs

Manufactured Capital

Hyderabad

120 KL

Installed Capacity

Visakhapatnam

3,000 KL

Installed Capacity

Financial Capital

₹ 493.76 crore

Net worth

₹ 8.46 crore

Equity Share capital

₹ 40 crore

Operating Cash flow

Human Capital

1031

Employees

Social and relationship Capital

₹ 166.20 Lakhs

CSR spend

27,516

Shareholders

2000+

Vendors and suppliers

Intellectual Capital

₹ 38.14 Crore

R&D Spend in last three years

Certifications:





Outputs

Manufactured Capital

One of the largest single-block, single-product plant in Asia

Products:

Famotidine, Rizatriptan Benzoate, Tadalafil, Sumatriptan Succinate, Itraconazole, Eletriptan HBr. Ibuprofen, Tenofavir, Ranolazine, Levetiracetam, Lamuvidine, Lamotrigine, Efavirenz & Sitagliptin.

Financial Capital

₹ 525 crore

Revenue

₹ 68.08 crore

PAT

₹ 120 crore

EBITDA

Human Capital

Diverse

Workforce with an balanced male-female ratio

₹ 51 crore

Spend on employee benefit expenses

Social and relationship Capital

₹ 79,234 lakhs

Market capitalization

Timely

Payment to vendors

Intellectual Capital

80

Regulatory Filings

30

Process Patents

Chairman's Message



Ramesh Babu Potluri
Chairman & Managing Director

Our three decades of presence and strong brand salience among our customers will drive our market share for existing products.

Dear Shareholders,

The pandemic, over the last two years, has tested the resilience of businesses in India and other parts of the world. While economies and businesses are now largely out of the woods, yet downside risks remain and we need to be cautiously optimistic.

Despite the operational headwinds posed by the pandemic in FY22, we at SMS Pharma, continued to take proactive steps to protect our employees, maintain continuous supply of key drugs for patients across our core markets and ensure long-term business sustainability.

Operational performance

At a time, when companies planned cost control and rethought business expansion plans, we remained confident of our long-term business strategies. We undertook among our biggest expansion plans at Visakhapatnam facility early during the pandemic, that is now operational. An investment to the tune of Rs. 200 crore in setting up a dedicated and automated production block for Ibuprofen making it one of the single largest production blocks in Asia has put SMS in a special position to dominate the ibuprofen market globally. The approval of Molnupiravir and Nirmatrelvir during the year will also build the future revenue pipeline. These approvals form an important milestone in our corporate journey, which also aligns with our corporate philosophy to supply drugs at affordable prices to those in need.

Financial performance

Your Company delivered a steady financial performance with consolidated

revenue of Rs. 519.87 crore.

The performance was, however, impacted due to a rise in input cost pressures in Q4 of FY22, resulting in sharp inventory correction at customer end and minimal offtake for ARV products. The reduced demand for ARV resulted in a marginal decline in our net revenue from operations (from Rs 563.18 crore in FY21 to Rs 519.87 crore in FY22).

Similarly, our PAT for FY22 stood at Rs 68 crore, compared to Rs 61 crore in FY21, we have been able to improve our margins through better operational efficiency. Our EBITDA margin improved from 22.1% in FY21 to 23.0% in FY22. At the same time, our PAT margin improved from 10.8% to 13.1% during the same period.

Core pillars

At SMS Pharma, our core pillars are our strong market leadership, backward integration and R&D capabilities. This helped us mitigate the recent supply chain bottlenecks and rising input costs. While we leveraged our robust R&D capabilities, we also enhanced our capabilities to expand our product pipeline across more therapeutic areas. The three core pillars helped absorb economic shocks to a large extent and deliver a resilient performance.

Ibuprofen – the game changer

As a group, we remain very optimistic on Ibuprofen and we see it as our flagship product. One of biggest advantage we possess for this product is our large batch size, that logically results in higher cost benefit for us and better pricing for our customers. Being among the late entrants, we remain focused on strengthening our core capabilities and increase our market share for Ibuprofen in domestic and regulated markets.

We are already selling decent quantities of Ibuprofen in the domestic market, and expect to competing with established players and also see good offtake in the US and European market in the near future as we have already received the CEP for ibuprofen and couple of ANDA's filed by our customers are in advance stages of approval. By the end of FY23, we are confident that Ibuprofen should be occupying almost 80% of our installed capacity and will contribute significantly to our revenues.

Way forward

With several drugs going off-patent in the US and Europe, our R&D team is working diligently to develop generic versions that will further add to our topline. The team is working on two-three important niche products

for which our existing capacities are sufficient and no additional capex would be required.

Our three decades of presence and strong brand salience among our customers will drive our market share for existing products. We aim to consolidate our existing operations around Ibuprofen, ARV and new product approvals received, with significant capex already made. New products focused on new therapeutic segments will also result in promising offtake in the near short-term.

Vote of thanks

I thank our Board of Directors for their continued guidance and support during these challenging times. I would also want to convey a word of appreciation for our management team, our employees, partners for coming together and deliver outcomes.

I look forward to an exciting year that awaits us.

Regards

Ramesh Babu Potluri
Chairman & Managing Director

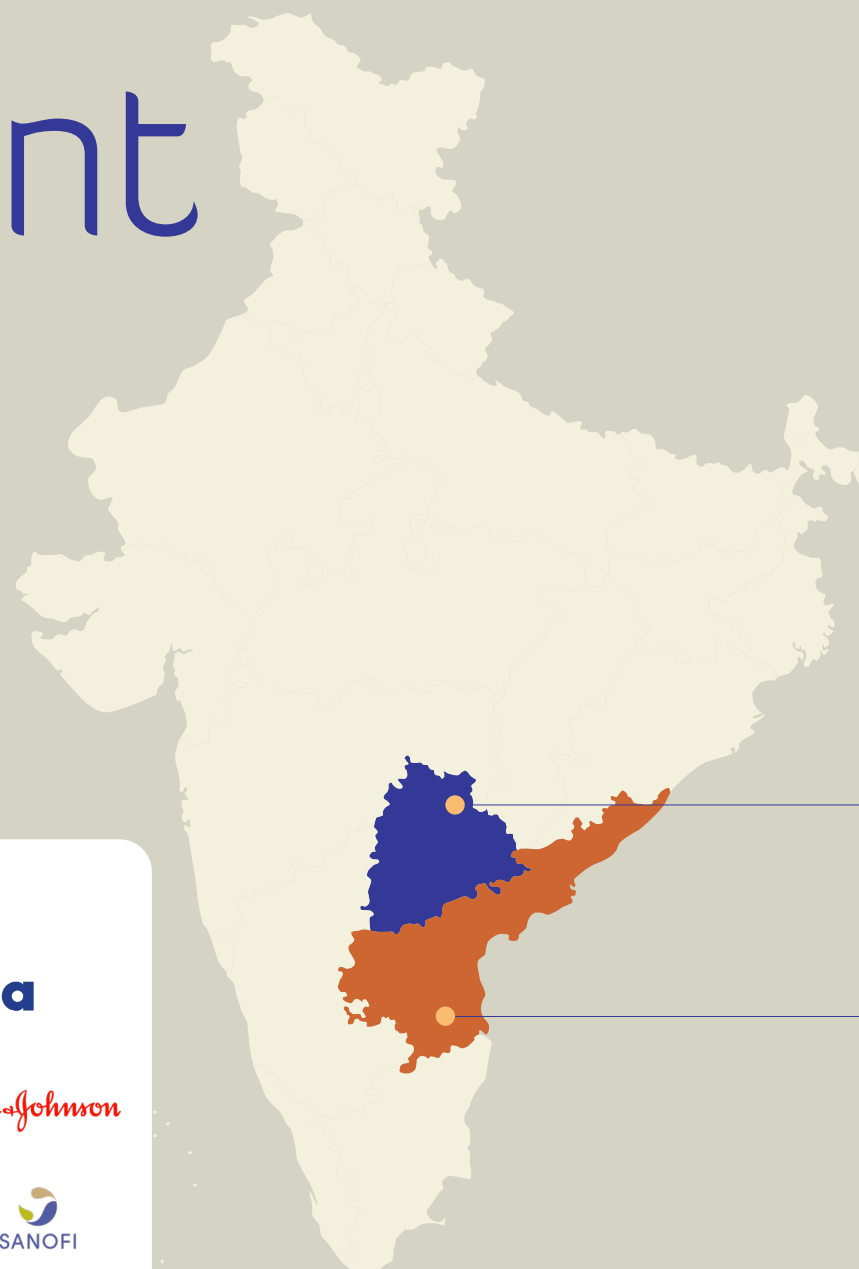
Our operational footprint

50

Reactors

~ Rs. 200 crore

Invested at Vishakhapatnam facility



Marquee clients





Hyderabad

Capacity
120 KL

Key Products:

Famotidine, Rizatriptan Benzoate, Tadalafil, Sumatriptan Succinate, Itraconazole, Eletriptan HBr etc.

Regulatory approvals:

USFDA, EUGMP, KFDA, CDSCO, PMDA

USPs

5 times

approved by USFDA.

Facility aligned for manufacturing niche small volume molecules.

One of the largest exporter of Triptans

Visakhapatnam

Capacity
3000 KL

Key Products:

Ibuprofen, Tenofavir, Ranolazine, Levetiracetam, Lamuvidine, Lamotrigine, Efavirenz, Sitagliptin etc.

Regulatory approvals:

USFDA, KFDA, CDSCO, PMDA

USPs

3 times

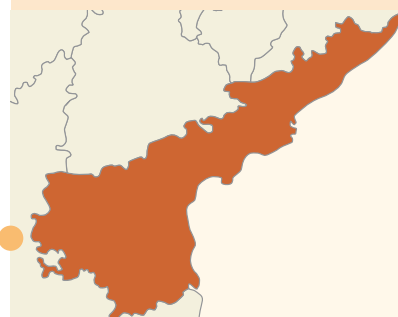
approved by USFDA.

Flagship, Multipurpose API manufacturing facility.

Facility aligned for manufacturing niche large-volume molecules.

Huge CMO facility to cater highly reputed clients

Dedicated Ibuprofen largest single -block, single product plant in Asia



Bolstering our core competitiveness

We believe our next level of growth will be driven by our manufacturing scale and the core competencies that we have honed over the years.

For over three decades, SMS Pharma specialises in research, development and manufacturing of a broad range of pharmaceuticals. At SMS Pharma, we have steadily integrated our operations and that has been pivotal in ensuring uninterrupted and timely production of cost-effective drugs, with high quality standards. Through our two state-of-the-art manufacturing facilities at Hyderabad and visakhapatnam enable us to produce key API's across major therapeutic segments.



Niche product portfolio

We have carved out a strong presence in niche, complex API therapies with global leadership in multiple products. This is the result of our strong emphasis on R&D and innovation ever since we began our journey.

Growing geographic presence

Our market presence extends to more than 75 countries across the world. With more than 80% of revenues derived from exports, we remain focused on building our core competitiveness.

Integrated business model

More than 80% of intermediaries are consumed by the in-house API business, while our associate company VKT Pharma business of formulations and semi-finished formulations provides us an edge with vertical integration.

We remain among the few players in the industry to have backward integrated model, resulting in strong economies of scale, through our consistent quality focus facilitates faster regulatory approvals and growing market share.

Experienced leadership

The promoters and senior management have a strong business and domain expertise, steering the company forward to create sustainable value for all stakeholders.

Financial prudence

Our large capacities, diverse product portfolio and strong customer relationships have enabled us to sustain revenues and profitability over the years, consistently.

5

Major therapeutic segments contribute more than 75% of total revenue

80+

DMFs filed with 30 process patents

Minimal

Long-term debt on the balance sheet

Consistent

Profitability and improved margins over the years

100+

Scientists along with PhDs

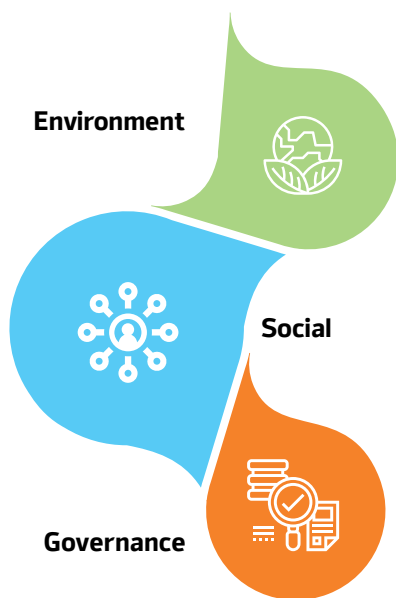
20+

New products added in last few years.

Our ESG Approach

We demonstrate our commitment to doing business responsibly by prioritising the sustainability impacts that are most important to our stakeholders and to us.

We make an effort to evaluate how our operations affect the economy, our communities, and the environment. We continued to execute our sustainability commitments, which address the environmental, social, and governance (ESG) issues impacting our stakeholders and the community at large. Our ESG endeavours are rooted in our commitment to delivering relationship-focused financial services in a way that benefits our communities, instils a sense of purpose and responsibility in our employees, and benefits our stakeholders.



Environment



We track our energy consumption, manage the emissions and waste generated, and practise responsible water utilisation. We have also invested in state-of-the-art pollution control equipment to minimise the impact of our activities on the environment.

We organise tree-planting campaigns and efforts to preserve the ecosystem of the areas where we operate as part of our continued commitment to environmental protection.

Our motto, "Nurture the nature in which we exist," serves as the impetus for our constant vigilance to ensure that our operations do not have a negative impact on the environment.

This is accomplished by increasing awareness, giving employees increased responsibility through training, equipping them with technology, and ensuring that there are adequate resources. SMS's drive for green chemistry is best exemplified by its status as the first Indian pharmaceutical business to obtain the Indo-US GCNC award for green chemistry practices.

Green Chemistry

The potential for environmental pollution prevention is one of the guiding factors in developing the route of synthesis and also selecting the raw materials, so environmental protection is integrated from the product development stage itself.



When faced with the challenge of looking at alternatives for the incineration of methyl mercaptan gas, we looked at it through the lens of green chemistry and developed a sustainable technology of converting the gas into a useful chemical that is reused back into the process.

Energy Conservation

We have adopted a number of energy conservation initiatives, including the installation of VFDs (Variable Frequency Drives), the replacement of energy-inefficient equipment, the use of energy-efficient agitators, and the use of moving detectors. By allowing electric motors to operate at a speed below their maximum, VFDs permit energy consumption. Additionally,

we switched out the HPSV (High-Pressure Sodium Vapour) bulbs for high performance LED bulbs. A significant amount of power consumption was reduced attributable to these initiatives.

1.89 Lakhs units/year

Energy saving



Water Conservation

At SMS Pharma, we view water through the interconnected lenses of effective usage and conservation. We have endeavoured to improve water conservation by recycling / condensate purified water and streamlining processes. Furthermore, we are in the process of installing Zero Liquid Discharge plants at all our facilities.

180 KL/day

Water recycled

Social



Our Human Capital

The most crucial component of our success is our employees. To accomplish our purpose and put it into action through our ESG approach, we facilitate a motivated, engaged, and diverse workforce.

Training and Development

Our employees are our most valuable assets, and ensuring that they are highly skilled and well-trained is a critical component of our human resources strategy. In order to ensure that we can continue to accomplish our operational and business objectives both now and in the future, our philosophy is to continually invest in training to improve the knowledge and abilities of our workforce.

We place emphasis on employee knowledge enrichment as a core value and consequently efforts have been made on human capital training and development. We offer a wide range of training programs, including cGMP training, technical training, non-technical training, on-the-job training, external training, motivational training, and self-development training, which are conducted all year round.

22600

Training hours

230

Training and development initiatives



Health and Safety

A culture of safety first is developed across the organisation through effective management communication and the extensive training that the manufacturing team receives from external organisations. We coordinate team-building activities through recreational and sports activities, which promote work-life balance and increase productivity and longevity.

In order to ensure the health and safety of its workforce, SMS's top management has actively participated in implementing measures like

- Trained and dedicated safety teams at facilities
- Regular training and knowledge upgradation
- Relevant firefighting equipment like hydrant systems and extinguishers

- Personal protective equipment and trained first aid teams at facilities
- Doctor on roll and ambulance at site

22

Safety trainings conducted



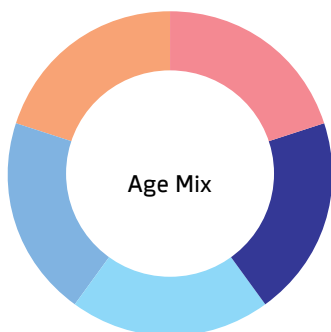
Diversity and Inclusion

As part of our growth plan and as a way to celebrate the individuality of our employees' professional abilities and life experiences, we are dedicated to establishing, cultivating, and maintaining a culture of diversity and inclusion. We work to build a culture that is diverse, inclusive and free of discrimination or harassment.

42

Women in the workforce

Women in the workforce



Below 25 — 10%

Between 25 and 30 — 30%

Between 31 and 35 — 29%

Between 36 and 40 — 16%

Above 40 — 15%

Our Social Responsibility

We recognise that community partnership encompasses more than just delivering conventional products and services; it concentrates on the type of involvement and investment that lead to significant improvement for the community as a whole. We make targeted social investments that contribute to sustainable development. These complement our community involvement and address specific local community needs.

166.20 Lakhs

CSR Expenditure

Educational Infrastructure

We strongly believe that high-quality infrastructure facilitates better instruction, improves student outcomes, and reduces dropout rates, among other benefits. To uplift our communities by educating students, we have sponsored Construction of RCC GF+FF school building (8 Nos of class rooms) in Andhara Pradesh Balayogi Gurukulam (APSWRS) Premises at Kopperla Village, Pusapatirega (M), Vizianagaram District.



Society Service

Contribution to Society for Cyberabad Security Council (SCSC) maintaining by Cyberabad Police Commissionerate for providing service to Covid patients like, Plasma donation, Free Ambulance Services, Tele-medicine Call facility, set up of Isolation beds, organizing medical equipments to the hospitals and also support to Telangana Institute of Medical Sciences & Research (TIMS), Hyderabad.



Covid-19 Support

The Covid -19 pandemic brought with it new challenges and unexpected situations. In order to stop the spread of the virus, the police were instrumental in contact tracing at the ground level. To support the police department's heroic work amid difficult circumstances, we gave them financial support. As a further aid to the victims of Covid 19, we also donated oxygen cylinders to Kopperla Village.



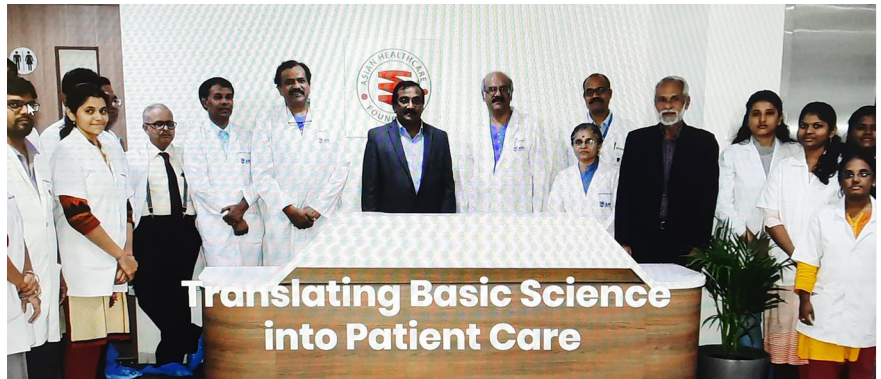
Empowering Disabled People

Our objective is to support people with all kinds of disabilities in achieving their highest level of sustainable independence as equal, responsible contributors to society. To achieve this,

we have provided Campus Challenge with financial support throughout the year. In order to promote disability friendly practices and facilitate the process of empowerment for people with disabilities, Campus Challenge works with underprivileged children in the coastal and tribal regions of the state of Andhra Pradesh.



Inauguration school building at Kopperla (V), Pusapatirega (M), Vizianagaram (Dist.) Andhra Pradesh State.



Support to Asian Healthcare Foundation to organize various kinds of medical health camps for the benefit of poor and deserving Community.

Governance



We have strong organisational foundations in place and demonstrate leadership support for our commitment to responsible stewardship. We intend to take more steps to incorporate sustainability into our governance frameworks and business procedures so that it influences our strategic and operational decisions.

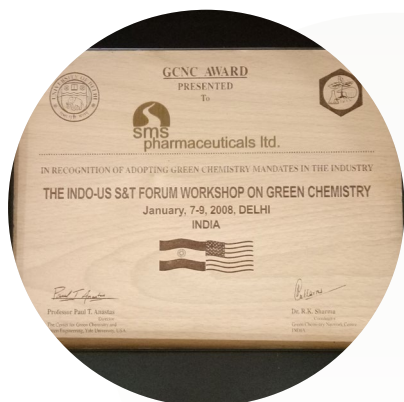
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Independent Directors

Total Experience of the Board

We uphold the highest standards of governance practices as part of our workplace structure. We have established a Vigil Mechanism and a Whistle blower Policy to allow directors and employees to report any unethical activity, actual or suspected fraud, or violation of our Code of Conduct. When such instances are reported, we conduct impartial investigations and take the necessary steps to ensure that the required standards of professional and ethical conduct are always upheld.

Awards and Recognitions



First Indian pharma company to receive Indo-US GCNC Award for adopting green chemistry practice



Awarded “Pandit Jawaharlal Nehru Silver Rolling Trophy” for the best productivity effort in the state of Andhra Pradesh



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

Profile of Board of Directors

Sri Ramesh Babu Potluri Chairman & MD

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

Sri P. Sarath Kumar Independent Director

- Founder partner of the Sarath & Associates.
- Chartered Accountant with about 26 years of standing in the Profession of Chartered Accountancy and Consulting.
- Bachelor of Law and Certified Fraud Examiner & Certified Forensic Accounting Professional.
- Advisor to C.I.D. of AP Police and Central Bureau of Investigation in investigation of major Economic Offence cases and is a Member of Multi Disciplinary Investigation team.

Sri Vamsi Krishna Potluri Executive Director

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

Sri Shravan Kudravalli Independent Director

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

Dr. Smt. T Neelaveni Independent Director

- Dr. Neelaveni Tummala was inducted into the board of SMS Pharmaceuticals Ltd. in August 2014 .
- Dr. Neelaveni graduated from Osmania University in 1986. She has been practicing medicine for over 35 years. In addition to her practice, she has been deeply involved various philanthropic activities. She actively works with Aarohi blood bank, a non-profit organization that collects and donates blood for thalassemia and leukemia affected children.
- In addition to serving on the board of SMS Pharmaceuticals, Dr. Neelaveni has served on the boards of several distinguished companies like Oakridge, SMS Lifesciences & Aarohi Blood Bank.

Sri Sarvepalli Srinivas Independent Director

- Holds a B.Com. Degree from the University of Delhi.
- Accomplished Business leader with 3+ decades of proven leadership experience in leading Public / Private Sector enterprises with decisive and forward thinking with a strong vision and strategic capability.
- 32+ years of experience in leading Public / Private Sectors)-National Handloom Development Corporation Ltd (NHDC) Managing Director -National Textile Corporation Ltd (NTC) Chairman & Managing Director.

Smt. Shilpa Waghmare Nominee Director – Export-Import Bank of India

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

Board's Report

To
The Members of
SMS Pharmaceuticals Limited.

Your Directors are pleased to present the 34th Annual Report of SMS Pharmaceuticals Limited ("The Company") along with the audited financial statements for the financial year ended 31st March, 2022. The Consolidated performance of the Company has been referred to wherever required.

FINANCIAL SUMMARY

Particulars	(INR in Lakhs)			
	Standalone		Consolidated	
	2021-22	2020-21	2021-22	2020-21
Gross Sales	54,124.25	58,191.01	54,124.25	58,190.01
Net Sales	50,718.67	53,764.44	50,718.67	53,764.44
Income from Services	782.91	2,317.29	782.91	2,317.29
Other Operating Income	485.85	236.02	485.85	236.02
Net Revenue from Operations	51,987.43	56,317.75	51,987.43	56,317.75
Other Income	519.77	345.29	519.77	345.29
EBIDTA	11,968.26	12,456.39	11,952.70	12,456.39
Finance Charges	1,887.54	1,116.25	18,87.54	1,116.25
Depreciation	3,215.25	2,228.16	3,215.25	2,228.16
Profit Before Tax	6,865.47	9,111.98	6,849.91	9,111.98
Taxation	61.82	3,015.52	61.82	3,015.52
Profit After Tax	6,803.65	6,096.46	6,221.99	6,252.69
Earnings per share - Basic/Diluted(₹)	8.04	7.20	7.35	7.39

STATE OF COMPANY AFFAIRS

In Financial & Production terms

FY 2021-22, is another challenging year due to the outbreak of the Second and third wave of COVID-19. During these difficult times, your Company had achieved production of 1141.09 M.T. of APIs and their Intermediates in comparison with 611.39 M.T. for the FY 2020-21.

The net sales of the Company for the year 2021-22 have reached 50718.67 Lakhs as against ₹ 53764.44 Lakhs for the year 2020-21. The Company has achieved an EPS of ₹ 8.04 in the FY 2021-22 as against ₹ 7.20 in the year 2020-21.

Subsidiaries and Associates

Your Company is having one associate company i.e., "VKT Pharma Private Limited". Your Company is holding 36.55% equity shares in the said associate company during the

Financial Year ending and the share of loss for your company for the financial year 2021-22 was ₹ 566.10 lakhs.

During the previous financial year your Company has incorporated Joint Venture (JV) in Spain with nomenclature of "CHEMO SMS ENTERPRISES SL" in the capital ratio of 55:45 with a share of 45% to be contributed by your Company.

There were no transactions during the reporting period, however, all the JV product sales were routed directly from your company to the end customers during the reporting period as per JV manufacturing arrangement.

The consolidated financial statements had been prepared as per Accounting Standard (AS) 23 "Accounting for Investment in Associates in Consolidated Financial Statements" specified under Section 133 of Companies Act, 2013 for considering the financials of Associate Company. The required form, as per the provisions of the Sec. 129(3) read with rule 5 of Companies (Accounts) Rules, 2014 i.e., **Form AOC-1** forms part of the Report as **Annexure 1**.

CHANGE IN NATURE OF BUSINESS

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

COVID - 19

The COVID-19 pandemic & global inflation affected the global economy in the recent past. This has witnessed an increase in its input cost, logistic cost and port congestion as an indirect impact of COVID-19. Like all other Companies, it has taken appropriate short-term and long-term measures to combat this issue.

SMS Pharmaceuticals Limited remain committed to support health and safety of employees, colleagues and their families, society and Government bodies during these tough times. A thorough thermal scanning and sanitisation protocols were continued during the year at all the plants and offices. Monitoring of employees for signs and symptoms through voluntary disclosure was continued.

TRANSFER TO RESERVES

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

DIVIDEND

Your Directors have pleasure in recommending the dividend of Re. 0.30 (i.e. 30%) per equity share of Re. 1/- face value, aggregating to ₹2,53,95,609/- (Rupees Two Corers Fifty Three Lakhs Ninety Five Thousand Six Hundred And Nine only) which shall be paid within 30 days after the conclusion of the Annual General Meeting, subject to the approval of the shareholders of the Company.

To bring transparency in the matter of declaration of dividend and protect the interest of investors, the Company had adopted a dividend distribution policy pursuant to Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which is approved by the Board of Directors and is uploaded on Company's website and the link for the same is <https://smspharma.com/wp-content/uploads/2021/08/Dividend-Distribution-policy.pdf>

DIRECTORS AND KEY MANAGERIAL PERSONNEL

(i) Retirement by rotation:

In accordance with the provisions of section 152(6) of the Act and in terms of the Articles of Association of the Company, Mr. Vamsi Krishna Potluri (DIN: 06956498), Whole Time Director, will retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. The Board recommends his re-appointment.

(ii) Resignation of Director:

During the year under the review Mr. TVVSN Murthy, Non-Executive Director of the Company has resigned from the Board w.e.f 28th May, 2021.

(iii) Withdrawal of Nomination of Nominee Director:

During the year under the review Exim Bank has withdrawn the nomination of Mrs. Shilpa R Waghmare (DIN: 07009966), as their Nominee on the Board of Directors of the Company w.e.f. 08th August, 2022.

(iv) Declaration of Independence:

The Company has received declarations of independence as stipulated under section 149 (7) of the Companies Act, 2013, that each independent director meets the criteria of Independence laid down in the Section 149 (6) of the Companies Act, 2013 and Regulation 16(1)(b) of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015. All the Independent Directors of the Company have enrolled in the Independent Director databank maintained by Indian Institute of Corporate Affairs (IICA) as per Companies (Creation and Maintenance of databank of Independent Directors) Rules, 2019.

(v) Key Managerial Personnel:

The following persons are the Key Managerial Personnel (KMP) as on financial year ending 31st March, 2022:

Mr. Ramesh Babu Potluri - Chairman and Managing Director
Mr. Vamsi Krishna Potluri – Whole Time Director
Mr. Lakshmi Narayana Tammineedi- Chief Financial Officer
Mr. Thirumalesh Tumma- Company Secretary

MANAGEMENT DISCUSSION & ANALYSIS

Pursuant to Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), the Management Discussion and Analysis is presented in a separate section forming part of this Annual Report for the year ended 31st March, 2022. As required under the provisions of the Listing Regulations.

SHARE CAPITAL

During the year under review there were no changes in authorized and paid-up share capital of the Company. The authorised share capital of the Company is ₹8,46,52,030/- divided into 8,46,52,030 Equity Shares of ₹1/- each. A report on the same viz. 'Equity Buildup Report' forms part of this report as **Annexure – 2**.

Listing of shares: Equity shares of the Company are listed in National Stock Exchange of India (NSE) and BSE Limited (BSE) with effect from 28th February, 2007. [Listing fees has been paid for the year 2022-23 to both the Exchanges].

MATERIAL CHANGES AND COMMITMENTS, AFFECTING THE FINANCIAL POSITION OF THE COMPANY:

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

EVALUATION OF PERFORMANCE OF BOARD OF DIRECTORS:

Your Company had conducted a separate Meeting of Independent Directors during the year on 27th May, 2021 in which they had evaluated the performance of Executive directors and Non- Executive/Nominee Directors. Further, in the Board Meeting held on 7th August, 2021 the Board had evaluated the performance of Independent Directors and their contribution in the Board. The evaluation had been made on specified standards.

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

The performance of the Board was evaluated by the Board after seeking inputs from all the Directors present in the meeting on

the basis of criteria such as the board composition and structure, effectiveness of Board processes, information and functioning, etc. The Nomination and Remuneration Committee has laid down the criteria for the performance of individual Directors such as the contribution of the individual Director to the Board and Committee Meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc.

FAMILIARIZATION PROGRAMMES FOR INDEPENDENT DIRECTORS:

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

COMMITTEES OF THE BOARD:

The Board of Directors has the following Committees:

1. Audit Committee
2. Nomination and Remuneration Committee
3. Stakeholders' Relationship Committee
4. Corporate Social Responsibility Committee
5. Risk Management Committee

The details of all the above Committees along with their composition, number of meetings and attendance at the meetings are provided in detail in the Corporate Governance Report forming part of this Annual Report.

RISK MANAGEMENT POLICY:

The Company in its Board Meeting held on 28th May, 2021 has Constituted Risk Management Committee, with the following Directors.

Mr. Ramesh Babu Potluri – Chairman

Mr. Vamsi Krishna Potluri – Member

Mr. Shravan Kudaravalli – Member.

The Committee had formulated a Risk Management Policy for dealing with different kinds of risks which it faces in day-to-day operations of the Company. Risk Management Policy of the Company outlines different kinds of risks and risk mitigating

measures to be adopted by the Board. The Company has adequate internal control systems and procedures to combat risks. The Risk management procedures are reviewed by the Audit Committee and the Board of Directors on a quarterly basis at the time of review of the Quarterly Financial Results of the Company.

Brief description of terms of reference of the Committee, inter alia, includes the following:

- managing and monitoring the implementation of action plans developed to address material business risks within the Company and its business units, and regularly reviewing the progress of action plans;
- setting up internal processes and systems to control the implementation of action plans;
- regularly monitoring and evaluating the performance of management in managing risk;
- providing management and employees with the necessary tools and resources to identify and manage risks;
- regularly reviewing and updating the current list of material business risks;
- regularly reporting to the Board on the status of material business risks;
- review and monitor cyber security; and
- Ensuring compliance with regulatory requirements and best practices with respect to risk management.

DIRECTORS' RESPONSIBILITY STATEMENT

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

1. In the preparation of the Financial Statements for the year ended 31st March, 2022 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.

THE CRITERIA FOR APPOINTMENT OF DIRECTORS, KMPs AND SENIOR MANAGEMENT

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

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

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

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

The Nomination and Remuneration Committee has the criteria for appointing any Key Managerial Personnel (KMP) and nominating directors on the Board. The appointment of any KMP is made by the Nomination and Remuneration Committee based on the requirement of the position and experience and skill sets of the candidate.

COMPOSITION & NUMBER OF MEETINGS OF THE BOARD AND AUDIT COMMITTEE

During the year under review, Four (4) Board Meetings and Four (4) Audit Committee Meetings were convened and held, the details of which are given in the Corporate Governance Report, which forms part of this report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013 and Listing Regulations.

EXTRACT OF ANNUAL RETURN

Pursuant to Section 92(3) and Section 134(3)(2) of the Companies Act, 2013, the Company has placed a copy of the Annual Return as at 31st March, 2022, on its website at <https://smspharma.com/investor-relations/>

CORPORATE GOVERNANCE

A separate section on Corporate Governance standards followed by your Company, as stipulated under Schedule V of the SEBI (LODR) Regulations, 2015 which is forming part of this Annual Report. The requisite certificate from M/s. Suryanarayana & Suresh, Chartered Accountants, confirming the compliance with the conditions of Corporate Governance is annexed to the Report on Corporate Governance.

BUSINESS RESPONSIBILITY REPORT (BRR)

The 'Business Responsibility Report' (BRR) of your Company for the year ended 31st March, 2022 forms part of this Annual Report as required under Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is available as a separate section in this Annual Report.

VIGIL MECHANISM / WHISTLE BLOWER POLICY:

In terms of the requirements of the Companies Act, 2013 and Regulation 22 of the Listing Regulations, the Company has a vigil mechanism to deal with instances of fraud and mismanagement, if any, including reporting instances of leak of UPSI or suspected leak of UPSI by employees, anti-bribery & anti-corruption and taking appropriate actions on such reporting. The Audit Committee reviews the functioning of the vigil / whistle blower mechanism from time to time. There were no allegations / disclosures / concerns received during the year under review in terms of the vigil mechanism established by the Company. The details of the vigil mechanism are displayed on the website of the Company <https://smspharma.com/investor-relations/download/>

DEPOSITS

Your Company has not accepted any deposits from the public within the purview of Chapter V of the Companies Act, 2013. As such no amount of principal or interest was outstanding as on the date of the Balance Sheet.

LOANS, GUARANTEES AND INVESTMENTS

Particulars of Loans, guarantees and investments covered under Section 186 of the Companies Act, 2013 form part of the Notes to the financial statements provided in this Annual Report.

RELATED PARTY TRANSACTIONS

All related party transactions that were entered by the Company during the financial year 2021-22 with related parties were in the ordinary course of business and on an arm's length basis and are in compliance with the provisions of the Companies Act, 2013 and the SEBI (Listing Obligation & Disclosure Requirement) Regulation, 2015. There are no materially significant related party transactions made by the Company with Promoters, Directors and Key Managerial Personnel, etc., which may have potential conflict with the interest of the Company. All related party transactions are presented to the Audit Committee on quarterly basis and were also placed before the Board.

A statement of all Related Party Transactions is being presented before the Audit Committee on Quarterly basis specifying the nature, value and terms and conditions of the transactions. A Policy on Related Party Transactions approved by the Board is uploaded on the Company's website at the web link <https://smspharma.com/investor-relations/download/>

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 form part of the notes to the financial statements provided in the annual report. The Form AOC-2 is attached to the Report as **Annexure - 3**.

CORPORATE SOCIAL RESPONSIBILITY

In compliance with Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, your Company has constituted the Corporate Social Responsibility (CSR) Committee. The Committee met once on 7th August, 2021 during the Financial Year 2021-22.

The brief outline of the CSR policy of the Company, details regarding CSR Committee and the initiatives undertaken by the Company on CSR activities during the year are set out in **Annexure-4**, of this report in the format prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014. CSR Policy is available on the Company's website on <https://smspharma.com/wp-content/uploads/2018/02/corporate-social-responsibility-policy.pdf>

PARTICULARS OF EMPLOYEES

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

The statement containing particulars of employees as required under Section 197(12) of the Act read with Rule 5(2) and 5(3) of the Rules does not form part of this Report however the same shall be kept open for inspection in terms of Section 136 of the Act and any member can obtain a copy of the said statement by writing an email to the Company Secretary at cs@smspharma.com

PREVENTION OF INSIDER TRADING

Pursuant to SEBI (Prohibition of Insider Trading) Regulations, 2015 as amended from time to time, the Company has adopted the Code of Practices and procedures for Fair Disclosure and Code for Regulation and Prohibition of Insider Trading and a copy of the same may be accessed on Company's website at <https://smspharma.com/investor-relations/download/>

ENVIRONMENT, HEALTH AND SAFETY ENVIRONMENT

SMS Pharmaceuticals Limited continuously monitors its energy usage, regulates the emissions released and waste generated, and makes sure it follows responsible water consumption practices. To commit itself further to protect the environment, it holds tree planting initiatives and drives to protect the ecology of the regions it operates in.

SMS Pharmaceuticals Limited undertakes a number of steps to upgrade and enhance employee safety. The Company observes and monitors the safety laws and procedures. In order to avoid mishaps, the Company also offers several safety training programmes to its employees.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION

The information required under Section 134(3)(m) of the Companies Act, 2013 read with the applicable Rules forms part of this report as **Annexure-6**.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars	₹ in Lakhs)	
	2021-22	2020-21
Earnings		
FOB Value of Exports	12,666.96	13,593.49
Outgo		
Sales Commission	55.13	210.28
CIF Value of Imports		
Raw Materials	10,347.52	5091.04
Capital Goods	17.97	2265.80

AUDITORS APPOINTMENT AND THEIR REPORTS

Statutory Auditors

At the Annual General Meeting (AGM) held on 27th September, 2017 M/s. Suranarayana & Suresh, Chartered Accountants, (Firm Registration No. 006631S) were appointed as the Statutory Auditors of the Company for initial term of five (5) years to hold office from the conclusion of 29th AGM till the conclusion of the 34th AGM of the Company to be held in the year 2022.

In view of the above, based on the recommendations of Audit Committee the Board at its meeting held on 30th May, 2022 approved re-appointment of M/s. Suranarayana & Suresh, Chartered Accountants, (Firm Registration No. 006631S), Hyderabad as statutory auditors of the Company for second term of five (5) years i.e. from the conclusion of this AGM till the conclusion of 39th Annual General Meeting to be held in the year 2027, at such remuneration as agreed between the Board and Auditors plus out-of-pocket expenses incurred by them for the purpose of audit and the applicable taxes., and recommended for approval of the shareholders under section 139 and all other applicable provisions, if any, of the Companies Act, 2013 read with rules made thereunder at ensuing 34th AGM.

The Company received their consent along with a certificate from the auditors confirming that they have not attracted any disqualifications as prescribed under the Companies Act, 2013 and the Chartered Accountant Act, 1949 read with rules made thereunder.

The Board recommends the Resolution set out in the Notice of 34th AGM for approval of the Members.

Further, the report of the Statutory Auditors along with notes to accounts is a part of the Annual Report. There has been no other qualification, reservation, adverse remark or disclaimer given by the Auditors in their Report.

Internal Auditor

The Board has appointed M/s. Adusumilli and Associates, Chartered Accountants, as an Internal Auditors of the Company for a period of two years from 01.04.2022 to 31.03.2024 under Section 138 of the Companies Act, 2013, in accordance with the scope as defined by the Audit Committee.

Secretarial Auditor

Pursuant to Section 204 of the Companies Act, 2013, and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, M/s. SVVS & Associates Company Secretaries LLP were appointed to conduct Secretarial Audit of the Company for the Financial Year ended on 2021-2022. Secretarial Audit Report in Form MR-3 for the financial year 2021-202 forms part of this report as **Annexure – 7**.

There has been qualification, reservation, adverse remark or disclaimer given by the Auditors in their Report except one observation on Prior Intimations to Stock Exchanges about the Meeting of Board of Directors for recommendation of dividend at least two working days in advance.

It was reported to Stakeholders Relationship Committee and Board of Directors and the Company and advised the management to take due care in compliance of various applicable laws.

Annual Secretarial Compliance Report

Pursuant to Regulation 24A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has obtained the Annual Secretarial Compliance Report which forms part of this Annual Report as **Annexure - B** from Mr. C. Sudhir Babu, Practicing Company Secretary (Proprietor, CSB Associates) and submitted the same to the Stock Exchanges where the shares of the Company are listed.

Cost Auditor

As per Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, and the Companies (Cost Records & Audit) Amendment Rules, 2014, the Company maintains Cost Records. Your Board has, upon the recommendations of the Audit Committee, appointed Mr. K.S.N. Sarma (Registration No.102145 and Membership No.6875) as

Cost Auditor of the Company for the financial year 2022-2023.

As required under the Act and Rules made thereunder, the remuneration payable to the Cost Auditors is required to be placed before the Members at a general meeting for ratification. Accordingly, a resolution seeking ratification of the remuneration payable to Mr. K.S.N. Sarma, Cost Account, by the members is included in the Notice convening 34th Annual General Meeting.

FINANCIAL CONTROL SYSTEMS AND THEIR ADEQUACY

Internal financial control systems of the Company are in commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable accounting standards and relevant statutes, safeguarding assets from unauthorised use, executing transactions with proper authorisation and ensuring compliance of corporate policies. The Company has a well- defined delegation of authority with specified limits for approval of expenditure, both capital and revenue. The Company uses an established Tally to record day-to-day transactions for accounting and financial reporting.

The Audit Committee deliberated with the members of the management, considered the systems as laid down and met the internal auditors and statutory auditors to ascertain, their views on the internal financial control systems. The Audit Committee satisfied itself as to the adequacy and effectiveness of the internal financial control system as laid down and kept the Board of Directors informed. However, the Company recognises that no matter how the internal control framework is, it has inherent limitations and accordingly, periodic audits and reviews ensure that such systems are updated on regular intervals.

POLICIES

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

- Code of Business Conduct & Ethics for Other Stake Holders
- Code of Conduct for Board & Senior Management
- Corporate Social Responsibility Policy
- Familiarization program of Independent Director
- Policy for related party transactions
- Vigil Mechanism (Whistle blower policy)
- Dividend Distribution Policy

Code of Regulation & Prohibition of Insider Trading
 Remuneration Criteria for Non-Executive Directors policy
 Document preservation policy
 Policy for evaluation performance of the Board
 Policy for sexual harassment
 Staff advances policy
 Risk Management Policy
 Code of Practices and procedures for Fair Disclosure

HUMAN RESOURCES / INDUSTRIAL RELATIONS

The Company considers its human capital to be the most important asset and treats its people with respect and dignity in all situations. The team is a balanced mix of experience and youth which allows a holistic approach to varied situations. Employee knowledge enrichment is a core value of the organisation, and focus has been placed on training and development of the Company's human capital. The Company organizes team building exercises through sports and recreation and encourages work-life balance which leads to improved productivity and longevity. The enhancement of human resources' skill sets has led to better execution, communication and best-in-class customer service for our global clientele.

SHARE TRANSFER SYSTEM

In terms of Regulation 40(1) of SEBI (LODR) Regulations, 2015, as amended from time to time, securities can be transferred only in dematerialized form w.e.f. April 01, 2019, except in case of request received for transmission or transposition of securities. Therefore, the shareholders are requested to dematerialize their shares in order to have a hassle-free transfer. Members can contact the Company or Company's Registrars and Transfer Agents, Aarthi Consultants Private Limited for assistance in this regard. The shareholders who continue to hold shares and other types of securities of listed companies in physical form even after this date, will not be able to lodge the shares with Company / its RTA for further transfer. Hence, members holding shares in physical form are requested to consider converting their holdings to dematerialized form.

The Stakeholders Relationship Committee approves transfer of shares in physical mode with respect to requests for transmission and transposition of securities. The Company's RTA transfers the shares within 15 days of receipt of request, subject to documents being valid and complete in all respects. The Stakeholders Relationship Committee will meet as often as required to approve share transfers and to attend to any grievances or complaints received from the members.

GENERAL DISCLOSURE

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

- a) No material changes and commitments affecting the financial position of the Company between the financial year ended 31st March, 2022 and the date of this report.
- b) No fraud has been reported by the Auditors to the Audit Committee or to the Board.
- c) No material and significant orders passed by the regulators or courts or tribunals impacting the going concern status and the Company's operations in future
- d) Company has complied with the requirements of the Secretarial Standards issued by Institute of Company Secretaries of India.
- e) There are no instances where the Board has not accepted the recommendation of Audit Committee.
- f) Cost records are maintained as per the requirements of Section 148 of the Act.
- g) The extract of Annual Return is disclosed on the Company's website.

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

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

During the Financial Year ended on March 31, 2022, the Company has not received any complaint of sexual harassment.

COMPLIANCE WITH SECRETARIAL STANDARDS

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

INSURANCE:

The Company's plant, properties, equipments and stocks are adequately insured against all major risks. The Parent Company has taken Directors' and Officers' Liability Policy to provide coverage against the liabilities arising on them, which includes the Directors of the Company also.

RATING

CARE Rating Limited has assigned its rating of 'CARE A' on the Long Term Bank Facilities of the Company and 'CARE A2+' on the Short Term Bank Facilities 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

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

ACKNOWLEDGEMENTS:

Your Directors place on record their sincere appreciation for the continued co-operation and support extended to the Company by the Banks. Your Directors also thank the Customers, Shareholders, vendors for their patronage to the Company's products. The Board of Directors also wish to place on record its deep sense of appreciation for the dedicated and committed services by the Company's executives, staff and workers.

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

Your Directors appreciate and value the contribution made by every member of the SMS family.

By the order of the Board

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

Place: Hyderabad
Date: 13-08-2022

Annexure- 1

FORM AOC - 1

Part “B”: Associates and Joint Ventures

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

S. No	Name of associates/Joint Ventures	VKT Pharma Private Limited (Associate Company)	Chemo SMS Enterprises SL (Joint Venture Company)
1	Latest audited Balance Sheet Date	31.03.2022	31.03.2022
2	Shares of Associate/Joint Ventures held by the company on the year end		
	No. of Equity Shares	38,50,165 Equity Shares of ₹10/- each.	No Contribution
	Amount of Investment in Associates/ Joint Venture	₹4,499.87 Lakhs	
	Extent of Holding%	36.55%	45.00 %
3	Description of how there is significant influence	Based on the percentage of holding in the investee Company.	Based on the percentage of holding in the investee Company
4	The associate is consolidated	Financial Statement Consolidated for FY 2021-22	There were no transactions during the reporting period
5	Net worth attributable to shareholding as per latest audited Balance Sheet	₹ 2,779.65 Lakhs	NA
6	Profit/Loss for the year	(₹ 566.10) lakhs	NA
	i. Considered in Consolidation		
	ii. Not Considered in Consolidation		

* The company does not have Subsidiaries, Part “A”- Not Applicable

By the order of the Board

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

Place: Hyderabad
Date: 13-08-2022

Annexure- 2

Equity Buildup Report

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

Note: *Shares allotted as per MOU dated 24.12.2006.

**Record date 18.12.2015 whereas Ex-date 17.12.2015

By the order of the Board

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

Place: Hyderabad
Date: 13-08-2022

Annexure- 3**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			
		VKT Pharma Private Limited	SMS Life Sciences India Limited	Eshwar Coal Movers	Pixalot Labs Pvt. Ltd.
a)	Nature of relationship	Common Directors & Associate Company	Promoters holding more than 10% of total Equity.	Mr. Harikishore Potluri is the Brother of Mr. Ramesh Babu Potluri	Mr. Trilok Potluri, Director is Son of Mr. Ramesh Babu Potluri.
b)	Nature of contracts/ arrangements/ transaction	Purchases in the ordinary course of business. Sales in the ordinary course of business.	Sale & purchase of materials in the ordinary course of Business	Purchase of Coal in different grades in the ordinary course of Business	Rental Agreement.
c)	Duration of the contracts / arrangements / transaction	Transactions done during FY 2021-22.	Transactions done during FY 2021-22	Transactions done during FY 2021-22	Transactions done during FY 2021-22.
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Total Amount of Purchases were : ₹9.47 Lakhs Total amount of Sales was ₹2853.31 Lakhs and Rent ₹25.43 Lakhs	Purchase : total amount of purchase of ₹705.77 Lakhs	Purchase : total amount of purchase of ₹94.86 Lakhs	Rent receivable amount ₹45.88 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	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/ review by the Board	28.05.2021 07.08.2021, 12.11.2021, 09.02.2022, 30.05.2022	28.05.2021 07.08.2021, 12.11.2021, 09.02.2022, 30.05.2022	28.05.2021 07.08.2021, 12.11.2021, 09.02.2022, 30.05.2022	28.05.2021 07.08.2021, 12.11.2021, 09.02.2022, 30.05.2022
g)	Amount paid as advances, if any	Nil	Nil	Nil	Nil

*All the above related party transactions entered by the Company are in the ordinary course of business at prevailing market rates.

By the order of the Board

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

Place: Hyderabad
Date: 13-08-2022

Annexure- 4

Annual Report on Corporate Social Responsibility (CSR) Activities for the financial year 2021-22

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

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

2. Composition of the CSR Committee:

SI No.	Name of the Director	Designation /Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1.	Mr. Ramesh Babu potluri	Chairman of the Committee- Executive Director	1	1
2.	Mr. Sarath Kumar Pakalapati	Member - Independent Director	1	1
3.	Mr. Sarvepalli Srinivas	Member - Independent Director	1	1
4.	Mr. Shravan Kudaravalli	Member - Independent Director	1	1

3. Provide the web-link where Composition of CSR Committee, CSR Policy and CSR Projects approved by the Board are disclosed on the website of the Company Composition of CSR Committee and the CSR Policy can be assed at the link <https://smspharma.com/investor-relations/corporate-social-responsibility/>

4. Provide the details of impact assessment of CSR Projects carried out in pursuance of sub Rule (3) of the Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach the report): Not applicable for the year under review.

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

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

6. Average net profit of the Company as per Section 135(5) for the last three financial years: Rs.6806.17 Lakhs

7. a. Two percent of average net profit of the Company as per Section 135(5) : Rs.136.12 Lakhs

- b. Surplus arising out of the CSR Projects or programs or activities of the previous financial years: Rs. 0.75 Lakhs
 c. Amount required to be set off for the financial year: Nil
 d. Total CSR obligation for the financial year (7a+7b-7c): Rs.136.12 Lakhs

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

Total amount spent for the financial year 2021-22	Amount unspent (in Rs. Lakhs)				
	Total amount transferred to unspent CSR account as per Section 135(6) of the Act		Amount transferred to any fund specified under Schedule VII as per second proviso to Section 135(5) of the Act		
	Amount	Date of Transfer	Name of the fund	Amount	Date of Transfer
Rs.166.20 Lakhs			NA		

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

Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local Area (yes/No)	Location of the project		Project Duration	Amount allocated for the project (Rs. In Lakhs)	Amount spent in the current financial year (Rs. In Lakhs)	Amount transferred to unspent CSR account for the projects as per Section 135(6) of the Act	Mode of implement – Direct (yes/No)	Mode of implementation through implementing agency	
				State	District						Name	CSR Registration No.
1	Construction of RCC GF+FF school building with 8 class rooms (Balayogi Gurukulam, A.P)	Promotion of Education	Yes	Andhra Pradesh	Kopperla (V), Pusapatirega (M) Vizianagaram (Dist.)	1 year	150.08	75.08	75.08	Yes	NA	NA
Total								75.08				

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

Sl. No.	Name of the Project	Item from list of activities in schedule VII to the Act	Local area (yes/No)	Location of the project		Amount spent for the project (Rs in lakhs)	Mode of implementation on Direct (Yes/No)	Mode of implementation –through implementing agency	
				State	District			Name	CSR Registration Number
1	Contribution to Society for Cyberabad Security Council (SCSC) maintained by Cyberabad Police, Hyderabad to provide health support to Covid patients, organizing medical equipments to the hospitals and support to TIMS.	Promoting health care	Yes	Telangana	Hyderabad	10.00	Yes	NA	NA
2	Oxygen cylinder/ Oxygen Concentrators for COVID patients in Andhra Pradesh	Promoting health care	Yes	Andhra Pradesh	Vizianagaram	15.00	Yes	NA	NA

Sl. No.	Name of the Project	Item from list of activities in schedule VII to the Act	Local area (yes/ No)	Location of the project		Amount spent for the project (Rs in lakhs)	Mode of implementation on Direct (Yes/ No)	Mode of implementation –through implementing agency	
				State	District			Name	CSR Registration Number
3	Oxygen Cylinders to Vizianagaram District Govt. Hospital and Health Center through District Collector	Promoting health care	Yes	Andhra Pradesh	Vizianagaram	18.04	Yes	NA	NA
4	Support to Asian Healthcare Foundation for medical/ health camps	Promoting health care	Yes	Telangana	Hyderabad & Rangareddy	20.00	Yes	NA	NA
5	School Benches, Desks and Furniture for 8 class rooms (Balayogi Gurukulam, A.P)	Promotion of Education	Yes	Andhra Pradesh	Vizianagaram	7.02	Yes	NA	NA
6	Constructed WBM Road at Kandivalsa Village	Rural development projects	Yes	Andhra Pradesh	Vizianagaram	14.66	Yes	NA	NA
7	Campus Challenge support for physical disability and mental disability children at Coastal and Tribal areas	Rural development projects and health care	Yes	Andhra Pradesh	Vizianagaram	5.40	Yes	NA	NA
8	Visaka Hospitals and Diagnostics Limited towards treatment for liver disease	Promoting health care	Yes	Andhra Pradesh	Visakhapatnam	1.00	Yes	NA	NA
Total						91.12			

d) Amount spent in administrative overheads : NIL

e) Amount Spent on impact assessment, if any : NIL

f) total amount spent for the financial year (8b+8c+8d+8e) : 166.20 Lakhs

g) Excess amount for set off, if any

Sl No.	Particulars	Amount (in lakhs)
i	Two percent of average net profit of the Company as per section 135(5)	136.12
ii	Total amount spent for the financial year	166.20
iii	Excess amount spent for the financial year (i-ii)	30.08
iv	Surplus arising out of the CSR Projects or programs or activities of the previous financial years, if any	0.75
v	Amount available for set off in succeeding financial years (iii+iv)	30.83

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

Sl. No.	Preceding financial year	Amount transferred to unspent CSR Account under Section 135(6) (in Rs lakhs)	Amount spent in the reporting financial year (in Rs lakhs)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any			Amount remaining to be spent in succeeding financial years (in Rs lakhs)
				Name of the fund	Amount in Rs lakhs	Date of transfer	
NA							

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

SI No.	Project Id	Name of the Project	Financial year in which project was commenced	Project duration	Total amount allocated for the project (Rs in Lakhs)	Amount spent on the project in the reporting Financial year (in Rs)	Cumulative amount spent at the end of reporting financial year (in Rs)	Status of the project – completed/ ongoing
1	Kopperla Village, Pusapatirega (M), vizianagaram Dist. AP at Unit VII Manufacturing facility	Construction of RCC GF+FF school building with 8 class rooms (Balayogi Gurukulam, A.P)	2020-2021	2 years	150.08	75.08	150.08	Completed

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

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

Place: Hyderabad
Date: 13-08-2022

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

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

Annexure- 5

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 the Financial Year (₹ In Lakhs)	% increase/ decrease in remuneration during Financial Year	Ratio of remuneration of each director to the median remuneration of employees
Mr. Ramesh Babu Potluri	Executive Director (Chairman & Managing Director)	381.40	-18.67	1:117.36
Mr. Vamsi Krishna Potluri	Executive Director	381.40	-6	1:117.36
Mr. Sarath Kumar Pakalapati	Non-Executive & Independent Director	-	-	-
Mrs. Dr. Neelaveni Thummala	Non-Executive & Independent Director	-	-	-
Mr. Shraavan Kudaravalli	Non-Executive & Independent Director	-	-	-
Mr. Sarvepalli Srinivas	Non-Executive & Independent Director	-	-	-
Mrs. Shilpa R Waghmare [#]	Non-Executive & Nominee Director	-	-	-
Mr. Lakshmi Naryana Tammineedi	Chief Financial Officer	23.33	23.87	-
Mr. Thirumalesh Tumma [*]	Company Secretary	1.81	NA	-
Mr. V.S.Venkatish ^{**}	Company Secretary	6.19	NA	-

[#] Withdrawal of nomination by EXIM Bank w.e.f. 08.08.2022.

^{*}Appointed w.e.f 16.02.2022

^{**}Resigned w.e.f. 15.02.2022

- The percentage increase in the median remuneration of employees in the financial year: **12.97%**
- The number of permanent employees on the rolls of company: **1031 employees** as on 31st March, 2022
- Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

The average increase in salaries of employees other than managerial personnel during the financial year was 12.88% and increase in remuneration paid to managerial personnel during the financial year except as mentioned above.

- It is hereby affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and other Employees.
- The Non-executive Directors of the Company are entitled for sitting fees as per the statutory provisions. The details of remuneration (Sitting fees) of Non-Executive Directors are provided in the Corporate Governance Report.

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.

By the order of the Board

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

Place: Hyderabad
Date: 13-08-2022

Annexure- 6

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 is continuously monitoring energy Consumptions across various locations, has resulted in improvement in maintenance systems and reduction in Distribution losses.

1. Steps taken by the Company for utilizing the alternate sources of energy:

- i. Facility created to purchase power through open access during the power holiday time to avoid the running of diesel generator sets and saving of HSD. Participating in the Open access bidding to get the power in the cheaper price as compared to the discom prices as per available slots to reduce the power cost./Year : 35Lakhs/Year.
- ii. Installed 173 KLD Rochem Ro Plant, All Cooling Towers Make up-Water & Boilers Feed Water Used by Rochem RO Plant, Maintain TDS < 100 , So there are improve the Heat Transfer Area at Boiler & Cooling Towers & Process Equipment's .
- iii. Installed 173 KLD Rochem RO Plant, there are input of water taken from ETP & ME & Biological Treatment. Rochem RO Water Generations 138KL/Day, Total RO Water Demand 300KL/day at Site, but ground water using only 162KL/day. Total Saving Ground Water 138KL/Day.

2. Energy Conservation Measures taken:

- i. Installed LED Lights instead of CFL lights in both areas like intermediate and pharm in all blocks and QC for power saving 1656 Units/Month.
- ii. VFDs are provided for Screw Chillers at resulting in a daily energy savings of 200 units per day @ Each Chiller.
- iii. Replacement of existing +5degC water-cooled reciprocating type chillers with new energy efficient water-cooled screw type refrigeration systems installed. This resulted in saving of 60,000Units/Year.
- iv. Replaced manually operated valves of utilities with automated control valves to reduce the utility Consumption at the Production Blocks.
- v. Installed online tube cleaning systems (ECO MAX) for Chilling plants condensers tube cleaning purpose and improve the Condenser Heat Transfer Area and Reduce the discharge pressures and Maintain the Standard of KW/TR :0.75
- vi. Installed Common header for compressed air circuit for optimum utilization of air compressor So Saving in Power Units/Day :30Units/Day

TECHNOLOGY ABSORPTION

1. Efforts in brief, made towards technology absorption:

The company has state-of-the-art R&D centre continuously engaged in research on new products and process improvement of existing products as part of continuous improvement. The Company constantly reviews, optimizes and improves its processes for its product range. These efforts have resulted in lower cost of production, achieve consistent exports and be competitive in the global market.

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

The Company constantly reviews, optimizes and improves its processes for its product range. These efforts have resulted improved in quality, lower cost of production, be competitive in the global market and yield improvement in production.

3. R&D Expenditure

For the details of expenditure incurred in R&D centre of the company for the FY 2021-22 are furnished in the vide note number 41.

4. Foreign Exchange Earnings And Outgo

Particulars	(₹ in Lakhs)	
	2021-22	2020-21
Earnings		
FOB Value of Exports	12,666.96	13,593.49
Outgo		
Sales Commission	55.13	210.28
CIF Value of Imports		
Raw Materials	10,347.52	5091.04
Capital Goods	17.97	2265.80

By the order of the Board

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

Place: Hyderabad
Date: 13-08-2022

Annexure- 7

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2022

[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, 2022 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, 2022 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 thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'): -
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (SEBI ICDR Regulations) (**not Applicable to the Company during the Audit Period**);
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefit) Regulations, 2014 (**not Applicable to the Company during the Audit Period**);
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (**not Applicable to the Company during the Audit Period**);
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with clients;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (**not Applicable to the Company during the Audit Period**);
 - (h) The Securities and Exchange Board of India (Buy Back of Securities) Regulations, 2018 (**not Applicable to the Company during the Audit Period**);

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

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India; and
- (ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc., mentioned above except that there was no prior intimation to Stock Exchanges under Regulation 29 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, for declaration/recommendation of dividend in advance of at least 2 working days to the Stock Exchanges and further the BSE and NSE levied a penalty of ₹ 10,000/- plus GST each.

- (vi) We further report that, having regard to the Compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof the Company has complied with the following laws applicable specifically to the Company:
 - (a) Drugs and Cosmetics Act, 1940
 - (b) Drugs (Price Control) Order, 2013
 - (c) Narcotic Drugs and Psychotropic Substances Act, 1985
 - (d) Indian Boilers Act, 1923 and Regulations
 - (e) Explosives Act, 1884
 - (f) Petroleum Act, 1934
 - (g) Water (Prevention and Control of Pollution) Act, 1974
 - (h) Air (Prevention and Control of Pollution) Act, 1981
 - (i) Environment Protection Act, 1986

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

We further report that:

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

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

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

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the Audit Period, except the resignation of Mr. TVVSN Murthy as director of the Company with effect from 28th May, 2021, there were no events/ actions which are having major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines and standards.

For SVVS & Associates
Company Secretaries LLP

C. SUDHIR BABU

Designated Partner

FCS: 2724; C P No.: 7666

UDIN: FO02724D000428182

Place: Hyderabad
Date: 30-05-2022

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

For SVVS & Associates
Company Secretaries LLP

Place: Hyderabad
Date: 30-05-2022

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

Management Discussion and Analysis

Global Economy

The year 2021 was of a strong recovery for the global economy which registered a GDP growth of 5.7%. The growth was driven by a widespread vaccination coverage across several economies. The steady deployment of vaccination program across economies and relaxation of pandemic-related lockdowns in many countries helped boost consumption demand. However despite the strong rebound, the global economy entered 2022 at a much weaker position as the third wave of the virus resulted in the re-imposition of mobility restrictions by the affected countries leading to a decline in economic activities across the globe. Additionally, the global economy was further stressed as the Russia- Ukraine face-off continued to roil the financial markets. The western sanctions on Russia resulted in a trade shock and led to disruptions of supply chains and high energy, commodity and food prices.

As per the World Bank's Global Economic Prospects report (June 2022), Global growth is expected to slump to 2.9 percent in 2022 and further hover around that pace over 2023-24, given geo-political strains, investment, and trade in the near term, fading of pent-up demand, and withdrawal of fiscal and monetary policy accommodation. Growth in advanced economies is projected to sharply decelerate from 5.1 percent in 2021 to 2.6 percent in 2022—1.2 percentage point below projections in January. Growth is expected to further moderate to 2.2 percent in 2023, largely reflecting the further unwinding of the fiscal and monetary policy support provided during the pandemic. Among emerging market and developing economies (EMDEs), growth is also projected to fall from 6.6 percent in 2021 to 3.4 percent in 2022—well below the annual average of 4.8 percent over 2011-2019.

The COVID pandemic has put the healthcare industry, including pharmaceutical industry at the centre stage. There is a sharp upswing in demand in the pharmaceutical industries, aided by rising awareness as well as health and wellness focus among consumers. It is the need of the hour to ease supply-side disruptions and make proactive adjustments to the tightening monetary policies across EMDEs to reign in the inflationary environment. Global inflation is expected to moderate next year, albeit still likely remaining above inflation targets in many

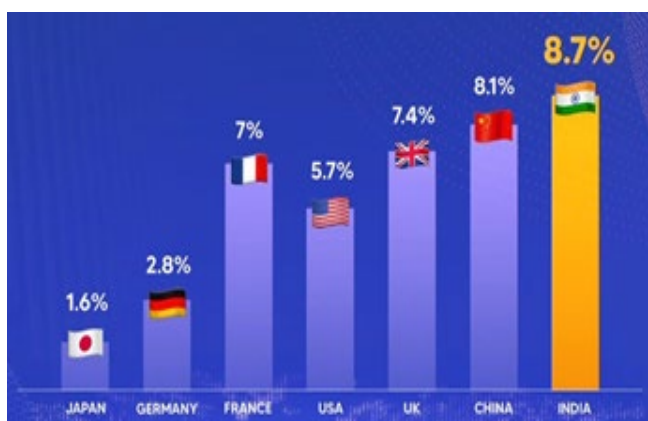
economies. The war's effects on energy markets continue to keep global growth outlook uncertain, with price surges across wide ranging, energy-related commodities. Higher energy prices will have to be actively normalized to prevent

rise in production costs, tighter financial conditions, and macroeconomic policy constraints especially energy-importing countries.

Indian Economy

India's recovery accelerated following the pandemic's second wave. This resulted from the government's quick response to the issue. Widespread vaccination use, which led to a quicker recovery of the economy and enterprises, helped to increase output, with several industries showing a steady return to pre-pandemic levels. India continued to be the economy with the quickest growth rate because to its 8.7% growth rate. Activity in contact-intensive services gained traction, and consumer confidence has been inching up after the pandemic. An uptick in economic activity in April 2022 was evident in high frequency indicators. With the tapering down of infections, mobility indicators improved while labour participation has been picking up across urban and rural constituents. However despite the positives, towards the end of the fiscal, the Russia Ukraine war came as a major headwind impacting the quick paced recovery of the country. The war led to skyrocketing commodity and crude oil prices thereby leading to higher inflationary pressure.

As per the World Bank's latest Global Economic Prospects, India's GDP is expected to grow at 7.5% in FY 23 aided by the recovery of service consumption following the pandemic. While near term risks prevail owing to slowed global growth, elevated inflation, supply disruptions and financial market volatility, the country's long term prospects stay positive supported by fixed investment undertaken by the private sector and by the government, which has introduced incentives and reforms to improve the business climate.



Source: National Statistical Office, IMF projections

Industry review

Global Pharma Industry

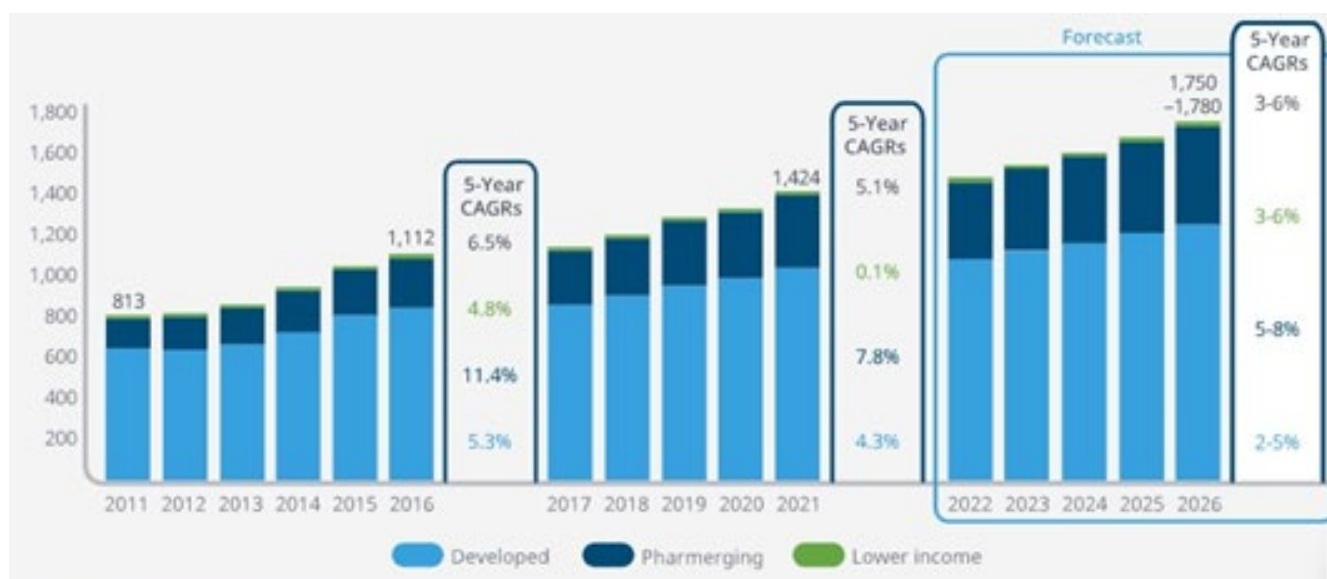
According to The Global Spending and Usage of Medicines, released by the IQVIA™ Institute for Human Data Science, global spending on medicines — based on invoice price levels — is expected to grow at 3-6% CAGR through 2026 to reach about \$1.8 trillion by 2026, including spending on COVID-19 vaccines and novel therapeutics.

The US market is forecast to grow by 0-3% CAGR over the next five years. Spending in the top five European markets is expected to increase by \$51 billion. China is expected to

increase its uptake of new and original medicines (growing by \$35 billion by 2026), with spending in emerging markets likely to increase by \$128 billion.

Global spending on vaccines is predicted to grow at 12-15%, reaching \$46 billion in 2025. It is forecast that by 2026, specialty medicines will account for nearly 60% of total expenditure in high-income markets, with the remainder, predominantly older and traditional therapies, becoming progressively lower-cost over time. The two leading global therapy areas – oncology and immunology – are forecast to grow 9-12% and 6-9% CAGR respectively through 2026, lifted by significant increases in new treatments and medicine use. It is expected that 100 more oncology treatments will come to market over five years.

The global medicine market — using invoice price levels — is expected to grow at 3-6% CAGR through 2026 to about \$1.8Trillion



Source: IQVIA Market Prognosis, September 2021; IQVIA Institute, November 2021

Active pharmaceutical ingredients (API) market analysis, 2020-2030

As per 'Research and Markets' report, the global active pharmaceutical ingredients (API) market is anticipated to grow at a CAGR of 6.08% over the forecast period of 2021-2030. Factors such as the increasing number of generic drug approvals, followed by the growing demand for generic and biosimilar drugs, and the rising healthcare expenditure are anticipated to drive the growth of the market in the coming years. The market is estimated to garner a revenue of approximately USD 330 billion by the end of 2030, up from a revenue of around USD 185 billion in the year 2020.

Source: <https://www.researchandmarkets.com/reports/5559888/global-active-pharmaceutical-ingredients->

Indian pharma industry

The Indian Pharma industry has evolved over time into a thriving industry and currently ranks third in pharmaceutical manufacturing by volume. In the last nine years, the Indian Pharma sector has been growing steadily at a CAGR of 9.43% and consistently earning trade surplus. Additionally, India has earned a reputation of being 'The Pharmacy of the World' in some areas which is an outcome of its supremacy in the vaccination and generic pharmaceutical industries. India has

a sizeable pharmaceutical product manufacturing industry, providing it more production flexibility. In India, there are more than 10,000 manufacturing facilities and 3,000 pharmaceutical companies. Of these, 253 have EDQM approval, 584 have US FDA approval, 1,105 have European Certificates of Suitability (CEPs), and 2,000 have WHO GMP approval.

India has the greatest number of United States Food and Drug Administration (USFDA)- compliant pharma plants outside of the US. It is also the largest supplier of generic medicines with 20% share in the global supply by manufacturing 60,000 different generic brands across 60 therapeutic categories. India is one of the biggest suppliers of affordable vaccines in the world.

The Indian pharma industry has also played an important role in meeting the challenges for mitigation of the infection during the pandemic. The industry worked closely with the government and academic institutes to rapidly develop and refine manufacturing processes that ensured a consistent supply of medicines needed for the management of COVID-19. Indian drug supplies throughout the pandemic period have provided relief to over 120 countries for Hydroxychloroquine (HCQ), 20 countries for paracetamol and about 96 countries for vaccines across the world.

Currently valued at USD 41.7 billion, the pharmaceutical industry in India is expected to reach USD 65 billion by 2024 and to USD 120 billion by 2030.

Exports

India is a major exporter of pharmaceuticals, with over 200+ countries served by Indian pharma exports. India supplies over 50% of Africa's requirement for generics, ~40% of generic demand in the US and ~25% of all medicine in the UK. India also accounts for ~60% of global vaccine demand and is a leading supplier of DPT, BCG and Measles vaccines. 70% of WHO's vaccines (as per the essential Immunisation schedule) are sourced from India. The average index of industrial production and manufacturing of pharmaceuticals, medicinal chemicals and botanical products in the FY22 stands at 221.6, registering a growth of 1.3%. Pharma exports in FY22 sustained a positive growth despite global trade disruptions. Pharma trade balance continues to be in India's favour with a surplus of \$15175.81 million. The pharma sector recorded its best-ever exports performance in FY22, with a remarkable growth of almost ₹10 billion in 8 years. The country's pharma sector witnessed a growth of 103% since FY14, from ₹ 90, 415 crore in FY14 to ₹ 1,83,422 crore in FY22. Recently, India also signed a cooperation agreement with UAE and Australia, which will give enhanced access to Indian pharma products to these markets.

Source: <https://www.investindia.gov.in/sector/pharmaceuticals>

Small-molecule API market

The global small-molecule API market size was valued at USD 175.31 billion in 2021 and is projected to expand at a CAGR of 5.44% from 2022 to 2030. Some of the major factors propelling the market are the growing demand for small-molecule drugs in the market and the increased outsourcing trend. The patent expiry of leading molecules is further driving growth by facilitating the entry of new players that propel the demand for raw materials like API for low-cost production of drugs.

The pandemic has facilitated the growth of the market by prompting the players to diversify their business geographically to avoid shortages. COVID-19 is further propelling investigation of small molecule products such as Molnupiravir for treatment of the condition. Repurposing of existing small molecule drugs is also under study for the treatment of SARS-CoV-2 infection.

Small molecules are anticipated to dominate the market as a technology, owing to the presence of a strong pipeline in which over two-thirds of the small molecule-based products are on accelerated pathways and are expected to enter the market in the upcoming years.

Increased use of novel technologies and the emergence of specialty medicines are expected to lead to a paradigm shift in the industry. Instead, small volume production is projected to witness a surge. Moreover, with an increasing number of products being launched and produced, flexible manufacturing units and robust processes are being developed to meet changing demands.

The complexity of manufacturing is gearing towards increasingly complex molecules, thus creating the requirement for more compound manufacturing facilities. This is also in line with a pipeline that holds 30% of highly potent active pharmaceutical ingredients (HPAPI) along with the surge in demand for highly potent molecules.

The synthetic segment dominated the market in 2021, attributable to the dominance of synthetic drugs in the pharmaceutical industry that propels the demand for raw materials such as small molecule APIs for production. Additionally, the ease of production of these molecules and high effectiveness, boost the segment's growth.

The presence of many players in the synthetic segment is accelerating its growth. Moreover, an increasing number of players are aiming at backward integration and building new manufacturing plants to increase efficiency. The biotech segment is projected to grow at a lucrative rate, attributable to a rising focus on targeted therapies, along with a surge in demand for biotech-based products.

Source: A research report by Grand View Research

(Link: <https://www.grandviewresearch.com/industry-analysis/small-molecule-api-market-report>)

Government initiatives

As per the Union Budget 2022-23, ₹3,201 crore (USD 419.2 million) has been set aside for research, and ₹ 83,000 crore (USD 10.86 billion) has been allocated to the Ministry of Health and Family Welfare. The government allocated ₹37,000 crore (USD 4.83 billion) to the 'National Health Mission'. ₹10,000 crore (USD 1.28 billion) has been allocated to Pradhan Mantri Swasthya Suraksha Yojana. The Ministry of AYUSH has been allocated ₹3,050 crore (USD 399.4 million), up from ₹ 2,970 crore (USD 389 million). India plans to set up a fund of approximately ₹1 lakh crore (US\$ 1.3 billion) to provide a boost to companies to manufacture pharmaceutical ingredients domestically by 2023.

In March 2022, instructions for the scheme 'Strengthening of Pharmaceutical Industry (SPI)' with a total financial outlay of ₹500 crore (USD 665.5 million) for the period of FY21-22 to FY 25-26 were announced.

(Source: <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1805146> Strengths and Growth drivers)

Factors providing a n impetus to the pharma industry

- Government support— The pharmaceutical sector is thriving on the back of favourable government incentives including an outlay of ₹21,940 for PLI 1.0 and PLI 2.0.
- Medical tourism— India offers quality services at marginal costs in comparison to US, Europe, and South Asia which is making it a place for foreign visitors for treatment.
- Infrastructure development— India has the highest number of US-FDA compliant plants outside the US.
- Strong drug manufacturing— India has the expertise in low-cost generic patented drugs as well as end-to-end manufacturing.
- Strong domestic demand— The launch of the largest National Health Protection scheme globally which is driving a strong demand.
- Increased investments— India has been gaining continued foreign direct investment inflows. In 2020-21, the sector witnessed a 200% increase in foreign direct investment.
- Prevalence of lifestyle disorders— The Indian population is rising at a fast pace and will overtake China as the most populous country in the world. This rise, coupled with ever increasing lifestyle disorders like diabetes, depression and so on, are contributing to noteworthy rise in patient pool attracting more spending on generics as well as patented medicines.

- Increased healthcare spend in India— The healthcare ecosystem in India is vastly improving in terms of increased health insurance coverage as well as increased government and private sector spending on hospitals. As against earlier, more and more Indian middle-class families are choosing for health insurance facilities thereby gaining access to quality medical facilities. This contributes towards high spending on expensive drugs.

Company's perspective

Domestic API business

SMS Pharmaceuticals Limited (SMS Pharma) is one of the leading manufacturers of generic Active Pharmaceutical Ingredients (APIs) in India with world-class facilities and a wide range of process equipment fully compliant with the cGMP and WHO standards.

The domestic API business continues to be an important component of SMS Pharma business. The Company has started commercial supplies of most of its products, especially Ibuprofen, for which the Company has received Certificate of Suitability (CEP) from EDQM. Considering India to be the pharma capital of the world, the manufacturers and traders are crucial as customers across the world rely on them for sourcing quality products.

The Company has built strong relationship with traders and merchant exporters who buy material from the Company and export it to semi-regulatory and ROW markets. We also have direct relationship with domestic formulators. The Company has entered a Confidential Disclosure Agreements (CDA) with leading domestic players for the supply of high-volume products which will help increase the revenues in future.

SMS Pharma is known as one of the leading companies in segments like Anti-Migraine, Anti-Diabetic, Anti-Retrovirals, Anti-ulcers, among others. The Company, given its leadership position and a GMP compliant status, has become a preferred partner for Indian formulators selling their finished dosage forms to regulatory markets.

International business

SMS Pharma is about to enter an exciting phase of business in the international market with the launch of less available molecule like ibuprofen and other new molecules. The molecules will be launched from unit VII as part of joint venture. These developments will slowly start becoming commercial in due course of time.

SMS Pharma built strong relationships in international business, predominantly in the regulatory markets, due to the

international GMP certification and the trust of the customers. The business model is also targeting ROW markets. However, there is an increasing requirement across countries that are gradually becoming semi-regulatory from the current ROW stage.

With a strong and experienced team and 30 years of operating GMP facilities before the demerger, the Company is well placed to capitalise on the opportunities and can easily comply with the increasing demand.

More than 80 Drug, Master Files are filed for all APIs in various countries after inspection and approval by regulatory bodies such as the USFDA, PMDA, EU, KFDA, and so on. The internal processes and documentation is robust enough to face any kind of regulatory inspections. The Company is leading exporter in products like Sumatriptan Succinate, having market shares of up to 100% in few countries like Mexico, Europe and Japan.

The intermediate manufacturing is also flourishing with many API manufactures preferring to buy advanced intermediates due to pollution and capacity issues which is being utilised by the Company and the major customer list includes Mylan and others, who also take contract manufacturing services from the Company.

Strategy

FY23 seems to be promising post the pandemic, which has created new opportunities as well as new challenges for the industry. The global supply chain and the logistics continue to remain under pressure. We see an opportunity amid the uncertainty, and we are striving to benefit from emerging mega trends. The Company had developed several intermediates which were being outsourced and imported from China. Even the Company had qualified several domestic vendors for the advance intermediates.

SMS Pharma is a manufacturer of API and Pharma Intermediates. The company was incorporated in 1989. SMS Pharma is a market leader with 50+ compounds spanning across different therapeutic categories. The Company also has an associate called VKT Pharma Private Limited which operates in the manicuring of generic formulations. The company has a flexible production strategy that includes both in-house and contract manufacturing as well as in-house R&D development. The capacity of our multipurpose production blocks ranges from Kg to multi- tonne production. Cost effective generic APIs are developed at our in-house R&D at Gagillapur.

Product portfolio

- Anti-ulcer like Ranitidine, Famotidine, Pantoprazole Sodium and others
- Anti-fungal like Itraconazole, Lanconazole, and Luliconazole
- Anti-inflammatory like Ibuprofen, Dexibuprofen, Fenoprofen calcium, and so on
- Anti-migrane like Sumatriptan, Almotriptan, Zolmitriptan, Rizatriptan and Eletriptan
- Ant-idiabetic like Vildagliptin, Sitagliptin, Rosiglitazone, Empagliflozin, Dapagliflozin
- Anti-retroviral like Tenofovir, Dolutegravir, Raltegravir, Lamivudine, Efavirenz, and so on
- Anti-viral like Penciclovir, Valaciclovir, and so on
- Anti-epileptic like Levetiracetam, Perampanel, Lamotrigine, and so on
- Anti-coagulant like Apixaban and Rivaroxaban
- Anti-psychotic like Aripiprazole, Clozapine and Pimavanseric

Other categories include Sildenafilcitrate, Tadalafil, Vardenafil, Ranolazine, Ondansetron, Pirfenidone, Deferasirox, Macitentan, among others.

Financial analysis

Particulars	FY 2021-22	FY 2020-21	YoY Changes (in %)
Net Revenue from Operations (Net of Excise) (₹ in crore)	519.87	563.18	(7.69%)
EBITDA (₹ in crore)	119.68	124.56	(3.92%)
PAT (₹ in crore)	68.04	60.96	11.61%
EPS (in ₹)	8.04	7.20	11.67%
Net worth (₹ in crore)	493.76	428.22	15.31%

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

Particulars	As at 31st March, 2022	As at 31st March, 2021	% Change	Reasons
Debtors Turnover Ratio (Days)	34.39	71.74	-37.35	Decrease in Debtor turnover ratio(days) due to decrease in turnover as against Previous year
Inventory Turnover Ratio (Days)	277.45	132.56	144.89	Increase in inventory turnover ratio (days) is due to Decrease in sales and increase in production.
Interest Coverage Ratio (Times)	6.64	12.09	-5.45	Decrease in interest coverage ratio due to decrease in revenues and increase in finance cost compared to previous year
Current Ratio	1.92	1.59	0.33	Increase in ratio on account of increase in Inventories.
Debt Equity Ratio	0.53	0.59	(0.06)	Slight decrease in ratio on account of increase in Reserves.
Operating Profit Margin	22.60%	21.82%	0.78%	Improvement in ratio on account of improvement in operating margins
Net Profit Margin	13.09%	10.83%	2.26%	Improvement in ratio on account of increase in Profit Margin
Return on Net worth	14.76%	15.32%	(0.57%)	Slight decrease due to decrease in earnings

Internal control systems and their adequacy

SMS Pharma has adequate systems of internal control and procedures covering all financial and operating functions. It believes that a strong internal control framework is necessary for Corporate Governance. These have been designed to provide reasonable assurance with regards to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorised use or losses, executing transactions with proper authorisation and ensuing compliance of corporate policies. The Company has well-deigned manual for delegation of authority for approving revenue and expenditure.

The Company's makes continuous efforts to enhance the controlling system's response to unauthorised use or losses. The audit committee considers all internal aspects and advises corrective actions as and when required and keeps the Board of Directors informed of its key observations from time to time.

Research and Development

SMS Pharma played an efficient role in tackling the pandemic by launching HCQ, Favipiravir and Remedesivir during the financial year 2021-22 and supplied the products to major customers like Cipla who are leading in the product in the domestic market.

We are also strengthening our R&D capabilities and our team is committed to developing innovative pharmaceutical products

and manufacturing processes, meeting global regulatory standards

R&D is at the core of SMS Pharma's business and is instrumental in driving its growth. In fact, the Company's 'Research First' approach has driven it to achieve and maintain its position in generic APIs in select therapeutic areas. SMS Pharma undertakes a systematic research approach while selecting molecules by carefully evaluating the technical and commercial feasibility data. We reinforce our manufacturing excellence through proactive investments in R&D. Our R&D team extensively focuses on process improvements, which improve yields, minimise variation and reduce waste. We are working towards strengthening our product pipeline and our portfolio with a new vigour and boosting our R&D capabilities to enhance its scale and quality.

Quality and compliance

SMS Pharma aims to sustain and simplify operational excellence through the implementation of cutting-edge global quality management systems. We have a proven track record of excellence due to our determined efforts to sustain world class infrastructure and quality standards. The Company endeavours to exceed the global quality and statutory requirements. The Company engages best-quality control system, which ensures that every product it develops, manufactures, and distributes complies with the applicable laws and statutes of the target country.

We continue to improve our quality systems to ensure compliance with the evolving regulations. We always strive to stay ahead of the curve to ensure compliance with regulations and meeting patient needs.

Human resources

The Company considers its people to be an integral part of its business growth. To ensure employee satisfaction, the Company offers a safe, conducive and productive environment across plants. The Company has adopted a HR policy framework that establishes standard procedures to both attract new talent and ensure the retention of existing employees.

As a core part of our business strategy, we are committed to providing an environment where all our employees feel enabled with a strong a sense of belonging. The Company has 1,031 employees at the end of March 31, 2022.

Safety, Health and Environment

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

SMS Pharma employs Environment Management System (EMS) to measure its progress in Safety, Health and Environment (SHE) systems, which is considered an integral part of its business.

Corporate social responsibility (CSR)

The Company believes in giving back to society it operates in. With continued efforts in CSR activities, we have contributed significantly to society. The focus of our CSR efforts, during

the year, was on ensuring education and health of the communities. For that the Company aided in the construction of a school building and engaged in healthcare support and social infrastructure development activities.

Cautionary statement

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

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

By the order of the Board

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

Place: Hyderabad
Date: 13-08-2022

Report on Corporate Governance

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

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

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

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

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

Good Governance Policies

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

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

Compliances with SEBI Regulations on Corporate Governance

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

Rights of shareholders

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

BOARD OF DIRECTORS:

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

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

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

GOVERNANCE STRUCTURE

The Corporate Governance structure of the Company is as follows:

- 1. Board of Directors:** The Board is entrusted with an ultimate responsibility of the management and performance of the Company. As its primary role is fiduciary in nature, the Board provides leadership, strategic guidance, objective and independent view to the Company's Management while discharging its responsibilities, thus ensuring that the management adheres to ethics, transparency and disclosures.
- 2. Committees of the Board:** The Board of Directors has constituted various Board Committees to deal with

specific areas and activities which concern the Company and requires a closer review. The Board Committees are formed with approval of the Board and function under their respective Charters. These Committees play an important role in the overall management of day-to-day affairs and governance of the Company. The Board Committees meet at regular intervals and take necessary steps to perform its duties entrusted by the Board. The Minutes of the Committee meetings are placed before the Board for noting.

A. Composition of Board

The Board of Directors of your Company consists of individuals having considerable professional expertise and a wide range of experience in their areas of specialization. The Company has an optimum combination of Executive, Non-executive and Independent Directors on its Board which is in conformity with the Companies Act, 2013 and SEBI Listing Regulations.

As on 31st March, 2022 the Company's Board consists of Eight (7) members out of which majority are independent Directors, who are leading professionals in their respective fields. The Board comprises of Two (2) Executive Directors who are Promoter 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. The Board consists of two women directors, one Independent Director as required under Rule 3 of Companies (Appointment and Qualification of Directors) Rules, 2014 and a Nominee Director appointed by the EXIM Bank of India.

In accordance with the provisions of the Sec. 165 of the Companies Act, 2013 none of the Directors on the Board hold directorships in more than ten (10) public companies. Further, as per Regulation 26(1) of the SEBI Listing Regulations none of them is a member of more than ten (10) Committees or Chairman of more than five (5) Committees across all the public companies in which they are Directors. Necessary disclosures regarding Committee positions in other public companies as on 31st March, 2022 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, 2022

are given herein below. Other directorships do not include directorships of private limited companies, foreign companies and companies under Section 8 of the Act. The Chairmanships/Memberships of Board Committees shall only include Audit Committee and Stakeholders' Relationship Committee:

Name of Director & Designation	DIN.	Category (Designation)	No. of Board Meetings during the Year 2021-22		Attended Last AGM 30.09.2021	No. of Directorships in other Public Companies and category	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	4	4	yes	SMS Lifesciences India Limited Promoter Director	0	2
Mr. Sarath Kumar Pakalapati, Independent Director	01456746	Non-Executive and Independent Director	4	4	Yes	SMS Lifesciences India Limited – Independent Director	3	0
Dr. (Mrs). Neelaveni Thummala, Independent Director	00065571	Non-Executive and Independent Director	4	4	Yes	0	0	2
Mr. Sarvepalli Srinivas, Independent Director	02292051	Non-Executive and Independent Director	4	3	Yes	NA	0	0
Mr. Shraavan Kudaravalli, Independent Director	06905851	Non-Executive and Independent Director	4	4	Yes	CHM Tools Limited – Promoter Director	1	0
Ms. Shilpa R Wagmare®, Non-Executive Director	7009966	Non-Executive & Nominee Director	4	3	No	0	0	0
Mr. Vamsi Krishna Potluri, Executive Director	06956498	Executive Director	4	4	Yes	0	0	0
Mr. TVVSN Murthy*	00465198	Non-Executive Director	1	1	NA	SMS Lifesciences India Limited- Managing Director	0	2

®withdrawal of nomination by EXIM Bank w.e.f.08th Aug, 2022

*Resigned w.e.f. 28th May, 2021

Board Procedure

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

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

Disclosure of relationship between Directors inter-se

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

Appointment / Re-appointment of Directors

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

Selection criteria of Board Members

The Nomination and Remuneration Committee works with the Board to determine the appropriate characteristics, skills and experience required for the Board as a whole and for individual members. The Company has adopted guidelines on selection criteria of Board members, which is available on the website of the Company. (www.smspharma.com).

Independent Directors

Your Company's Independent Directors are renowned people having expertise/ experience in their respective field/profession. None of the Independent Directors are Promoters or related to

Promoters. They do not have pecuniary relationship with the Company and further do not hold two percent or more of the total voting power of the Company. None of the independent directors of the Company is a non-independent director of another company on the board of which any non-independent director of the listed entity is an independent director.

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

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

List of Board's skills / expertise / competencies fundamental for the effective functioning of the Company:

Your Board aims to be comprised of Directors with the appropriate mix of skills, experience, expertise and diversity relevant to the Company's business and the Board's responsibilities. The skills matrix adopted by the Board vis-à-vis the skills / expertise / competencies of respective directors are as under:

Name of Director & Designation	Industry Expertise (Pharmaceutical Industry)	Leadership and Board Experience	Corporate Governance	Strategy and Risk Management	Expertise in Financial Matters	Health, Safety, Environment and Sustainability
Mr. Ramesh Babu Potluri	✓	✓	✓	✓	✓	✓
Mr. Sarath Kumar Pakalapati	✓	✓	✓	✓	✓	✓
Dr. (Mrs) Neelaveni Thummala	✓	✓	✓		✓	✓
Mr. Sarvepalli Srinivas	✓	✓	✓	✓	✓	✓
Mr. Shravan Kudaravalli	✓	✓	✓	✓	✓	✓
Ms. Shilpa R Wagmare @		✓	✓	✓	✓	
Mr. Vamsi Krishna Potluri	✓	✓	✓	✓	✓	✓
Mr. TVVSN Murthy*	✓	✓	✓	✓	✓	✓

@ withdrawal of nomination by EXIM Bank w.e.f.08th Aug, 2022

*Resigned w.e.f. 28th May, 2021

Board Meetings:

The Board of Directors meets at least four times in a year with a maximum time gap of not more than 120 days between two consecutive meetings. Additional meetings of the Board of Directors are held as and when deemed necessary by the Board of Directors.

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

28th May, 2021, 7th August, 2021, 12th November, 2021 and 9th February, 2022

During the year under review, information as mentioned in Schedule II Part A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, had been placed before the Board for its consideration.

The terms and conditions of appointment of the Independent Directors are disclosed on the website of the Company at the following link: <https://smspharma.com/investor-relations/download/>

During the year, one meeting of the Independent Directors was held on 27th May, 2021. The Independent Directors, inter-alia, reviewed the performance of non-independent directors, Chairman of the Company and the Board as a whole.

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

The Board Members are provided with necessary documents/reports on internal policies to enable them to familiarize to the Company's procedures and practices. Periodic presentations are made at the Board and its Committee Meetings, on business and performance updates of the Company. The senior management personnel of the Company regularly make presentations to the Board members on the operations of the Company, its plans, strategy, risks involved, new initiatives etc., and seek their views and suggestions on the same. Site visits to various plant locations are organized to the Directors to enable them to understand the operations of the Company.

The Company had not issued any convertible instruments. Details of equity shares of the Company held by the Directors as on 31st March, 2022 are given below:

Name of Director	No. of Equity Share held as on 31-03-2022
Mr. Ramesh Babu Potluri	1,55,53,060
Mr. Vamsi Krishna Potluri	1,33,28,370

Name of Director	No. of Equity Share held as on 31-03-2022
Mr. Shravan Kudaravalli	30,000
Mr. Sarath Kumar Pakalapati (HUF)	80,000

BOARD COMMITTEES

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

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

A. AUDIT COMMITTEE:

The management is responsible for the Company's internal controls and the financial reporting process while statutory auditors are responsible for performing Independent Audit of the Company's financial statements in accordance with generally accepted auditing practices and for issuing report based on such audit. The Board of Directors has constituted and entrusted the Audit Committee with the responsibility to supervise these processes and thus ensure accurate and timely disclosure that maintain the transparency, integrity and quality of financial control and reporting. The constitution of the Audit Committee is in alignment with provisions of Section 177 of the Companies Act, 2013 read with the Rules issued thereunder and Regulation 18 of SEBI (LODR) Regulations, 2015.

Brief description of terms of Reference:

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

- Oversight of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- Recommendation for appointment, remuneration and terms of appointment of auditors of the Company,
- Approval of payment to statutory auditors for any other services rendered by the Statutory Auditors.
- Reviewing with the management, the quarterly financial statements before submission to the Board for approval

- e) Review and monitor the auditor's independence and performance and effectiveness of audit process.
- f) Reviewing with the management, performance of statutory and internal auditor's adequacy of the internal control systems.
- g) Discussion with internal auditors of any significant findings and follow up there on.
- h) Review the statement of significant related party transactions.

During the financial year 2021-22, the Audit Committee met four (4) times on 28th May, 2021, 6th August, 2021, 11th November, 2021 and 8th February, 2022, at which proper quorum was present and the gap between two meetings did not exceed one hundred and twenty days.

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

S. No	Name of the Director	Designation	Category	Committee Meetings	
				Held	Attended
1	Mr. Shravan Kudaravalli	Chairman	Independent Director	4	4
2	Dr. (Mrs) Neelaveni Thummala	Member	Independent Director	4	4
3	Mr. Ramesh Babu Potluri	Member	Chairman & Managing Director	4	4

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

The Minutes of the Audit Committee meetings were circulated to the Board, which are discussed and were taken note. The Audit Committee considered and reviewed the accounts for the year 2021-22, before it was placed to the Board. The Committee periodically interacts with the independent auditors, reviews the Company's financial and risk management policies and adequacy of internal controls with the management and is responsible for effective supervision of the financial reporting process and compliance with financial policies. The Internal Auditor reports directly to the Audit Committee.

accordance with the Section 178(1) of the Companies Act, 2013 and Regulation 19 of SEBI (LODR) Regulations, 2015. The role of the Committee is to oversee the selection of Directors and Senior Management Personnel based on criteria related to the specific requirement of expertise and independence. The Committee evaluates the performance of Directors and Senior Management Personnel and recommends to the Board the remuneration payable to Directors and Senior Management Personnel of the Company.

During the financial year 2021-22, the Nomination and Remuneration Committee met Two (2) times on 27th May, 2021 and 8th February, 2022 at which proper quorum was present.

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

B NOMINATION AND REMUNERATION COMMITTEE

The composition of Nomination and Remuneration Committee of the Company has been constituted in

S. No	Name of the Director	Designation	Category	Committee Meetings	
				Held	Attended
1	Dr. (Mrs) Neelaveni Thummala	Chairperson	Independent Director	2	2
2	Mr. Shravan Kudaravalli	Member	Independent Director	2	2
3	Mr. Sarath Kumar Pakalapati@	Member	Independent Director	0	0
4	Mr. Ramesh Babu Potluri*	Member	Chairman & Managing Director	2	2
5	Mr. TVVSN Murthy**	Member	Non-Executive Director	1	0

@ Appointed as Committee Member w.e.f. 09th February, 2022

* Ceased to be Committee Member w.e.f. 09th February, 2022

** Ceased to be Committee Member w.e.f. 28th May, 2021

Performance Evaluation Criteria for Independent Directors:

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

The criteria for performance evaluation is as follows:

Role & Accountability:

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

Objectivity:

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

Leadership & Initiative:

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

Personal Attributes:

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

REMUNERATION OF DIRECTORS

The remuneration to the directors for the year ended on 31st March, 2022 forms part of Annual Return hosted on the website of the company (www.smspharma.com).

The Policy for remuneration criteria for non-executive directors is hosted on Company's website www.smspharm.com under investors section.

The Company has Two (2) Promoter Executive Directors and rest of the Board Contains 4(four) Independent and Non-Executive Directors and 1(one) Nominee Director. Nominee Director and Independent Directors were paid only sitting fee. The Company does not have any Employee Stock Option Scheme. Payments made to Directors during the FY 2021-22 are mentioned hereunder:

Executive Directors

Name of the Director	₹ in lakhs				
	Salary and Allowances	Remuneration based on profits	Perquisites	Bonus/Stock Options	Total
Mr Ramesh Babu Potluri (Chairman & Managing Director)	258.90	114.96	7.54	-	381.40
Mr. Vamsi Krishna Potluri (Executive Director)	66.00	314.81	0.59	-	381.40

Independent & Nominee Directors:

The details of remuneration to the Independent/ Nominee / Executive Directors for the year ended on 31st March, 2022 as given below:

Name of the Independent Director	₹ in lakhs
	Sitting Fees
Mr. Sarath Kumar Pakalapati	1.00
Dr. (Mrs) Neelaveni Thummala	3.10
Mr. Sarvepalli Srinivas	0.75
Mr. Shravan Kudravalli	3.10
Ms. Shilpa R Waghmare (Nominee of EXIM Bank)	0.45

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 Stakeholders Relationship Committee is empowered, inter alia, to review all matters connected with the Company's share transfers and transmissions and redressal of shareholders/ investors' complaints like non-transfer of shares, non-receipt of dividend, Annual Report etc.

The composition and the terms of reference of Committee are in line with the requirements of provisions of Section 178(5) of the Companies Act, 2013 and Regulation 20 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Committee met on 07th August, 2021, 11th November, 2021 and 29th December, 2021 at which proper quorum was present.

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

S. No	Name of the Director	Designation	Category	Committee Meetings	
				Held	Attended
1	Mr. Sarath Kumar Pakalapati	Chairman	Independent Director	3	3
2	Dr. (Mrs) Neelaveni Thummala	Member	Independent Director	3	3
3	Mr. Ramesh Babu Potluri	Member	Chairman & Managing Director	3	3
4	Mr. Sarvepalli Srinivas	Member	Independent Director	3	2

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

Mr. Thirumalesh Tumma, Company Secretary is the Compliance Officer of the Company for attending to complaints / grievances of the members.

During the year under review, all the complaints from investors were replied/resolved to the satisfaction of the investors and no complaints were outstanding.

D. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR COMMITTEE):

The composition of 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 role of the Committee is as mentioned below:

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

The Committee met on 07th August, 2021 and all the members attended the meeting.

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

S. No	Name of the Director	Designation	Category	Committee Meetings	
				Held	Attended
1	Mr. Ramesh Babu Potluri	Chairperson	Chairman & Managing Director	1	1
2	Mr. Sharath Kumar Pakalapati	Member	Independent Director	1	1
3	Mr. Shravan Kudaravalli	Member	Independent Director	1	1
4	Mr. Sarvepalli Srinivas	Member	Independent Director	1	1

E. RISK MANAGEMENT COMMITTEE

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

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

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

The Committee met on 07th August, 2021 and 08th February, 2022 all the members attended the meetings.

The constitution of the Risk Management Committee and attendance of each member of the Committee is mentioned below:-

S. No	Name of the Director	Designation	Category	Committee Meetings	
				Held	Attended
1	Mr. Ramesh Babu Potluri	Chairperson	Chairman & Managing Director	2	2
2	Mr. Shravan Kudaravalli	Member	Independent Director	2	2
3	Mr. Vamsi Krishna Potluri	Member	Executive Director	2	2

Meeting of Independent Directors

In terms of Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Majority of the Board of Directors as on 31st March, 2022 as well as on the date of approval of the report, consists of Independent Directors.

During the year under review, 1 (One) Meeting of the Independent Directors was held on 27th May, 2021. Three out of four Independent Directors were present at the Independent Directors' Meeting. The Independent Directors, inter alia, discussed the following:

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

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

Name, Designation and Address of Compliance Officer:

Mr. Thirumalesh Tumma
 Company Secretary and Compliance Officer
 SMS Pharmaceuticals Limited
 Plot.No.72, H.No: 8-2-334/3&4,
 Road No. 5, Opp. SBI Executive Enclave,
 Banjara Hills, Hyderabad, Telanagana – 500034.
 E-mail: complianceofficer@smspharma.com
 Phone: + 91-40-3535 9999
 Fax: + 91-40-2525 9889
 Website: www.smspharma.com

Status of Investor Complaints as on 31st March, 2022 and Reported Under Regulation 13(3) of the Listing Regulations

Details of investor complaints received and redressed during the year 2021- 22 are as follows:

Opening Balance as on 1st April, 2021	Received during the year	Resolved during the year	Closing Balance as on 31st March, 2022
0	0	0	0

The Company has given the requisite information to the requests received from the shareholders.

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

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

RECONCILIATION OF SHARE CAPITAL AUDIT REPORT:

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

COMPLIANCE WITH GOVERNANCE FRAMEWORK

The Company has complied with all the mandatory requirements specified in Regulations 17 to 27 and clauses (b) to (i) of sub – regulation (2) of Regulation 46 of the Listing Regulations. This Corporate Governance Report of the Company for the year 2021-22 is in compliance with the requirements of Corporate Governance under Regulation 27(2) of Listing Regulations.

CERTIFICATION FROM MANAGING DIRECTOR AND CFO

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

ANNUAL SECRETARIAL COMPLIANCE REPORT

Pursuant to Regulation 24A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has obtained Annual Secretarial Compliance Report for the Financial Year 2021-22 is attached this Report as **Annexure-B** from Mr. C. Sudhir Babu, Practicing Company Secretary (Proprietor, CSB Associates) and the same was also submitted to the Stock Exchanges where the shares of the Company are listed.

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

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

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
2018-19	30th September, 2019	09.00 A.M.	JRC Conventions and Trade Fairs, survey No. 4, Narne Road, Adjacent to Whisper Valley, Jubilee Hills, Hyderabad	4
2019-20	30th September, 2020	09.00 A.M.	Annual General Meeting held through Video Conferencing or other Audit-Visual means deemed venue at the registered office of the Company.	2
2020-21	30th September, 2021	09.00 A.M.	Annual General Meeting held through Video Conferencing or other Audit-Visual means deemed venue at the registered office of the Company.	2

Extraordinary General Meetings

No Extra-Ordinary General Meetings of the members of the Company were held during the period under review and during the three preceding financial years.

POSTAL BALLOT

During the year the Company has conducted one Postal Ballot, the resolutions as set out in Postal Ballot Notice dated 09th February, 2022 were passed with requisite majority on 29th March, 2022 (the last date for e-voting); 3 Special Resolutions were passed by the members of Company through Postal Ballot.

The postal ballot was carried out as per the provisions of Section 110 of the Act and other applicable provisions, if any, of the Act and Rule 20 and Rule 22 of the Companies (Management and Administration) Rules, 2014, as amended from time to time, read with the General Circulars issues by Ministry of Corporate Affairs.

Mr. C. Sudhir Babu (Membership No. F 2724, CP No.7666), Practicing Company Secretary, was appointed as the Scrutinizer to scrutinize the postal ballot and remote e-voting process in a fair and transparent manner.

MEANS OF COMMUNICATION

Publication of Results in Newspapers:

The Quarterly, half-yearly and annual financial results of the Company are published in leading English and vernacular (Telugu) language newspaper, viz., The Financial Express (All Editions) and Andhra Prabha / Nava Telangana (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 "www.smspharma.com."

Annual Results:

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

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

E-voting

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

Stock Exchange:

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

GENERAL SHAREHOLDERS INFORMATION

Financial calendar: 1st April 2021 to 31st March, 2022

34th Annual General Meeting

Day and Date	: Friday, 30th September, 2022
Financial Year	: 2021-2022
Time	: 9.30 AM
Mode	: Video Conferencing and Other Audio Visual Means
Deemed Venue	: Registered Office situated at Plot.no.72, H.No. 8-2-334/3&4, Road No. 5, Opp. SBI Executive Enclave, Banjara hills, Hyderabad, Telangana, India 500034

As required under Regulation 36(3) of the SEBI Listing Regulations, particulars of Directors seeking re-appointment at the forthcoming AGM are given herein and in the Annexure to the Notice of the AGM to be held on 30th September, 2022.

Date of book closure: Saturday 24th September, 2022 to Friday 30th September, 2022 (both days inclusive) for the purpose of AGM.

Record Date : 23rd September, 2022. Dividend will be paid within 30 days of declaration.

Unclaimed dividend amounts and transfer to IEPF:

The Company has transferred dividend amounts which remained unpaid or unclaimed for a period of seven years from the date of their transfer to unpaid dividend account, from time to time, on due dates to the Investor Education and Protection Fund (IEPF) administered by the Central Government.

The Company has uploaded the details of unpaid and shares transferred to IEPF are uploaded on the website of the Company.

Listing on Stock Exchange & Stock Code:

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

Listing Fees for the financial year 2022-23 has been paid to both the stock exchanges.

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

The table below shows the monthly high and low price on the BSE Limited during the year 2021-22.

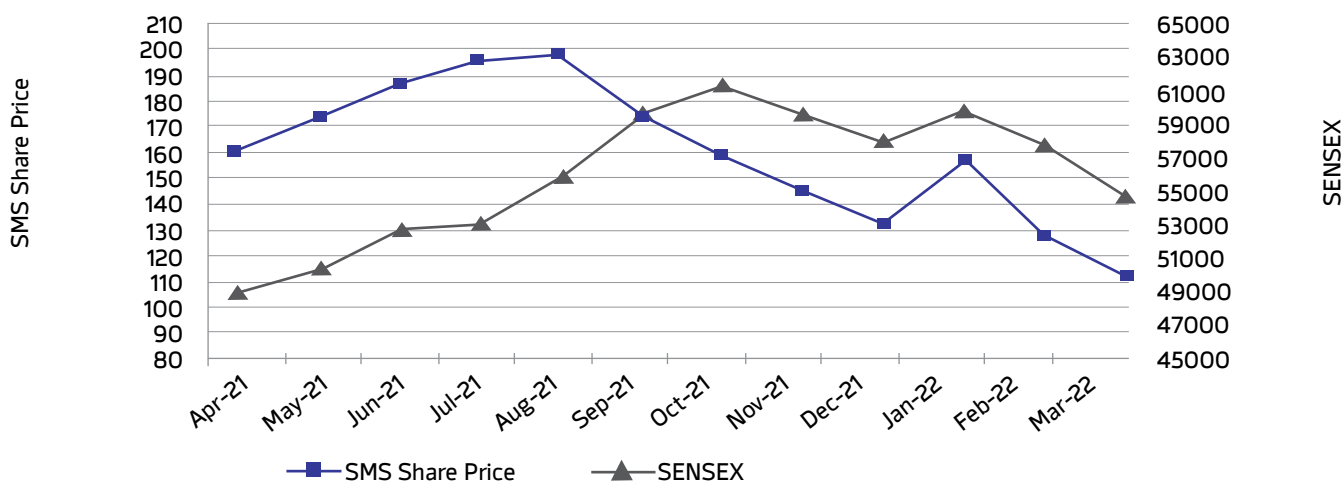
Month	BSE		
	High (₹)	Low (₹)	Volume
April, 2021	161.50	123.05	4,63,688
May, 2021	175.00	146.00	5,25,561
June, 2021	187.50	155.45	7,18,854
July, 2021	197.00	170.15	6,56,099
August, 2021	199.15	163.15	4,35,619
September, 2021	177.90	142.15	3,26,345
October, 2021	160.80	131.90	2,38,502
November, 2021	147.00	116.30	2,19,917
December, 2021	134.50	116.05	1,19,685
January, 2022	145.25	120.10	2,42,306
February, 2022	133.00	95.10	2,11,510
March, 2022	114.90	85.00	7,35,879

The table below shows the monthly high and low price on the NSE Limited during the year 2021-22.

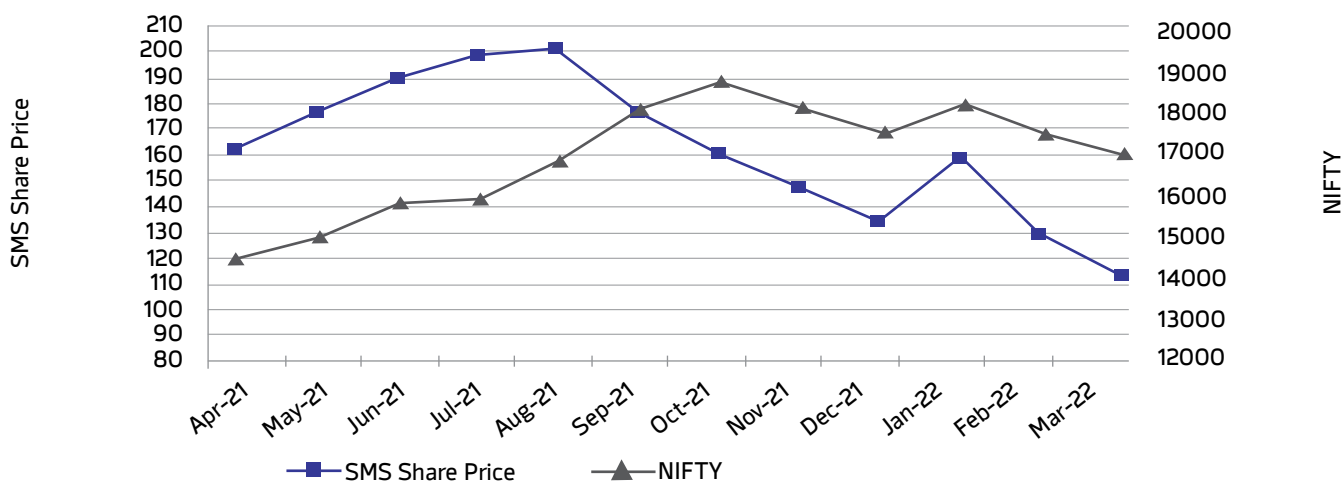
Month	NSE		
	High (₹)	Low (₹)	Volume
April, 2021	162.00	122.30	73,30,191
May, 2021	175.00	145.15	63,28,788
June, 2021	187.90	154.85	63,80,201
July, 2021	196.90	172.50	54,68,794
August, 2021	198.80	162.90	34,43,548
September, 2021	175.15	147.05	23,03,182
October, 2021	160.65	132.10	17,47,278
November, 2021	147.50	122.65	23,42,300
December, 2021	134.65	116.05	16,57,253
January, 2022	158.85	122.00	33,51,732
February, 2022	130.00	95.00	15,74,920
March, 2022	114.80	81.10	43,11,518

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

SMS Pharmaceuticals Limited vs. BSE



SMS Pharmaceuticals Limited vs. NSE



Share Transfer Agents:

Sri G. Bhaskara Murthy,
General Manager
M/s. Aarthi Consultants Private Limited
1-2-285, Domalguda, Hyderabad-500 029, Telangana State
Phone: 040-27638111, 27642217, 27634445
Fax : 040-27632184
Email : info@arthiconsultants.com

Share Transfers System

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

Distribution of Equity Shareholding

The table below shows the distribution of shareholding of various groups as on 31st March, 2022.

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

Slab of shareholdings	Shareholders	%	No. of Shares	%
1 - 5000	27,029	98.23	73,40,925	8.67
5001 - 10000	229	0.83	18,06,253	2.13
10001- 20000	106	0.39	15,97,717	1.89
20001 - 30000	38	0.14	9,48,346	1.12
30001 - 40000	19	0.07	6,73,526	0.8
40001 - 50000	13	0.05	6,04,476	0.71
50001 - 100000	29	0.11	20,76,229	2.45
100001 and above	53	0.19	6,96,04,558	82.22
Total	27,516	100	8,46,52,030	100

Pattern of shareholding as on 31st March, 2022

Category	No. of Shares	% of shareholding
Promoters	4,84,98,610	57.29
Other Entities of the Promoters Group	84,66,740	10.00
Mutual Funds and UTI	0	0.00
Banks and Financial Institutions	0	0.00
Insurance Companies	0	0.00
Foreign Institutional Investors Foreign Portfolio Investors-Corporate	5,16,641	0.61
Indian Public	2,23,31,424	26.38
NRI - Repatable & Non Repatable	22,64,880	2.68

Category	No. of Shares	% of shareholding
Bodies Corporate	23,86,022	2.82
Clearing Members	1,25,322	0.15
Foreign Nationals	271	0.00
Unclaimed Suspense& Trust	590	0.00
IEPF	61,530	0.07
Total	8,46,52,030	100.00

Dematerialization of Shares and liquidity

The Company has made necessary arrangements with National Securities Depository Limited (NSDL) and Central Depository Services India Limited (CDSL) for dematerialization facility. 99.69 % of our equity shares representing 8,43,93,584 equity shares have been dematerialized as on 31st March, 2022.

The breakup as on 31st March, 2022 as follows:

Particulars	No. of Shares	Percentage of shares
NSDL	3,27,00,322	38.63
CDSL	5,16,93,262	61.06
Physical	2,58,446	0.31
Total	8,46,52,030	100.00

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

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

The Company has not issued any GDRs/ ADRs/ Warrants or any convertible instruments in the past and hence as on 31st March, 2022 the Company does not have any outstanding GDRs/ ADRs/ Warrants or any convertible instruments.

OTHER DISCLOSURES:

Related party transactions

During the year under review no materially significant transactions entered between the Company and related parties as defined under Section 185 or 188 of the Companies Act,

2013 along with Regulation 23 of SEBI Listing Regulations, which might had/may have potential conflict with the interest at large of the Company. All the related party transaction for the year ended on 31st March, 2022 formed part of AOC-2 to the Board's Report. Further the Company has presented the related party transactions before the Audit Committee on quarterly basis and also before the Board. The "Policy on Related Party Transactions" is hosted on the website of the Company at the following link:<https://smspharma.com/wp-content/uploads/2022/07/Policy-on-Related-Party-Transactions.pdf>

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

Auditors' Certificate on Corporate Governance

As required by Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Certificate on Corporate Governance issued by Statutory Auditors, is annexed as **Annexure-D**

Prohibition of Insider Trading:

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

Managing Director and the Chief Financial Officer have certified to the Board in accordance with Regulation 17(8) of the SEBI (LODR) Regulations, 2015 pertaining to CEO/ CFO certification for the Financial Year ended 31st March, 2022 is forming part of this report.

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

CREDI RATING :

CARE Rating Limited has assigned its rating of 'CARE A' on the Long Term Bank Facilities of the Company and 'CARE A2+' on the Short Term Bank Facilities of the Company

Strictures and Penalties:

There was no non-compliance penalties and strictures imposed on the Company during the last financial years 2019-20 and 2020-2021 by the stock exchanges or the SEBI or any statutory authority, on any matter related to capital markets.

During the Financial Year 2021-2022, Stock Exchanges has levied penalty for not providing Prior Intimations to Stock Exchanges about the Meeting of Board of Directors for recommendation of dividend at least two working days in advance as specified under Regulation 29 of Securities Exchange Board of India (LODR) Regulations, 2015. Hence stock exchanges were levied penalty. Except that no other penalties were levied.

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 from time to time the Company has a Vigil Mechanism & Whistle Blower Policy under which the Employees & Directors are free to report violations of applicable laws, regulations and the Code of Conduct without fear of any retaliation. The reportable matters may be disclosed as per the procedure mentioned in the Whistle Blower Policy of the Company. During the year under review, no personnel of the Company was denied access to the Audit Committee.

The said policy has been also hosted on the website of the Company at the following link: <https://smspharma.com/investor-relations/download/>

Fees paid for the services of Auditors

Particulars	(₹ in Lakhs)	
	Current Year 2021-22	Previous Year 2020-21
Audit Fee	14.00	11.00
Certification Fee	2.00	-
Total Payments to Auditors	16.00	11.00

Details of Compliance with Mandatory Requirements

The Company has complied with all the mandatory requirements of the Corporate Governance as per the Listing Regulations. Reporting of Internal Auditors to the Audit Committee has been adopted from discretionary requirements.

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: <https://smspharma.com/investor-relations/download/>

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 2014-15, 2015-16, 2016-17, 2017-18, 2018-19, 2019-2020 and 202-2021 are requested to claim the unpaid/ unclaimed dividend from the Company before effecting transfer to the fund.

Details of shares held in demat suspense account with HSE Securities Ltd. (IN302734-10034023) for the period from 01/04/2021 to 31/03/2022.

(i)	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year .	No. of shareholders : 2 No. of shares : 500
(ii)	Number of shareholders who approached issuer for transfer of shares from suspense account during the year .	No. of shareholders : Nil No. of shares : Nil
(iii)	Number of shareholders to whom shares were transferred from suspense account during the year .	No. of shareholders : Nil No. of shares : Nil
(iv)	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year .	No. of shareholders : 2 No. of shares : 500
(v)	That the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.	Yes

Investors Correspondence : For institutional investors / analysts queries

Email : complianceofficer@smspharma.com

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

Address of the Manufacturing Plants		Research and Development Center
Plot.No.24 & 24B and 36 & 37 S.V. Co-Operative Industrial Estate, Buchupally, Medchal- Malkajgiri District, Hyderabad, Telangana – 500090, Ph.No. 9100072351/52/54 Email: unit2@smspharma.com	Sy. No. 160, 161, 163 to 168, Kandivalasa Village, Poosaptirega Mandal, Vizianagaram District, Andhra Pradesh. 535204. Ph.No. 91- 08922 – 258051/ 53/54 Email: admin_unit7@smspharma.com	Sy. No. 186, 189 & 190, Gagillapur Village, Dundigal- Gandimaisamma Mandal, Medchal-Malkajgiri District Telangana – 500043, Ph.No. + 91 – 8418 – 257337 / 8 Mail: rnd_smspharma.com

- During the Financial Year ended on March 31, 2022, the Company has not received any complaint of sexual harassment.
- The Company or its subsidiaries has not given any loans and advances in the nature of loans to firms / companies in which directors are interested.
- The Company has not raised any funds through preferential allotment or QIP as specified under Regulation 32(7A) of SEBI Listing Regulations during the year under review.
- There are no instances of recommendation of any committee of the Board which is mandatorily required and not accepted by the Board during the year under review.

By the order of the Board

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

Place: Hyderabad
Date: 13-08-2022

DECLARATION ON CODE OF CONDUCT

The
Members of
SMS Pharmaceuticals Limited
Hyderabad

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, 2022 as envisaged in Listing Regulations.

By the order of the Board

Place: Hyderabad
Date: 13-08-2022

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

Annexure-A

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, 2022 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, 2022 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

Lakshmi Narayana Tammineedi
Chief Financial Officer

Place: Hyderabad
Date: 30-05-2022

For SMS Pharmaceuticals Limited

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

Annexure-B

SECRETARIAL COMPLIANCE REPORT OF SMS PHARMACEUTICALS LIMITED FOR THE YEAR ENDED MARCH 31, 2022

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

We, CSB Associates, Company Secretaries, have examined:

- a) all the documents and records made available to us and explanation provided by SMS Pharmaceuticals Limited (“the Listed Entity”),
- b) the filings/ submissions made by the listed entity to the Stock Exchanges,
- c) website of the listed entity,
- d) any other document/ filing, as may be relevant, which has been relied upon to make this certification,

for the year ended March 31, 2022 (“Review Period”) in respect of compliance with the provisions of:

- a) the Securities and Exchange Board of India Act, 1992 (“SEBI Act”) and the Regulations, circulars, guidelines issued thereunder; and
- b) the Securities Contracts (Regulation) Act, 1956 (“SCRA”), rules made thereunder and the Regulations, circulars, guidelines issued thereunder by the Securities and Exchange Board of India (“SEBI”);

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

- a) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- b) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; (there were no events requiring compliance during the Review Period)

- c) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- d) Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; (there were no events requiring compliance during the Review Period)
- e) Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; (there were no events requiring compliance during the Review Period)
- f) Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (there were no events requiring compliance during the Review Period)
- g) Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013; (there were no events requiring compliance during the Review Period)
- h) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- i) Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018;

and circulars/ guidelines issued thereunder and based on the above examination, we hereby report that during the Review Period:

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

S. No	Compliance Requirement (Regulations/ circulars/ guidelines including specific clause)	Deviations	Observations/ Remarks of the Practicing Company Secretary
1.	Regulation 29 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015	Intimation to Stock Exchanges	Prior intimation to Stock Exchanges about recommendation of dividend was less than 2 working days.

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

S. No	Actions taken by	Details of violations	Details of action taken E.g. fines, warning letter, debarment, etc.	Observations/ remarks of the Practicing Company Secretary, if any.
1.	BSE Limited (BSE) and National Stock Exchange of India Limited (NSE)	Prior Intimations to Stock Exchanges about the Meeting of Board of Directors for recommendation of dividend at least two working days in advance as specified under Regulation 29 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, was not given.	Fine imposed was ₹ 10,000/- each by both BSE & NSE	The Company requested the Stock Exchanges for waiver of fine but it was not granted.

- d) The reporting of actions by the listed entity to comply with the observations made in previous reports is not applicable during the Review Period.
- e) The reporting of clause 6 (A) and 6(B) of Circular No. CIR/CFD/CMD1 /114/ 2019 dated October 18, 2019 issued by Securities Exchange Board of India on “Resignation of Statutory Auditors from listed entities and their material subsidiaries” is not applicable during the Review Period.

**FOR CSB ASSOCIATES,
COMPANY SECRETARIES,**

C. SUDHIR BABU,
PROPRIETOR,
FCS: 2724, CP: 7666.
UDIN: F002724D000411869

PLACE: HYDERABAD
DATE: 28-05-2022

Annexure-C

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

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

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

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of **SMS Pharmaceuticals Limited** having CIN: **L24239TG1987PLC008066** and having Registered Office at Plot No. 72, H. No. 8-2-334/3&4, Road No. 5, Opp. SBI Executive Enclave, Banjara Hills, Hyderabad 500034, (hereinafter referred to as 'the Company'), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub Clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of my information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me by the Company and its officers, we hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ended on 31st March, 2022, have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority:

S. No	Name of Director	DIN	Date of appointment in Company
1.	Ramesh Babu Potluri	00166381	01-12-2008
2.	Dr. Neelaveni Thummala	00065571	12-08-2014
3.	Sarath Kumar Pakalapati	01456746	12-08-2014
4.	Sarvepalli Srinivas	02292051	12-08-2019
5.	Shravan Kudaravalli	06905851	26-05-2018
6.	Shilpa R. Waghmare	07009966	31-01-2019
7.	Vamsi Krishna Potluri	06956498	05-06-2020

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

Place: Hyderabad
Date: 30-05-2022

C. Sudhir Babu,
Practicing Company Secretary,
Proprietor, CSB Associates,
Membership No.: 2724, C.P. No.: 7666.
UDIN: **F002724D000427577**

Annexure-D

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 2022, 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 1st April, 2021 to 31st March, 2022.

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 **Suryanarayana & Suresh**
Chartered Accountants
Firm Reg. No: 006631S

V Nagendra Rao
Partner
M.No. 227679
UDIN:22227679AOYORP4743

Place: Hyderabad
Date: 13-08-2022

Business Responsibility Report

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

Section A: General Information about the Company

01	Corporate Identity Number (CIN) of the Company	L24239TG1987PLC008066
02	Name of the Company	SMS Pharmaceuticals Limited
03	Registered Office of the Company	Plot.No. 72, H.No: 8-2-334/3&4, Road No: 5, Opp. SBI Executive Enclave, Banjara Hills, Hyderabad – 5000034, Telangana, India
04	Website	www.smspharma.com
05	E-mail id	info@smspharma.com
06	Financial Year reported	Financial year ending 31st March, 2022
07	Sectors that the company is engaged in (Industrial Activity code-wise)	Manufacture of Active Pharmaceutical Ingredients (APIs)
08	List three key products/services that the company manufactures/provides (as in Balance sheet)	1. Tenofovir Disproxil Fumarate IH 2. Ibuprofen 3. Sumatriptan Succinate USP
09	Total number of locations where business activity is under taken by the Company	3
	a) Number of International Locations (Provide details of major 5)	Nil
	b) Number of National Locations	3
10	Markets served by the Company	All markets (India and International)

Section B: Financial Details of the Company

01	Paid up Capital	Rs.846.52 Lakhs
02	Total Turnover	Rs.51987.43 Lakhs
03	Total Profit after taxes	Rs.6803.65 Lakhs
04	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	Rs.166.20 Lakhs which is 2.04% of the average net profits of the Company made during the three immediately preceding financial years.
05	List of activities in which expenditure in 4 above has been incurred:-	<p>a) Promoting health care Development activities for support to disability people in rural area.</p> <p>b) Promoting health care including Covid relief measures;</p> <p>c) Promoting education by construction of school buildings with all amenities;</p> <p>d) Rural development</p> <p>Refer Annexure-04 – Annual Report on CSR Activities undertaken during the year forming part of the Boards’ Report for FY 2021-22.</p>

Section C: Other Details

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

Section D: BR Information

1. Details of Director/Directors responsible for BR

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

1. DIN Number: 00166381
2. Name: Ramesh Babu Potluri
3. Designation: Chairman & Managing Director

b) Details of the BR Head

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

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

The National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Business (NVGs) released by the Ministry of Corporate Affairs has adopted nine areas of Business Responsibility. These briefly are as under:

- P1:** Businesses should conduct and govern themselves with Ethics, Transparency and Accountability
- P2:** Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle
- P3:** Businesses should promote the wellbeing of all employees
- P4:** Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
- P5:** Businesses should respect and promote human rights
- P6:** Business should respect, protect, and make efforts to restore the environment
- P7:** Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
- P8:** Businesses should support inclusive growth and equitable development
- P9:** Businesses should engage with and provide value to their customers and consumers in a responsible manner

a) Details of Compliances (Reply in Y/N)

No	Question	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have a policy / Policies for	y	y	y	y	y	y	NA	y	y
2	Has the Policy being formulated in consultation with the relevant stakeholders	All the policies are in comparable with the best practices in the industry.								
3	Does the policy conform to any national / international standards? If yes, Specify? (50 words)	The Company is abiding by the various laws while framing the policies, the best practices are taken into account								
4	Has the policy being approved by the Board? If yes, has it been signed by MD/owner/CEO/ appropriate Board Director?	The policies have been approved by the Chairman and Managing Director and certain policies are approved by the Board								
5	Does the company have a specified committee of the Board / Director /Official to oversee the implementation of the Policy?	y	y	y	y	y	y	NA	y	y
6	Indicate the link for the policy to be viewed online?	Many of the policies are available on the website of the Company https://smspharma.com/investor-relations/ and the policies which are internal to the Company are available on the Intranet of the Company.								
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	y	y	y	y	y	y	NA	y	y
8	Does the company have in-house structure to implement the policy / policies	y	y	y	y	y	y	NA	y	y
9	Does the company have grievance redressal mechanism related to the Policy / Policy to address stakeholder' grievances related to the policy / policies?	y	y	y	y	y	y	NA	y	y
10	Has the company carried out independent audit / evaluation of the working of this policy by an internal or external agency	NA	NA	y	NA	NA	y	NA	y	NA

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

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

3. Governance related to BR

- Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, annually, more than 1 year – Annually.
- Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published? – Business Responsibility Report forms as part of the Company's Annual Report and can be viewed on the website of the Company at www.smspharma.com.

SECTION: PRINCIPLE – WISE PERFORMANCE

PRINCIPLE 1

BUSINESSES SHOULD CONDUCT AND GOVERN THEMSELVES WITH ETHICS, TRANSPARENCY AND ACCOUNTABILITY

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

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

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

Other than normal business-related complaints in the ordinary course of the Company's business, no other material complaint has been received from any of the stakeholder in the financial year under report. All the complaints received are satisfactorily resolved.

PRINCIPLE 2

BUSINESS SHOULD PROVIDE GOODS AND SERVICES THAT ARE SAFE AND CONTRIBUTE TO SUSTAINABILITY THROUGHOUT THEIR LIFE CYCLE

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

We have adopted the following services to reduce the effluents and to meet environmental friendly atmosphere

- a) **Solvent Distillation System (SDS):** The company has adopted and implemented the SDS to recover the solvents from mother liquor and also SDS well connected to scrubbers to arrest any evolved gases arise during distillation by doing so to protect environment.

- b) **Multiple Effect Evaporator (MEE):** to separate the solids from the liquid effluents by which the company become a Zero Liquid Discharge Unit (ZLD) and established reverse osmosis system and followed by biological treatment, after treatment, we are reusing the evolved water from MEE after condensation.

- c) **Material Handling:** The Company has implemented various material handlings systems to protect the environment through automation of process and auto transfer of input materials.

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

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

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

Energy: Installed Steam Condensate Recovery Pumps (Pressure Powered Pump) Steam Condensate Water pumping purpose, so there are centrifugal pumps are replaced with Pressure Powered Pump, so there are power Saving.

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

SMS Pharmaceuticals Limited has Installed Steam Operated Pumping traps used for Solvent Recovery Systems so there are reduce in the process cycle time and steam & power consumption. The Company is continuously strives to optimize and make best possible use of its resources through continuous improvements and operational excellence. Dedicated

manufacturing excellence team is continuously thriving for improvement projects and lean processes.

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

Energy: We Have Increased steam condensate recovery benefited in coal savings by 35 Tones/Year. Further we have reduced usage of energy by implementing up gradated systems in energy consumptions at various levels of our plants.

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

Enhanced the condensate recovery through controls in the steam condensate System and Increased the condensate collection from 45 % to 65%, there by resulted in savings of makeup water by 20 kL/day, contributes 20% with respect to total feed water consumption/day

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

SMS Pharmaceuticals Limited does not mandate its suppliers/distributors to participate in the Company's BR initiatives. However, they are encouraged to adopt such practices and follow the concept of being a responsible business entity. SMS Pharmaceuticals Limited focuses on the principles of sustainable business practices. In the past financial year, there has been a significant improvement in the sourcing of key raw materials through its integrated facility. We have demonstrated being a better corporate citizen, reduce wastage, ensure appropriate utilisation of resources and reduce carbon footprint.

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

The Company endeavors to source its procurement of goods and services from medium and small vendors. The Company preferred to source all the inputs including raw materials and packing materials from MSME units to encourage as a government policy. Most of the materials are procuring from domestic

source. It provides necessary regulatory and technical support to small vendors providing goods and services to the Company. Regular Vendor Audits are carried out and reports are shared with small vendors for improvement in their quality systems. Over the past 2 years, the procurement share of raw materials and intermediates from Indian suppliers is on a steady rise and the direct sourcing of raw materials from Indian vendors year on year.

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

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

Yes: Small scale industries form a crucial part of Company's business partner base. We always encourage as to procure required raw materials from local and small scale units, because it approachable easily and frequent monitoring can be done in respect of quality and supplies. The company has a comprehensive engagement model for encouraging local / small vendors. Majority of daily services are executed through engaging neighborhood communities. The packing material in terms of value is procured from local sources. In addition to packaging material, we are also sourcing mechanical/engineering materials and services from domestically. We continuously strive to build local alternate vendors for other materials.

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

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

PRINCIPLE 3

BUSINESSES SHOULD PROMOTE THE WELLBEING OF EMPLOYEES

1. Please indicate the Total number of employees
'1031'
2. Please indicate the Total number of employees hired on temporary/contractual/casual basis.
'480'
3. Please indicate the Number of permanent women employees
'42'
4. Please indicate the Number of permanent employees with disabilities
Nil
5. Do you have an employee association that is recognized by management
No
6. What percentage of your permanent employees is members of this recognized employee association?
NA
7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

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

8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?
 - a) Permanent Employees 81%
 - b) Permanent women employees 19%

- c) Casual/Temporary/contractual employees 70%
- d) Employees with Disabilities 0%

PRINCIPLE 4

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

- a) Has the Company mapped its internal and external stakeholders? Yes/No
Yes
- b) Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders.

Yes, as a responsible organization, we are committed to work for the welfare of communities around us. Various vulnerable stakeholders around the manufacturing sites have been identified and we have devised and implemented various welfare & development, livelihood & skill upgradation programs for them from time to time.

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

The Company has provided Campus Challenge support for physical disability and mental disability children at Coastal and Tribal areas and also supported for health camps, provided health support to Covid patients, organized medical equipments to hospitals. Further we have also supported promotion of education by way of construction of school buildings with all amenities in the surrounding areas of plants of the Company.

PRINCIPLE 5

BUSINESS SHOULD RESPECT AND PROMOTE HUMAN RIGHTS

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

At present the Company's policies extended to the Company, suppliers and contractors.

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

We have not received any stakeholder complaints pertaining to this principle, during the financial year.

PRINCIPLE 6

BUSINESS SHOULD RESPECT, PROTECT, AND MAKE EFFORTS TO RESTORE THE ENVIRONMENT

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

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

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

With the goal of reducing emissions and establishing more ecologically-friendly alternatives, the company has been focussed on developing new technologies and innovative manufacturing processes in order to provide more effective waste management systems resulting in considerable reduction in water and organic solvents use. The company also achieved zero-organic effluent discharge from the manufacturing facilities across locations by using multiple effect evaporators and incinerators

The company is always improving its manufacturing process to decrease waste by maintain greater yields and removing by products from the effluent systems so as to reducing environmental waste. Environmental concerns are incorporated into the plant layout and often planting trees in the open areas across the company. Air scrubbers, dust filters and fire hydrant systems and effluent treatment plants are installed which are effectively functional in our facilities to help maintain a green environment. Several training sessions were conducted by the company throughout the year on safety awareness apart from the effective use and importance of personal protective Equipment (PPE) including first-aid, firefighting and emergency rescue operations.

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

Yes the Environmental risk assessment is being done on periodic basis

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

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

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

The Company has undertaken number of initiatives including-

- VFDs are provided for Screw Chillers at resulting in a daily energy savings of 200 units per day @ Each Chiller
- Replacement of existing +5degC water-cooled reciprocating type chillers with new energy efficient water-cooled screw type refrigeration systems installed. This resulted in saving of 60,000 Units per year.
- Enhanced the condensate recovery through controls in the steam condensate System and Increased the condensate collection from 45 % to 65%, there by resulted in savings of makeup water by 20 kL/day, contributes 20% with respect to total feed water consumption/day. Increased steam condensate recovery benefited in coal savings by 35 Tones per year.

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

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

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

During the FY 2021-2022, the Company has not received any show cause/ legal notices from CPCB/ SPCB.

PRINCIPLE: 7

BUSINESS WHEN ENGAGED IN INFLUENCING PUBLIC AND REGULATORY POLICY SHOULD DO SO IN A RESPONSIBLE MANNER

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

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

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

No

PRINCIPLE: 8

BUSINESS SHOULD SUPPORT INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT

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

We believe in providing inclusive growth and supporting equitable development in the Society. As part of its CSR policy, the company has taken up several initiatives in this regard for the communities or villages around the manufacturing sites. Our Programme of "Self-Managed Teams" continues to provide job opportunities to youths from surrounding rural areas and particularly from economically weaker sections. Along with giving them job opportunity, these candidates are provided with trainings and opportunities for higher education under the concept of "earn and learn".

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

The programs have been undertaken by in-house teams.

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

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

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

Total expenditure incurred on community development initiatives during the financial year is Rs. 166.20 lakhs. The Programs undertaken are as per the CSR Policy enumerated in Annual Report on CSR initiatives forming part of this Annual Report.

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

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

PRINCIPLE: 9

BUSINESS SHOULD ENGAGE WITH AND PROVIDE VALUE TO THEIR CUSTOMERS AND CONSUMER IN A RESPONSIBLE MANNER

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

No pending complaints. The complaints are handled timely as per the internal SOP and responded to customers.

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

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

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

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

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

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

By the order of the Board

Ramesh Babu Potluri

Chairman & Managing Director
(DIN: 00166381)

Place: Hyderabad
Date: 13-08-2022



Financial Statements

Independent Auditor's Report

To
The members of
SMS Pharmaceuticals Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of **SMS Pharmaceuticals Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2022, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date and a summary of significant accounting policies and other explanatory information (hereinafter referred to as the "standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2022 and its profit, total comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

We have determined the matters described below to be the key audit matters to be communicated in our report.

Sr. No.	Key Audit Matter	Auditor's Response
1	Accuracy of recognition, measurement, presentation and disclosures of revenues and other related balances in view of adoption of Ind AS 115 "Revenue from Contracts with Customers" (new revenue accounting standard)	<p>Principal Audit Procedures</p> <p>We assessed the Company's process to identify the impact of adoption of the new revenue accounting standard.</p> <p>Our audit approach consisted testing of the design and operating effectiveness of the internal controls and substantive testing as follows:</p> <ul style="list-style-type: none"> Evaluated the design of internal controls relating to implementation of the new revenue accounting standard.

Sr. No.	Key Audit Matter	Auditor's Response
		<ul style="list-style-type: none"> • Selected a sample of continuing and new contracts, and tested the operating effectiveness of the internal control, relating to identification of the distinct performance obligations and determination of transaction price. We carried out a combination of procedures involving enquiry and observation, reperformance and inspection of evidence in respect of operation of these controls. • Selected a sample of continuing and new contracts and performed the following procedures: <ol style="list-style-type: none"> 1. Read, analysed and identified the distinct performance obligations in these contracts. 2. Considered the terms of the contracts to determine the transaction price including any variable consideration to verify the transaction price used to compute revenue and to test the basis of estimation of the variable consideration.

Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the consolidated financial statements, standalone financial statements and our auditor's report thereon.

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

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

Management's Responsibilities for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to

the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, including other comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from

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

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

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

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the standalone financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the standalone financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 (the "Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "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, based on our audit we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

- c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act.
- e) On the basis of the written representations received from the directors as on March 31, 2022 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2022 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". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, 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 on its financial position in its standalone financial statements-refer note no 49 on contingent liabilities to the Ind AS financial statements
- ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

- iv. (a) The Management has represented that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
- (b) The Management has represented, that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Company from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
- (c) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.
- v. The dividend declared or paid during the year by the Company is in compliance with Section 123 of the Act.

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

V. Nagendra Rao
Partner

M.No.227679

UDIN: 22227679AJWKYG9427

Place: Hyderabad
Date: 30.05.2022

Annexure 'A' to the Independent Auditor's Report

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of SMS Pharmaceuticals Limited of even date)

To the best of our information and according to the explanations provided to us by the Company and the books of account and records examined by us in the normal course of audit, we state that:

- i. In respect of the Company's Property, Plant and Equipment and Intangible Assets:
 - (a) (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment.
 - (B) The Company has maintained proper records showing full particulars of intangible assets.
 - (b) The Company has a program of physical verification of Property, Plant and Equipment and right-of-use assets so to cover all the assets once every three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain Property, Plant and Equipment were due for verification during the year and were physically verified by the Management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - (c) The title deeds of all the immovable properties (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) disclosed in the financial statements are held in the name of the Company.
 - (d) The Company has not revalued any of its Property, Plant and Equipment and intangible assets during the year.
 - (e) According to information and explanations given to us and on the basis of our examination of the records of the Company, there are no proceedings initiated or pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 and rules made thereunder.
 - ii. The physical verification of inventory has been conducted at reasonable intervals by the Management during the year and no discrepancies of 10% or more in aggregate for each class of inventory were noticed on such physical verification.
- In our opinion and based on the information and explanation given to us, the coverage and procedure of such verification by the management is appropriate having regard to the size of the Company and the nature of its operations.
- (b) According to the information and explanation given to us and on the basis of examination of the records of the Company, the Company has been sanctioned working capital limits in excess of ₹ 5 crore, in aggregate during the year, from banks or financial institutions on the basis of security of current assets. The returns or statements filed by the Company with such banks or financial institutions are in agreement with the unaudited/audited books of account of the Company of the respective quarters and no material discrepancies have been observed
 - iii. During the year the company has not made investments in, provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties. Hence, other sub clauses under this clause are not applicable.
 - iv. According to the information and explanations given to us and on the basis of our examination of records of the Company, during the year, the Company has neither made any investments nor has it given loans or provided guarantee or security and therefore the relevant provisions of Sections 185 and 186 of the Act ("the Act") are not applicable to the Company. Accordingly, clause 3(iv) of the Order is not applicable.
 - v. The Company has not accepted any deposit or amounts which are deemed to be deposits. Hence, reporting under clause 3(v) of the Order is 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. In respect of statutory dues:
 - (a) In our opinion, the Company has generally been regular in depositing undisputed statutory dues, including Goods and Services tax, Provident Fund,

Employees' State Insurance, Income Tax, Sales Tax, Service Tax, duty of Custom, duty of Excise, Value Added Tax, Cess and other material statutory dues applicable to it with the appropriate authorities. There were no undisputed amounts payable in respect of Goods and Service tax, Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, duty of Custom, duty of Excise, Value Added Tax, Cess and other material statutory dues in arrears as at March 31, 2022 for a period of more than six months from the date they became payable.

- (b) There were no statutory dues which have not been deposited as on March 31, 2022 on account of disputes except the following:

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

- viii. There were no transactions relating to previously unrecorded income that have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961).
- ix. (a) In our opinion, the Company has not defaulted in repayment of any loans or other borrowings or in the payment of interest thereon to any lender.
- (b) The Company has not been declared willful defaulter by any bank or financial institution or government or any government authority.
- (c) In our opinion and according to the information and explanation given to us by the management term loans were applied for the same purpose for which the loans were obtained.
- (d) On an overall examination of the financial statements of the Company, funds raised on short-term basis have, prima facie, not been used during the year for long-term purposes by the Company.
- (e) According to the information and explanation given to us by the management and examination of the records of the Company, the Company is having investment in associate company. However, the Company has not raised any funds from any entity or person of or to meet the obligations of its associate. Accordingly, provisions of the clause 3(ix)(e) of the Order is not applicable to the Company.
- (f) According to the information and explanation given to us by the management and examination of the records of the Company, the Company is having investment in associate company. However, the Company has not raised any loan on pledge of securities held in associate Company. Accordingly, provisions of the clause 3(ix)(f) of the Order is not applicable to the Company.
- x. (a) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) during the year and hence reporting under clause 3(x)(a) of the Order is not applicable.
- (b) During the year, the Company has not made any preferential allotment or private placement of shares or convertible debentures (fully or partly or optionally) and hence reporting under clause 3(x)(b) of the Order is not applicable.
- xi. (a) No fraud by the Company and no material fraud on the Company has been noticed or reported during the year.
- (b) No report under sub-section (12) of section 143 of the Companies Act has been filed in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government, during the year and upto the date of this report.
- (c) During the year the company has not received any whistle blower complaints (and upto the date of this report), while determining the nature, timing and extent of our audit procedures.
- xii. The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.
- xiii. In our opinion, the Company is in compliance with Section 177 and 188 of the Companies Act, 2013 with respect to applicable transactions with the related parties and the details of related party transactions have been disclosed

in the standalone financial statements as required by the applicable accounting standards.

- xiv. (a) In our opinion the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- (b) We have considered the internal audit reports for the year under audit, issued to the Company during the year and till date, in determining the nature, timing and extent of our audit procedures.
- xv. In our opinion during the year the Company has not entered into any non-cash transactions with its Directors or persons connected with its directors, and hence provisions of section 192 of the Companies Act, 2013 are not applicable to the Company.
- xvi. (a) In our opinion, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Hence, reporting under clause 3(xvi) (a), (b) and (c) of the Order is not applicable.
- (b) In our opinion, there is no core investment company within the Group (as defined in the Core Investment Companies (Reserve Bank) Directions, 2016) and accordingly reporting under clause 3(xvi)(d) of the Order is not applicable.
- xvii. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- xviii. There has been no resignation of the statutory auditors of the Company during the year.

- xix. On the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements and our knowledge of the Board of Directors and Management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report indicating that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.
- xx. In our opinion and according to the information and explanations given to us, there is no unspent amount under sub-section (5) of Section 135 of the Companies Act, 2013 pursuant to any project. Accordingly, clauses 3(xx) (a) and 3(xx)(b) of the Order are not applicable.

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

V. Nagendra Rao
Partner

Place: Hyderabad
Date: 30.05.2022

M.No.227679
UDIN: 22227679AJWKYG9427

Annexure “B” to the Independent Auditor’s Report

(Referred to in paragraph 1(f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report to the Members of SMS Pharmaceuticals Limited of even date)

Report on the Internal Financial Controls Over Financial Reporting 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, 2022 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Management of the Company 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 (the “ICAI”). 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 Act.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting of the Company 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”) issued by the ICAI and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 system 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 system 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, to the best of our information and according to the explanations given to us, 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, 2022, based on the criteria for internal financial control over financial reporting 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 ICAI.

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

V. Nagendra Rao
Partner

Place: Hyderabad
Date: 30.05.2022

M.No.227679
UDIN: 22227679AJWKYG9427

Standalone Balance Sheet

as at 31st March, 2022 (All amounts in Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	Note	As at March 31, 2022	As at March 31, 2021
I	ASSETS			
1	Non-Current Assets			
	(a) Property, Plant and Equipment	4	43,407.10	45,225.40
	(b) Capital Work-in-Progress	4	1,100.40	674.37
	(c) Right-of-use Assets	5A	255.03	350.67
	(d) Intangible Assets	6	137.01	160.24
	(e) Financial Assets:			
	(i) Investments	7	4,499.87	4,499.87
	(ii) Bank Balances	8	260.51	237.72
	(iii) Other Financial Assets	9	502.25	346.43
	(f) Other Non-Current Assets	10	430.05	563.28
	Total		50,592.22	52,057.98
2	Current Assets			
	(a) Inventories	11	25,109.75	13,778.73
	(b) Financial Assets			
	(i) Trade Receivables	12	4,851.93	10,567.98
	(ii) Cash and Cash Equivalents	13	4,658.28	4,042.31
	(iii) Bank Balances (Other than (ii) above)	14	7.73	8.67
	(iv) Other Financial Assets	15	27.57	36.16
	(c) Other Current Assets	16	2,604.95	2,199.98
	(d) Current Tax Asset (Net)	17	444.90	299.06
	Total		37,705.11	30,932.89
	TOTAL ASSETS		88,297.33	82,990.87
II	EQUITY AND LIABILITIES			
1	Equity:			
	(a) Equity Share Capital	18	846.52	846.52
	(b) Other Equity	19	48,529.50	41,975.87
	Total		49,376.02	42,822.39
2	LIABILITIES			
A	Non-Current Liabilities			
	(a) Financial Liabilities			
	(i) Borrowings	20	14,950.15	14,740.78
	(ii) Lease Liabilities	5B	211.44	315.47
	(b) Provisions	21	156.62	183.99
	(c) Deferred Tax Liabilities (Net)	22	3,955.07	5,385.30
	Total		19,273.28	20,625.54
B	Current Liabilities			
	(a) Financial Liabilities			
	(i) Borrowings	23	11,061.22	10,310.75
	(ii) Lease Liabilities	5B	104.04	90.88
	(iii) Trade Payables:	24		
	(a) Trade Payables - MSME		17.67	28.62
	(b) Trade Payables Other than MSME		7,268.11	6,515.40
	(iv) Other Financial Liabilities	25	675.53	1,695.59
	(b) Provisions	21	101.64	82.35
	(c) Other Current Liabilities	26	419.82	819.35
	Total		19,648.03	19,542.94
	TOTAL LIABILITIES		38,921.31	40,168.48
	TOTAL EQUITY AND LIABILITIES		88,297.33	82,990.87
	Summary of Significant Accounting Policies	3		

The accompanying notes are integral part of the Standalone Financial Statements

as per our report of even date

for **SURYANARAYANA & SURESH**

Chartered Accountants

FRN 006631S

For and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

V. NAGENDRA RAO

Partner

M.No. 227679

RAMESH BABU POTLURI

Chairman and Managing Director

DIN No : 00166381

VAMSI KRISHNA POTLURI

Executive Director

DIN No : 06956498

Place: Hyderabad

Date : 30-05-2022

T. LAKSHMI NARAYANA

Chief Financial Officer

T. THIRUMALESH

Company Secretary

M.No.A35824

Standalone Statement of Profit and Loss

for the Year ended 31st March, 2022 (All amounts in Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	Note	Current Year 2021-22	Previous Year 2020-21
1	Income			
	Revenue from Operations	27	51,987.43	56,317.75
	Other Income	28	519.77	345.29
	Total Income		52,507.20	56,663.04
2	Expenses			
	Cost of Materials Consumed	29	38,779.78	31,326.57
	Changes in Inventories	30	(11,250.47)	2,673.26
	Manufacturing Expenses	31	5,504.14	3,939.38
	Employee Benefits Expense	32	5,102.19	4,117.17
	Finance Cost	33	1,887.54	1,116.25
	Depreciation and Amortization Expense	34	3,215.25	2,228.16
	Other Expenses	35	2,403.30	2,150.27
	Total Expenses		45,641.73	47,551.06
3	Profit Before Tax (1-2)		6,865.47	9,111.98
4	Tax Expense	36		
	(a) Current Tax			
	(i) relating to Current Year		1,500.00	1,600.00
	(ii) relating to Earlier Year		(7.96)	4.63
	(b) Deferred Tax		(1,430.22)	1,410.89
			61.82	3,015.52
5	Profit for the Year (3-4)		6,803.65	6,096.46
	Other Comprehensive Income / (Loss)			
	Items that will not be reclassified to Profit or Loss			
6	Remeasurement Gain/(Loss) of the defined benefit plans	37	5.25	(25.30)
7	Income Tax effect on the above		(1.32)	8.84
8	Other Comprehensive Income/(Loss) after Tax for the Year		3.93	(16.46)
9	Total Comprehensive Income/(Loss) for the Year		6,807.58	6,080.00
10	Earnings Per Share (Face Value of Re.1 each)	38		
	– Basic and Diluted		8.04	7.20
	Summary of Significant Accounting Policies	3		

The accompanying notes are integral part of the Standalone Financial Statements

as per our report of even date

for SURYANARAYANA & SURESH

Chartered Accountants

FRN 006631S

For and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

V. NAGENDRA RAO

Partner

M.No. 227679

RAMESH BABU POTLURI

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DIN No : 00166381

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DIN No : 06956498

Place: Hyderabad

Date : 30-05-2022

T. LAKSHMI NARAYANA

Chief Financial Officer

T. THIRUMALESH

Company Secretary

M.No.A35824

Standalone Statement of Changes in Equity

for the Year ended 31st March, 2022 (All amounts in Indian Rupees in Lakhs, unless otherwise stated)

a. Equity Share Capital

Particulars	As at 31st March, 2022		As at 31st March, 2021	
	Number of Shares	Amount	Number of Shares	Amount
As at the Beginning of the Year	8,46,52,030	846.52	8,46,52,030	846.52
Changes in Equity Share Capital	-	-	-	-
As at the End of the Year	8,46,52,030	846.52	8,46,52,030	846.52

b. Other Equity

Particulars	Securities Premium	Reserves & Surplus			Total Other Equity
		Capital Redemption Reserve	General Reserve	Retained Earnings	
Balance as at 01st April, 2020	6,981.84	155.00	7,304.28	21,454.75	35,895.87
Profit for the Year				6,096.46	6,096.46
Other Comprehensive Income for the year, net of Income Tax				(16.46)	(16.46)
Total Comprehensive Income for the Year	-	-	-	6,080.00	6,080.00
Transfer to General Reserve			1,000.00	(1,000.00)	-
Balance as at 31st March, 2021	6,981.84	155.00	8,304.28	26,534.75	41,975.87
Balance as at 01st April, 2021	6,981.84	155.00	8,304.28	26,534.75	41,975.87
Profit for the Year				6,803.65	6,803.65
Other Comprehensive Income for the year, net of Income Tax			-	3.93	3.93
Total Comprehensive Income for the Year	-	-	-	6,807.58	6,807.58
Transfer to General Reserve			1,000.00	(1,000.00)	-
Payment of dividends (including tax)				(253.95)	(253.95)
Balance as at 31st March, 2022	6,981.84	155.00	9,304.28	32,088.38	48,529.50

The accompanying notes are integral part of the Standalone Financial Statements

as per our report of even date

for SURYANARAYANA & SURESH

Chartered Accountants

FRN 006631S

For and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

V. NAGENDRA RAO

Partner

M.No. 227679

RAMESH BABU POTLURI

Chairman and Managing Director

DIN No : 00166381

VAMSU KRISHNA POTLURI

Executive Director

DIN No : 06956498

Place: Hyderabad

Date : 30-05-2022

T. LAKSHMI NARAYANA

Chief Financial Officer

T. THIRUMALES

Company Secretary

M.No.A35824

Standalone Statement of Cash Flow

for the Year ended 31st March, 2022 (All amounts in Indian Rupees in Lakhs, unless otherwise stated)

S No	Particulars	For the Year ended 31st March, 2022	For the Year ended 31st March, 2021
A	Cash Flow from Operating Activities		
	Profit Before Tax	6,865.47	9,111.98
	Adjustments for:		
	Depreciation and Amortisation Expense	3,215.25	2,228.16
	Interest Income	(30.52)	(15.19)
	Allowance for Doubtful Debts	-	7.84
	Interest on Non Current Borrowings	1,378.90	543.78
	Provision for Employee Benefits	(4.15)	5.23
	Amortisation of Transaction Cost on Borrowings	19.08	6.23
	Profit on Sale of Assets	(0.57)	(1.02)
	Loss on Sale of Assets	0.37	0.80
	Operating Profit before Working Capital Changes	11,443.83	11,887.81
	Change in Operating Assets and Liabilities		
	(Increase)/Decrease in Trade Receivables	5,716.05	(5,698.75)
	(Increase)/Decrease in Inventories	(11,331.02)	(858.71)
	(Increase)/Decrease in Other Non Current Financial Assets	(155.81)	(14.48)
	(Increase)/Decrease in Other Non Current Asset	133.23	2,951.35
	(Increase)/Decrease in Other Current Financial Assets	8.59	(7.66)
	(Increase)/Decrease in Other Current Assets	(404.98)	576.83
	(Increase)/Decrease in Prepaid Taxes	(145.84)	11.30
	Increase/(Decrease) in Trade Payables	741.76	2,094.61
	Increase/(Decrease) in Other Current Liabilities	(490.40)	(292.33)
		(5,928.42)	(1,237.84)
	Cash generated from Operations	5,515.41	10,649.97
	Income Taxes Paid	(1,492.04)	(1,604.63)
	Net Cash Inflow from Operating Activities "A"	4,023.37	9,045.34
B	Cash flows from Investing Activities		
	Purchase of Property, Plant and Equipment	(2,724.74)	(15,174.90)
	Sale of Property, Plant and Equipment	1.71	13.31
	Margin Money Deposits	(19.83)	(16.62)
	Interest Received on Margin Money Deposit	27.56	18.98
	Net Cash Outflow from Investing Activities "B"	(2,715.30)	(15,159.23)

Standalone Statement of Cash Flow

for the Year ended 31st March, 2022 (All amounts in Indian Rupees in Lakhs, unless otherwise stated)

S No	Particulars	For the Year ended 31st March, 2022	For the Year ended 31st March, 2021
C	Cash Flows from Financing Activities		
	Proceeds from Long Term Borrowings	4,518.99	10,572.84
	Repayment of Long Term Borrowings	(3,283.60)	(1,727.00)
	Proceeds from Short Term Borrowings	88.89	1,172.56
	Repayment of Short Term Borrowings	(383.53)	(202.23)
	Interest paid on Borrowings	(1,378.90)	(614.39)
	Dividend Paid to Company's Shareholders	(253.95)	-
	Net Cash Inflow (Outflow) from Financing Activities "C"	(692.10)	9,201.78
	Net Increase (Decrease) in Cash and Cash Equivalents (A+B+C)	615.97	3,087.89
	Cash and Cash Equivalents at the Beginning of the Financial Year(Refer Note 13)	4,042.31	954.42
	Cash and Cash Equivalents at End of the Year (Refer Note 13)	4,658.28	4,042.31

The accompanying notes are integral part of the Standalone Financial Statements

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

as per our report of even date

for SURYANARAYANA & SURESH

Chartered Accountants

FRN 006631S

For and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

V. NAGENDRA RAO

Partner

M.No. 227679

RAMESH BABU POTLURI

Chairman and Managing Director

DIN No : 00166381

VAMSI KRISHNA POTLURI

Executive Director

DIN No : 06956498

Place: Hyderabad

Date : 30-05-2022

T. LAKSHMI NARAYANA

Chief Financial Officer

T. THIRUMALESH

Company Secretary

M.No.A35824

Notes to the Standalone Financial Statements

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

1. Corporate Information:

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

2. Basis of preparation of Standalone Financial Statements

2.1 Statement of Compliance

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

These standalone financial statements have been prepared by the Company as a going concern on the basis of relevant Ind AS that are effective at the Company's annual reporting date, 31st March, 2022. These Standalone Financial Statements for the year ended 31st March, 2022 were authorized and approved for issue by the Board of Directors on 30th May, 2022.

3. Summary of Significant Accounting Policies:

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

3.1 Basis of Measurement

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

- Certain financial assets are measured either at fair value or at amortised cost depending on the classification.
- Employee defined benefit assets/ (liability) are recognized as the net total of the fair value of plan assets, plus actuarial losses, less actuarial gains and the present value of the defined benefit obligation.
- Right-of use the assets are recognized at the present value of lease payments that are not paid at that date.
- Assets held for sale are measured at fair value less cost to sell.

3.2 Current and Non- Current Classification:

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

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

Notes to the Standalone Financial Statements

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

- (e) Deferred Tax Assets and Liabilities are classified as non-current assets and liabilities.
- (f) The Operating Cycle is the time between the acquisition of assets for processing and their realization in Cash and Cash Equivalents. The Company has identified Twelve months as its Operating Cycle.

3.3 Revenue Recognition:

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

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

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

The Company's revenue is derived from sale of goods, sale of services and income from licensing arrangements. Most of such revenue is generated from the sale of goods. Accounting policies relating to revenue for the periods are as follows:

(i) Revenue from Sale of Goods:

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

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

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

Presented below are the points of recognition of revenue with respect to the Company's sale of goods:

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

(ii) Revenue from Sale of Services:

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

(iii) Export incentives:

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

(iv) Dividend Income:

Dividends are received from financial assets at fair value through profit or loss and at FVOCI. Dividends are recognised as other income in profit or loss when the

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right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of the investment.

(v) Interest Income:

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

3.4 Foreign Currency Transactions:

i. Functional and Presentation Currency:

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

ii. Initial Recognition:

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

iii. Conversion on Reporting Date:

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

iv. Exchange Differences:

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

3.5 Property, Plant and Equipment:

(a) Recognition and Initial Measurement

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

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

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

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

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

(b) Subsequent Measurement (Depreciation and Useful Lives)

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

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

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

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

(c) De-recognition

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

(d) Capital advances

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

(e) Capital work-in-progress

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

3.6 Intangible Assets:

(a) Recognition and Initial Measurement

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

(b) Subsequent measurement (amortization):

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

3.7 Leases:

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

Company as a lessee

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

i) Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

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

ii) Lease Liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments

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

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

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

The Company applies the short-term lease recognition exemption to its short-term leases of asset (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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

3.8 Inventories:

Raw material, packaging material, are carried at cost. Stores and spares are being charged to revenue as and when purchased. Cost includes purchase price excluding taxes those are subsequently recoverable by the company from the concerned authorities, freight inwards and other expenditure incurred in bringing such inventories to their

present location and condition. Cost of Raw Material, packaging material is determined using the weighted average cost method.

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

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

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

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

3.9 Cash and Cash Equivalents:

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

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

3.10 Trade Receivables:

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they

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are recognized at fair value. The Company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance.

3.11 FINANCIAL INSTRUMENTS

(a) Financial Assets

(i) Initial recognition and measurement

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

(ii) Subsequent measurement

a. Debt instruments –

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

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

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

b. Equity investments –

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

classification is made on initial recognition and is irrevocable.

Investment in Associates, Subsidiaries and Joint Venture:

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

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

(iii) De-recognition of financial assets

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

(b) Financial liabilities

(i) Initial Recognition and Measurement

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

(ii) Subsequent Measurement

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

(iii) De-recognition of Financial Liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or

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

(c) Financial Guarantee Contracts

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

(d) Offsetting of Financial Instruments

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

(e) Impairment of Financial Assets

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

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

- All contractual terms of the financial assets (including Prepayment and extension) over the expected life of the assets.

- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

(f) Trade Receivables

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

(g) Other Financial Assets

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

3.12 Impairment of Non-Financial Assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

3.13 Income Taxes:

Current Income Tax

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Provisions of Income Tax Act. Current tax includes taxes to be paid on the profit earned during the year and for the prior periods, if any.

Deferred Income Tax

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

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

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

Minimum alternate tax (MAT)

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

Dividend Distribution Tax (DDT)

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

3.14 Segment Reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating

decision maker. The Chairman and managing director has been identified as being the Chief Operating Decision Maker (CODM). The Company is engaged in manufacturing and sale of Active Pharma Ingredients and their Intermediates and operates in a single operating segment. Revenues are attributed to geographical areas based on the location of the customers.

3.15 Government Grants:

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

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

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

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

3.16 Borrowings:

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

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement

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

3.17 Borrowing Cost

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

3.18 Provisions

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

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

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

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

3.19 Trade and other Payables:

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

3.20 Dividends

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

3.21 Equity:

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

3.22 Research and Development:

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

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

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

3.23 Post Employee Benefits:

(a) Defined Contribution Plan:

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

(b) Defined Benefit Plan:

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

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

(c) Other Long-Term Employee Benefits

The Company also provides benefit of compensated absences to its employees which are in the nature of long-term benefit plan. Liability in respect of compensated absences becoming due and expected to be availed more than one year after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using

the projected unit credit method as on the reporting date as per the requirements of IND AS "Employee Benefits". Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded in the statement of profit and loss in the year in which such gains or losses arise.

(d) Short-Term Employee Benefits

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

3.24 Earnings per Share:

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

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

3.25 Contingent Liabilities and Commitments:

Where it is not probable that an outflow of economic resources will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statement of balance sheet and is disclosed as a contingent liability.

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

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

3.26 Exceptional Items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide

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further understanding of the financial performance of the Company. These are material items of income or expense that have to be shown separately due to the significance of their nature or amount.

3.27 Fair Value Measurement

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

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

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

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

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

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

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

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

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

3.28 Estimates and Assumptions

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

(i) Recognition of Deferred Tax Assets

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

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

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

(iii) Evaluation of Indicators for Impairment of Assets:

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

(iv) Recoverability of Advances/Receivables:

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

(v) Useful lives of Depreciable/Amortizable Assets:

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

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(vi) Defined Benefit Obligation (DBO):

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, medical cost trends, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

(vii) Fair Value Measurements:

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

(viii) Provisions:

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

3.29 Recent Accounting Pronouncements:

The Ministry of Corporate Affairs (MCA) notifies new standard or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On 23rd March, 2022, MCA amended the Companies (Indian AS) Amendment Rules, 2022, applicable from 1st April, 2022, as below:

Ind AS 103 – Reference to Conceptual Framework

The amendments specify that to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual Framework) issued by the Institute of Chartered Accountants of India at the acquisition date. These changes do not significantly

change the requirements of Ind AS 103. The Company does not expect the amendment to have any significant impact in its financial statements.

Ind AS 16 – Proceeds before intended use

The amendments mainly prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss. The Company does not expect the amendments to have any impact in its recognition of its property, plant and equipment in its financial statements.

Ind AS 37 – Onerous Contracts - Costs of Fulfilling a Contract

The amendments specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts. The amendment is essentially a clarification and the Company does not expect the amendment to have any significant impact in its financial statements.

Ind AS 109 – Annual Improvements to Ind AS (2021)

The amendment clarifies which fees an entity includes when it applies the "10 percent" test of Ind AS 109 in assessing whether to derecognise a financial liability. The Company does not expect the amendment to have any significant impact in its financial statements.

Ind AS 116 – Annual Improvements to Ind AS (2021)

The amendments remove the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives were described in that illustration. The Company does not expect the amendment to have any significant impact in its financial statements.

3.30 Rounding of Amounts:

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

Notes to the Standalone Financial Statements

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

4 Property, Plant and Equipment

Particulars	Land	Buildings	Plant & Machinery	Pollution Control Equipment	Data Processing Equipment	Furniture & Fixtures	Office Equipment	Vehicles	Others	Total	Capital Work-in-Progress
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
I Year Ended 31st March, 2021											
a Gross Carrying Amount											
1 Opening Gross Carrying Amount	421.30	7,714.43	25,979.49	287.77	137.42	195.65	106.10	373.71	148.46	35,364.33	4,212.31
2 Additions	-	4,613.89	14,675.80	427.34	46.72	31.28	12.95	-	0.70	19,808.68	16,317.53
3 Disposals/Transfers	-	-	(30.80)	-	-	-	-	-	-	(30.80)	(19,855.47)
4 Closing Gross Carrying Amount as at 31st March, 2021 (1+2+3)	421.30	12,328.32	40,624.49	715.11	184.14	226.93	119.05	373.71	149.16	55,142.21	674.37
b Accumulated Depreciation and Impairment											
5 Opening Accumulated Depreciation	-	1,105.40	6,294.10	74.35	72.43	54.23	32.61	182.14	30.11	7,845.37	-
6 Depreciation Charge during the Year	-	280.61	1,640.94	20.56	35.62	17.94	17.86	50.04	25.59	2,089.16	-
7 Disposals	-	-	(17.72)	-	-	-	-	-	-	(17.72)	-
8 Closing Accumulated Depreciation and Impairment as at 31st March, 2021 (5+6+7)	-	1,386.01	7,917.32	94.91	108.05	72.17	50.47	232.18	55.70	9,916.81	-
c Net Carrying Amount as at 31st March, 2021 (4-8)	421.30	10,942.31	32,707.17	620.20	76.09	154.76	68.58	141.53	93.46	45,225.40	674.37
II Year Ended 31st March, 2022											
a Gross Carrying Amount											
1 Opening Gross Carrying Amount	421.30	12,328.32	40,624.49	715.11	184.14	226.93	119.05	373.71	149.16	55,142.21	674.37
2 Additions	-	676.39	507.24	-	11.80	11.80	6.27	14.74	3.59	1,231.83	1,626.07
3 Disposals/Transfers	-	-	(6.00)	-	-	-	-	-	-	(6.00)	(1,200.04)
4 Closing Gross Carrying Amount as at 31st March, 2022 (1+2+3)	421.30	13,004.71	41,125.73	715.11	195.94	238.73	125.32	388.45	152.75	56,368.04	1,100.40
b Accumulated Depreciation and Impairment											
5 Opening Accumulated Depreciation	-	1,386.01	7,917.32	94.91	108.05	72.17	50.47	232.18	55.70	9,916.81	-
6 Depreciation Charge during the Year	-	431.28	2,422.63	39.25	38.33	20.67	20.90	49.89	25.66	3,048.61	-
7 Disposals	-	-	(4.48)	-	-	-	-	-	-	(4.48)	-
8 Closing Accumulated Depreciation and Impairment as at 31st March, 2022 (5+6+7)	-	1,817.29	10,335.47	134.16	146.38	92.84	71.37	282.07	81.36	12,960.94	-
c Net Carrying Amount as at 31st March, 2022 (4-8)	421.30	11,187.42	30,790.26	580.95	49.56	145.89	53.95	106.38	71.39	43,407.10	1,100.40

Notes to the Standalone Financial Statements

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

4 Property, Plant and Equipment (Contd..)

4.1 Pledge on Property, Plant and Equipment :

- i) Refer Note 50 for disclosure of contractual commitments for the acquisition of property, plant and equipment for an amount of ₹898.51 lakhs (31st March 2021 ₹418.95 lakhs)
- ii) The company has participated in the e-auction conducted by State Bank of India (Bank) and become successful bidder for the property situated at Jubilee Hills, Hyderabad for a sum of ₹1055.00 Lakhs. The owner of the property has litigated with the Bank and filed case with Debt Recovery Tribunal (DRT), Hyderabad wherein the Company also impleaded and subsequently DRT has cancelled e-auction due to technical issue. Aggrieved by the order of DRT, the company has filed an appeal before the Hon'ble Debt Recovery Appellate Tribunal (DRAT), Kolkatta and dismissed the appeal on the grounds which DRT observed. Aggrieved by the DRAT order, the company has filed a Writ Petition before the Hon'ble High Court of Telangana and the Court has granted stay. The matter was partly heard and pending for final hearing.

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

4.3 Capital work-in-progress (CWIP) ageing Schedule :

Particulars	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
For the year ended March 31, 2022					
Projects in progress	1,065.40	-	-	35.00	1,100.40
Projects temporarily suspended	-	-	-	-	-

The amount of ₹ 35.00 Lakhs shown above under 'more than 3 years' category is the cost incurred towards purchase of software and the same was not yet installed.

Particulars	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
For the year ended March 31, 2021					
Projects in progress	-	-	-	674.37	674.37
Projects temporarily suspended	-	-	-	-	-

Notes to the Standalone Financial Statements

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

5 Right of Use Assets and Lease Liability

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

5A Right of Use Assets

Following are the changes in the carrying value of right of use assets for the year ended March 31, 2022 and March 31, 2021 :

Particulars	March 31, 2022	March 31, 2021
On account of adoption of Ind AS	541.95	541.95
Opening Balance	350.67	446.31
Depreciation	95.64	95.64
Closing Balance	255.03	350.67

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

5B Lease Liability

The following is the movement in lease liabilities during the year ended March 31, 2022 and March 31, 2021 :

Particulars	March 31, 2022	March 31, 2021
Opening Balance	406.35	477.99
Finance cost accrued during the year	41.72	50.76
Payment of lease liabilities	132.60	122.40
Closing Balance	315.48	406.35

The following is the breakup of current and non-current lease liabilities as at March 31, 2022 and March 31, 2021 :

Particulars	March 31, 2022	March 31, 2021
Non-current lease liabilities	211.44	315.47
Current lease liabilities	104.04	90.88
Total	315.48	406.35

The table below provides details regarding the contractual maturities of lease liabilities as at 31st March, 2022 on an undiscounted basis

Particulars	March 31, 2022	March 31, 2021
Less than one year	134.64	122.40
One to five years	232.25	377.09
More than five years	-	-
Total	366.89	499.49

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

The Company has also taken lease for office premises in Vishakapatnam and the said lease is revocable by either of the parties with three months prior intimation. During the year, the company has paid lease rental of 4.45 lakhs (Previous Year 5.49lakhs).

Notes to the Standalone Financial Statements

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

5 Right of Use Assets and Lease Liability (Contd..)

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

5.1 Operating Lease Commitments - Company as Lessor :

The Company has given on Lease of its part premises in R & D Gagilapur for an amount of ₹0.61lakhs per month on lease to an associate company . The company has also given for sub lease of part of its corporate office building to related parties. The Company has recognized income for total amount of ₹60.43 lakhs (Previous Year ₹59.88 lakhs) under the head of other income.

6 Intangible Assets

Particulars	Computer Software	Patents	Total
(1)	(2)	(3)	(4)
I Year Ended 31st March, 2021			
a Gross Carrying Amount			
1 Opening Gross Carrying Amount as at 01st April, 2020	67.77	103.28	171.05
2 Additions	0.61	119.74	120.35
3 Closing Gross Carrying Amount as at 31st March, 2021 (1+2)	68.38	223.02	291.40
b Accumulated Amortisation and Impairment			
4 Opening Accumulated Amortisation as at 01st April, 2020	47.39	40.40	87.79
5 Amortisation Charge during the year	9.28	34.09	43.37
6 Closing Accumulated Amortisation and Impairment as at 31st March, 2021 (4+5)	56.67	74.49	131.16
c Closing Net Carrying Amount as at 31st March, 2021 (3-6)	11.71	148.53	160.24
II Year Ended 31st March, 2022			
a Gross Carrying Amount			
1 Opening Gross Carrying Amount as at 01st April, 2021	68.38	223.02	291.40
2 Additions	4.60	43.17	47.77
3 Closing Gross Carrying Amount as at 31st March, 2022 (1+2)	72.98	266.19	339.17
b Accumulated Amortisation and Impairment			
4 Opening Accumulated Amortisation as at 01st April, 2021	56.67	74.49	131.16
5 Amortisation Charge during the year	5.97	65.03	71.00
6 Closing Accumulated Amortisation and Impairment as at 31st March, 2022 (4+5)	62.64	139.52	202.16
c Closing Net Carrying Amount as at 31st March, 2022 (3-6)	10.34	126.67	137.01

Notes to the Standalone Financial Statements

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

Non Current Financial Assets - Unsecured, Considered good

7 Non-Current Investments

Particulars	As at 31st March, 2022		As at 31st March, 2021	
	No. of Shares	Amount	No. of Shares	Amount
(Unquoted, carried at cost)				
Investment in Associates (fully paid up)				
Equity Shares of ₹10/- each in M/s. VKT Pharma Private Limited	38,50,165	4,499.87	38,50,165	4,499.87
Total		4,499.87		4,499.87
Aggregate amount of unquoted investments		4,499.87		4,499.87
Aggregate amount of quoted investments and market value thereof		-		-
Aggregate amount of impairment in the value of investment		-		-

7.1 As on 31st March 2022, the Company is holding 36.55 % (31st March, 2021 42.62%) of the total Paid up Equity Capital of the said Associate Company. During the reporting period Associate company has issued fresh equity to outsiders which resulted in dilution of our shareholding to 36.55% from 42.62%.

8 Bank Balances

Particulars	As at March 31, 2022	As at March 31, 2021
Margin Money Deposits	260.51	237.72
Total	260.51	237.72

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

9 Other Non-Current Financial Assets

Particulars	As at March 31, 2022	As at March 31, 2021
Security Deposits	502.25	346.43
Total	502.25	346.43

10 Other Non-Current Assets

Particulars	As at March 31, 2022	As at March 31, 2021
Capital Advances	430.05	563.28
Total	430.05	563.28

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

Notes to the Standalone Financial Statements

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

11 Inventories

Particulars	March 31, 2022	March 31, 2021
(Cost or Net Realisable Value, whichever is lower and as valued and certified by the management)		
Raw Materials	6,998.15	6,966.81
Stock-in-Process	11,894.55	2,341.42
Finished Goods	6,142.38	4,445.03
Coal & Fuel	74.67	25.47
Total	25,109.75	13,778.73

11.1 Raw material includes stock in transit of ₹916.06 lakhs (31st March, 2021 NIL)

11.2 Finished Goods includes stock in transit of ₹ 248.25 lakhs (31st March, 2021 ₹ 1,912.58 lakhs)

12 Trade Receivables

Particulars	March 31, 2022	March 31, 2021
Current - Unsecured		
(i) Considered Good	4,851.93	10,567.98
(ii) Credit Impaired	10.49	10.49
	4,862.42	10,578.47
Less: Allowance for Credit Impaired	10.49	10.49
Total	4,851.93	10,567.98

12.1 The Company has computed the expected credit loss allowance for doubtful trade receivables as on 31st March 2021 on the basis of age analysis on assumption of expected credit loss of 5% on outstanding receivables of more than 180 days.

12.2 During the reporting period the company has not provided doubtful debts by considering the track record of receivables and continued the existing provision on doubtful debts.

12.3 Trade Receivables includes an amount of ₹ 395.09 lakhs (31st March, 2021 ₹1,453.63 lakhs) receivable from VKT Pharma Pvt Ltd and ₹ Nil balance (31st March 2021 ₹ .3.58 lakhs) receivable from Pixalet labs Pvt Ltd who are related parties (Refer Note.48)

Movement in the expected credit loss allowance

Particulars	March 31, 2022	March 31, 2021
Balance at the beginning of the year	10.49	2.65
Movement in expected credit loss allowance on trade receivables	-	7.84
Balance at the end of the year	10.49	10.49

Notes to the Standalone Financial Statements

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

12 Trade Receivables (Contd..)

Trade Receivables ageing schedule for the year ended March 31, 2022:

Particulars	Outstanding from due date of payment						Total
	Not Due	Less than 6 months	6 months - 1 year	1- 2 years	2-3 years	More than 3 years	
i) Undisputed Trade receivables -considered good	3,183.27	1,594.37	53.85	20.44	-	-	4,851.93
ii) Undisputed Trade receivables - which have significant increase in credit risk	-	-	-	-	-	-	-
iii) Undisputed Trade receivables - credit impaired	-	-	7.60	2.89	-	-	10.49
iv) Disputed Trade receivables	-	-	-	-	-	-	-
Total	3,183.27	1,594.37	61.45	23.33	-	-	4,862.42

Trade Receivables ageing schedule for the year ended March 31, 2021:

Particulars	Outstanding from due date of payment						Total
	Not Due	Less than 6 months	6 months - 1 year	1- 2 years	2-3 years	More than 3 years	
i) Undisputed Trade receivables -considered good	4,557.66	5,810.98	68.18	131.16	-	-	10,567.98
ii) Undisputed Trade receivables - which have significant increase in credit risk	-	-	-	-	-	-	-
iii) Undisputed Trade receivables - credit impaired	-	-	3.59	6.90	-	-	10.49
iv) Disputed Trade receivables	-	-	-	-	-	-	-
Total	4,557.66	5,810.98	71.77	138.06	-	-	10,578.47

13 Cash and Cash Equivalents

Particulars	March 31, 2022	March 31, 2021
(i) Balances with Banks		
- in Current Accounts	3,381.81	2,096.56
- in Deposit Accounts (Maturity less than one year)	1,200.00	1,750.00
- in EEFC account	69.63	187.28
(ii) Cash on Hand	6.84	8.47
Total	4,658.28	4,042.31

14 Bank Balances Other than Cash and Cash Equivalents

Particulars	March 31, 2022	March 31, 2021
Balances in Unclaimed Dividend Accounts	7.73	8.67
Total	7.73	8.67

Notes to the Standalone Financial Statements

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

15 Other Current Financial Assets

Particulars	March 31, 2022	March 31, 2021
(unsecured, considered good)		
Export Incentive Receivable	27.57	36.16
Total	27.57	36.16

16 Other Current Assets

Particulars	March 31, 2022	March 31, 2021
(unsecured, considered good)		
GST Receivable	1,514.56	1,647.82
Prepaid Expenses	330.74	221.78
Interest Receivable	1.49	10.84
Advances to Suppliers	433.99	257.21
Export Incentives Receivable against MEIS	279.09	1.82
Other Advances and Receivables	45.08	60.50
Total	2,604.95	2,199.98

17 Current Tax Assets (Net)

	444.90	299.06
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17.1 Current Tax Assets/(Liabilities)

Particulars	March 31, 2022	March 31, 2021
Advance Income Tax	1,872.02	1,850.16
TDS /TCS Receivable	72.88	48.90
Less: Provision for Income Tax	1,500.00	1,600.00
Total	444.90	299.06

18 Equity Share Capital

Particulars	As at 31st March, 2022		As at 31st March, 2021	
	No. of Shares	Amount	No. of Shares	Amount
Authorised Share Capital				
Equity Shares of Re. 1/- each	12,00,00,000	1,200.00	12,00,00,000	1,200.00
Issued, Subscribed and Fully Paid Up				
Equity Shares of Re. 1/- each	8,46,52,030	846.52	8,46,52,030	846.52
Total	8,46,52,030	846.52	8,46,52,030	846.52

Notes to the Standalone Financial Statements

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

18 Equity Share Capital (Contd..)

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

Particulars	As at 31st March, 2022		As at 31st March, 2021	
	No. of Shares	Amount	No. of Shares	Amount
Equity Shares				
At the Beginning of the Year	8,46,52,030	846.52	8,46,52,030	846.52
Add: Issued/(Reduced) during the Year	-	-	-	-
At the End of the Year	8,46,52,030	846.52	8,46,52,030	846.52

18.2 Rights attached to Equity Shares

The Company has only one class of equity shares having face value of Re. 1 per share. The Company declares and pays dividends in Indian rupees. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. Every holder of equity shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

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

Particulars	As at 31st March, 2022		As at 31st March, 2021	
	Number of shares	% holding	Number of shares	% holding
Ramesh Babu Potluri	1,55,53,060	18.37%	1,55,53,060	18.37%
Hima Bindu Potluri	1,47,88,840	17.47%	1,47,88,840	17.47%
Vamsi Krishna Potluri	1,33,28,370	15.74%	1,33,28,370	15.74%
Potluri Infra Projects LLP	73,46,420	8.68%	73,46,420	8.68%

18.4 Details of shares held by the promoters of the Company:

Equity Shares held by promoters as at March 31, 2022 and March 31, 2021

Promoter Name	March 31, 2022			March 31, 2021		
	No. of shares	% of total shares	% Change during the year	No. of shares	% of total shares	% Change during the year
Ramesh Babu Potluri	1,55,53,060	18.37%	-	1,55,53,060	18.37%	7.21%
Hima Bindu Potluri	1,47,88,840	17.47%	-	1,47,88,840	17.47%	10.38%
Vamsi Krishna Potluri	1,33,28,370	15.74%	-	1,33,28,370	15.74%	177.06%
Potluri Infra Projects LLP	73,46,420	8.68%	-	73,46,420	8.68%	23.06%
Trilok Potluri	21,88,000	2.58%	52.86%	14,31,340	1.69%	-
Sudeepthi Gopineedi	13,45,000	1.59%	-	13,45,000	1.59%	(23.14)%
Venkata Praveen Talluri	12,95,340	1.53%	-	12,95,340	1.53%	-
Potluri Laboratories Private Limited	11,20,320	1.32%	-	11,20,320	1.32%	382.02%
Sathya Vani Potluri	-	-	(100.00)%	7,56,660	0.89%	-

Notes to the Standalone Financial Statements

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

18 Equity Share Capital (Contd.)

18.5 Distributions made and proposed

Particulars	Current Year 2021-22	Previous Year 2020-21
Cash dividends on equity shares declared and paid:		
Interim/final dividend for the financial year 2020-21 : Re.0.30 per Share	253.95	-
Dividend distribution tax on interim/final dividend	-	-
Total	253.95	-
Proposed dividends on equity shares:		
Dividend for the FY 2021-22* : Re.0.30 per Share	253.95	-
Dividend Distribution Tax on Proposed Dividend	-	-
Total	253.95	-

*The Board of Directors of the Company in their meeting held on 30th May 2022 has recommended the dividend for distribution to equity shareholders of Re. 0.30 per each equity share (face value Re.1/-) for the financial year 2021-22.

Proposed dividend on equity shares are subject to approval at the Annual General Meeting, hence, the company has not recognised it as a liability as at March 31, 2022.

19 Other Equity

Particulars	As at March 31, 2022	As at March 31, 2021
Reserves and Surplus		
Securities Premium	6,981.84	6,981.84
Capital Redemption Reserve	155.00	155.00
General Reserve	9,304.28	8,304.28
Retained Earnings	32,088.38	26,534.75
Total	48,529.50	41,975.87

19.1 Securities Premium Reserve

Particulars	March 31, 2022	March 31, 2021
Opening Balance	6,981.84	6,981.84
Adjustments	-	-
Closing Balance	6,981.84	6,981.84

19.2 Capital Redemption Reserve

Particulars	March 31, 2022	March 31, 2021
Opening Balance	155.00	155.00
Adjustments	-	-
Closing Balance	155.00	155.00

Notes to the Standalone Financial Statements

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

19 Other Equity (Contd..)

19.3 General Reserve

Particulars	March 31, 2022	March 31, 2021
Opening Balance	8,304.28	7,304.28
Transferred from Statement of Profit & Loss	1,000.00	1,000.00
Closing Balance	9,304.28	8,304.28

19.4 Retained Earnings

Particulars	March 31, 2022	March 31, 2021
(a) Opening Balance	26,534.75	21,454.75
(b) Net Profit for the Year	6,803.65	6,096.46
(c) Transferred to General Reserve	(1,000.00)	(1,000.00)
(d) Dividends (Including Tax)	(253.95)	-
(e) Items of Other Comprehensive Income		
Remeasurement Gain/(Loss) of the defined benefit plans	3.93	(16.46)
Closing Balance	32,088.38	26,534.75

19.5 Nature and Purpose of Reserves

(a) Securities Premium Reserve:

Securities Premium Reserve is to record the premium on issue of shares. The reserve will be utilised in accordance with the provisions of the Companies Act 2013.

(b) Capital Redemption Reserve:

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

(c) General Reserve:

Though mandatory transfer to General Reserve is not required under the Companies Act,2013, the Company generally appropriates a portion of its earnings to the general reserve to be used for contingencies. These reserves are freely available to shareholders and not earmarked for any specific uses.

(d) Retained Earnings:

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

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

Re-measurements of defined benefit plans (Refer Note 39)

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

Notes to the Standalone Financial Statements

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

Financial Liabilities

20 Non Current Borrowings

20.1 Secured (Refer Note.20.1.1)

Particulars	As at March 31, 2022	As at March 31, 2021
Term Loans from Banks		
(a) IDBI Bank Ltd.	-	1,700.00
(b) Export Import Bank of India (Loan-1)	722.18	1,220.77
(c) Export Import Bank of India (Loan-2)	4,459.73	5,342.79
(d) State Bank of India	3,421.52	4,095.36
(e) RBL Bank Ltd. (WCTL GECL)	847.52	1,106.46
(f) IDBI Bank Ltd. (WCTL GECL -1)	860.20	1,155.40
(g) IDBI Bank Ltd. (WCTL GECL -2)	590.00	-
(h) Export Import Bank of India (GECL)	1,609.00	-
(i) State Bank of India (GECL)	2,320.00	-
Sub Total	14,830.15	14,620.78

20.2 Unsecured(Refer Note.20.2.1)

Particulars	As at March 31, 2022	As at March 31, 2021
DSIR Assistance	120.00	120.00
Total	14,950.15	14,740.78

20.3 Current Maturities of Non Current Borrowings

Particulars	As at March 31, 2022	As at March 31, 2021
Secured		
Term Loans from Banks		
(i) IDBI Bank Ltd.	1,697.57	1,742.75
(ii) Export Import Bank of India (Loan-1)	425.00	100.00
(iii) Export Import Bank of India (Loan-2)	887.25	754.00
(iv) State Bank of India	682.50	580.00
(v) RBL Bank Ltd. (WCTL GECL)	282.48	23.54
(vi) IDBI Bank Ltd. (WCTL GECL-1)	295.20	24.60
Total	4,270.00	3,224.89
Amount disclosed under the head "Current Borrowings"	(4,270.00)	(3,224.89)
Total	-	-

20.1.1 Security Terms

- (a) Term Loans availed from IDBI Bank Limited (IDBI Bank), State Bank of India (SBI) and Export-Import Bank of India (Exim Bank) are secured by first charge on all movable and immovable fixed assets of the company both present and future on pari-passu basis. They are further secured by second charge on current assets both present and future on pari-passu basis. These facilities are guaranteed by Sri Ramesh Babu Potluri, Chairman & Managing Director and Sri Vamsi Krishna Potluri, Executive Director of the Company in their personal capacities.
- (b) Long Term Working Capital Term Loans (LTWCTL) availed from Exim Bank are secured by first charge on all movable and immovable fixed assets of the company both present and future on pari-passu basis. Further secured by second charge on

Notes to the Standalone Financial Statements

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

20 Non Current Borrowings (Contd..)

current assets of the Company both present and future on pari-passu basis. These facilities are guaranteed by Sri Ramesh Babu Potluri, Chairman & Managing Director of the Company in his personal capacity.

- (c) Working Capital Term Loans (WCTL) under Guaranteed Emergency Credit Line (GECL) availed from IDBI Bank, RBL Bank Limited (RBL Bank), Exim Bank and SBI are secured by second charge on all movable and immovable fixed assets of the company both present and future on pari-passu basis . Further secured by second charge on current assets of the Company both present and future on pari-passu basis. These facilities are covered under GECL operated by National Credit Guarantee Trustee Company Limited (NCTC).
- (d) The carrying amounts of financial and non-financial assets pledged as security for current and non- current borrowings are disclosed in Note 40.

20.1.2 Rate of Interest :

Name of the Bank	Rate of Interest
Term Loans	
IDBI Bank Ltd. (Converted into FCNRB Loan with fully hedged and taken total cost)	7.24%
Export Import Bank of India (Exim MCLR (Y)+ 1.50% p.a)	7.20%
State Bank of India (Converted FCNB with fully hedged)	7.29%
Long Term Working Capital Loan	
Export Import Bank of India (Exim MCLR (Y) +160 basis points)	7.50%
RBL Bank Ltd. (1M MCLR)	7.85%
IDBI Bank Ltd. GECL1 (MCLR+0.15% p.a. effective 7.95%)	7.95%
IDBI Bank Ltd. GECL2 (MCLR+0.15% p.a. effective 7.75%)	7.75%
State Bank of India GECL (MCLR (6M)+0.70% p.a. effective 7.65%)	7.65%
Export Import Bank of India GECL (LTMLR Minus 40 basis points p.a. effective 7.65%)	7.65%

20.1.3 Terms of Repayment

- (a) The loan availed from IDBI Bank amounting to ₹7500 lakhs for funding the Expansion Project of Kandivalasa unit. The loan is repayable in 24 Structured Quarterly Installments commencing from December, 2016, as mentioned below.

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

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

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

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

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

Notes to the Standalone Financial Statements

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

20 Non Current Borrowings (Contd..)

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

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

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

- (e) The WCTL under GECL availed from IDBI Bank amounting ₹1,180 lakhs is to be repaid in 47 monthly equal principal repayment of ₹24.60 Lakhs and 48th monthly instalment of ₹23.80 lakhs after moratorium period of one year i.e. March 2022 onwards.
- (f) The WCTL under GECL2 availed from IDBI Bank amounting ₹590 lakhs is to be repaid in 47 monthly equal principal repayment of ₹12.30 Lakhs and 48th monthly instalment of ₹11.90 lakhs after moratorium period of two years i.e. December 2023 onwards.
- (g) The WCTL under GECL availed from RBL Bank amounting ₹1,130 lakhs is to be repaid in 47 monthly equal principal repayment of ₹23.54 Lakhs and 48th monthly instalment of ₹23.62 lakhs after moratorium period of one year i.e. April 2022 onwards.
- (h) The WCTL under GECL availed from SBI amounting ₹2,320 lakhs is to be repaid in 48 equal monthly installments commencing after a moratorium of 2 years from the date of first disbursement i.e. March 2024.
- (i) The WCTL under GECL availed from Exim Bank amounting ₹1,609 lakhs is to be repaid in 48 equal monthly installments commencing after a moratorium of 2 years from the date of first disbursement i.e. April 2024.

20.1.4 The Company has used the borrowings for the purposes for which it was taken.

20.1.5 The quarterly returns of current assets filed by the Company with banks are in agreement with books of account.

20.2.1 Financial Assistance received from Department of Scientific and Industrial Research (DSIR) of ₹ 120.00 Lakhs (previous year ₹ 120.00 Lakhs) sanctioned under PATSER Scheme of Technology Promotion Development and Utilization (TPDU) Programme 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. The Company has executed agreements with DSIR, NRDC, IICT Hyderabad, IICT Guwahati under the said programme.

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. The Company has not yet commenced the commercial operations of the said products.

However, NRDC has filed an application before the Honourable High Court of Delhi at New Delhi for appointment of an Arbitral Tribunal and the Court referred the disputes to the Delhi International Arbitration Centre (DIAC), which would appoint an arbitrator to resolve the disputes. The Company has not yet received any communication from DIAC.

Notes to the Standalone Financial Statements

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

20 Non Current Borrowings (Contd..)

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

Particulars	31st March, 2022	31st March, 2021
Opening Borrowings	14,740.78	6,822.10
Add: Opening Current Maturities	3,224.89	2,291.50
Add: Amortisation of Transaction Cost	19.08	6.23
Add: Received during the year	4,518.99	10,572.84
Less: Paid during the year	(3,283.60)	(1,727.00)
Closing Borrowings	19,220.15	17,965.67
Less: Closing Current Maturities	4,270.00	3,224.89
Non Current Borrowings as per Balance Sheet	14,950.15	14,740.78

21 Provisions

Particulars	As at March 31, 2022	As at March 31, 2021
Provision for Employee Benefit Obligations		
Non Current		
Gratuity	99.37	125.81
Leave Encashment	57.25	58.18
Sub Total	156.62	183.99
Current		
Gratuity	61.83	52.28
Leave Encashment	39.81	30.07
Sub Total	101.64	82.35
Total		
Gratuity	161.20	178.09
Leave Encashment	97.06	88.25
Grand Total	258.26	266.34

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

22 Deferred Tax Liabilities (net)

The Balance Comprises Temporary Differences Attributable to:

Particulars	As at March 31, 2022	As at March 31, 2021
(a) Deferred Tax Liability		
(i) Property, Plant and Equipment	4,215.91	5,897.26
(ii) Others	77.59	25.28
Total	4,293.50	5,922.54
(b) Deferred Tax Asset		
(i) Expenses allowable on the basis of Payment	71.63	99.41
(ii) MAT Credit Entitlement	-	295.36
(iii) Other items giving raise to temporary differences	266.80	142.47
Total	338.43	537.24
Net Deferred Tax Liabilities (a) - (b)	3,955.07	5,385.30

Notes to the Standalone Financial Statements

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

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

(c) Movement in Deferred Tax Liabilities

Particulars	Property, Plant and Equipment	Other Items	Total
As at 31st March, 2020	5,308.14	41.37	5,349.51
Charged/(Credited)	589.12	(16.08)	573.04
As at 31st March, 2021	5,897.26	25.29	5,922.55
Charged/(Credited)	(1,681.35)	52.30	(1,629.05)
As at 31st March, 2022	4,215.91	77.59	4,293.50

(d) Movement in Deferred Tax Assets

Particulars	Property, Plant and Equipment	MAT Credit	Other Items	Total
As at 31st March, 2020	94.35	1,147.06	133.69	1,375.10
Charged/(Credited)	5.06	(851.70)	8.78	(837.86)
As at 31st March, 2021	99.41	295.36	142.47	537.24
Charged/(Credited)	(27.78)	(295.36)	124.33	(198.81)
As at 31st March, 2022	71.63	0.00	266.80	338.43

23 Current Borrowings

Particulars	As at March 31, 2022	As at March 31, 2021
Secured		
Working Capital Loans from Banks		
– State Bank of India	4,011.68	4,395.22
– RBL Bank Limited	1,200.00	1,200.00
– IDBI Bank Limited	1,579.54	1,490.64
Total	6,791.22	7,085.86
Current Maturities of Long-Term Debt	4,270.00	3,224.89
Total	11,061.22	10,310.75

23.1 Security Terms

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

Notes to the Standalone Financial Statements

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

23 Current Borrowings (Contd..)

23.2 Rate of Interest is as follows:

Name of the Bank	Rate of Interest
State Bank of India	
Cash Credit	7.90%
Export Packing Credit	7.50%
Stand by Loan	7.50%
IDBI Bank Limited - WCDL	7.45%
RBL Bank - WCDL	6.45%

23.3 Terms of Repayment: The above working capital facilities are available for one year and renew thereafter. Repayment on demand.

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

23.5 The Company has used the borrowings for the purposes for which it was taken.

23.6 The quarterly returns of current assets filed by the Company with banks are in agreement with books of account

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

Particulars	31st March, 2022	31st March, 2021
Opening Borrowings	7,085.86	6,115.52
Add: Received during the year	88.89	1,172.57
Less: Paid during the year	(383.53)	(202.23)
Closing Borrowings	6,791.22	7,085.86

24 Trade Payables

Particulars	31st March, 2022	31st March, 2021
(a) Creditor for Supply of Materials		
(i) Due to Micro and Small Enterprises	17.67	28.62
(ii) Due to Related Parties	64.67	1,374.13
(iii) Others	6,416.89	4,092.67
(b) Creditors for Expenses	786.55	1,048.60
Total	7,285.78	6,544.02

24.1 Trade Payables includes an amount of ₹46.02 lakhs (31st March 2021 ₹ 1,374.13 lakhs) payable to SMS Lifesciences India Limited, ₹ 9.19 lakhs (31st March 2021 Nil balance) payable to Eshwar Coal Movers and ₹9.46 lakhs (31st March 2021 Nil balance) payable to VKT Pharma Pvt Ltd who are related parties(Refer Note 48) .

Notes to the Standalone Financial Statements

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

24 Trade Payables (Contd..)

24.2 Trade Payables ageing schedule for the year ended March 31, 2022

Particulars	Not Due	Outstanding from due date of payment				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
i) MSME	17.67	-	-	-	-	17.67
ii) Others	3,902.09	2,560.80	1.92	2.13	14.62	6,481.56
iii) Disputed dues - MSME & others	-	-	-	-	-	-
Total	3,919.76	2,560.80	1.92	2.13	14.62	6,499.23

Trade Payables ageing schedule for the year ended March 31, 2021

Particulars	Total	Outstanding from due date of payment				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
i) MSME	28.62	-	-	-	-	28.62
ii) Others	4363.00	1053.27	3.67	8.54	38.32	5,466.80
iii) Disputed dues - MSME & others	-	-	-	-	-	-
Total	4,391.62	1,053.27	3.67	8.54	38.32	5,495.42

25 Other Financial Liabilities

Particulars	As at March 31, 2022	As at March 31, 2021
Current		
Capital Creditors	667.80	1,686.92
Unclaimed Dividend	7.73	8.67
Total	675.53	1,695.59

26 Other Current Liabilities

Particulars	As at March 31, 2022	As at March 31, 2021
Statutory Liabilities	268.09	335.21
Advance from Customers	125.40	466.00
Employee Benefits Payable	26.33	18.14
Total	419.82	819.35

Notes to the Standalone Financial Statements

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

27 Revenue from Operations

Particulars	Current Year 2021-22	Previous Year 2020-21
(a) Sale of Products		
Gross Sales (including GST)	54,124.25	58,190.01
Less: Goods and Service Tax	3,405.58	4,425.57
Net Revenue from Sales	50,718.67	53,764.44
(b) Income from Services		
(i) Conversion Charges	923.83	1,960.97
Less: Goods and Service Tax	140.92	299.13
Net Conversion Charges	782.91	1,661.84
(ii) Sale of Services	-	773.43
Less: Goods and Service Tax	-	117.98
Net Revenue from Sale of Services	-	655.45
Net Revenue from Services	782.91	2,317.29
(c) Other Operating Income		
Export Incentives	485.85	236.02
Total Net Revenue from Operations (a+b+c)	51,987.43	56,317.75

28 Other Income

Particulars	Current Year 2021-22	Previous Year 2020-21
(i) Interest Income	55.96	31.44
(ii) Net Gain on Foreign Exchange	257.95	57.05
(iii) Miscellaneous Income (Net of GST)	205.86	256.80
Total	519.77	345.29

28.1 Miscellaneous Income includes Rent received from related parties of ₹60.43 lakhs (Previous year ₹59.88 lakhs)

29 Cost of Materials Consumed

Particulars	Current Year 2021-22	Previous Year 2020-21
Raw Material & Packing Material		
Stock at the Beginning of the Year	6,966.81	3,400.91
Add: Purchases	38,811.12	34,892.47
Less: Stock at the End of the Year	6,998.15	6,966.81
Total Materials Consumed	38,779.78	31,326.57

Notes to the Standalone Financial Statements

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

30 Changes in Inventory

Particulars	Current Year 2021-22	Previous Year 2020-21
(a) Opening Stock of Inventory:		
Finished Goods	4,445.03	5,068.02
Stock in Process	2,341.42	4,391.69
Sub Total (a)	6,786.45	9,459.71
(b) Closing Stock of Inventory:		
Finished Goods	6,142.37	4,445.03
Stock in Process	11,894.55	2,341.42
Sub Total (b)	18,036.92	6,786.45
(Increase)/Decrease in Stock (a-b)	(11,250.47)	2,673.26

31 Manufacturing Expenses

Particulars	Current Year 2021-22	Previous Year 2020-21
Power and Fuel	3,243.65	2,317.94
Consumable Stores	680.96	537.12
Testing Charges	45.87	79.41
Water Charges	14.10	13.41
Repairs & Maintenance to Buildings	130.40	67.48
Repairs & Maintenance to Plant & Machinery	1,172.11	736.77
Factory Maintenance	147.22	129.56
Effluent Treatment Charges	69.83	57.69
Total	5,504.14	3,939.38

32 Employee Benefit Expense

Particulars	Current Year 2021-22	Previous Year 2020-21
Salaries, Wages and Bonus	4,462.06	3,634.12
Contribution to Provident Fund	291.42	234.12
Contribution to ESI	22.36	22.06
Staff Welfare Expenses	326.35	226.87
Total	5,102.19	4,117.17

33 Finance Cost

Particulars	Current Year 2021-22	Previous Year 2020-21
Interest on Non Current Borrowings	1,378.90	543.78
Interest on Current Borrowings	350.00	427.16
Interest on Others	16.19	1.07
Interest on Lease Liability	41.72	50.76
Bank Charges	100.73	93.48
Total	1,887.54	1,116.25

Notes to the Standalone Financial Statements

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

34 Depreciation and Amortisation Expenses

Particulars	Current Year 2021-22	Previous Year 2020-21
Depreciation of Property, Plant and Equipment	3,048.61	2,089.15
Amortisation of Right-of-use Assets	95.64	95.64
Amortisation of Intangible Assets	71.00	43.37
Total	3,215.25	2,228.16

35 Other Expenses

Particulars	Current Year 2021-22	Previous Year 2020-21
Rent	9.39	10.43
Rates and Taxes	73.71	56.49
Insurance	248.73	181.24
Directors Remuneration	763.27	858.55
Travelling and Conveyance	16.60	6.30
Communication Expenses	13.83	12.13
Printing and Stationery	71.59	56.58
Repairs & Maintenance to Other Assets	16.29	11.32
Vehicle Maintenance	24.16	20.05
Payments to Auditors	16.00	11.00
Cost Audit Fee	0.75	0.75
Professional & Consultancy	135.64	96.57
General Expenses	79.81	108.92
Corporate Social Responsibility	166.20	116.48
Provision for Doubtful Debts	-	7.84
Interest on Indirect Taxes	28.85	2.61
Loss on Sale of Assets	0.37	0.80
Business Promotion Expenses	39.98	21.75
Royalty Paid	309.59	-
Regulatory Fee	86.43	83.19
Carriage Outward	183.86	252.88
Sales Commission	118.25	234.39
Total	2,403.30	2,150.27

35.1 Details of Payments to Auditors

Particulars	Current Year 2021-22	Previous Year 2020-21
Audit Fee	14.00	11.00
Certification Fee	2.00	-
Total Payments to Auditors	16.00	11.00

Notes to the Standalone Financial Statements

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

35.2 Corporate Social Responsibility Expenditure

As per requirement of the Companies Act, 2013, gross amount required to be spent by the Company during the year is ₹136.12 Lakhs (March 31, 2021 ₹115.64 Lakhs)

CSR Activities	for the year ended 31st March, 2022		
	In Cash	Yet to be paid in Cash	Total
(i) Construction/Acquisition of an Asset	89.73	-	89.73
(ii) For other than (i) above	76.47	-	76.47
	(116.48)	-	(116.48)

Amounts in bracket indicate previous year numbers

There is no shortfall at the end of March 31, 2022 and March 31, 2021 in terms of amount required to be spent by the company.

36 Income Tax Expense

Particulars	Current Year 2021-22	Previous Year 2020-21
Current Tax		
Current tax on profits for the year	1,500.00	1,600.00
Adjustments for current tax of prior periods	(7.96)	4.63
Total Current Tax	1,492.04	1,604.63
Deferred Tax		
Increase/(Decrease) in Deferred Tax Liabilities	(1,629.03)	573.03
Decrease/(Increase) in Deferred Tax Assets	198.81	837.86
Total Deferred Tax Expense/(Benefit)	(1,430.22)	1,410.89
Total	61.82	3,015.52

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

Particulars	Current Year 2021-22	Previous Year 2020-21
(a) Profit before Income Tax Expenses	6,865.47	9,111.98
(b) Enacted Tax Rate in India	25.168%	34.944%
(c) Expected Tax Expenses (a)x(b)	1,727.90	3,184.09
(d) Tax Effect on Permanent Difference:		
Weighted Deduction under section 35(2AB) under the Income Tax Act, 1961	-	(73.00)
Re-measurement of deferred tax assets and liabilities due to change in tax rate	(1,681.35)	-
Expenses not deductible under Income Tax Act	(217.84)	(81.12)
Other Adjustments	(54.29)	(19.08)
MAT Credit Entitlement for earlier years	295.36	-
Adjustment of Current Tax of Prior Periods	(7.96)	4.63
Total Adjustments	(1,666.08)	(168.57)
Current Tax Expense as per P & L	61.82	3,015.52

The Company elected to exercise the option permitted under section 115BAA of the Income-tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Company has recognised provision for income tax for the year ended March 31, 2022 and remeasured its deferred tax liabilities basis the rates prescribed in the said section.

Notes to the Standalone Financial Statements

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

37 Other Comprehensive Income

Particulars	Current Year 2021-22	Previous Year 2020-21
Actuarial Gain/(Loss) on Post Employment Benefit Expenses	3.61	(21.96)
Return on Plan Assets excluding net interest	1.64	(3.34)
	5.25	(25.30)
Deferred Taxes on above	(1.32)	8.84
Net Comprehensive Income	3.93	(16.46)

38 Earning Per Share (Basic and Diluted)

Particulars	Current Year 2021-22	Previous Year 2020-21
(a) Net profit for Basic & Diluted EPS	6,803.65	6,096.47
(b) Weighted average number of equity shares of Re.1/- each (Basic & Diluted)	846.52	846.52
(c) Earnings per share of par value Re 1/- per share -(Basic & diluted)	8.04	7.20

39 Employment Benefits

39.1 Defined Contribution plans

39.1.1 Employer's Contribution to Provident Fund:

Contributions are made to provident fund in India for employees at the rate of 12% of the Employees qualifying salary as per regulations. The contributions are made to registered provident fund administered by the Government of India. The obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the year towards PF contribution is ₹291.42 lakhs (Previous Year- ₹234.12 lakhs).

39.1.2 Employer's Contribution to State Insurance Scheme:

Contributions are made to State Insurance Scheme in India for employees at the rate of 4.75%. The Contributions are made to Employees State Insurance Corporation(ESI) to the respective State Governments of the Company's location. This Corporation is administered by the Government and the obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards ESI contribution is ₹22.36 lakhs(Previous Year- ₹ 22.06 lakhs).

39.2 Defined Benefit Plans

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

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

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

Notes to the Standalone Financial Statements

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

39 Employment Benefits (Contd..)

39.2.1 Net Employee Benefit Expense

Particulars	31st March, 2022		31st March, 2021	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
(Recognised in Employee Benefit Expenses)				
Current Service Cost	50.72	27.88	41.13	24.18
Interest Cost	10.71	4.98	9.67	4.53
Contribution paid	(77.85)	-	(61.65)	(4.13)
	(16.42)	32.86	(10.85)	24.58

39.2.2 Other Comprehensive Income

Particulars	31st March, 2022		31st March, 2021	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Actuarial Gain/(Loss)	(3.61)	(24.04)	21.96	(17.37)
Return on Plan Assets excluding net interest	(1.64)	-	3.34	-
Total Actuarial (Gain)/Loss recognized in OCI	(5.25)	(24.04)	25.30	(17.37)

39.2.3 Amount recognised in the Balance Sheet

Particulars	31st March, 2022		31st March, 2021	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Defined Benefit Obligation	484.70	97.06	411.48	88.25
Fair Value of Plan Assets	(323.50)	-	(233.39)	-
	161.20	97.06	178.09	88.25

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

39.2.5 Change in the Present Value of the Defined Benefit Obligation

Particulars	31st March, 2022		31st March, 2021	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Opening Defined Benefit Obligation	411.48	88.25	349.91	81.04
Current Service Cost	50.72	27.88	41.13	24.18
Interest Cost	26.21	4.98	22.00	4.53
Contribution Paid	-	-	-	(4.13)
Benefits Paid	(0.10)	-	(23.51)	-
Net Actuarial (gain)/ losses on Obligation for the year recognised under OCI	(3.61)	(24.05)	21.95	(17.37)
Closing Defined Benefit Obligation	484.70	97.06	411.48	88.25

Notes to the Standalone Financial Statements

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

39 Employment Benefits (Contd..)

39.2.6 Change in the Fair Value of Plan Assets

Particulars	31st March, 2022		31st March, 2021	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Opening Fair Value of Plan Assets	233.39	-	186.26	-
Adjustment to Opening Fair Value of Plan Asset	(4.77)	-	-	-
Return on Plan Assets Excluding Interest Income	1.64	-	(3.34)	-
Interest Income	15.49	-	12.33	-
Contribution paid	77.85	-	61.65	-
Benefits Paid	(0.10)	-	(23.51)	-
Closing Fair Value of Plan Assets	323.50	-	233.39	-

39.2.7 Actuarial (Gain)/Loss on Obligation

Particulars	31st March, 2022		31st March, 2021	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Due to Financial Assumption	(25.68)	-	(1.57)	-
Due to Experience	22.07	-	23.52	-
Total Actuarial (Gain)/Loss	(3.61)	-	21.95	-

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

Particulars	31st March, 2022	31st March, 2021
State Govt Security	160.81	138.24
Central Govt Securities	60.75	51.13
NCD/Bonds	73.31	31.11
Others	28.63	12.91
Total	323.50	233.39

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

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

Particulars	31st March, 2022	31st March, 2021
Discount rate	7.37%	6.80%
Attrition Rate	PS : 0 to 40 : 2%	PS : 0 to 40 : 2%
Expected rate of increase in Salary	3.00%	3.00%
Mortality Table	IALM (2012-14)	IALM (2012-14)
Expected average remaining working lives of Employees	18.60	19.14

(a) Assumptions regarding future mortality experience are set in accordance with the published statistics by the Life Insurance Corporation of India.

(b) Plan assets does not comprise any of the Company's own financial instruments or any assets used by the Company. The Company has the plan covered under a policy with the Life Insurance Corporation of India.

Notes to the Standalone Financial Statements

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

39 Employment Benefits (Contd..)

- (c) The Significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the salary growth rate and the average life expectancy. The calculation of the net defined benefit liability is sensitive to these assumptions. However, the impact of these changes is not ascertained to be material by the management.

39.2.10 Sensitivity Analysis

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

Particulars	31st March, 2022	31st March, 2021
Defined Benefit Obligation	161.20	178.09
Effect of 1% change in assumed discount rate on defined benefit obligation		
Increase : +1%	444.58	375.15
Decrease: -1%	531.27	453.95
Effect of 1% change in assumed salary escalation rate on defined benefit obligation		
Increase : +1%	527.19	452.32
Decrease: -1%	447.04	375.81

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

39.2.11 Other Information

(i) Expected rate of return basis

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

(ii) Description of Plan Assets and Reimbursement Conditions

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

(iii) Discount Rate

The discount rate has increased from 6.80% to 7.37% and hence there is a increase in liability leading to actuarial gain due to change in discount rate.

(iv) Present Value of Defined Benefit Obligation:

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

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

The average remaining service can be arithmetically arrived by deducting current age from normal retirement age whereas the expected average remaining service is arrived actuarially by applying multiple decrements to the average

Notes to the Standalone Financial Statements

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

39 Employment Benefits (Contd..)

remaining future service namely mortality and withdrawals. Thus, the expected average remaining service is always less than the average remaining future service.

(vi) Current and Non Current Liability:

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

(vii) Defined Benefit Liability and Employer Contributions

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

The Weighted Average duration of the defined benefit obligation is 10.39 years(2020-21 : 10.96 years). The expected cash flows over the subsequent years is as follows:

Expected Payout Gratuity	31st March, 2022	31st March, 2021
1st Year	61.84	59.28
2nd Year	17.66	12.94
3rd Year	27.92	14.69
4th Year	16.80	24.43
5th Year	29.31	13.96
beyond 5th Year	265.73	174.87

39.2.12 Risk Exposure

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

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

40 Assets Pledged as Security

For Non Current Borrowings

Secured by First Charge on Property, Plant and Equipment and Second Charge on Current Assets.

For Current Borrowings

Secured by First Charge on Current Assets and Second Charge on PPE (Property, Plant and Equipment).

Notes to the Standalone Financial Statements

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

40 Assets Pledged as Security (Contd..)

The carrying amounts of Company's assets pledged as security for Non Current and Current Borrowings of ₹25,891.37 Lakhs (Previous year ₹24,931.53 Lakhs) are as follows:

Particulars	31st March, 2022	31st March, 2021
Property, Plant and Equipment	43,407.10	45,225.40
Current Assets	37,705.11	30,932.89
Total Assets Pledged as Security	81,112.21	76,158.29

41 Research and Development

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

Particulars	31st March, 2022	31st March, 2021
Salaries & Wages	442.26	402.88
Materials Consumed	100.49	95.54
Repairs and Maintenance	172.03	136.06
Power and Fuel	67.23	62.32
Testing and analysis charges	6.72	7.33
Rates and Taxes	6.80	7.36
Insurance	5.89	4.50
General Expenses	37.92	18.85
Total	839.34	734.84

41.2 Details of Property, Plant and Equipment:

Particulars	Buildings	Plant and Equipment	Furniture and Fixtures	Computers	Vehicles	Patents Filing Fee	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Gross Carrying Value							
1 As at 31 March, 2020	942.62	2,119.57	23.43	50.48	9.10	9.94	3,155.14
2 Additions	0.84	204.92	0.54	2.36	-	0.24	208.90
3 As at 31 March, 2021 (1+2)	943.46	2,324.49	23.97	52.84	9.10	10.18	3,364.04
4 Additions	3.71	14.79	1.81	1.96	-	0.04	22.31
5 As at 31 March, 2022 (3+4)	947.17	2,339.28	25.78	54.80	9.10	10.22	3,386.35
Depreciation							
6 As at 31 March, 2020	149.57	492.14	4.68	18.02	4.16	4.20	672.77
7 Charge for the Year	39.42	177.64	1.90	13.26	1.08	1.70	235.00
8 As at 31 March, 2021 (6+7)	188.99	669.78	6.58	31.28	5.24	5.90	907.77
9 Charge for the Year	39.44	195.08	1.93	11.56	1.08	1.62	250.71
10 As at 31 March, 2022 (8+9)	228.43	864.86	8.51	42.84	6.32	7.52	1,158.48
Net Carrying Value							
11 As at 31 March, 2020 (1-6)	793.05	1,627.43	18.75	32.46	4.94	5.74	2,482.37
12 As at 31 March, 2021(3-8)	754.47	1,654.71	17.39	21.56	3.86	4.28	2,456.27
13 As at 31 March, 2022(5-10)	718.74	1,474.42	17.27	11.96	2.78	2.70	2,227.87

Notes to the Standalone Financial Statements

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

Financial Instruments and Risk Management

42 Categories of Financial Instruments

Particulars	Note	Level	As at 31st March, 2022		As at 31st March, 2021	
			Carrying Value	Fair Value	Carrying Value	Fair Value
A. Financial Assets						
(a) Measured at Amortised Cost						
(i) Non Current						
(a) Bank Balances	8	3	260.51	260.51	237.72	237.72
(b) Other Financial Assets	9	3	502.25	502.25	346.43	346.43
Sub - Total			762.76	762.76	584.15	584.15
(ii) Current						
(a) Trade Receivables	12	Refer	4,851.93	4,851.93	10,567.98	10,567.98
(b) Cash and Cash Equivalents	13	Note	4,658.28	4,658.28	4,042.31	4,042.31
(c) Other Bank Balances	14	42.2	7.73	7.73	8.67	8.67
(d) Other Financial Assets	15		27.57	27.57	36.16	36.16
Sub - Total			9,545.51	9,545.51	14,655.12	14,655.12
Total Financial Assets			10,308.27	10,308.27	15,239.27	15,239.27
B. Financial Liabilities						
(a) Measured at Amortised Cost						
(i) Non Current						
(a) Borrowings	20	3	14,950.15	14,950.15	14,740.78	14,740.78
(ii) Current						
(a) Borrowings	23	Refer	11,061.22	11,061.22	10,310.75	10,310.75
(b) Trade Payables	24	Note	7,285.78	7,285.78	6,544.02	6,544.02
(c) Other Financial Liabilities	25	42.2	675.53	675.53	1,695.59	1,695.59
Sub - Total			19,022.53	19,022.53	18,550.36	18,550.36
Total Financial Liabilities			33,972.68	33,972.68	33,291.14	33,291.14

42.1 The Company's principal financial liabilities, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations.

42.2 The carrying amounts of trade payables, other financial liabilities, cash and cash equivalents, other bank balances, trade receivables and other financial assets are considered to be the same as their fair values due to their short term nature.

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

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

Notes to the Standalone Financial Statements

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

43 Fair Value Measurements

43.1 Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

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

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data rely as little as possible on entry specific estimates.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

43.2 Valuation Techniques used to determine fair value:

Specific Valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of remaining financial instruments is determined using discounted cashflow analysis.

43.3 Valuation Process:

The Finance and accounts department of the Company performs the valuation of financial assets and liabilities required for financial reporting purposes, and report to the Board of Directors. The main Level 3 inputs are derived using the Discounted Cash Flow Analysis, Market Approach, Net Assets Value Method as applicable.

44 Financial Risk Management Objectives and Policies

Financial Risk Management Framework

The Company is exposed primarily to credit risk, liquidity risk and market risk (fluctuations in foreign currency exchange rates and interest rate), which may adversely impact the fair value of its financial instruments. The Company assesses the unpredictability of the financial environment and seeks to mitigate potential adverse effects on the financial performance of the Company.

44.1 Credit Risk:

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk encompasses of both, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration of risks. Credit risk is controlled by analysing credit limits and creditworthiness of customers on a continuous basis to whom the credit has been granted after obtaining necessary approvals for credit. Financial instruments that are subject to concentrations of credit risk principally consist of trade receivables, cash and cash equivalents, bank deposits and other financial assets. None of the financial instruments of the Company result in Material Concentration of credit risk, except for Trade Receivables.

Financial Instruments and Cash Deposits

For banks and financial institutions, only high rated banks/ institutions are accepted. Other Financial Assets (excluding Bank Deposits) majorly constitute deposits given to State Electricity Departments for supply of power, which the company considers to have negligible credit exposure. Counterparty credit limits are reviewed by the Management on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

Notes to the Standalone Financial Statements

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

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

Expected Credit Loss for Trade Receivables under simplified approach

For Trade Receivables, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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

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

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

Particulars	31st March, 2022	31st March, 2021
Gross Carrying Amount	4,862.42	10,578.47
Expected Credit Losses (Loss allowance Provision)	10.49	10.49
Net Carrying Amount of Trade Receivables	4,851.93	10,567.98

Expected Credit Loss for Trade Receivables under simplified approach:

Particulars	Outstanding		Total
	for < 180 days	for > 180 days	
Gross Carrying Amount of Trade Receivables	4,777.64	84.78	4,862.42
Expected Loss Rate	-	12.38%	12.38%
Expected Credit Losses (Loss allowance provision)	-	10.49	10.49
Net Carrying Amount of Trade Receivables	4,777.64	74.30	4,851.93

44.2 Liquidity Risk:

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

Particulars	Upto 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	Total
31 March, 2022					
Non Current Borrowings (including Current Maturities)	4,270.00	7,598.28	6,139.29	1,212.58	19,220.15
Current Borrowings	6,791.22				6,791.22
Trade Payables	7,285.78				7,285.78
Capital Creditors	667.80				667.80
Total	19,014.80	7,598.28	6,139.29	1,212.58	33,964.95

Notes to the Standalone Financial Statements

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

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

Particulars	Upto 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	Total
31 March, 2021					
Non Current Borrowings (including Current Maturities)	3,182.14	10,584.55	4,078.98	120.00	17,965.67
Current Borrowings	7,085.86				7,085.86
Trade Payables	6,544.02				6,544.02
Capital Creditors	1,686.92				1,686.92
Total	18,498.94	10,584.55	4,078.98	120.00	33,282.47

44.3 Market Risk:

Market risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market prices. Market prices comprise three types of risk, currency rate risk, interest rate risk and other price risks such as equity risk. Financial instruments affected by market risk include loans and advances deposits investments in debt securities mutual funds and other equity funds.

44.3.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of change in market interest rates. In order to optimize the Company's position with regards to interest income and interest expenses and to manage the interest rate risk, treasury performs a comprehensive corporate interest risk management by balancing the proportion of fixed rate and floating rate financial instruments in its portfolio.

Particulars	Change in basis points		Effect on Profit before Tax	
	Increase	Decrease	Decrease	Increase
31 March, 2022	0.50%	0.50%	(130.06)	130.06
31 March, 2021	0.50%	0.50%	(125.26)	125.26

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

44.3.2 Foreign Currency Exchange Rate Risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Company has transactional currency exposures arising from services provided or availed that are denominated in a currency other than the functional currency. The foreign currencies in which these transactions are denominated are mainly in US Dollars (\$). The Company's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

Notes to the Standalone Financial Statements

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

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

(a) Details of Unhedged Foreign Currency Exposure:

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under:

Particulars	Currency	Amount in Foreign Currency	Amount in ₹ In Lakhs	Conversion Rate
31st March, 2022				
Trade Receivables	USD	21.43	1,611.59	75.20
	EURO	0.192	15.79	82.40
Trade Payables	USD	21.03	1,617.24	76.90
Advance from Customers	USD	1.62	121.99	75.20
Advance to Suppliers	USD	3.04	233.93	76.90
31st March, 2021				
Trade Receivables	USD	51.85	3,712.37	71.60
Trade Payables	USD	16.94	1,242.57	73.35
Advance from Customers	USD	6.11	437.15	71.60
Advance to Suppliers	USD	0.05	3.46	73.35

(b) Foreign Currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rate, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including foreign currency derivatives. The Company's exposure to foreign currency changes for all other currencies is not material.

Particulars	Effect on Profit before Tax	
	31st March, 2022	31st March, 2021
USD Sensitivity		
₹/USD - Increases by 1%	1.06	20.51
₹/USD - Decreases by 1%	(1.06)	(20.51)

44.3.3 Other Price Risk:

Other price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

45 Capital Management

For the purposes of the Company's Capital Management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure in consideration to the changes in economic conditions and the requirements of the financial covenants. The Company monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Company intends to keep the gearing ratio less than 1. The Company includes within net debt, borrowings including interest accrued on borrowings less cash and short term deposits.

Notes to the Standalone Financial Statements

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

45 Capital Management (Contd..)

Particulars	31st March, 2022	31st March, 2021
Borrowings including Interest Accrued (Note 20 & 23)	26,011.37	25,051.53
Less: Cash and Short Term Deposits (Note 13)	4,658.28	4,042.31
Net Debt	21,353.09	21,009.22
Equity	846.52	846.52
Other Equity	48,529.50	41,975.87
Total Equity	49,376.02	42,822.39
Total Capital	70,729.11	63,831.61
Gearing Ratio (Net Debt/(Net Debt +Total Equity))	0.30	0.33

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current year

46 Segment Information

A Basis for segmentation

The operations of the Company are limited to one segment viz. Pharmaceutical products including ingredients and intermediaries. The products being sold under this segment are of similar nature and comprises of pharmaceutical products only. The Chairman & Managing Director has been identified as Chief Operating Decision Maker(CODM). CODM reviews the internal management reports prepared based on aggregation of financial information of the Company on a periodic basis, for the purpose of allocation of resources and evaluation of performance. Accordingly, management has identified pharmaceutical segment as the only operating segment for the Company.

B Segment information for secondary segment reporting (by geographical segment)

The Company is engaged in the manufacture of Pharmaceuticals, which in the context of Ind AS 108 is considered only business segment.

The Company has reportable geographical segments based on location of its customers:

- (i) Revenue from customers within India – Domestic
- (ii) Revenue from customers outside India – Exports
- (iii) Revenue from customers - EOUs – Deemed Exports
- (iv) Revenue from Export Incentives

a) Revenues are attributed to geographical areas based on the location of the customers as detailed below:

Particulars	Current Year 2021-22		PreviousYear 2020-21	
	Revenue	%	Revenue	%
Exports	32,683.94	62.87%	33,929.17	60.25%
Deemed Exports	4,663.41	8.97%	9,011.56	16.00%
Domestic	14,154.23	27.23%	13,141.00	23.33%
Export Incentives	485.85	0.93%	236.02	0.42%
Total	51,987.43	100.00%	56,317.75	100.00%

Notes to the Standalone Financial Statements

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

46 Segment Information (Contd.)

b) Non Current Asset

Particulars	31st March , 2022	31st March , 2021
With in India	50,592.22	52,057.98
Outside India	-	-
Total	50,592.22	52,057.98

Note:

Non-current assets for this purpose consist of property, plant and equipment, capital work in progress, intangible assets, intangible assets under development and other non-current assets.

47 Interest in Other Entities:

Name of the entity	Place of Business/ Country of incorporation	Principal activity	Ownership Interest held by the Company		Ownership interest held by Non-Controlling interests	
			31 March 2022	31 March 2021	31 March 2022	31 March 2021
VKT Pharma Private Limited	India	Manufacture and sale of API and Formulations	36.55%	42.62%	63.45%	57.38%

48 Related Party Transactions

(a) Key Management Personnel(KMP)

Name	Relationship
Mr. Ramesh Babu Potluri	Chairman and Managing Director
Mr. Vamsi Krishna Potluri	Executive Director
Mr. T Lakshmi Narayana	Chief Financial Officer
Mr. V. Venkatish (upto 15.02.2022)	Company Secretary
Mr. T.Thirumalesh (from 16.02.2022)	Company Secretary

(b) List of Related Parties over which Control / Significant Influence exists with whom the company has transactions :

Relationship	Name of the Company
Associate Company	1. VKT Pharma Private Limited
Enterprises overwhich KMP are able to Exercise Significant Influence	1. SMS LifeSciences India Limited
	2. PixaLot Labs Private Limited
	3.Eswar Coal Movers

Notes to the Standalone Financial Statements

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

48 Related Party Transactions (Contd..)

(c) Transactions with Related Parties:

Particulars	31st March , 2022 Amount	31st March , 2021 Amount
Key Management Personnel		
Remuneration - Short Term Employee Benefits	794.13	900.01
Associate Company		
Purchases	9.47	-
Sales	2,853.31	3,122.63
Rental Income	25.43	24.78
Enterprise with Significant Influence		
Purchases	800.63	5,118.92
Sales	-	255.21
Rental Income	45.88	45.88
Balance (Payable)/Receivable at the year end		
Key Management Personnel		
Remuneration Payable	274.51	372.74
Associate Company	395.09	1,453.63
Associate Company	(9.46)	-
Enterprise with Significant Influence		
SMS Lifesciences India Ltd	(46.02)	(1,374.13)
Eshwar Coal Movers	(9.19)	-
Pixalot Labs Pvt Ltd	-	3.58

(d) Note:

- The above transactions are in the ordinary course of business and are at arm's length price.
- As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the Key Management Personnel and their relatives is not ascertainable and, therefore, not included above. Contribution to Provident Fund was also not included.

49 Contingent Liabilities

Particulars	31st March, 2022	31st March, 2021
Letter of credits opened in favor of suppliers for which goods are yet to be received	334.40	291.37
Customs Duty against Advance Authorizations	429.45	408.14
NRDC claim against DSIR assistance (Refer No.20.2.1)	46.30	-
Entry Tax Liability	1.75	1.75

Note: Provident Fund

Pursuant to Supreme Court Judgement dated 28 February 2019, regarding the provident fund contribution wherein there has been a clarification provided of the inclusions of basic wages for the purpose of computation of contribution towards provident fund, the Company has been legally advised that there are interpretative challenges on the application of the judgement retrospectively. Based on the legal advice and in the absence of reliable measurement of the provision for earlier periods, the Company has assessed the impact of the judgement only from the year ended March 31, 2019 and concluded that there was no impact. Further, no contingent liability has been recognised based on retrospective application as amount cannot be reliably measured.

Notes to the Standalone Financial Statements

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

50 Commitments

Particulars	31st March, 2022	31st March, 2021
Capital Commitments	898.51	418.95
Export Obligations	12,110.25	5,477.10

51 Payables to Micro, Small & Medium Enterprises

The Company has certain dues to suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The disclosures pursuant to the said MSMED Act are as follows:

Particulars	31st March, 2022	31st March, 2021
(i) the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	17.67	28.62
(ii) Interest on payments beyond the appointed day paid to the suppliers during the year	-	-
(iii) Interest due and payable for the delay in making payment to suppliers during the year	-	-
(iv) Amount of interest accrued and remaining unpaid to suppliers at the end of the year	-	0.85
(v) Amount of further interest remaining due and payable to suppliers in succeeding years	-	-

The above information regarding Micro Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the companies. This has been relied upon by the auditors.

52 Ratios

The following are analytical ratios for the year ended March 31, 2022 and March 31, 2021

Particulars	31st March, 2022	31st March, 2021	Variance	Numerator	Denominator	Reason
Current Ratio	1.92	1.58	21%	Current Assets	Current Liabilities	Increase was primarily on account of increase in Inventory
Debt-Equity Ratio	0.53	0.59	(10)%	Total Debt(1)	Shareholder's Equity	The improvement of Ratio is on account of increase shareholders funds
Debt Service Coverage Ratio	2.08	4.30	(52)%	Earnings available for Debt Service (2)	Debt Service(3)	Decrease was primarily on account of increase in the borrowings and decrease in profits.
Return on Equity(ROE)	14.76%	15.32%	(4)%	Net Profit after Taxes	Average Shareholder's Equity	Decrease was primarily on account of decrease in profits.
Inventory Turnover Ratio	2.67	4.22	(37)%	Revenue From Operations	Average Inventory	Decrease was primarily on account of increase in inventories and decrease in revenue.

Notes to the Standalone Financial Statements

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

Particulars	31st March, 2022	31st March, 2021	Variance	Numerator	Denominator	Reason
Trade Receivables Turnover Ratio	6.74	7.29	(8)%	Revenue From Operations	Average Receivables	Decrease was due to decrease in revenues
Trade Payables Turnover Ratio	5.61	6.35	(12)%	Purchases	Average Trade Payables	Decrease was on account of increase in average payables
Net Capital Turnover Ratio	2.88	4.94	(42)%	Revenue From Operations	Working Capital(4)	Decrease was primarily on account of increase in Working Capital and decrease in revenue
Net Profit Ratio	13.09%	10.83%	(21)%	Net Profit	Revenue From Operations	Improvement of of Ratio was primarily on account of defferred tax asset.
Return on Capital Employed(ROCE)	11.24%	12.76%	(12)%	Earnings befor Interest and Taxes(EBIT)	Capital Employed(5)	Decrease was on account of decrease in operatging profits.
Return on Investment(6)	N.A	N.A	-	Income generated from Investments	Investment	

- (1) Long-Term borrowings + Short-Term borrowings + Inter corporate loans + interest accrued
- (2) Net profit after tax + Non-operating cash exp like depreciation + Interest
- (3) Term loan Interest + Lease payments + Principal repayments
- (4) Current assets - current liabilities
- (5) Tangible networth + total debt including interest accrued +deferred tax liability-deferred tax assets
- (6) The Company is not having any market linked investments

53 Other statutory information

- i) The Company does not have any Benami property, where any proceeding has been initiated or pending against the Group for holding any Benami property.
- ii) The Company does not have any transactions with companies struck off.
- iii) The Company does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period.
- iv) The Company has not traded or invested in Crypto currency or Virtual Currency during the financial year.
- v) The Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority
- vi) The Company has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall
 - (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company (Ultimate Beneficiaries) or
 - (b) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries

Notes to the Standalone Financial Statements

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

- vii) The Company has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Group shall:
- (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or,
 - (b) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries
- viii) The Company has not any such transaction which is not recorded in the books of account that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961.

54 Impact of Covid-19 Pandemic

The Company considered the uncertainty relating to the COVID-19 pandemic in assessing the recoverability of its inventories, receivables and investments. As the company is into essential manufacturing service which is exempt from lockdown restrictions, there has been minimal impact in its operations and its supply chain. In this regard, the Company has considered internal and external information while finalizing various estimates in relation to its financial statements up to the date of approval by the Board of Directors and has not identified any material impact on the carrying value of assets, liabilities or provisions. As the outbreak continues to evolve, the Company will continue to closely monitor any material changes to future economic conditions.

55 Previous year figure have been regrouped and reclassified wherever considered necessary to confirm to this year's classifications.

The accompanying notes are integral part of the Standalone Financial Statements

as per our report of even date

for SURYANARAYANA & SURESH
Chartered Accountants
FRN 006631S

For and on behalf of the Board of the Directors of
SMS Pharmaceuticals Limited

V. NAGENDRA RAO

Partner
M.No. 227679

RAMESH BABU POTLURI

Chairman and Managing Director
DIN No : 00166381

VAMSI KRISHNA POTLURI

Executive Director
DIN No : 06956498

Place: Hyderabad
Date : 30-05-2022

T. LAKSHMI NARAYANA

Chief Financial Officer

T. THIRUMALES

Company Secretary
M.No.A35824

Independent Auditors' Report

To
The Board of Directors of
SMS Pharmaceuticals Limited

Report on the Audit of the Ind AS Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **SMS Pharmaceuticals Limited** (hereinafter referred to as "the holding Company") and its associate (Holding Company and its associate together referred to as "the Group") which comprise the consolidated balance sheet as at 31 March 2022, and the consolidated statement of profit and loss (including other comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013("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 consolidated state of affairs of the Group as at 31 March 2022, of its consolidated profit and other comprehensive income consolidated changes in equity and consolidated cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexure to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the consolidated financial statements, standalone financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Management's Responsibilities for the Consolidated Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the

preparation and presentation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated changes in equity and consolidated cash flows of the Group in accordance with the Ind AS and other accounting principles generally accepted in India. The respective Boards of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group 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, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Company, as aforesaid.

In preparing the consolidated financial statements, the respective Boards of Directors of the companies included in the Group are responsible for assessing the ability of the respective entities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Boards of Directors either intend to liquidate their respective entities or to cease operations, or have no realistic alternative but to do so.

The respective Boards of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

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

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

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

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

Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the consolidated financial

statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the consolidated financial statements.

We communicate with those charged with governance of the Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

(a) We did not audit the financial statements and other financial information, in respect of associate company, whose financial statements include total assets of ₹ 20022.44 lacs as at March 31, 2022, and total revenues of ₹ 4011.31 and net cash inflows of ₹ 8.99lacs for the year ended on that date. These financial statements and other financial information have been audited by other auditors, which financial statements, other financial information and auditor's reports have been furnished to us by the management. Our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of the associate, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid associate is based solely on the report(s) of such other auditors.

Our opinion above on the Consolidated Financial Statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with

respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
 - b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.
 - c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including Other Comprehensive Income, Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
 - d) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under section 133 of the Act.
 - e) On the basis of the written representations received from the directors of the Company as on March 31, 2022 taken on record by the Board of Directors of the Company and the reports of the statutory auditors of its associate company incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on March 31, 2022 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 and the operating effectiveness of such controls; refer to our separate Report in "Annexure A" which is based on the auditors' reports of the Company and its associate company incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting of those companies.
 - g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies(Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
- i) The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group.
 - ii) Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;
 - iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company and its associate company incorporated in India.
 - iv) (a) The respective Managements of the Company and its associate which are companies incorporated in India, whose financial statements have been audited under the Act, have represented to us that, to the best of their knowledge and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company or any of such associate to or in any other person or entity, including foreign entity ("Intermediaries"),with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company or any of such associate ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
 - (b) The respective Managements of the Company and its associate which are companies incorporated in India, whose financial statements have been audited under the Act, have represented to us that, to the best of their knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Company or any of such associate from any person or entity, including foreign entity ("Funding Parties"),with the understanding, whether recorded in writing or otherwise, that the Company or any of such associate shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
 - (c) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances performed by us on the Company and its associate which are companies incorporated in India whose financial statements have been audited under the Act, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.
 - v) The dividend declared are paid during the year by the Company is in compliance with section 123 of the Act.
2. With respect to the matters specified in paragraphs 3(xxi) and 4 of the Companies (Auditor's Report) Order, 2020 (the "Order"/"CARO") issued by the Central Government in terms of Section 143(11) of the Act, to be included in the Auditor's report, according to the information and explanations given to us, and based on the CARO reports issued by us for the Company and its associate included in the consolidated financial statements of the Company, to which reporting under CARO is applicable, we report that there are no qualifications or adverse remarks in these CARO reports.

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

V. Nagendra Rao
Partner

M.No.227679

UDIN: 22227679AJWLDD2689

Place: Hyderabad

Date: 30.05.2022

Annexure “A” to the Independent Auditor’s Report

(Referred to in paragraph 1(f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report to the Members of SMS Pharmaceuticals Limited of even date)

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

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2022, we have audited the internal financial controls over financial reporting of **SMS Pharmaceuticals Limited** (hereinafter referred to as the “Company”) and its associate company, which are companies incorporated in India, as of that date.

Management’s Responsibility for Internal Financial Controls

The respective Boards of Directors of the Company and its Associate company, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies 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 (the “ICAI”). 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 the respective 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 Act.

Auditor’s Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Company and its associate company, which are companies incorporated in India, 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”) issued by the Institute of Chartered Accountants of India (“ICAI”) and the Standards on Auditing, prescribed under Section 143(10) of the

Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 system 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 internal financial controls system over financial reporting of the Company and its associate company, which are companies incorporated in India.

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 and to the best of our information and according to the explanations given to us, the Company and its associate company, which are companies incorporated in India, have 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, 2022 based on the criteria for internal financial control over financial reporting established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

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

V. Nagendra Rao
Partner

Place: Hyderabad
Date: 30.05.2022

M.No.227679
UDIN: 22227679AJWLDD2689

Consolidated Balance Sheet

as at 31st March, 2022 (All amounts : Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	Note	As at 31st March, 2022	As at 31st March, 2021
I	ASSETS			
1	Non-Current Assets			
	(a) Property, Plant and Equipment	4	43,407.10	45,225.40
	(b) Capital Work-in-Progress	4	1,100.40	674.37
	(c) Right-of-use Assets	5A	255.03	350.67
	(d) Intangible Assets	6	137.01	160.24
	(e) Financial Assets:			
	(i) Investments	7	2,152.71	2,730.28
	(ii) Bank Balances	8	260.51	237.72
	(iii) Other Financial Assets	9	502.25	346.43
	(f) Other Non-Current Assets	10	430.05	563.28
	Total		48,245.06	50,288.39
2	Current Assets			
	(a) Inventories	11	25,109.75	13,778.73
	(b) Financial Assets			
	(i) Trade Receivables	12	4,851.93	10,567.98
	(ii) Cash and Cash Equivalents	13	4,658.28	4,042.31
	(iii) Bank Balances (Other than (ii) above)	14	7.73	8.67
	(iv) Other Financial Assets	15	27.57	36.16
	(c) Other Current Assets	16	2,604.95	2,199.98
	(d) Current Tax Asset (Net)	17	444.90	299.06
	Total		37,705.11	30,932.89
	TOTAL ASSETS		85,950.17	81,221.28
II	EQUITY AND LIABILITIES			
1	Equity:			
	(a) Equity Share Capital	18	846.52	846.52
	(b) Other Equity	19	46,182.34	40,206.28
	Total		47,028.86	41,052.80
2	LIABILITIES			
A	Non-Current Liabilities			
	(a) Financial Liabilities			
	(i) Borrowings	20	14,950.15	14,740.78
	(ii) Lease Liabilities	5B	211.44	315.47
	(b) Provisions	21	156.62	183.99
	(c) Deferred Tax Liabilities (Net)	22	3,955.07	5,385.30
	Total		19,273.28	20,625.54
B	Current Liabilities			
	(a) Financial Liabilities			
	(i) Borrowings	23	11,061.22	10,310.75
	(ii) Lease Liabilities	5B	104.04	90.88
	(iii) Trade Payables:	24		
	(a) Trade Payables - MSME		17.67	28.62
	(b) Trade Payables Other than MSME		7,268.11	6,515.40
	(iv) Other Financial Liabilities	25	675.53	1,695.59
	(b) Provisions	21	101.64	82.35
	(c) Other Current Liabilities	26	419.82	819.35
	Total		19,648.03	19,542.94
	TOTAL LIABILITIES		38,921.31	40,168.48
	TOTAL EQUITY AND LIABILITIES		85,950.17	81,221.28
	Summary of Significant Accounting Policies	3		

The accompanying notes are integral part of the Consolidated Financial Statements

as per our report of even date

for **SURYANARAYANA & SURESH**

Chartered Accountants

FRN 0066315

For and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

V. NAGENDRA RAO

Partner

M.No. 227679

RAMESH BABU POTLURI

Chairman and Managing Director

DIN No : 00166381

VAMSI KRISHNA POTLURI

Executive Director

DIN No : 06956498

Place: Hyderabad

Date : 30-05-2022

T. LAKSHMI NARAYANA

Chief Financial Officer

T. THIRUMALESH

Company Secretary

M.No.A35824

Consolidated Statement of Profit and Loss

for the Year ended 31st March, 2022 (All amounts : Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	Note	Current Year 2021-22	Previous Year 2020-21
1	Income			
	Revenue from Operations	27	51,987.43	56,317.75
	Other Income	28	519.77	345.29
	Total Income		52,507.20	56,663.04
2	Expenses			
	Cost of Materials Consumed	29	38,795.34	31,326.57
	Changes in Inventories	30	(11,250.47)	2,673.26
	Manufacturing Expenses	31	5,504.14	3,939.38
	Employee Benefits Expense	32	5,102.19	4,117.17
	Finance Cost	33	1,887.54	1,116.25
	Depreciation and Amortization Expense	34	3,215.25	2,228.16
	Other Expenses	35	2,403.30	2,150.27
	Total Expenses		45,657.29	47,551.06
3	Profit Before Tax (1-2)		6,849.91	9,111.98
4	Tax Expense	36		
	(a) Current Tax			
	(i) relating to Current Year		1,500.00	1,600.00
	(ii) relating to Earlier Year		(7.96)	4.63
	(b) Deferred Tax		(1,430.22)	1,410.89
			61.82	3,015.52
5	Profit for the Year (3-4)		6,788.09	6,096.46
6	Share of Profit/(Loss) in associate companies		(566.10)	156.23
7	Net Profit(5+6)		6,221.99	6,252.69
	Other Comprehensive Income / (Loss)			
	Items that will not be reclassified to Profit or Loss			
8	Remeasurement Gain/(Loss) of the defined benefit plans	37	5.25	(25.30)
9	Income Tax effect on the above		(1.32)	8.84
10	Share of Other Comprehensive Income in Associates		5.52	(9.44)
11	Share of Income Tax effect on the above in Associates		(1.44)	2.45
12	Other Comprehensive Income/(Loss) after Tax for the Year		8.01	(23.45)
13	Total Comprehensive Income/(Loss) for the Year		6,230.00	6,229.24
14	Earnings Per Share (Face Value of Re.1 each)	38		
	- Basic and Diluted		7.35	7.39
	Summary of Significant Accounting Policies	3		

The accompanying notes are integral part of the Consolidated Financial Statements

as per our report of even date

for **SURYANARAYANA & SURESH**

Chartered Accountants

FRN 006631S

For and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

V. NAGENDRA RAO

Partner

M.No. 227679

RAMESH BABU POTLURI

Chairman and Managing Director

DIN No : 00166381

VAMSI KRISHNA POTLURI

Executive Director

DIN No : 06956498

Place: Hyderabad

Date : 30-05-2022

T. LAKSHMI NARAYANA

Chief Financial Officer

T. THIRUMALES

Company Secretary

M.No.A35824

Consolidated Statement of Changes in Equity

for the Year Ended 31st March, 2022 (All amounts : Indian Rupees in Lakhs, unless otherwise stated)

a. Equity Share Capital

Particulars	As at 31st March, 2022		As at 31st March, 2021	
	Number of Shares	Amount	Number of Shares	Amount
As at the Beginning of the Year	8,46,52,030	846.52	8,46,52,030	846.52
Changes in Equity Share Capital	-	-	-	-
As at the End of the Year	8,46,52,030	846.52	8,46,52,030	846.52

b. Other Equity

Particulars	Reserves & Surplus				Total Other Equity
	Securities Premium	Capital Redemption Reserve	General Reserve	Retained Earnings	
Balance as at 01st April, 2020	6,981.84	155.00	7,304.28	19,535.93	33,977.05
Profit for the Year				6,096.46	6,096.46
Other Comprehensive Income for the year, net of Income Tax				(23.45)	(23.45)
Total Comprehensive Income for the Year	-	-	-	6,073.01	6,073.01
Others				156.23	156.23
Transfer to General Reserve			1,000.00	(1,000.00)	-
Balance as at 31st March, 2021	6,981.84	155.00	8,304.28	24,765.17	40,206.28
Balance as at 01st April, 2021	6,981.84	155.00	8,304.28	24,765.17	40,206.28
Profit for the Year				6,788.09	6,788.09
Other Comprehensive Income for the year, net of Income Tax				8.01	8.01
Total Comprehensive Income for the Year	-	-	-	6,796.10	6,796.10
Others				(566.10)	(566.10)
Transfer to General Reserve			1,000.00	(1,000.00)	-
Payment of dividends (including tax)				(253.95)	(253.95)
Balance as at 31st March, 2022	6,981.84	155.00	9,304.28	29,741.22	46,182.34

The accompanying notes are integral part of the Consolidated Financial Statements

as per our report of even date

for SURYANARAYANA & SURESH

Chartered Accountants

FRN 006631S

For and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

V. NAGENDRA RAO

Partner

M.No. 227679

RAMESH BABU POTLURI

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DIN No : 00166381

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DIN No : 06956498

Place: Hyderabad

Date : 30-05-2022

T. LAKSHMI NARAYANA

Chief Financial Officer

T. THIRUMALESH

Company Secretary

M.No.A35824

Consolidated Statement of Cash Flow

for the Year Ended 31st March, 2022 (All amounts : Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	For the year ended 31st March, 2022	For the year ended 31st March, 2021
A	Cash Flow from Operating Activities		
	Profit Before Tax	6,849.91	9,111.98
	Adjustments for:		
	Depreciation and Amortisation Expense	3,215.25	2,228.16
	Interest Income	(30.52)	(15.19)
	Allowance for Doubtful Debts	-	7.84
	Interest on Non Current Borrowings	1,378.90	543.78
	Provision for Employee Benefits	(4.15)	5.23
	Amortisation of Transaction Cost on Borrowings	19.08	6.23
	Profit on Sale of Assets	(0.57)	(1.02)
	Loss on Sale of Assets	0.37	0.80
	Adjustment for unrealised profits on unsold stock with associate company	15.56	-
	Operating Profit before Working Capital Changes	11,443.83	11,887.81
	Change in Operating Assets and Liabilities		
	(Increase)/Decrease in Trade Receivables	5,716.05	(5,698.75)
	(Increase)/Decrease in Inventories	(11,331.02)	(858.71)
	(Increase)/Decrease in Other Non Current Financial Assets	(155.81)	(14.48)
	(Increase)/Decrease in Other Non Current Asset	133.23	2,951.35
	(Increase)/Decrease in Other Current Financial Assets	8.59	(7.66)
	(Increase)/Decrease in Other Current Assets	(404.98)	576.83
	(Increase)/Decrease in Prepaid Taxes	(145.84)	11.30
	Increase/(Decrease) in Trade Payables	741.76	2,094.61
	Increase/(Decrease) in Other Current Liabilities	(490.40)	(292.33)
		(5,928.42)	(1,237.84)
	Cash generated from Operations	5,515.41	10,649.97
	Income Taxes Paid	(1,492.04)	(1,604.63)
	Net Cash Inflow from Operating Activities "A"	4,023.37	9,045.34
B	Cash flows from Investing Activities		
	Purchase of Property, Plant and Equipment	(2,724.74)	(15,174.90)
	Sale of Property, Plant and Equipment	1.71	13.31
	Margin Money Deposits	(19.83)	(16.62)
	Interest Received on Margin Money Deposit	27.56	18.98
	Net Cash Outflow from Investing Activities "B"	(2,715.30)	(15,159.23)

Consolidated Statement of Cash Flow

for the Year Ended 31st March, 2022 (All amounts : Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	For the year ended 31st March, 2022	For the year ended 31st March, 2021
C	Cash Flows from Financing Activities		
	Proceeds from Long Term Borrowings	4,518.99	10,572.84
	Repayment of Long Term Borrowings	(3,283.60)	(1,727.00)
	Proceeds from Short Term Borrowings	88.89	1,172.56
	Repayment of Short Term Borrowings	(383.53)	(202.23)
	Interest paid on Borrowings	(1,378.90)	(614.39)
	Dividend Paid to Company's Shareholders	(253.95)	-
	Net Cash Inflow (Outflow) from Financing Activities "C"	(692.10)	9,201.78
	Net Increase (Decrease) in Cash and Cash Equivalents (A+B+C)	615.97	3,087.89
	Cash and Cash Equivalents at the Beginning of the Financial Year(Refer Note 13)	4,042.31	954.42
	Cash and Cash Equivalents at End of the Year (Refer Note 13)	4,658.28	4,042.31

The accompanying notes are integral part of the Consolidated Financial Statements

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

as per our report of even date
for **SURYANARAYANA & SURESH**
Chartered Accountants
FRN 006631S

For and on behalf of the Board of the Directors of
SMS Pharmaceuticals Limited

V. NAGENDRA RAO
Partner
M.No. 227679

RAMESH BABU POTLURI
Chairman and Managing Director
DIN No : 00166381

VAMSII KRISHNA POTLURI
Executive Director
DIN No : 06956498

Place: Hyderabad
Date : 30-05-2022

T. LAKSHMI NARAYANA
Chief Financial Officer

T. THIRUMALESH
Company Secretary
M.No.A35824

Notes to Consolidated Financial Statements

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

1. Corporate Information:

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

2. Basis of preparation of Consolidated Financial Statements

2.1 Statement of Compliance

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

These Consolidated financial statements have been prepared by the Company as a going concern on the basis of relevant Ind AS that are effective at the Company's annual reporting date, 31st March, 2022. These Consolidated Financial Statements for the year ended 31st March, 2022 were authorized and approved for issue by the Board of Directors on 30th May, 2022.

3. Summary of Significant Accounting Policies:

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

3.1 Basis of Measurement

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

- Certain financial assets are measured either at fair value or at amortised cost depending on the classification.
- Employee defined benefit assets/(liability) are recognized as the net total of the fair value of plan assets, plus actuarial losses, less actuarial gains and the present value of the defined benefit obligation.
- Right-of use the assets are recognized at the present value of lease payments that are not paid at that date.
- Assets held for sale are measured at fair value less cost to sell.

3.2 Current and Non- Current Classification:

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

- An asset is treated as current when it satisfies the below mentioned criteria:
 - Expected to be realized or intended to be sold or consumed in normal operating cycle;
 - Held primarily for the purpose of trading;
 - Expected to be realized within twelve months after the reporting period, or
 - Cash or Cash Equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
- All Other Assets are classified as non-current.
- A liability is classified as current when it satisfies the below mentioned criteria:
 - Expected to settle the liability in normal operating cycle;
 - Held primarily for the purpose of trading;
 - Due to be settled within twelve months after the reporting period, or

Notes to Consolidated Financial Statements

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

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period
- (d) All Other liabilities are classified as non-current.
- (e) Deferred Tax Assets and Liabilities are classified as non-current assets and liabilities.
- (f) The Operating Cycle is the time between the acquisition of assets for processing and their realization in Cash and Cash Equivalents. The Company has identified Twelve months as its Operating Cycle.

3.3 Revenue Recognition:

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

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

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

The Company's revenue is derived from sale of goods, sale of services and income from licensing arrangements. Most of such revenue is generated from the sale of goods. Accounting policies relating to revenue for the periods are as follows:

(i) Revenue from Sale of Goods:

Revenue is recognized when the control of the goods has been transferred to a third party. This is usually when the title passes to the customer, either upon shipment or upon receipt of goods by the customer. At that point, the customer has full discretion over the channel and price to sell the products, and there

are no unfulfilled obligations that could affect the customer's acceptance of the product.

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

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

Presented below are the points of recognition of revenue with respect to the Company's sale of goods:

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

(ii) Revenue from Sale of Services:

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

Notes to Consolidated Financial Statements

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

(iii) Export incentives:

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

(iv) Dividend Income:

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

(v) Interest Income:

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

3.4 Foreign Currency Transactions:

i. Functional and Presentation Currency:

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

ii. Initial Recognition:

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

iii. Conversion on Reporting Date:

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

iv. Exchange Differences:

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

3.5 Property, Plant and Equipment:

(a) Recognition and Initial Measurement

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

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

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

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

Subsequent Costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow

Notes to Consolidated Financial Statements

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

to the Company. All other repair and maintenance costs are recognized in statement of profit or loss as incurred.

(b) Subsequent Measurement (Depreciation and Useful Lives)

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

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

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

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

(c) De-recognition

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

(d) Capital advances

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

(e) Capital work-in-progress

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

3.6 Intangible Assets:

(a) Recognition and Initial Measurement

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

(b) Subsequent measurement (amortization):

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

3.7 Leases:

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

Company as a lessee

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

i) Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use

Notes to Consolidated Financial Statements

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

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

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

ii) Lease Liabilities

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

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

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

The Company applies the short-term lease recognition exemption to its short-term leases of asset (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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

3.8 Inventories:

Raw material, packaging material, are carried at cost. Stores and spares are being charged to revenue as and when purchased. Cost includes purchase price excluding taxes those are subsequently recoverable by the company from the concerned authorities, freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. Cost of Raw Material, packaging material is determined using the weighted average cost method.

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

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

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

Notes to Consolidated Financial Statements

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

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

3.9 Cash and Cash Equivalents:

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

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

3.10 Trade Receivables:

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

3.11 FINANCIAL INSTRUMENTS

(a) Financial Assets

(i) Initial recognition and measurement

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

(ii) Subsequent measurement

a. Debt instruments –

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

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

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

b. Equity investments –

All equity investments in scope of Ind-AS 109 are measured at fair value. Equity instruments which are held for trading are generally classified as at fair value through profit and loss (FVTPL). For all other equity instruments, the Company decides to classify the same either as at fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL). The Company makes such election on an instrument by instrument basis. The classification is made on initial recognition and is irrevocable.

Investment in Associates, Subsidiaries and Joint Venture:

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

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

Notes to Consolidated Financial Statements

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

(iii) De-recognition of financial assets

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

(b) Financial liabilities

(i) Initial Recognition and Measurement

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

(ii) Subsequent Measurement

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

(iii) De-recognition of Financial Liabilities

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

(c) Financial Guarantee Contracts

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

(d) Offsetting of Financial Instruments

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

(e) Impairment of Financial Assets

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

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

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

(f) Trade Receivables

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

(g) Other Financial Assets

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

3.12 Impairment of Non-Financial Assets

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

Notes to Consolidated Financial Statements

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

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

3.13 Income Taxes:

Current Income Tax

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Provisions of Income Tax Act. Current tax includes taxes to be paid on the profit earned during the year and for the prior periods, if any.

Deferred Income Tax

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

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

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

Minimum alternate tax (MAT)

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The

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

Dividend Distribution Tax (DDT)

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

3.14 Segment Reporting:

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

3.15 Government Grants:

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

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

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

Notes to Consolidated Financial Statements

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

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

3.16 Borrowings:

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

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

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

3.17 Borrowing Cost

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

3.18 Provisions

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

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

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

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

3.19 Trade and other Payables:

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

3.20 Dividends

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

Notes to Consolidated Financial Statements

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

3.21 Equity:

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

3.22 Research and Development:

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

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

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

3.23 Post Employee Benefits:

(a) Defined Contribution Plan:

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

(b) Defined Benefit Plan:

The Company has gratuity as defined benefit plan where the amount that an employee will receive on retirement is defined by reference to the employee's

length of service and final salary. The liability recognized in the balance sheet for defined benefit plans as the present value of the defined benefit obligation (DBO) at the reporting date. Management estimates the DBO annually with the assistance of independent actuaries as per the requirements of IND AS 19 "Employee Benefits". Actuarial gains and losses resulting from re-measurement of the liability are included in other comprehensive income.

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

(c) Other Long-Term Employee Benefits

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

(d) Short-Term Employee Benefits

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

3.24 Earnings per Share:

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding

Notes to Consolidated Financial Statements

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

during the year. The weighted average number of equity shares outstanding during the year is adjusted for events including a bonus issue.

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

3.25 Contingent Liabilities and Commitments:

Where it is not probable that an outflow of economic resources will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statement of balance sheet and is disclosed as a contingent liability.

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

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

3.26 Exceptional Items

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

3.27 Fair Value Measurement

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use

when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

3.28 Estimates and Assumptions

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

(i) Recognition of Deferred Tax Assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilized.

Notes to Consolidated Financial Statements

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

In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

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

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

(iii) Evaluation of Indicators for Impairment of Assets:

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

(iv) Recoverability of Advances/Receivables:

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

(v) Useful lives of Depreciable/Amortizable Assets:

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

(vi) Defined Benefit Obligation (DBO):

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, medical cost trends, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

(vii) Fair Value Measurements:

Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available)

and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

(viii) Provisions:

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

3.29 Recent Accounting Pronouncements:

The Ministry of Corporate Affairs (MCA) notifies new standard or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On March 23, 2022, MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2022, applicable from April 1, 2022, as below:

Ind AS 103 – Reference to Conceptual Framework

The amendments specify that to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual Framework) issued by the Institute of Chartered Accountants of India at the acquisition date. These changes do not significantly change the requirements of Ind AS 103. The Company does not expect the amendment to have any significant impact in its financial statements.

Ind AS 16 – Proceeds before intended use

The amendments mainly prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss. The Company does not expect the amendments to have any impact in its recognition of its property, plant and equipment in its financial statements.

Notes to Consolidated Financial Statements

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

Ind AS 37 – Onerous Contracts - Costs of Fulfilling a Contract

The amendments specify that the “cost of fulfilling” a contract comprises the “costs that relate directly to the contract”. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts. The amendment is essentially a clarification and the Company does not expect the amendment to have any significant impact in its financial statements.

Ind AS 109 – Annual Improvements to Ind AS (2021)

The amendment clarifies which fees an entity includes when it applies the “10 percent” test of Ind AS 109 in assessing whether to derecognise a financial liability. The Company does not expect the amendment to have any significant impact in its financial statements.

Ind AS 116 – Annual Improvements to Ind AS (2021)

The amendments remove the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives were described in that illustration. The Company does not expect the amendment to have any significant impact in its financial statements.

3.30 Rounding of Amounts:

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

Notes to Consolidated Financial Statements

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

Note 4 : Property, Plant and Equipment

Particulars	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Year Ended 31st March, 2021	Land	Buildings	Plant & Machinery	Pollution Control Equipment	Data Processing Equipment	Furniture & Fixtures	Office Equipment	Vehicles	Others	Total	Capital Work-in-Progress
a	Gross Carrying Amount											
1	Opening Gross Carrying Amount	421.30	7,714.43	25,979.49	287.77	137.42	195.65	106.10	373.71	148.46	35,364.33	4,212.31
2	Additions	-	4,613.89	14,675.80	427.34	46.72	31.28	12.95	-	0.70	19,808.68	16,317.53
3	Disposals/Transfers	-	-	(30.80)	-	-	-	-	-	-	(30.80)	(19,855.47)
4	Closing Gross Carrying Amount as at 31st March, 2021 (1+2+3)	421.30	12,328.32	40,624.49	715.11	184.14	226.93	119.05	373.71	149.16	55,142.21	674.37
b	Accumulated Depreciation and Impairment											
5	Opening Accumulated Depreciation	-	1,105.40	6,294.10	74.35	72.43	54.23	32.61	182.14	30.11	7,845.37	-
6	Depreciation Charge during the Year	-	280.61	1,640.94	20.56	35.62	17.94	17.86	50.04	25.59	2,089.16	-
7	Disposals	-	-	(17.72)	-	-	-	-	-	-	(17.72)	-
8	Closing Accumulated Depreciation and Impairment as at 31st March, 2021 (5+6+7)	-	1,386.01	7,917.32	94.91	108.05	72.17	50.47	232.18	55.70	9,916.81	-
c	Net Carrying Amount as at 31st March, 2021 (4-8)	421.30	10,942.31	32,707.17	620.20	76.09	154.76	68.58	141.53	93.46	45,225.40	674.37
II	Year Ended 31st March, 2022											
a	Gross Carrying Amount											
1	Opening Gross Carrying Amount	421.30	12,328.32	40,624.49	715.11	184.14	226.93	119.05	373.71	149.16	55,142.21	674.37
2	Additions	-	676.39	507.24	-	11.80	11.80	6.27	14.74	3.59	1,231.83	1,626.07
3	Disposals/Transfers	-	-	(6.00)	-	-	-	-	-	-	(6.00)	(1,200.04)
4	Closing Gross Carrying Amount as at 31st March, 2022 (1+2+3)	421.30	13,004.71	41,125.73	715.11	195.94	238.73	125.32	388.45	152.75	56,368.04	1,100.40
b	Accumulated Depreciation and Impairment											
5	Opening Accumulated Depreciation	-	1,386.01	7,917.32	94.91	108.05	72.17	50.47	232.18	55.70	9,916.81	-
6	Depreciation Charge during the Year	-	431.28	2,422.63	39.25	38.33	20.67	20.90	49.89	25.66	3,048.61	-
7	Disposals	-	-	(4.48)	-	-	-	-	-	-	(4.48)	-
8	Closing Accumulated Depreciation and Impairment as at 31st March, 2022 (5+6+7)	-	1,817.29	10,335.47	134.16	146.38	92.84	71.37	282.07	81.36	12,960.94	-
c	Net Carrying Amount as at 31st March, 2022 (4-8)	421.30	11,187.42	30,790.26	580.95	49.56	145.89	53.95	106.38	71.39	43,407.10	1,100.40

Notes to Consolidated Financial Statements

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

Note 4 : Property, Plant and Equipment (Contd.)

Pledge on Property, Plant and Equipment :

4.1 i) Refer Note 50 for disclosure of contractual commitments for the acquisition of property, plant and equipment for an amount of ₹ 898.51 lakhs (31st March 2021 ₹ 418.95 lakhs)

ii) The company has participated in the e-auction conducted by State Bank of India (Bank) and become successful bidder for the property situated at Jubilee Hills, Hyderabad for a sum of ₹ 1055.00 Lakhs. The owner of the property has litigated with the Bank and filed case with Debt Recovery Tribunal (DRT), Hyderabad wherein the Company also impleaded and subsequently DRT has cancelled e-auction due to technical issue. Aggrieved by the order of DRT, the company has filed an appeal before the Hon'ble Debt Recovery Appellate Tribunal (DRAT), Kolkatta and dismissed the appeal on the grounds which DRT observed. Aggrieved by the DRAT order, the company has filed a Writ Petition before the Hon'ble High Court of Telangana and the Court has granted stay. The matter was partly heard and pending for final hearing.

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

4.3 Capital work-in-progress (CWIP) ageing Schedule :

Particulars	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
For the year ended March 31, 2022					
Projects in progress	1,065.40	-	-	35.00	1,100.40
Projects temporarily suspended	-	-	-	-	-

The amount of ₹ 35.00 Lakhs shown above under 'more than 3 years' category is the cost incurred towards purchase of software and the same was not yet installed.

Particulars	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
For the year ended March 31, 2021					
Projects in progress	-	-	-	674.37	674.37
Projects temporarily suspended	-	-	-	-	-

Notes to Consolidated Financial Statements

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

Note 5 Right of Use Assets and Lease Liability

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

5A Right of Use Assets

Following are the changes in the carrying value of right of use assets for the year ended March 31, 2022 and March 31,2021 :

Particulars	March 31,2022	March 31,2021
On account of adoption of Ind AS	541.95	541.95
Opening Balance	350.67	446.31
Depreciation	95.64	95.64
Closing Balance	255.03	350.67

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

5B Lease Liability

The following is the movement in lease liabilities during the year ended March 31,2022 and March 31,2021 :

Particulars	March 31,2022	March 31,2021
Opening Balance	406.35	477.99
Finance cost accrued during the year	41.72	50.76
Payment of lease liabilities	132.60	122.40
Closing Balance	315.48	406.35

The following is the breakup of current and non-current lease liabilities as at March 31,2022 and March 31,2021 :

Particulars	March 31,2022	March 31,2021
Non-current lease liabilities	211.44	315.47
Current lease liabilities	104.04	90.88
Total	315.48	406.35

The table below provides details regarding the contractual maturities of lease liabilities as at 31st March, 2022 on an undiscounted basis

Particulars	March 31,2022	March 31,2021
Less than one year	134.64	122.40
One to five years	232.25	377.09
More than five years	-	-
Total	366.89	499.49

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

Notes to Consolidated Financial Statements

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

Note 5 Right of Use Assets and Lease Liability (Contd.)

The Company has also taken lease for office premises in Vishakapatnam and the said lease is revocable by either of the parties with three months prior intimation. During the Year, the company has paid lease rental of ₹ 4.45 lakhs (Previous Year ₹ 5.49lakhs).

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

5.1 Operating Lease Commitments - Company as Lessor :

The Company has given on Lease of its part premises in R & D Gagilapur for an amount of ₹ 0.61lakhs per month on lease to an associate company . The company has also given for sub lease of part of its corporate office building to related parties. The Company has recognized income for total amount of ₹ 60.43 lakhs (Previous Year ₹ 59.88 lakhs) under the head of other income.

Note 6: Intangible Assets

Particulars	Computer Software	Patents	Total
(1)	(2)	(3)	(4)
I Year Ended 31st March, 2021			
a Gross Carrying Amount			
1 Opening Gross Carrying Amount as at 01st April, 2020	67.77	103.28	171.05
2 Additions	0.61	119.74	120.35
3 Closing Gross Carrying Amount as at 31st March, 2021 (1+2)	68.38	223.02	291.40
b Accumulated Amortisation and Impairment			
4 Opening Accumulated Amortisation as at 01st April, 2020	47.39	40.40	87.79
5 Amortisation Charge during the year	9.28	34.09	43.37
6 Closing Accumulated Amortisation and Impairment as at 31st March, 2021 (4+5)	56.67	74.49	131.16
c Closing Net Carrying Amount as at 31st March, 2021 (3-6)	11.71	148.53	160.24
II Year Ended 31st March, 2022			
a Gross Carrying Amount			
1 Opening Gross Carrying Amount as at 01st April, 2021	68.38	223.02	291.40
2 Additions	4.60	43.17	47.77
3 Closing Gross Carrying Amount as at 31st March, 2022 (1+2)	72.98	266.19	339.17
b Accumulated Amortisation and Impairment			
4 Opening Accumulated Amortisation as at 01st April, 2021	56.67	74.49	131.16
5 Amortisation Charge during the year	5.97	65.03	71.00
6 Closing Accumulated Amortisation and Impairment as at 31st March, 2022 (4+5)	62.64	139.52	202.16
c Closing Net Carrying Amount as at 31st March, 2022 (3-6)	10.34	126.67	137.01

Notes to Consolidated Financial Statements

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

Non Current Financial Assets - Unsecured, Considered good

7 Non-Current Investments

Particulars	As at 31st March, 2022		As at 31st March, 2021	
	No. of Shares	Amount	No. of Shares	Amount
(Unquoted, carried at cost)				
Investment in Associates (fully paid up)				
Equity Shares of ₹10/- each in M/s. VKT Pharma Private Limited	3,850,165	2,152.71	3,850,165	2,730.28
Total		2,152.71		2,730.28
Aggregate amount of unquoted investments		2,152.71		2,730.28
Aggregate amount of quoted investments and market value thereof		-		-
Aggregate amount of impairment in the value of investment		-		-

7.1 As on 31st March 2022, the Company is holding 36.55 % (31st March, 2021 42.62%) of the total Paid up Equity Capital of the said Associate Company. During the reporting period Associate company has issued fresh equity to outsiders which resulted in dilution of our shareholding to 36.55% from 42.62%.

8 Bank Balances

Particulars	As at 31st March, 2022	As at 31st March, 2021
Margin Money Deposits	260.51	237.72
Total	260.51	237.72

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

9 Other Non-Current Financial Assets

Particulars	As at 31st March, 2022	As at 31st March, 2021
Security Deposits	502.25	346.43
Total	502.25	346.43

10 Other Non-Current Assets

Particulars	As at 31st March, 2022	As at 31st March, 2021
Capital Advances	430.05	563.28
Total	430.05	563.28

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

Notes to Consolidated Financial Statements

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

11 Inventories

Particulars	As at 31st March, 2022	As at 31st March, 2021
(Cost or Net Realisable Value, whichever is lower and as valued and certified by the management)		
Raw Materials	6,998.15	6,966.81
Stock-in-Process	11,894.55	2,341.42
Finished Goods	6,142.38	4,445.03
Coal & Fuel	74.67	25.47
Total	25,109.75	13,778.73

11.1 Raw materials includes stock in transit of ₹ 916.06 lakhs (31st March, 2021 NIL)

11.2 Finished Goods includes stock in transit of ₹ 248.25 lakhs (31st March, 2021 ₹ 1,912.58 lakhs)

12 Trade Receivables

Particulars	As at 31st March, 2022	As at 31st March, 2021
Current - Unsecured		
(i) Considered Good	4,851.93	10,567.98
(ii) Credit Impaired	10.49	10.49
	4,862.42	10,578.47
Less: Allowance for Credit Impaired	10.49	10.49
Total	4,851.93	10,567.98

12.1 The Company has computed the expected credit loss allowance for doubtful trade receivables as on 31st March 2021 on the basis of age analysis on assumption of expected credit loss of 5% on outstanding receivables of more than 180days.

12.2 During the reporting period the company has not provided doubtful debts by considering the track record of receivables and continued the existing provision on doubtful debts

12.3 Trade Receivables includes an amount of ₹ 395.09 lakhs (31st March, 2021 ₹ 1,453.63 lakhs) receivable from VKT Pharma Pvt Ltd and ₹ Nil balance (31st March 2021 ₹ 3.58 lakhs) receivable from Pixalet labs Pvt Ltd who are related parties (Refer Note.48)

Movement in the expected credit loss allowance

Particulars	As at 31st March, 2022	As at 31st March, 2021
Balance at the beginning of the year	10.49	2.65
Movement in expected credit loss allowance on trade receivables	-	7.84
Balance at the end of the year	10.49	10.49

Notes to Consolidated Financial Statements

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

12 Trade Receivables (Contd.)

Trade Receivables ageing schedule for the year ended March 31, 2022:

Particulars	Not Due	Outstanding from due date of payment					Total
		Less than 6 months	6 months - 1 year	1- 2 years	2-3 years	More than 3 years	
i) Undisputed Trade receivables -considered good	3,183.27	1,594.37	53.85	20.44	-	-	4,851.93
ii) Undisputed Trade receivables - which have significant increase in credit risk	-	-	-	-	-	-	-
iii) Undisputed Trade receivables - credit impaired	-	-	7.60	2.89	-	-	10.49
iv) Disputed Trade receivables	-	-	-	-	-	-	-
Total	3,183.27	1,594.37	61.45	23.33	-	-	4,862.42

Trade Receivables ageing schedule for the year ended March 31, 2021:

Particulars	Not Due	Outstanding from due date of payment					Total
		Less than 6 months	6 months - 1 year	1- 2 years	2-3 years	More than 3 years	
i) Undisputed Trade receivables -considered good	4,557.66	5,810.98	68.18	131.16	-	-	10,567.98
ii) Undisputed Trade receivables - which have significant increase in credit risk	-	-	-	-	-	-	-
iii) Undisputed Trade receivables - credit impaired	-	-	3.59	6.90	-	-	10.49
iv) Disputed Trade receivables	-	-	-	-	-	-	-
Total	4,557.66	5,810.98	71.77	138.06	-	-	10,578.47

13 Cash and Cash Equivalents

Particulars	As at 31st March, 2022	As at 31st March, 2021
(i) Balances with Banks		
- in Current Accounts	3,381.81	2,096.56
- in Deposit Accounts (Maturity less than one year)	1,200.00	1,750.00
- in EEFC account	69.63	187.28
(ii) Cash on Hand	6.84	8.47
Total	4,658.28	4,042.31

Notes to Consolidated Financial Statements

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

14 Bank Balances Other than Cash and Cash Equivalents

Particulars	As at 31st March, 2022	As at 31st March, 2021
Balances in Unclaimed Dividend Accounts	7.73	8.67
Total	7.73	8.67

15 Other Current Financial Assets

Particulars	As at 31st March, 2022	As at 31st March, 2021
(unsecured, considered good)		
Export Incentive Receivable	27.57	36.16
Total	27.57	36.16

16 Other Current Assets

Particulars	As at 31st March, 2022	As at 31st March, 2021
(unsecured, considered good)		
GST Receivable	1,514.56	1,647.82
Prepaid Expenses	330.74	221.78
Interest Receivable	1.49	10.84
Advances to Suppliers	433.99	257.21
Export Incentives Receivable (MEIS)	279.09	1.82
Other Advances and Receivables	45.08	60.50
Total	2,604.95	2,199.98

17 Current Tax Assets (Net)

	444.90	299.06
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17.1 Current Tax Assets/(Liabilities)

Particulars	As at 31st March, 2022	As at 31st March, 2021
Advance Income Tax	1,872.02	1,850.16
TDS /TCS Receivable	72.88	48.90
Less: Provision for Income Tax	1,500.00	1,600.00
Total	444.90	299.06

Notes to Consolidated Financial Statements

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

18 Equity Share Capital

Particulars	As at 31st March, 2022		As at 31st March, 2021	
	Number of Shares	Amount	Number of Shares	Amount
Authorised Share Capital				
Equity Shares of Re. 1/- each	12,00,00,000	1,200.00	12,00,00,000	1,200.00
Issued, Subscribed and Fully Paid Up				
Equity Shares of Re. 1/- each	8,46,52,030	846.52	8,46,52,030	846.52
Total	8,46,52,030	846.52	8,46,52,030	846.52

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

Particulars	As at 31st March, 2022		As at 31st March, 2021	
	Number of Shares	Amount	Number of Shares	Amount
Equity Shares				
At the Beginning of the Year	8,46,52,030	846.52	8,46,52,030	846.52
Add: Issued/(Reduced) during the Year	-	-	-	-
At the End of the Year	8,46,52,030	846.52	8,46,52,030	846.52

18.2 Rights attached to Equity Shares

The Company has only one class of equity shares having face value of Re. 1 per share. The Company declares and pays dividends in Indian rupees. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. Every holder of equity shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

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

Particulars	As at 31st March, 2022		As at 31st March, 2021	
	Number of Shares	% holding	Number of Shares	% holding
Ramesh Babu Potluri	1,55,53,060	18.37%	1,55,53,060	18.37%
Hima Bindu Potluri	1,47,88,840	17.47%	1,47,88,840	17.47%
Vamsi Krishna Potluri	1,33,28,370	15.74%	1,33,28,370	15.74%
Potluri Infra Projects LLP	73,46,420	8.68%	73,46,420	8.68%

Notes to Consolidated Financial Statements

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

18 Equity Share Capital (Contd.)

18.4 Details of shares held by the promoters of the Company:

Equity Shares held by promoters as at March 31, 2022 and March 31, 2021

Particulars	March 31, 2022			March 31, 2021		
	No. of shares	% of total shares	% Change during the year	No. of shares	% of total shares	% Change during the year
Ramesh Babu Potluri	1,55,53,060	18.37%	-	1,55,53,060	18.37%	7.21%
Hima Bindu Potluri	1,47,88,840	17.47%	-	1,47,88,840	17.47%	10.38%
Vamsi Krishna Potluri	1,33,28,370	15.74%	-	1,33,28,370	15.74%	177.06%
Potluri Infra Projects LLP	73,46,420	8.68%	-	73,46,420	8.68%	23.06%
Trilok Potluri	21,88,000	2.58%	52.86%	14,31,340	1.69%	-
Sudeepthi Gopineedi	13,45,000	1.59%	-	13,45,000	1.59%	(23.14%)
Venkata Praveen Talluri	12,95,340	1.53%	-	12,95,340	1.53%	-
Potluri Laboratories Private Limited	11,20,320	1.32%	-	11,20,320	1.32%	382.02%
Sathya Vani Potluri	-	-	(100.00%)	7,56,660	0.89%	-

18.5 Distributions made and proposed

Particulars	Current year 2021-22	Previous year 2020-21
Cash dividends on equity shares declared and paid:		
Interim/final dividend for the financial year 2020-21 : Re.0.30 per Share	253.95	-
Dividend distribution tax on interim/final dividend	-	-
Total	253.95	-
Proposed dividends on equity shares:		
Dividend for the FY 2021-22* : Re.0.30 per Share	253.95	-
Dividend Distribution Tax on Proposed Dividend	-	-
Total	253.95	-

*The Board of Directors of the Company in their meeting held on 30th May 2022 has recommended the dividend for distribution to equity shareholders of Re. 0.30 per each equity share (face value Re.1/-) for the financial year 2021-22.

Proposed dividend on equity shares are subject to approval at the Annual General Meeting, hence, the company has not recognised it as a liability as at March 31, 2022.

19 Other Equity

Particulars	As at 31st March, 2022	As at 31st March, 2021
Reserves and Surplus		
Securities Premium	6,981.84	6,981.84
Capital Redemption Reserve	155.00	155.00
General Reserve	9,304.28	8,304.28
Retained Earnings	29,741.22	24,765.17
Total	46,182.34	40,206.28

Notes to Consolidated Financial Statements

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

19 Other Equity (Contd.)

19.1 Securities Premium Reserve

Particulars	As at 31st March, 2022	As at 31st March, 2021
Opening Balance	6,981.84	6,981.84
Adjustments	-	-
Closing Balance	6,981.84	6,981.84

19.2 Capital Redemption Reserve

Particulars	31 March 2022	31 March 2021
Opening Balance	155.00	155.00
Adjustments	-	-
Closing Balance	155.00	155.00

19.3 General Reserve

Particulars	31 March 2022	31 March 2021
Opening Balance	8,304.28	7,304.28
Transferred from Statement of Profit & Loss	1,000.00	1,000.00
Closing Balance	9,304.28	8,304.28

19.4 Retained Earnings

Particulars	31 March 2022	31 March 2021
(a) Opening Balance	24,765.17	19,535.93
(b) Net Profit for the Year	6,788.09	6,096.46
(c) Transferred to General Reserve	(1,000.00)	(1,000.00)
(d) Dividends (Including Tax)	(253.95)	-
(e) Accumulated Share of Profit/(Loss) in Associates	(566.10)	156.23
(f) Items of Other Comprehensive Income		
Remeasurement Gain/(Loss) of the defined benefit plans	8.01	(23.45)
Closing Balance	29,741.22	24,765.17

19.5 Nature and Purpose of Reserves

(a) Securities Premium Reserve:

Securities Premium Reserve is to record the premium on issue of shares. The reserve will be utilised in accordance with the provisions of the Companies Act 2013.

(b) Capital Redemption Reserve:

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

Notes to Consolidated Financial Statements

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

19 Other Equity (Contd.)

19.5 Nature and Purpose of Reserves

(c) General Reserve:

Though mandatory transfer to General Reserve is not required under the Companies Act, 2013, the Company generally appropriates a portion of its earnings to the general reserve to be used for contingencies. These reserves are freely available to shareholders and not earmarked for any specific uses.

(d) Retained Earnings:

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

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

Re-measurements of defined benefit plans (Refer Note 39)

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

Financial Liabilities

20 Non Current Borrowings

20.1 Secured (Refer Note.20.1.1)

Particulars	As at 31st March, 2022	As at 31st March, 2021
Term Loans from Banks		
(a) IDBI Bank Ltd	-	1,700.00
(b) Export Import Bank of India (Loan-1)	722.18	1,220.77
(c) Export Import Bank of India (Loan-2)	4,459.73	5,342.79
(d) State Bank of India	3,421.52	4,095.36
(e) RBL Bank Ltd. (WCTL GECL)	847.52	1,106.46
(f) IDBI Bank Ltd. (WCTL GECL-1)	860.20	1,155.40
(g) IDBI Bank Ltd. (WCTL GECL-2)	590.00	-
(h) Export Import Bank of India (GECL)	1,609.00	-
(i) State Bank of India (GECL)	2,320.00	-
Sub Total	14,830.15	14,620.78

20.2 Unsecured(Refer Note.20.2.1)

Particulars	As at 31st March, 2022	As at 31st March, 2021
DSIR Assistance	120.00	120.00
Total	14,950.15	14,740.78

Notes to Consolidated Financial Statements

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

20 Non Current Borrowings (Contd.)

20.3 Current Maturities of Non Current Borrowings

Particulars	As at 31st March, 2022	As at 31st March, 2021
Secured		
Term Loans from Banks		
(i) IDBI Bank Ltd	1,697.57	1,742.75
(ii) Export Import Bank of India (Loan-1)	425.00	100.00
(iii) Export Import Bank of India (Loan-2)	887.25	754.00
(iv) State Bankd of India	682.50	580.00
(v) RBL Bank Ltd. (WCTL GECL)	282.48	23.54
(vi) IDBI Bank Ltd. (WCTL GECL-1)	295.20	24.60
Total	4,270.00	3,224.89
Amount disclosed under the head "Current Borrowings"	(4,270.00)	(3,224.89)
Total	-	-

20.1.1 Security Terms

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

20.1.2 Rate of Interest :

Name of the Bank	Rate of Interest
Term Loans	
IDBI Bank Ltd. (Converted into FCNRB Loan with fully hedged and taken total cost)	7.24%
Export Import Bank of India (Exim MCLR (Y)+ 1.50% p.a)	7.20%
State Bankd of India (Converted FCNB with fully hedged)	7.29%
Long Term Working Capital Loan	
Export Import Bank of India (Exim MCLR (Y) +160 basis points)	7.50%
RBL Bank Ltd. (1M MCLR)	7.85%
IDBI Bank Ltd. GECL1 (MCLR+0.15% p.a. effective 7.95%)	7.95%
IDBI Bank Ltd. GECL2 (MCLR+0.15% p.a. effective 7.75%)	7.75%
State Bankd of India GECL (MCLR (6M)+0.70% p.a. effective 7.65%)	7.65%
Export Import Bank of India GECL (LTMLR Minus 40 basis points p.a. effective 7.65%)	7.65%

Notes to Consolidated Financial Statements

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

20 Non Current Borrowings (Contd.)

20.1.3 Terms of Repayment

- (a) The loan availed from IDBI Bank amounting to ₹ 7500 lakhs for funding the Expansion Project of Kandivalasa unit. The loan is repayable in 24 Structured Quarterly Installments commencing from December, 2016, as mentioned below.

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

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

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

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

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

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

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

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

Notes to Consolidated Financial Statements

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

20 Non Current Borrowings (Contd.)

20.1.3 Terms of Repayment

- (e) The WCTL under GECL availed from IDBI Bank amounting ₹ 1,180 lakhs is to be repaid in 47 monthly equal principal repayment of ₹ 24.60 Lakhs and 48th monthly instalment of ₹ 23.80 lakhs after moratorium period of one year i.e. March 2022 onwards.
- (f) The WCTL under GECL2 availed from IDBI Bank amounting ₹ 590 lakhs is to be repaid in 47 monthly equal principal repayment of ₹ 12.30 Lakhs and 48th monthly instalment of ₹ 11.90 lakhs after moratorium period of two years i.e. December 2023 onwards.
- (g) The WCTL under GECL availed from RBL Bank amounting ₹ 1,130 lakhs is to be repaid in 47 monthly equal principal repayment of ₹ 23.54 Lakhs and 48th monthly instalment of ₹ 23.62 lakhs after moratorium period of one year i.e. April 2022 onwards.
- (h) The WCTL under GECL availed from SBI amounting ₹ 2,320 lakhs is to be repaid in 48 equal monthly installments commencing after a moratorium of 2 years from the date of first disbursement i.e. March 2024.
- (i) The WCTL under GECL availed from Exim Bank amounting ₹ 1,609 lakhs is to be repaid in 48 equal monthly installments commencing after a moratorium of 2 years from the date of first disbursement i.e. April 2024.

20.1.4 The Company has used the borrowings for the purposes for which it was taken.

20.1.5 The quarterly returns of current assets filed by the Company with banks are in agreement with books of account

20.2.1 Financial Assistance received from Department of Scientific and Industrial Research (DSIR) of ₹ 120.00 Lakhs (previous year ₹ 120.00 Lakhs) sanctioned under PATSER Scheme of Technology Promotion Development and Utilization (TPDU) Programme 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. The Company has executed agreements with DSIR, NRDC, IICT Hyderabad, IICT Guwahati under the said programme.

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. The Company has not yet commenced the commercial operations of the said products.

However, NRDC has filed an application before the Honourable High Court of Delhi at New Delhi for appointment of an Arbitral Tribunal and the Court referred the disputes to the Delhi International Arbitration Centre (DIAC), which would appoint an arbitrator to resolve the disputes. The Company has not yet received any communication from DIAC.

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

Particulars	31st March, 2022	31st March, 2021
Opening Borrowings	14,740.78	6,822.10
Add: Opening Current Maturities	3,224.89	2,291.50
Add: Amortisation of Transaction Cost	19.08	6.23
Add: Received during the year	4,518.99	10,572.84
Less: Paid during the year	(3,283.60)	(1,727.00)
Closing Borrowings	19,220.15	17,965.67
Less: Closing Current Maturities	4,270.00	3,224.89
Non Current Borrowings as per Balance Sheet	14,950.15	14,740.78

Notes to Consolidated Financial Statements

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

21 Provisions

Particulars	As at 31st March, 2022	As at 31st March, 2021
Provision for Employee Benefit Obligations		
Non Current		
Gratuity	99.37	125.81
Leave Encashment	57.25	58.18
Sub Total	156.62	183.99
Current		
Gratuity	61.83	52.28
Leave Encashment	39.81	30.07
Sub Total	101.64	82.35
Total		
Gratuity	161.20	178.09
Leave Encashment	97.06	88.25
Grand Total	258.26	266.34

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

22 Deferred Tax Liabilities (net)

The Balance Comprises Temporary Differences Attributable to:

Particulars	As at 31st March, 2022	As at 31st March, 2021
(a) Deferred Tax Liability		
(i) Property, Plant and Equipment	4,215.91	5,897.26
(ii) Others	77.59	25.28
Total	4,293.50	5,922.54
(b) Deferred Tax Asset		
(i) Expenses allowable on the basis of Payment	71.63	99.41
(ii) MAT Credit Entitlement	-	295.36
(iii) Other items giving raise to temporary differences	266.80	142.47
Total	338.43	537.24
Net Deferred Tax Liabilities (a) - (b)	3,955.07	5,385.30

(c) Movement in Deferred Tax Liabilities

Particulars	Property, Plant and Equipment	Other Items	Total
As at 31st March, 2020	5,308.14	41.37	5,349.51
Charged/(Credited)	589.12	(16.08)	573.04
As at 31st March, 2021	5,897.26	25.29	5,922.55
Charged/(Credited)	(1,681.35)	52.30	(1,629.05)
As at 31st March, 2022	4,215.91	77.59	4,293.50

Notes to Consolidated Financial Statements

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

22 Deferred Tax Liabilities (net) (Contd.)

(d) Movement in Deferred Tax Assets

Particulars	Expenses allowable on payment basis	MAT Credit	Other Items	Total
As at 31st March, 2020	94.35	1,147.06	133.69	1,375.10
Charged/(Credited)	5.06	(851.70)	8.78	(837.86)
As at 31st March, 2021	99.41	295.36	142.47	537.24
Charged/(Credited)	(27.78)	(295.36)	124.33	(198.81)
As at 31st March, 2022	71.63	0.00	266.80	338.43

23 Current Borrowings

Particulars	As at 31st March, 2022	As at 31st March, 2021
Secured		
Working Capital Loans from Banks		
- State Bank of India	4,011.68	4,395.22
- RBL Bank Ltd	1,200.00	1,200.00
- IDBI Bank Ltd	1,579.54	1,490.64
Total	6,791.22	7,085.86
Current Maturities of Long-Term Debt	4,270.00	3,224.89
Total	11,061.22	10,310.75

23.1 Security Terms

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

23.2 Rate of Interest is as follows:

Name of the Bank	Rate of Interest
State Bank of India	
Cash Credit	7.90%
Export Packing Credit	7.50%
Stand by Loan	7.50%
IDBI Bank Limited - WCDL	7.45%
RBL Bank - WCDL	6.45%

Notes to Consolidated Financial Statements

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

23 Current Borrowings

23.3 Terms of Repayment: The above working capital facilities are available for one year and renew thereafter. Repayment on demand.

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

23.5 The Company has used the borrowings for the purposes for which it was taken.

23.6 The quarterly returns of current assets filed by the Company with banks are in agreement with books of account

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

Particulars	31st March, 2022	31st March, 2021
Opening Borrowings	7,085.86	6,115.52
Add: Received during the year	88.89	1,172.57
Less: Paid during the year	(383.53)	(202.23)
Closing Borrowings	6,791.22	7,085.86

24 Trade Payables

Particulars	As at 31st March, 2022	As at 31st March, 2021
(a) Creditor for Supply of Materials		
(i) Due to Micro and Small Enterprises	17.67	28.62
(ii) Due to Related Parties	64.67	1,374.13
(iii) Others	6,416.89	4,092.67
(b) Creditors for Expenses	786.55	1,048.60
Total	7,285.78	6,544.02

24.1 Trade Payables includes an amount of ₹ 46.02 lakhs (31st March 2021 Rs 1,374.13 lakhs) payable to SMS Lifesciences India Limited, Rs 9.19 lakhs (31st March 2021 Nil balance) payable to Eshwar Coal Movers and ₹ 9.46 lakhs (31st March 2021 Nil balance) payable to VKT Pharma Pvt Ltd who are related parties(Refer Note 48) .

24.2 Trade Payables ageing schedule for the year ended March 31, 2022

Particulars	Outstanding from due date of payment					Total
	Not Due	Less than 1 year	1- 2 years	2-3 years	More than 3 years	
i) MSME	17.67	-	-	-	-	17.67
ii) Others	3,902.09	2,560.80	1.92	2.13	14.62	6,481.56
iii) Disputed dues - MSME & others	-	-	-	-	-	-
Total	3,919.76	2,560.80	1.92	2.13	14.62	6,499.23

Notes to Consolidated Financial Statements

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

24 Trade Payables (Contd.)

Trade Payables ageing schedule for the year ended March 31, 2021

Particulars	Outstanding from due date of payment					Total
	Not Due	Less than 1 year	1- 2 years	2-3 years	More than 3 years	
i) MSME	28.62	-	-	-	-	28.62
ii) Others	4,363.00	1,053.27	3.67	8.54	38.32	5,466.80
iii) Disputed dues - MSME & others	-	-	-	-	-	-
Total	4,391.62	1,053.27	3.67	8.54	38.32	5,495.42

25 Other Financial Liabilities

Particulars	As at 31st March, 2022	As at 31st March, 2021
Current		
Capital Creditors	667.80	1,686.92
Unclaimed Dividend	7.73	8.67
Total	675.53	1,695.59

26 Other Current Liabilities

Particulars	As at 31st March, 2022	As at 31st March, 2021
Statutory Liabilities	268.09	335.21
Advance from Customers	125.40	466.00
Employee Benefits Payable	26.33	18.14
Total	419.82	819.35

27 Revenue from Operations

Particulars	Current year 2021-22	Previous year 2020-21
(a) Sale of Products		
Gross Sales (including GST)	54,124.25	58,190.01
Less: Goods and Service Tax	3,405.58	4,425.57
Net Revenue from Sales	50,718.67	53,764.44
(b) Income from Services		
(i) Conversion Charges	923.83	1,960.97
Less: Goods and Service Tax	140.92	299.13
Net Conversion Charges	782.91	1,661.84
(ii) Sale of Services	-	773.43
Less: Goods and Service Tax	-	117.98
Net Revenue from Sale of Services	-	655.45
Net Revenue from Services	782.91	2,317.29
(c) Other Operating Income		
Export Incentives	485.85	236.02
Total Net Revenue from Operations (a+b+c)	51,987.43	56,317.75

Notes to Consolidated Financial Statements

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

28 Other Income

Particulars	As at 31st March, 2022	As at 31st March, 2021
(i) Interest Income	55.96	31.44
(ii) Net Gain on Foreign Exchange	257.95	57.05
(iii) Miscellaneous Income (Net of GST)	205.86	256.80
Total	519.77	345.29

28.1 Miscellaneous Income includes Rent received from related parties of ₹ 60.43 lakhs (Previous year ₹ 59.88 lakhs)

29 Cost of Materials Consumed

Particulars	As at 31st March, 2022	As at 31st March, 2021
Raw Material & Packing Material		
Stock at the Beginning of the Year	6,966.81	3,400.91
Add: Purchases	38,811.12	34,892.47
Add: Unrealised Profit in Associate Company Sales	15.56	-
Less: Stock at the End of the Year	6,998.15	6,966.81
Total Materials Consumed	38,795.34	31,326.57

30 Changes in Inventory

Particulars	Current year 2021-22	Previous year 2020-21
(a) Opening Stock of Inventory:		
Finished Goods	4,445.03	5,068.02
Stock in Process	2,341.42	4,391.69
Sub Total (a)	6,786.45	9,459.71
(b) Closing Stock of Inventory:		
Finished Goods	6,142.37	4,445.03
Stock in Process	11,894.55	2,341.42
Sub Total (b)	18,036.92	6,786.45
(Increase)/Decrease in Stock (a-b)	(11,250.47)	2,673.26

31 Manufacturing Expenses

Particulars	Current year 2021-22	Previous year 2020-21
Power and Fuel	3,243.65	2,317.94
Consumable Stores	680.96	537.12
Testing Charges	45.87	79.41
Water Charges	14.10	13.41
Repairs & Maintenance to Buildings	130.40	67.48
Repairs & Maintenance to Plant & Machinery	1,172.11	736.77
Factory Maintenance	147.22	129.56
Effluent Treatment Charges	69.83	57.69
Total	5,504.14	3,939.38

Notes to Consolidated Financial Statements

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

32 Employee Benefit Expense

Particulars	Current year 2021-22	Previous year 2020-21
Salaries, Wages and Bonus	4,462.06	3,634.12
Contribution to Provident Fund	291.42	234.12
Contribution to ESI	22.36	22.06
Staff Welfare Expenses	326.35	226.87
Total	5,102.19	4,117.17

33 Finance Cost

Particulars	Current year 2021-22	Previous year 2020-21
Interest on Non Current Borrowings	1,378.90	543.78
Interest on Current Borrowings	350.00	427.16
Interest on Others	16.19	1.07
Interest on Lease Liability	41.72	50.76
Bank Charges	100.73	93.48
Total	1,887.54	1,116.25

34 Depreciation and Amortisation Expenses

Particulars	Current year 2021-22	Previous year 2020-21
Depreciation of Property, Plant and Equipment	3,048.61	2,089.15
Amortisation of Right-of-use Assets	95.64	95.64
Amortisation of Intangible Assets	71.00	43.37
Total	3,215.25	2,228.16

35 Other Expenses

Particulars	Current year 2021-22	Previous year 2020-21
Rent	9.39	10.43
Rates and Taxes	73.71	56.49
Insurance	248.73	181.24
Directors Remuneration	763.27	858.55
Travelling and Conveyance	16.60	6.30
Communication Expenses	13.83	12.13
Printing and Stationery	71.59	56.58
Repairs & Maintenance to Other Assets	16.29	11.32
Vehicle Maintenance	24.16	20.05
Payments to Auditors	16.00	11.00
Cost Audit Fee	0.75	0.75
Professional & Consultancy	135.64	96.57

Notes to Consolidated Financial Statements

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

35 Other Expenses (Contd.)

Particulars	Current year 2021-22	Previous year 2020-21
General Expenses	79.81	108.92
Corporate Social Responsibility	166.20	116.48
Provision for Doubtful Debts	-	7.84
Interest on Indirect Taxes	28.85	2.61
Loss on Sale of Assets	0.37	0.80
Business Promotion Expenses	39.98	21.75
Royalty Paid	309.59	-
Regulatory Fee	86.43	83.19
Carriage Outward	183.86	252.88
Sales Commission	118.25	234.39
Total	2,403.30	2,150.27

35.1 Details of Payments to Auditors

Particulars	Current year 2021-22	Previous year 2020-21
Audit Fee	14.00	11.00
Certification Fee	2.00	-
Total Payments to Auditors	16.00	11.00

35.2 Corporate Social Responsibility Expenditure

As per requirement of the Companies Act, 2013, gross amount required to be spent by the Company during the year is ₹ 136.12 Lakhs (March 31, 2021 ₹ 115.64 Lakhs)

CSR Activities	for the year ended 31st March, 2022		
	In Cash	Yet to be paid in Cash	Total
(i) Construction/Acquisition of an Asset	89.73	-	89.73
(ii) For other than (i) above	76.47	-	76.47
	(116.48)	-	(116.48)

Amounts in bracket indicate previous year numbers

There is no shortfall at the end of March 31, 2022 and March 31, 2021 in terms of amount required to be spent by the company.

Notes to Consolidated Financial Statements

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

36 Income Tax Expense

Particulars	Current year 2021-22	Previous year 2020-21
Current Tax		
Current tax on profits for the year	1,500.00	1,600.00
Adjustments for current tax of prior periods	(7.96)	4.63
Total Current Tax	1,492.04	1,604.63
Deferred Tax		
Increase/(Decrease) in Deferred Tax Liabilities	(1,629.03)	573.03
Decrease/(Increase) in Deferred Tax Assets	198.81	837.86
Total Deferred Tax Expense/(Benefit)	(1,430.22)	1,410.89
Total	61.82	3,015.52

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

Particulars	Current Year 2021-22	Previous Year 2020-21
(a) Profit before Income Tax Expenses	6,849.91	9,111.98
(b) Enacted Tax Rate in India	25.168%	34.944%
(c) Expected Tax Expenses (a)x(b)	1,723.99	3,184.09
(d) Tax Effect on Permanent Difference:		
Weighted Deduction under section 35(2AB) under the Income Tax Act, 1961	-	(73.00)
Re-measurement of deferred tax assets and liabilities due to change in tax rate	(1,681.35)	-
Expenses not deductible under Income Tax Act	(217.84)	(81.12)
Other Adjustments	(50.38)	(19.08)
MAT Credit Entitlement for earlier years	295.36	-
Adjustment of Current Tax of Prior Periods	(7.96)	4.63
Total Adjustments	(1,662.17)	(168.57)
Current Tax Expense as per P & L	61.82	3,015.52

The Company elected to exercise the option permitted under section 115BAA of the Income-tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Company has recognised provision for income tax for the year ended March 31, 2022 and remeasured its deferred tax liabilities basis the rates prescribed in the said section.

37 Other Comprehensive Income

Particulars	Current year 2021-22	Previous year 2020-21
Actuarial Gain/(Loss) on Post Employment Benefit Expenses	3.61	(21.96)
Return on Plan Assets excluding net interest	1.64	(3.34)
	5.25	(25.30)
Deferred Taxes on above	(1.32)	8.84
Net Comprehensive Income	3.93	(16.46)

Notes to Consolidated Financial Statements

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

38 Earning Per Share (Basic and Diluted)

Particulars	Current year 2021-22	Previous year 2020-21
(a) Net profit for Basic & Diluted EPS	6,221.99	6,252.69
(b) Weighted average number of equity shares of Re.1/- each (Basic & Diluted)	846.52	846.52
(c) Earnings per share of par value Re 1/- per share -(Basic & diluted)	7.35	7.39

39 Employment Benefits

39.1 Defined Contribution plans

39.1.1 Employer's Contribution to Provident Fund:

Contributions are made to provident fund in India for employees at the rate of 12% of the Employees qualifying salary as per regulations. The contributions are made to registered provident fund administered by the Government of India. The obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the year towards PF contribution is ₹ 291.42 lakhs (Previous Year- ₹ 234.12 lakhs).

39.1.2 Employer's Contribution to State Insurance Scheme:

Contributions are made to State Insurance Scheme in India for employees at the rate of 4.75%. The Contributions are made to Employees State Insurance Corporation(ESI) to the respective State Governments of the Company's location. This Corporation is administered by the Government and the obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards ESI contribution is ₹ 22.36 lakhs(Previous Year- ₹ 22.06 lakhs).

39.2 Defined Benefit Plans

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

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

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

39.2.1 Net Employee Benefit Expense

Particulars	31st March, 2022		31st March, 2021	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
(Recognised in Employee Benefit Expenses)				
Current Service Cost	50.72	27.88	41.13	24.18
Interest Cost	10.71	4.98	9.67	4.53
Contribution paid	(77.85)	-	(61.65)	(4.13)
	(16.42)	32.86	(10.85)	24.58

Notes to Consolidated Financial Statements

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

39 Employment Benefits (Contd.)

39.2.2 Other Comprehensive Income

Particulars	31st March, 2022		31st March, 2021	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Actuarial Gain/(Loss)	(3.61)	(24.04)	21.96	(17.37)
Return on Plan Assets excluding net interest	(1.64)	-	3.34	-
Total Actuarial (Gain)/Loss recognized in OCI	(5.25)	(24.04)	25.30	(17.37)

39.2.3 Amount recognised in the Balance Sheet

Particulars	31st March, 2022		31st March, 2021	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Defined Benefit Obligation	484.70	97.06	411.48	88.25
Fair Value of Plan Assets	(323.50)	-	(233.39)	-
	161.20	97.06	178.09	88.25

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

39.2.5 Change in the Present Value of the Defined Benefit Obligation

Particulars	31st March, 2022		31st March, 2021	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Opening Defined Benefit Obligation	411.48	88.25	349.91	81.04
Current Service Cost	50.72	27.88	41.13	24.18
Interest Cost	26.21	4.98	22.00	4.53
Contribution Paid	-	-	-	(4.13)
Benefits Paid	(0.10)	-	(23.51)	-
Net Actuarial (gain)/ losses on Obligation for the year recognised under OCI "	(3.61)	(24.05)	21.95	(17.37)
Closing Defined Benefit Obligation	484.70	97.06	411.48	88.25

Notes to Consolidated Financial Statements

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

39 Employment Benefits (Contd.)

39.2.6 Change in the Fair Value of Plan Assets

Particulars	31st March, 2022		31st March, 2021	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Opening Fair Value of Plan Assets	233.39	-	186.26	-
Adjustment to Opening Fair Value of Plan Asset	(4.77)	-	-	-
Return on Plan Assets Excluding Interest Income	1.64	-	(3.34)	-
Interest Income	15.49	-	12.33	-
Contribution paid	77.85	-	61.65	-
Benefits Paid	(0.10)	-	(23.51)	-
Closing Fair Value of Plan Assets	323.50	-	233.39	-

39.2.7 Actuarial (Gain)/Loss on Obligation

Particulars	31st March, 2022		31st March, 2021	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Due to Financial Assumption	(25.68)	-	(1.57)	-
Due to Experience	22.07	-	23.52	-
Total Actuarial (Gain)/Loss	(3.61)	-	21.95	-

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

Particulars	31st March, 2022	31st March, 2021
State Govt Security	160.81	138.24
Central Govt Securities	60.75	51.13
NCD/Bonds	73.31	31.11
Others	28.63	12.91
Total	323.50	233.39

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

Notes to Consolidated Financial Statements

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

39 Employment Benefits (Contd.)

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

Particulars	31st March, 2022	31st March, 2021
Discount rate	7.37%	6.80%
Attrition Rate	PS : 0 to 40 : 2%	PS : 0 to 40 : 2%
Expected rate of increase in Salary	3.00%	3.00%
Mortality Table	IALM (2012-14)	IALM (2012-14)
Expected average remaining working lives of Employees	18.60	19.14

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

39.2.10 Sensitivity Analysis

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

Particulars	31st March, 2022	31st March, 2021
Defined Benefit Obligation	161.20	178.09
Effect of 1% change in assumed discount rate on defined benefit obligation		
Increase : +1%	444.58	375.15
Decrease: -1%	531.27	453.95
Effect of 1% change in assumed salary escalation rate on defined benefit obligation		
Increase : +1%	527.19	452.32
Decrease: -1%	447.04	375.81

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

Notes to Consolidated Financial Statements

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

39 Employment Benefits (Contd.)

39.2.11 Other Information

(i) Expected rate of return basis

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

(ii) Description of Plan Assets and Reimbursement Conditions

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

(iii) Discount Rate

The discount rate has increased from 6.80% to 7.37% and hence there is a increase in liability leading to actuarial gain due to change in discount rate.

(iv) Present Value of Defined Benefit Obligation:

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

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

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

(vi) Current and Non Current Liability:

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

(vii) Defined Benefit Liability and Employer Contributions

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

The Weighted Average duration of the defined benefit obligation is 10.39 years(2020-21 : 10.96 years). The expected cash flows over the subsequent years is as follows:

Notes to Consolidated Financial Statements

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

39 Employment Benefits (Contd.)

Expected Payout Gratuity	31st March, 2022	31st March, 2021
1st Year	61.84	59.28
2nd Year	17.66	12.94
3rd Year	27.92	14.69
4th Year	16.80	24.43
5th Year	29.31	13.96
beyond 5th Year	265.73	174.87

39.2.12 Risk Exposure

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

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

40 Assets Pledged as Security

For Non Current Borrowings

Secured by First Charge on Property, Plant and Equipment and Second Charge on Current Assets.

For Current Borrowings

Secured by First Charge on Current Assets and Second Charge on PPE (Property, Plant and Equipment).

The carrying amounts of Company's assets pledged as security for Non Current and Current Borrowings of ₹ 25,891.37 Lakhs (Previous year ₹ 24,931.53 Lakhs) are as follows:

Particulars	31st March, 2022	31st March, 2021
Property, Plant and Equipment	43,407.10	45,225.40
Current Assets	37,705.11	30,932.89
Total Assets Pledged as Security	81,112.21	76,158.29

Notes to Consolidated Financial Statements

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

41 Research and Development

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

Particulars	31st March, 2022	31st March, 2021
Salaries & Wages	442.26	402.88
Materials Consumed	100.49	95.54
Repairs and Maintenance	172.03	136.06
Power and Fuel	67.23	62.32
Testing and analysis charges	6.72	7.33
Rates and Taxes	6.80	7.36
Insurance	5.89	4.50
General Expenses	37.92	18.85
Total	839.34	734.84

41.2 Details of Property, Plant and Equipment:

Particulars	Buildings	Plant and Equipment	Furniture and Fixtures	Computers	Vehicles	Patents Filing Fee	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Gross Carrying Value							
1 As at 31 March, 2020	942.62	2,119.57	23.43	50.48	9.10	9.94	3,155.14
2 Additions	0.84	204.92	0.54	2.36	-	0.24	208.90
3 As at 31 March, 2021 (1+2)	943.46	2,324.49	23.97	52.84	9.10	10.18	3,364.04
4 Additions	3.71	14.79	1.81	1.96	-	0.04	22.31
5 As at 31 March, 2022 (3+4)	947.17	2,339.28	25.78	54.80	9.10	10.22	3,386.35
Depreciation							
6 As at 31 March, 2020	149.57	492.14	4.68	18.02	4.16	4.20	672.77
7 Charge for the Year	39.42	177.64	1.90	13.26	1.08	1.70	235.00
8 As at 31 March, 2021 (6+7)	188.99	669.78	6.58	31.28	5.24	5.90	907.77
9 Charge for the Year	39.44	195.08	1.93	11.56	1.08	1.62	250.71
10 As at 31 March, 2022 (8+9)	228.43	864.86	8.51	42.84	6.32	7.52	1,158.48
Net Carrying Value							
11 As at 31 March, 2020 (1-6)	793.05	1,627.43	18.75	32.46	4.94	5.74	2,482.37
12 As at 31 March, 2021(3-8)	754.47	1,654.71	17.39	21.56	3.86	4.28	2,456.27
13 As at 31 March, 2022(5-10)	718.74	1,474.42	17.27	11.96	2.78	2.70	2,227.87

Notes to Consolidated Financial Statements

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

Financial Instruments and Risk Management

42 Categories of Financial Instruments

Particulars	Note	Level	As at 31st March, 2022		AS AT 31st March, 2021	
			Carrying Value	Fair Value	Carrying Value	Fair Value
A. Financial Assets						
(a) Measured at Amortised Cost						
(i) Non Current						
(a) Bank Balances	8	3	260.51	260.51	237.72	237.72
(b) Other Financial Assets	9	3	502.25	502.25	346.43	346.43
Sub - Total			762.76	762.76	584.15	584.15
(ii) Current						
(a) Trade Receivables	12	Refer	4,851.93	4,851.93	10,567.98	10,567.98
(b) Cash and Cash Equivalents	13	Note	4,658.28	4,658.28	4,042.31	4,042.31
(c) Other Bank Balances	14	42.2	7.73	7.73	8.67	8.67
(d) Other Financial Assets	15		27.57	27.57	36.16	36.16
Sub - Total			9,545.51	9,545.51	14,655.12	14,655.12
Total Financial Assets			10,308.27	10,308.27	15,239.27	15,239.27
B. Financial Liabilities						
(a) Measured at Amortised Cost						
(i) Non Current						
(a) Borrowings	20	3	14,950.15	14,950.15	14,740.78	14,740.78
(ii) Current						
(a) Borrowings	23	Refer	11,061.22	11,061.22	10,310.75	10,310.75
(b) Trade Payables	24	Note	7,285.78	7,285.78	6,544.02	6,544.02
(c) Other Financial Liabilities	25	42.2	675.53	675.53	1,695.59	1,695.59
Sub - Total			19,022.53	19,022.53	18,550.36	18,550.36
Total Financial Liabilities			33,972.68	33,972.68	33,291.14	33,291.14

- 42.1 The Company's principal financial liabilities, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations.
- 42.2 The carrying amounts of trade payables, other financial liabilities, cash and cash equivalents, other bank balances, trade receivables and other financial assets are considered to be the same as their fair values due to their short term nature.
- 42.3 The management has assessed that fair value of borrowings approximate to their carrying amounts largely since they are carried at floating rate of interest.
- 42.4 Other non current financial assets consists of deposits with Government authorities where the fair value is considered to be the carrying value.

Notes to Consolidated Financial Statements

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

43 Fair Value Measurements

43.1 Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows

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

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data rely as little as possible on entry specific estimates.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

43.2 Valuation Techniques used to determine fair value:

Specific Valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of remaining financial instruments is determined using discounted cashflow analysis.

43.3 Valuation Process:

The Finance and accounts department of the Company performs the valuation of financial assets and liabilities required for financial reporting purposes, and report to the Board of Directors. The main Level 3 inputs are derived using the Discounted Cash Flow Analysis, Market Approach, Net Assets Value Method as applicable.

44 Financial Risk Management Objectives and Policies

Financial Risk Management Framework

The Company is exposed primarily to credit risk, liquidity risk and market risk (fluctuations in foreign currency exchange rates and interest rate), which may adversely impact the fair value of its financial instruments. The Company assesses the unpredictability of the financial environment and seeks to mitigate potential adverse effects on the financial performance of the Company.

44.1 Credit Risk:

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk encompasses of both, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration of risks. Credit risk is controlled by analysing credit limits and creditworthiness of customers on a continuous basis to whom the credit has been granted after obtaining necessary approvals for credit. Financial instruments that are subject to concentrations of credit risk principally consist of trade receivables, cash and cash equivalents, bank deposits and other financial assets. None of the financial instruments of the Company result in Material Concentration of credit risk, except for Trade Receivables.

Financial Instruments and Cash Deposits

For banks and financial institutions, only high rated banks/ institutions are accepted. Other Financial Assets (excluding Bank Deposits) majorly constitute deposits given to State Electricity Departments for supply of power, which the company considers to have negligible credit exposure. Counterparty credit limits are reviewed by the Management on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

Notes to Consolidated Financial Statements

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

44 Financial Risk Management Objectives and Policies (Contd.)

Expected Credit Loss for Trade Receivables under simplified approach

For Trade Receivables, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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

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

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

Particulars	31st March, 2022	31st March, 2021
Gross Carrying Amount	4,862.42	10,578.47
Expected Credit Losses (Loss allowance Provision)	10.49	10.49
Net Carrying Amount of Trade Receivables	4,851.93	10,567.98

Expected Credit Loss for Trade Receivables under simplified approach:

Particulars	Outstanding		Total
	for < 180 days	for > 180 days	
Gross Carrying Amount of Trade Receivables	4,777.64	84.78	4,862.42
Expected Loss Rate	-	12.38%	12.38%
Expected Credit Losses (Loss allowance provision)	-	10.49	10.49
Net Carrying Amount of Trade Receivables	4,777.64	74.30	4,851.93

44.2 Liquidity Risk:

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

Notes to Consolidated Financial Statements

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

44 Financial Risk Management Objectives and Policies (Contd.)

Particulars	Upto 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	Total
31 March, 2022					
Non Current Borrowings (including Current Maturities)	4,270.00	7,598.28	6,139.29	1,212.58	19,220.15
Current Borrowings	6,791.22				6,791.22
Trade Payables	7,285.78				7,285.78
Capital Creditors	667.80				667.80
Total	19,014.80	7,598.28	6,139.29	1,212.58	33,964.95
31 March, 2021					
Non Current Borrowings (including Current Maturities)	3,182.14	10,584.55	4,078.98	120.00	17,965.67
Current Borrowings	7,085.86				7,085.86
Trade Payables	6,544.02				6,544.02
Capital Creditors	1,686.92				1,686.92
Total	18,498.94	10,584.55	4,078.98	120.00	33,282.47

44.3 Market Risk:

Market risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market prices. Market prices comprise three types of risk, currency rate risk, interest rate risk and other price risks such as equity risk. Financial instruments affected by market risk include loans and advances deposits investments in debt securities mutual funds and other equity funds.

44.3.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of change in market interest rates. In order to optimize the Company's position with regards to interest income and interest expenses and to manage the interest rate risk, treasury performs a comprehensive corporate interest risk management by balancing the proportion of fixed rate and floating rate financial instruments in its portfolio.

Particulars	Change in basis points		Effect on Profit before Tax	
	Increase	Decrease	Decrease	Increase
31 March, 2022	0.50%	0.50%	(130.06)	130.06
31 March, 2021	0.50%	0.50%	(125.26)	125.26

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

Notes to Consolidated Financial Statements

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

44 Financial Risk Management Objectives and Policies (Contd.)

44.3.2 Foreign Currency Exchange Rate Risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Company has transactional currency exposures arising from services provided or availed that are denominated in a currency other than the functional currency. The foreign currencies in which these transactions are denominated are mainly in US Dollars (\$). The Company's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

(a) Details of Unhedged Foreign Currency Exposure:

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under:

Particulars	Currency	Amount in Foreign Currency	Amount in ₹ In Lakhs	Conversion Rate
31st March, 2022				
Trade Receivables	USD	21.43	1,611.59	75.20
	EURO	0.192	15.79	82.40
Trade Payables	USD	21.03	1,617.24	76.90
Advance from Customers	USD	1.62	121.99	75.20
Advance to Suppliers	USD	3.04	233.93	76.90
31st March, 2021				
Trade Receivables	USD	51.85	3,712.37	71.60
Trade Payables	USD	16.94	1,242.57	73.35
Advance from Customers	USD	6.11	437.15	71.60
Advance to Suppliers	USD	0.05	3.46	73.35

(b) Foreign Currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rate, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including foreign currency derivatives. The Company's exposure to foreign currency changes for all other currencies is not material.

Particulars	Effect on Profit before Tax	
	31st March, 2022 ₹	31st March, 2021 ₹
USD Sensitivity		
Rs/USD - Increases by 1%	1.06	20.51
Rs/USD - Decreases by 1%	(1.06)	(20.51)

44.3.3 Other Price Risk:

Other price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

Notes to Consolidated Financial Statements

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

45 Capital Management

For the purposes of the Company's Capital Management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure in consideration to the changes in economic conditions and the requirements of the financial covenants. The Company monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Company intends to keep the gearing ratio less than 1. The Company includes within net debt, borrowings including interest accrued on borrowings less cash and short term deposits.

Particulars	31st March, 2022	31st March, 2021
Borrowings including Interest Accrued (Note 20 & 23)	26,011.37	25,051.53
Less: Cash and Short Term Deposits (Note 13)	4,658.28	4,042.31
Net Debt	21,353.09	21,009.22
Equity	846.52	846.52
Other Equity	46,182.34	40,206.29
Total Equity	47,028.86	41,052.81
Total Capital	68,381.95	62,062.03
Gearing Ratio (Net Debt/(Net Debt +Total Equity))	0.31	0.34

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current year

46 Segment Information

A Basis for segmentation

The operations of the Company are limited to one segment viz. Pharmaceutical products including ingredients and intermediaries. The products being sold under this segment are of similar nature and comprises of pharmaceutical products only. The Chairman & Managing Director has been identified as Chief Operating Decision Maker(CODM). CODM reviews the internal management reports prepared based on aggregation of financial information of the Company on a periodic basis, for the purpose of allocation of resources and evaluation of performance. Accordingly, management has identified pharmaceutical segment as the only operating segment for the Company

B Segment information for secondary segment reporting (by geographical segment)

The Company is engaged in the manufacture of Pharmaceuticals, which in the context of Ind AS 108 is considered only business segment.

The Company has reportable geographical segments based on location of its customers:

- (i) Revenue from customers within India – Domestic
- (ii) Revenue from customers outside India – Exports
- (iii) Revenue from customers - EOUs – Deemed Exports
- (iv) Revenue from Export Incentives

Notes to Consolidated Financial Statements

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

46 Segment Information (Contd.)

- a) Revenues are attributed to geographical areas based on the location of the customers as detailed below:

Particulars	Current Year 2021-22		Previous Year 2020-21	
	Revenue	%	Revenue	%
Exports	32,683.94	62.87%	33,929.17	60.25%
Deemed Exports	4,663.41	8.97%	9,011.56	16.00%
Domestic	14,154.23	27.23%	13,141.00	23.33%
Export Incentives	485.85	0.93%	236.02	0.42%
Total	51,987.43	100.00%	56,317.75	100.00%

- b) Non Current Asset

Particulars	31st March, 2022	31st March, 2021
With in India	48,245.06	50,288.39
Outside India	-	-
Total	48,245.06	50,288.39

Note:

Non-current assets for this purpose consist of property, plant and equipment, capital work in progress, intangible assets, intangible assets under development and other non-current assets.

47 Interest in Other Entities:

Name of the entity	Place of Business/ Country of incorporation	Principal activity	Ownership Interest held by the Company		Ownership interest held by Non-Controlling interests	
			31 March, 2022	31 March, 2021	31 March, 2022	31 March, 2021
VKT Pharma Private Limited	India	Manufacture and sale of API and Formulations	36.55%	42.62%	63.45%	57.38%

48 Related Party Transactions

(a) Key Management Personnel(KMP)

Name	Relationship
Mr. Ramesh Babu Potluri	Chairman and Managing Director
Mr. Vamsi Krishna Potluri	Executive Director
Mr. T Lakshmi Narayana	Chief Financial Officer
Mr. V. Venkatish (upto 15.02.2022)	Company Secretary
Mr. T.Thirumalesh (from 16.02.2022)	Company Secretary

Notes to Consolidated Financial Statements

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

48 Related Party Transactions (Contd.)

(b) List of Related Parties over which Control / Significant Influence exists with whom the company has transactions :

Relationship	Name of the Company
Associate Company	1. VKT Pharma Private Limited
Enterprises over which KMP are able to Exercise Significant Influence	1. SMS LifeSciences India Limited
	2. Pixalot Labs Private Limited
	3. Eswar Coal Movers

(c) Transactions with Related Parties:

Particulars	31st March, 2022 Amount	31st March, 2021 Amount
Key Management Personnel		
Remuneration - Short Term Employee Benefits	794.13	900.01
Associate Company		
Purchases	9.47	-
Sales	2,853.31	3,122.63
Rental Income	25.43	24.78
Enterprise with Significant Influence		
Purchases	800.63	5,118.92
Sales	-	255.21
Rental Income	45.88	45.88
Balance (Payable)/Receivable at the year end		
Key Management Personnel		
Remuneration Payable	274.51	372.74
Associate Company	395.09	1,453.63
Associate Company	(9.46)	-
Enterprise with Significant Influence		
SMS Lifesciences India Ltd	(46.02)	(1,374.13)
Eshwar Coal Movers	(9.19)	-
Pixalot Labs Pvt Ltd	-	3.58

(d) Note:

- The above transactions are in the ordinary course of business and are at arm's length price.
- As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the Key Management Personnel and their relatives is not ascertainable and, therefore, not included above. Contribution to Provident Fund was also not included.

Notes to Consolidated Financial Statements

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

49 Contingent Liabilities

Particulars	31st March, 2022	31st March, 2021
Letter of credits opened in favor of suppliers for which goods are yet to be received	334.40	291.37
Customs Duty against Advance Authorizations	429.45	408.14
NRDC claim against DSIR assistance (Refer No.20.2.1)	46.30	-
Entry Tax Liability	1.75	1.75

Note: Provident Fund

Pursuant to Supreme Court Judgement dated 28 February 2019, regarding the provident fund contribution wherein there has been a clarification provided of the inclusions of basic wages for the purpose of computation of contribution towards provident fund, the Company has been legally advised that there are interpretative challenges on the application of the judgement retrospectively. Based on the legal advice and in the absence of reliable measurement of the provision for earlier periods, the Company has assessed the impact of the judgement only from the year ended March 31, 2019 and concluded that there was no impact. Further, no contingent liability has been recognised based on retrospective application as amount cannot be reliably measured.

50 Commitments

Particulars	31st March, 2022	31st March, 2021
Capital Commitments	898.51	418.95
Export Obligations	12,110.25	5,477.10

51 Payables to Micro, Small & Medium Enterprises

The Company has certain dues to suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The disclosures pursuant to the said MSMED Act are as follows:

Particulars	31st March, 2022	31st March, 2021
(i) the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	17.67	28.62
(ii) Interest on payments beyond the appointed day paid to the suppliers during the year	-	-
(iii) Interest due and payable for the delay in making payment to suppliers during the year	-	-
(iv) Amount of interest accrued and remaining unpaid to suppliers at the end of the year	-	0.85
(v) Amount of further interest remaining due and payable to suppliers in succeeding years	-	-

The above information regarding Micro Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the companies. This has been relied upon by the auditors.

Notes to Consolidated Financial Statements

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

52 Ratios

The following are analytical ratios for the year ended March 31, 2022 and March 31, 2021

Particulars	31st March, 2022	31st March, 2021	Variance	Numerator	Denominator	Reason
Current Ratio	1.92	1.58	21%	Current Assets	Current Liabilities	Increase was primarily on account of increase in Inventory
Debt-Equity Ratio	0.55	0.61	(9%)	Total Debt(1)	Shareholder's Equity	The improvement of Ratio is on account of increase shareholders funds
Debt Service Coverage Ratio	1.96	4.36	(55%)	Earnings available for Debt Service (2)	Debt Service(3)	Decrease was primarily on account of increase in the borrowings and decrease in profits.
Return on Equity (ROE)	14.13%	16.07%	(12%)	Net Profit after Taxes	Average Shareholder's Equity	Decrease was primarily on account of decrease in profits.
Inventory Turnover Ratio	2.67	4.22	(37%)	Revenue From Operations	Average Inventory	Decrease was primarily on account of increase in inventories and decrease in revenue.
Trade Receivables Turnover Ratio	6.74	7.29	(8%)	Revenue From Operations	Average Receivables	Decrease was due to decrease in revenues
Trade Payables Turnover Ratio	5.61	6.35	(12%)	Purchases	Average Trade Payables	Decrease was on account of increase in average payables
Net Capital Turnover Ratio	2.88	4.94	(42%)	Revenue From Operations	Working Capital(4)	Decrease was primarily on account of increase in Working Capital and decrease in revenue
Net Profit Ratio	11.97%	11.10%	8%	Net Profit	Revenue From Operations	Improvement of Ratio was primarily on account of deferred tax asset.
Return on Capital Employed(ROCE)	11.21%	12.76%	(12%)	Earnings before Interest and Taxes(EBIT)	Capital Employed(5)	Decrease was on account of decrease in operating profits.
Return on Investment(6)	N.A	N.A	-	Income generated from Investments	Investment	

(1) Long-Term borrowings + Short-Term borrowings + Inter corporate loans + interest accrued

(2) Net profit after tax + Non-operating cash exp like depreciation + Interest

(3) Term loan Interest + Lease payments + Principal repayments

(4) Current assets - current liabilities

(5) Tangible networth + total debt including interest accrued +deferred tax liability-deferred tax assets

(6) The Company is not having any market linked investments

Notes to Consolidated Financial Statements

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

53 Other statutory information

- i) The Company does not have any Benami property, where any proceeding has been initiated or pending against the Group for holding any Benami property.
- ii) The Company does not have any transactions with companies struck off.
- iii) The Company does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period.
- iv) The Company has not traded or invested in Crypto currency or Virtual Currency during the financial year.
- v) The Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority
- vi) The Company has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall
 - (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company (Ultimate Beneficiaries) or
 - (b) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries
- vii) The Company has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Group shall:
 - (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or,
 - (b) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries
- viii) The Company has not any such transaction which is not recorded in the books of account that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961.

54 Impact of Covid-19 Pandemic

The Company considered the uncertainty relating to the COVID-19 pandemic in assessing the recoverability of its inventories, receivables and investments. As the company is into essential manufacturing service which is exempt from lockdown restrictions, there has been minimal impact in its operations and its supply chain. In this regard, the Company has considered internal and external information while finalizing various estimates in relation to its financial statements up to the date of approval by the Board of Directors and has not identified any material impact on the carrying value of assets, liabilities or provisions. As the outbreak continues to evolve, the Company will continue to closely monitor any material changes to future economic conditions.

Notes to Consolidated Financial Statements

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

55 Additional Information, as required under schedule III to the Companies Act, 2013, of enterprises Consolidated as Subsidiary/Associates

Name of the Entity	Net Assets, i.e, total assets minus total liabilities		Share in profit or loss		Share in other Comprehensive Income		Share in total Comprehensive Income	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of Consolidated profit or loss	Amount	As % of Consolidated profit or loss	Amount
31st March,2022								
Parent								
SMS Pharmaceuticals Ltd	104.99%	49,376.02	109.35%	6,803.65	49.06%	3.93	109.27%	6,807.58
Associate								
VKT Pharma Private Ltd	(4.99%)	(2,347.16)	(9.35%)	(581.66)	50.94%	4.08	(9.27%)	(577.58)
Total	100.00%	47,028.86	100.00%	6,221.99	100.00%	8.01	100.00%	6,230.00
31st March,2021								
Parent								
SMS Pharmaceuticals Ltd	104.31%	42,822.39	97.50%	6,096.46	(70.22%)	(16.46)	97.60%	6,080.00
Associate								
VKT Pharma Private Ltd	(4.31%)	(1,769.59)	2.50%	156.23	(29.78%)	(6.98)	2.40%	149.25
Total	100.00%	41,052.80	100.00%	6,252.69	(100.00%)	(23.44)	100.00%	6,229.25

Salient features of financial statements of subsidiary/associates as per the Companies Act, 2013

Name of the Associates	VKT Pharma Private Ltd
Reporting Currency	Indian Rupees
Date of Incorporation	31-05-2006

Particulars	31st March, 2022	31st March, 2021
Share Capital	1,053.38	903.38
Reserves & Surplus	5,039.50	2,827.14
Total Assets	20,022.44	18,676.65
Total Current Liabilities	4,839.17	4,847.11
Investments	7.22	7.22
Turnover/Total Income	4,011.31	6,581.38
Profit/(Loss) before taxation	(2,189.49)	176.83
Provision for Taxation	(640.68)	(189.74)
Profit/(Loss) after taxation	(1,548.81)	366.57
Proposed dividend	-	-
% Share holding		

Notes to Consolidated Financial Statements

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

56 Previous year figure have been regrouped and reclassified wherever considered necessary to confirm to this year's classifications.

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

as per our report of even date

for **SURYANARAYANA & SURESH**

Chartered Accountants

FRN 006631S

For and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

V. NAGENDRA RAO

Partner

M.No. 227679

RAMESH BABU POTLURI

Chairman and Managing Director

DIN No : 00166381

VAMSI KRISHNA POTLURI

Executive Director

DIN No : 06956498

Place: Hyderabad

Date : 30-05-2022

T. LAKSHMI NARAYANA

Chief Financial Officer

T. THIRUMALESH

Company Secretary

M.No.A35824

Notice of Annual General Meeting

Notice is hereby given that the 34th Annual General Meeting (AGM) of the members of SMS Pharmaceuticals Limited (CIN: L24239TG1987PLC008066) will be held on **Friday, 30th September, 2022 at 09.30 am** through Video Conferencing (VC)/ Other Audio-Visual Means (OAVM) and deemed venue of AGM is at the Registered Office of the Company situated at Plot. No.72, H.No. 8-2-334/3&4, Road No. 5, Opp. SBI Executive Enclave, Banjara Hills, Hyderabad, Telangana, India 500034 to transact the following business:

ORDINARY BUSINESS:

1. ADOPTION OF FINANCIAL STATEMENTS

To receive, consider and adopt the audited Standalone and Consolidated financial statements of the Company for the financial year ended 31st March, 2022 and the reports of the Board of Directors and the Auditors thereon and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT the audited standalone and consolidated financial statements of the Company for the financial year ended 31st March, 2022 and the reports of the Board of Directors and Auditors thereon laid before this meeting, be and are hereby received, considered and adopted.”

2. DECLARATION OF DIVIDEND ON EQUITY SHARES FOR THE FINANCIAL YEAR 2021-22

To consider declaration of dividend on the Equity Shares of the Company for the Financial Year ended 31st March, 2022 and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT as per recommendation of the Board of Directors, approval of the members of the Company be and is hereby given for the payment of dividend of Re.0.30 (i.e., @ 30 %) per equity share of the Company for the Financial Year 2021-22, and the same be paid out of the profits of the Company for the financial year ended 31st March, 2022.”

3. RE-APPOINTMENT OF MR. VAMSI KRISHNA POTLURI (DIN: 06956498) WHO RETIRES BY ROTATION, AND BEING ELIGIBLE, AND OFFERS HIMSELF FOR REAPPOINTMENT

To consider re-appointment of Mr. Vamsi Krishna Potluri (DIN: 06956498), who retires by rotation, at this Annual General Meeting and being eligible, offers himself for re-appointment and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of Section 152 and other applicable provisions of the Companies Act, 2013, Mr. Vamsi Krishna Potluri (DIN: 06956498), who retires by rotation and being eligible offers himself for re-appointment, be and is hereby re-appointed as a director of the Company liable to retire by rotation.”

4. RE-APPOINTMENT OF M/S. SURYANARAYANA & SURESH, CHARTERED ACCOUNTANTS AS STATUTORY AUDITORS OF THE COMPANY

To consider re-appointment of M/s. Suryanarayana & Suresh, Chartered Accountants as Statutory Auditors of the Company for a second term of five (5) years 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, read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modifications (s) or re-enactment thereof, for the time being in force), M/s. Suryanarayana & Suresh, Chartered Accountants, (Firm Registration No.006631S), be and is here by re-appointed as statutory auditors of the Company, to hold office for a second term of Five consecutive years from the conclusion of the 34th Annual General Meeting until the conclusion of the 39th Annual General Meeting of the Company to be held in the year 2027, at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Statutory Auditors.”

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

SPECIAL BUSINESS:

5. RATIFY / APPROVE THE RELATED PARTY CONTRACTS/ ARRANGEMENTS/ TRANSACTIONS OF THE COMPANY FOR THE FY 2021-2022

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

“RESOLVED THAT pursuant to 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 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the approval / ratification of the members of the Company, be hereby, accorded to all the contracts/ arrangements / transactions entered by the Company with Related Parties in the financial year 2021-22 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 2021-22 as set out in the Explanatory Statement.”

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

6. APPROVAL FOR THE MATERIAL RELATED PARTY TRANSACTIONS OF THE COMPANY

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

“RESOLVED THAT pursuant to the provisions of Section 188 and other applicable provisions, if any of the Companies Act, 2013 (“Act”), read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014) and Regulation 23(4) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), including any statutory modification(s) or re-enactment thereof for the time being in force and subject to such approvals, consents, sanctions and permissions as may be necessary, approval of the members be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the “Board” which term shall include any Committee constituted by the Board or any person(s) authorized by the Board to exercise its powers, including the powers conferred by this Resolution) to enter into contract(s)/ arrangement(s)/ transaction(s) with the parties as detailed in the table forming part of the Explanatory Statement annexed to this notice with respect to sale, purchase or supply of goods or materials, leasing of property of any kind, availing or rendering of any services including the providing and/or receiving of loans or guarantees or securities or making investments, or any other transactions of whatever nature, notwithstanding that such transactions may exceed 10% of the consolidated turnover of the Company in any financial year or such other threshold limits as may be specified by the Listing Regulations from time to time, up to such extent and on such terms and conditions as the Board of Directors may deem fit, in the normal course of business and on arm’s length basis, during the period from the date of this 34th Annual General Meeting to till the date of next Annual General Meeting to be held in the year 2023, which shall not be more than fifteen months and within the aggregate limits as mentioned in the explanatory statement.

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

7. RATIFICATION OF REMUNERATION PAYABLE TO THE COST AUDITOR FOR THE FINANCIAL YEAR 2022-2023

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

“RESOLVED THAT pursuant to Section 148 of the Companies Act, 2013 ('Act') and Rule 6 of the Companies (Cost Records and Audit) Rules, 2014 and all other applicable provisions, if any, of the Act and the rules made thereunder, as amended, the members be and hereby ratify the remuneration of Rs. 1,00,000/- (Rupees One Lakh only) and taxes as applicable plus out of packet expenses payable to Mr. K.S.N.Sarma, Cost Accountant having registration No. 102145 and Membership No. 6875 appointed by the Board of Directors of the Company to conduct the Cost Audit for the financial year ending 31st March, 2023.”

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

By the order of the Board

Ramesh Babu Potluri

Chairman and Managing Director
(DIN:00166381)

Place: Hyderabad

Date: 13-08-2022

NOTES:

1. In view of the continuing COVID-19 pandemic, the Ministry of Corporate Affairs ("MCA") vide its Circular nos. 14/2020 and 17/2020 dated 8th April, 2020 and 13th April, 2020 respectively, in relation to "Clarification on passing of ordinary and special resolutions by companies under the Companies Act, 2013 and the rules made thereunder on account of the threat posed by Covid-19", Circular no. 20/2020 dated 5th May, 2020 in relation to "Clarification on holding of Annual General Meeting (AGM) through video conferencing (VC) or other audio visual means (OAVM)" and Circular nos. 02/2021, 21/2021 and 02/2022 dated 13th January, 2021, 14th December, 2021 and 5th May, 2022 respectively in relation to "Clarification on holding of Annual General Meeting (AGM) through video conferencing (VC) or other audio visual means (OAVM)" (collectively referred to as "MCA Circulars") permitted the holding of the Annual General Meeting ("AGM") through VC / OAVM, without the physical presence of the Members at a common venue; in line with the MCA Circulars, Securities and Exchange Board of India ("SEBI") vide its Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May, 2020, SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated 15th January, 2021 and SEBI/HO/CFD/CMD2/CIR/P/2022/62 dated 13th May, 2022 (collectively referred to as "SEBI Circulars") relaxed the requirement of sending physical copies of annual report to shareholders under the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. In compliance with the MCA Circulars and SEBI Circulars, the AGM of the members of the Company is being held through VC / OAVM. The registered office of the Company shall be deemed to be the venue for the AGM.
2. Pursuant to the provisions of the Act, a member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a member of the Company. Since this AGM is being held pursuant to the MCA circulars through VC/OAVM, the requirement of physical attendance of members has been dispensed with. Accordingly, in terms of the MCA circulars and the SEBI circulars, the facility for appointment of proxies by the members will not be available for this AGM and hence the proxy form, attendance slip and route map of the AGM venue are not annexed to this notice.
3. The Explanatory Statement pursuant to Section 102 of the Act setting out material facts concerning the business under Item Nos. 4 to 7 of the Notice is annexed hereto. The relevant details pursuant to Regulation 36(3) of the Listing Regulations and Secretarial Standards on General Meetings (SS-2) issued by the Institute of Company Secretaries of India (ICSI), in respect of Directors seeking appointment/re- appointment at this AGM are also annexed.
4. The Members can join the AGM in the VC/OAVM Mode 15 minutes before & after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available to atleast 1000 members on first come first served basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis. The detailed instructions for joining the Meeting through VC/OAVM forms part of this notes.
5. Institutional / Corporate shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to send a scanned copy (PDF / JPG Format) of their respective Board or governing body Resolution / Authorisation etc., authorising their representative to attend the AGM through VC / OAVM on their behalf and to vote through remote e-Voting. The said Resolution / Authorisation shall be sent to the Scrutiniser by e-mail on its registered e-mail address to csbassociates27@gmail.com with a copy marked to cs@smspharma.com
6. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Act.
7. In line with aforementioned MCA and SEBI Circulars, the Notice of the AGM along with the Annual Report 2021-22 is being sent only through e-mail, allowed to vote those Members whose e-mail addresses are registered with the Company/ Registrar & Share Transfer Agent (RTA)/ Depository Participant/ Depositories as at the end of the day **on Friday, 23rd September, 2022**. The Notice convening the 34th AGM has been uploaded on the website of the Company at www.smspharma.com and may also be accessed from the relevant section of the websites of the Stock Exchanges i.e. BSE Limited and the National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively.
8. **Process for registering/ updating e-mail address and mobile number:**
 - In case shares are held in physical form: Please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), self-attested scanned copy of PAN card, self-attested scanned copy of Aadhaar Card, by email to the RTA at info@

aarthiconsultants.com with a copy marked to cs@smspharma.com.

- In case shares are held in demat form: please provide DP ID-Client ID (8 digit DP ID + 8 digit Client ID or 16 digit Beneficiary ID), name, client master or copy of consolidated account statement, self-attested scanned copy of PAN card, self-attested scanned copy of Aadhaar Card. by email to the RTA at info@aarthiconsultants.com with a copy marked to cs@smspharma.com.
- The RTA/Company shall co-ordinate with CDSL and provides the login credentials to the above mentioned Shareholders. Please update your email id & mobile no. with your respective Depository Participant (DP) which is mandatory while e-Voting & joining virtual meetings through Depository.

Alternatively, Members may also visit website of the Company's RTA and submit their details at below link: <http://www.aarthiconsultants.com/investors/register.php>

9. Record Date, Book Closure and Dividend:

- a) The Company has fixed **Friday, 23rd September, 2022** as the '**Record Date**' for determining entitlement of members to dividend for the financial year ended 31st March, 2022, if approved at the AGM.
 - b) The Register of Members and the Share Transfer Books of the Company will be closed from **Saturday, 24th September, 2022 to Friday, 30th September, 2022** (both days inclusive).
 - c) If the dividend, as recommended by the Board of Directors, is approved at the AGM, payment of such dividend subject to deduction of tax at source will be made within 30 days from the date of AGM as under:
 - i. To all Beneficial Owners in respect of shares held in dematerialised form as per the data as may be made available by the National Securities Depository Limited ("NSDL") and the Central Depository Services (India) Limited ("CDSL"), collectively "Depositories", as of end of day on Friday, 23rd September, 2022;
 - ii. To all Members in respect of shares held in physical form after giving effect to valid transmission or transposition requests lodged with the Company as of the closure of business hours on Friday, 23rd September, 2022.
10. As per Regulation 40 of SEBI Listing Regulations, as amended, securities of listed companies shall be transferred only in dematerialised form with effect from, 1st April, 2019, except in case of request received for transmission or transposition and re-lodged transfers of securities. Further, SEBI vide its circular no. SEBI/HO/MIRSD/RTAMB/CIR/P/2020/236 dated 2nd December, 2020 had fixed 31st March, 2021 as the cut- off date for re-lodgement of transfer deeds and the shares that are re-lodged for transfer shall be issued only in demat mode. In view of this and to eliminate all risks associated with physical shares and for ease of portfolio management, members holding shares in physical form are requested to consider converting their holdings to dematerialised form. Members can contact the Company or Company's Registrar and Share Transfer Agent, M/s. Aarthy Consultants Private Limited, 1-2-285, Domalguda, Hyderabad - 500029, India, Email Id: info@aarthiconsultants.com www.aarthiconsultants.com ("RTA" or "Registrar") for assistance in this regard.
 11. Pursuant to Finance Act 2020, dividend income is taxable in the hands of shareholders w.e.f. 1st April, 2020 and the Company is required to deduct tax at source from dividend paid to shareholders at the prescribed rates. For the prescribed rates for various categories, please refer to the Finance Act, 2020 and the amendments thereof. The shareholders are requested to update their PAN with the Depository Participant (if shares held in electronic form) and Company / RTA (if shares held in physical form). A Resident individual shareholder with PAN and who is not liable to pay income tax can submit a yearly declaration in Form No. 15G / 15H, to avail the benefit of non-deduction of tax at source by e-mail to info@aarthiconsultants.com / cs@smspharm.com on or before 23rd September, 2022. Shareholders are requested to note that in case their PAN is not registered, the tax will be deducted at a higher rate of 20%. Non-resident shareholders [including Foreign Institutional Investors (FIIs) / Foreign Portfolio Investors (FPIs)] can avail beneficial rates under tax treaty between India and their country of tax residence, subject to providing necessary documents i.e. No Permanent Establishment and Beneficial Ownership Declaration, Tax Residency Certificate, Form 10F, any other document which may be required to avail the tax treaty benefits. For this purpose the shareholder may submit the above documents (PDF / JPG Format) by e-mail to info@aarthiconsultants.com / cs@smspharm.com The aforesaid declarations and documents need to be submitted by the shareholders on or before 23rd September, 2022. For further details and formats of declaration, please refer to FAQs on Taxation of Dividend Distribution available on the Company's website at '**Investor Section**'.

12. The Members holding shares in physical form are informed that as per SEBI circular SEBI/HO/MIRSD/MIRSD_RTAMB/P/ CIR/2021/655 and SEBI/HO/MIRSD/MIRSD_RTAMB/ P/ CIR/2021/687 dated 13th November, 2021 and 14th December, 2021 respectively, SEBI has notified simplified norms for processing investor's service request by RTA and mandatory furnishing of PAN, KYC details and Nomination by holders of physical securities.

In this regard, it is mandatory for all the physical shareholders to furnish the following documents/ details with the Company/ RTA and the non updation of the same on or before 1st April, 2023 shall result into freezing of folios:

Form ISR-1 (Request for registering PAN, KYC details)

Form ISR-2 (Confirmation of Signature of securities holder by the Banker)

SH-13 (Nomination Form)

Form ISR-3 (Declaration to opt-out Nomination)

Form SH-14 (Change of Nominee)

Form ISR-4 (Issue of Duplicate Certificate)

The physical shareholders are requested to furnish the above documents on or before 31st March, 2023 so as to avoid freezing of folios. The shareholders can download the relevant forms from the website of the company at Investor Relations < Relevant Forms For Shareholders > or from the website of RTA <http://www.aarthiconsultants.com/investors/register.php>

13. Members are also requested to intimate changes, if any, pertaining to their name, postal address, e-mail address, telephone/mobile numbers, PAN, registering of nomination, power of attorney registration, Bank Mandate details, etc. to Registrar/respective DPs as may be applicable.
14. Updation of bank mandate for receiving dividends directly in bank account through Electronic Clearing System or any other electronic means in a timely manner:

Shares held in physical form: Members are requested to send a scanned copy of the following details/ documents at info@arthiconsultants.com copy mark to cs@smspharm.com:

- a) signed request letter mentioning their name, folio number, complete address and following details relating to bank account in which the dividend is to be received:

- i) Bank Name and Branch of Bank, Bank Account type and 11 digit IFSC Code;
- ii) Bank Account Number & Type allotted by the Bank after implementation of Core Banking Solutions;
- b) self-attested scanned copy of cancelled cheque bearing the name of the Member or first holder, in case shares are held jointly;
- c) self-attested scanned copy of the PAN Card; and
- d) self-attested scanned copy of any document (such as Aadhaar Card, Driving Licence, Election Identity Card, Passport) in support of the address of the Member as registered with the Company.

Shares held in electronic form: Members may please note that their bank details as furnished by the respective Depositories to the Company will be considered for remittance of dividend as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such Members for change/addition/deletion in such bank details. Accordingly, the Members holding shares in demat form are requested to update their Electronic Bank Mandate with their respective Depository Participants (DP).

Further, please note that instructions, if any, already given by Members in respect of shares held in physical form, will not be automatically applicable to the dividend paid on shares held in electronic form.

15. The Members who are unable to receive the dividend directly in their bank accounts through Electronic Clearing Service or any other electronic means, due to non-registration of the Electronic Bank Mandate or other technical reasons like change in IFSC, inactive account etc., the Company shall dispatch the dividend warrant/bankers' cheque/demand draft to such members through postal or courier services to their registered address.
16. Members are requested to note that dividends that are not claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, shall, as per Section 124 of the Act, be transferred to the Investor Education and Protection Fund (IEPF). **Further, shares on which the dividends remain unclaimed for seven consecutive years will also be transferred to the IEPF as per Section 124 of the Act, and the applicable rules.** Hence, members who have not claimed/ encashed their dividend warrant for

respective financial years are requested to write to the Company/Registrar and Share Transfer Agent (RTA) at least a month before the due dates mentioned hereunder:

Due date for transfer of unclaimed dividend to IEPF				
Year	Dividend per share (Rs.)	Date of declaration	Due date for transfer to IEPF	Amount of Unpaid Dividend(Rs.)
2014-15	Rs.2-00	29/09/2015	06/10/2022	1,84,234
2015-16	Re.0.20	30/09/2016	07/10/2023	1,93,272
2016-17	Re 0.20	27/09/2017	05/10/2024	57,563
2017-18	Re. 0.25	20/09/2018	27/09/2025	84,413
2018-19	Re. 0.25	30/09/2019	04/10/2026	82,586
2019-20	Re.0.25	18/03/2020 (interim Dividend)	18/04/2027	1,09,480
2020-21	Re.0.30	30/09/2021	04/10/2028	61,343

17. Members seeking any information with regard to the financial statements or any matter to be placed at the AGM, are requested to write to the Company before 6.00 p.m(IST) on **23rd September, 2022** through e-mail on cs@smspharma.com. The same will be replied by the Company suitably.
18. To prevent fraudulent transactions, Members are advised to exercise due diligence and notify the Company of any change in address or demise of any Member as soon as possible. Members are also advised not to leave their demat account(s) dormant for long. Periodic statement of holdings should be obtained from the concerned DPs and holdings should be verified from time to time.
19. Details of Unclaimed Shares: The Company doesn't have any shares remaining unclaimed in the unclaimed suspense account.
- e-voting during the AGM will be provided by CDSL.
- ii. The remote e-voting period commences on **Monday, 26th September, 2022 at 9.00 a.m. (IST) and ends on Thursday, 29th September, 2022 at 5.00 p.m. (IST)**. The remote e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the Member, the Member shall not be allowed to change it subsequently. The voting rights of the Members shall be in proportion to their share of the paid-up equity share capital of the Company as on the cut-off date i.e. as of the close of business hours on **Friday, 23rd September, 2022**.
- iii. Members of the Company holding shares either in physical form or in electronic form as of the closure of business hours **on Friday, 23rd September, 2022 i.e. cut-off date** may cast their vote by remote e-voting. A person who is not a Member as on the cut-off date should treat this Notice for information purpose only. A person whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of e-voting before the AGM as well as remote e-voting during the AGM.

INSTRUCTIONS FOR REMOTE E-VOTING & E-VOTING DURING AGM AND JOINING MEETING THROUGH VC/ OAVM ARE AS UNDER:

A. VOTING THROUGH ELECTRONIC MEANS:

- i. Pursuant to the provisions of Section 108 of the Act read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of Listing Regulations (as amended) and the MCA Circulars, the Company is providing facility of remote e-Voting to its Members in respect of the business to be transacted at the 34th AGM. For this purpose, the Company has entered into an agreement with Central Depository Services (India) Limited (CDSL) for facilitating voting through electronic means, as the authorised e-Voting agency. The facility of casting votes by a Member using remote e-voting system as well as

Any person who acquires shares of the Company and becomes a Member of the Company after the dispatch of the Notice and holds shares as on the cut-off date i.e. as of the closure of business hours on Friday, 23rd September, 2022, may obtain a copy of AGM Notice by sending a request to info@aarthiconsultants.com or can also be downloaded from the Company's website www.smspharma.com and participate in remote

e-voting or e-voting at AGM by following the instructions provided herein.

- iv. The Members who have cast their vote by remote e-voting prior to the AGM may attend / participate in the AGM through VC / OAVM but shall not be entitled to cast their vote on such resolution again. Members who have voted on some of the resolutions during the said voting period are also eligible to vote on the remaining resolutions during the AGM.
- v. Mr. C.Sudhir Babu, Practicing Company Secretary, Hyderabad has been appointed as the Scrutiniser(s) to scrutinise the e-voting process in a fair and transparent manner and they have communicated their willingness to be appointed and will be available for same purpose.

The details of the process and manner for remote e-voting are explained herein below:

Login method for remote e-voting and joining virtual meeting for individual shareholders holding securities in demat mode.

Pursuant to SEBI circular no. SEBI/HO/ CFD/CMD/ CIR/P/2020/242 dated 9th December, 2020 on “e-Voting facility provided by Listed Companies”, e-Voting process has been enabled to all the individual demat account holders, by way of single login credential, through their demat accounts / websites of Depositories / DPs in order to increase the efficiency of the voting process. Individual demat account holders would be able to cast their vote without having to register again with the e-voting service provider (ESP) thereby not only facilitating seamless authentication but also ease and convenience of participating in e-voting process.

Shareholders are advised to update their mobile number and e-mail ID with their DPs in order to access e-voting facility.

Type of shareholders	Login Method
Individual Shareholders holding securities in Demat mode with CDSL	<ol style="list-style-type: none"> 1) Users who have opted for CDSL Easi / Easiest facility, can login through their existing user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are https://web.cdslindia.com/myeasi/home/login or visit www.cdslindia.com and click on Login icon and select New System Myeasi. 2) After successful login the Easi / Easiest user will be able to see the e-Voting option for eligible companies where the evoting is in progress as per the information provided by company. On clicking the evoting option, the user will be able to see e-Voting page of the e-Voting service provider for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. Additionally, there is also links provided to access the system of all e-Voting Service Providers i.e. CDSL/NSDL/KARVY/LINKINTIME, so that the user can visit the e-Voting service providers' website directly. 3) If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration 4) Alternatively, the user can directly access e-Voting page by providing Demat Account Number and PAN No. from a e-Voting link available on www.cdslindia.com home page or click on https://evoting.cdslindia.com/Evoting/EvotingLogin The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the Demat Account. After successful authentication, user will be able to see the e-Voting option where the evoting is in progress and also able to directly access the system of all e-Voting Service Providers.

Type of shareholders	Login Method
Individual Shareholders holding securities in demat mode with NSDL	<ol style="list-style-type: none"> 1) If you are already registered for NSDL IDeAS facility, please visit the e-Services website of NSDL. Open web browser by typing the following URL: https://eservices.nsd.com either on a Personal Computer or on a mobile. Once the home page of e-Services is launched, click on the “Beneficial Owner” icon under “Login” which is available under ‘IDeAS’ section. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-Voting services. Click on “Access to e-Voting” under e-Voting services and you will be able to see e-Voting page. Click on company name or e-Voting service provider name and you will be re-directed to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. 2) If the user is not registered for IDeAS e-Services, option to register is available at https://eservices.nsd.com. Select “Register Online for IDeAS” Portal or click at https://eservices.nsd.com/SecureWeb/IdeasDirectReg.jsp 3) Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsd.com/ either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon “Login” which is available under ‘Shareholder/Member’ section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number hold with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting
Individual Shareholders (holding securities in demat mode) login through their Depository Participants	You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. After Successful login, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.

Important note: Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

Helpdesk for Individual Shareholders

Login type	Helpdesk details
Individual Shareholders holding securities in Demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cDSLindia.com contact at 022- 23058738 and 22-23058542-43.
Individual Shareholders holding securities in Demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30

Login method for e-Voting and joining virtual meetings for Physical shareholders and shareholders other than individual holding in Demat form.

- 1) The shareholders should log on to the e-voting website www.evotingindia.com.
- 2) Click on “Shareholders” module.
- 3) Now enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Shareholders holding shares in Physical Form should enter Folio Number registered with the Company.
- 4) Next enter the Image Verification as displayed and Click on Login.
- 5) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier e-voting of any company, then your existing password is to be used.
- 6) If you are a first-time user follow the steps given below:

For Physical shareholders and other than individual shareholders holding shares in Demat.	
PAN	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> • Shareholders who have not updated their PAN with the Company/Depository Participant are requested to use the sequence number sent by Company/RTA or contact Company/RTA.
Dividend Bank Details OR Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. <ul style="list-style-type: none"> • If both the details are not recorded with the depository or company, please enter the member id / folio number in the Dividend Bank details field.

- 7) After entering these details appropriately, click on “SUBMIT” tab.
- 8) Shareholders holding shares in physical form will then directly reach the Company selection screen. However, shareholders holding shares in demat form will now reach ‘Password Creation’ menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- 9) For shareholders holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- 10) Click on the EVSN for the relevant <Company Name> on which you choose to vote.
- 11) 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.
- 12) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- 13) 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.
- 14) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- 15) You can also take a print of the votes cast by clicking on “Click here to print” option on the Voting page.

- 16) If a demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

Facility for Non – Individual Shareholders and Custodians – For Remote Voting

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to www.evotingindia.com and register themselves in the “Corporates” module.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
- The list of accounts linked in the login will be mapped automatically & can be delink in case of any wrong mapping.
- 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 scrutiniser to verify the same.
- Alternatively Non-Individual shareholders are required to send the relevant Board Resolution/ Authorization letter etc. together with attested specimen signature of the duly authorised signatory who are authorised to vote, to the Scrutiniser and to the Company at the email address viz; cs@smspharma.com (designated email address by company), if they have voted from individual tab & not uploaded same in the CDSL e-voting system for the scrutiniser to verify the same.

B. INSTRUCTIONS FOR SHAREHOLDERS ATTENDING THE AGM THROUGH VC/OAVM & E-VOTING DURING MEETING ARE AS UNDER:

- 1) The procedure for attending meeting & e-voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.
- 2) The link for VC/OAVM to attend meeting will be available where the EVSN of Company will be displayed after successful login as per the instructions mentioned above for Remote e-voting.
- 3) Shareholders who have voted through Remote e-voting will be eligible to attend the meeting. However, they will not be eligible to vote at the AGM except on the resolutions which couldn't be voted during the remote e-voting.
- 4) Members may join the Meeting through laptops, smartphones, tablets and iPads for better experience. Further, Members will be required to use Internet with a good speed/ band to avoid buffering/ disconnections during the Meeting. Please note that participants connecting from mobile devices or tablets or through laptops connecting via mobile hotspot may experience audio/video loss due to fluctuation in their respective network. It is therefore recommended to use stable Wi- Fi or LAN connection to mitigate any glitches.
- 5) Members who would like to express their views/ ask questions as a speaker at the Meeting may pre-register themselves by sending a request from their registered email address mentioning their names, DP ID and Client ID/ folio number, PAN and mobile number at cs@smspharma.com **before 6.00 p.m. (IST) on 23rd September, 2022**. Only those Members who have preregistered themselves as a speaker will be allowed to express their views/ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.
- 6) Members are encouraged to submit their questions in advance with regard to the financial statements or any other matter to be placed at the 34th AGM, from their registered e-mail address, mentioning their name, DP ID and Client ID number/folio number and mobile number, to reach the Company's e-mail addresses at cs@smspharma.com **before 6.00 p.m. (IST) on 23rd September, 2022**. Such questions by the Members shall be suitably replied by the Company.
- 7) Those shareholders who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting.
- 8) Only those shareholders, who are present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through e-voting system available during the AGM.

- 9) If any votes are cast by the shareholders through the e-voting available during the AGM and if the same shareholders have not participated in the meeting through VC/OAVM facility, then the votes cast by such shareholders shall be considered invalid as the facility of e-voting during the meeting is available only to the shareholders attending the meeting.
- 10) During the AGM remote e-voting module will be enabled for e-voting and the same will be open for 15 minutes after conclusion of the meeting.

Other instructions:

- o The Scrutiniser after the conclusion of voting at the AGM, unblock the votes cast during the AGM and votes cast through remote e-voting and make, not later than 2 working days of conclusion of the AGM, a consolidated Scrutiniser's Report of the total votes cast in favour or against, if any, to the Chairman or a person authorised by him in writing, who shall countersign the same.

- o The result declared along with the Scrutiniser's Report shall be placed on the Company's website www.smspharma.com. The Company shall simultaneously forward the results to National Stock Exchange of India Limited and BSE Limited, where the shares of the Company are listed.
- o The resolutions proposed will be deemed to have been passed on the date of the AGM subject to receipt of the requisite number of votes in favour of the resolutions.

If you have any queries or issues regarding attending AGM & e-Voting from the CDSL e-Voting System, you can write an email to helpdesk.evoting@cdslindia.com or contact at 022- 23058738 and 022-23058542/43.

All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Sr. Manager, (CDSL,) Central Depository Services (India) Limited, A Wing, 25th Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013 or send an email to helpdesk.evoting@cdslindia.com or call on 022-23058542/43.

Information at a glance:

Day and Date of AGM	:	Friday, 30th September, 2022
Book Closure	:	Saturday 24th September, 2022 to Friday 30th September, 2022 (both day inclusive)
Record Date for Final Dividend	:	Friday 23rd September, 2022
Cut-off Date for e-voting eligibility and attending AGM	:	Friday 23rd September, 2022
E-Voting Start date and time	:	Monday, 26th September, 9.00 a.m. IST
E-Voting End date and time	:	Thursday, 29th September, 5.00 p.m. IST
Company	:	SMS Pharmaceuticals Limited Phone: 40-35359999 Email : cs@smspharma.com ; complianceoffier@smspharma.com
Registrar and Transfer Agent	:	Aarthi Consultants Private Limited Phone: 040-27638777/ 27642217 / 27634445 Email: info@aarthicconsultants.com
e-Voting Agency	:	Central Depository Services (India) Limited E-mail : helpdesk.evoting@cdslindia.com Toll free : 1800225533
Scrutinizer	:	Mr. C. Sudhir Babu, Practicing Company Secretary Phone: 7981191458 / 9493676368 Email : csbassociates27@gmail.com

EXPLANATORY STATEMENT

Pursuant to Section 102 of the Companies Act, 2013 and Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

In terms of Regulation 36(5) of the Listing Regulations:

Item No: 4

At the 29th Annual General Meeting (AGM) of the Company held on 27th September, 2017, the shareholders had approved the appointment of M/s. Suryanarayana & Suresh, Chartered Accountants, (Firm Registration No.006631S), as Statutory Auditors of the Company, to hold office till the conclusion of the 34th AGM.

Pursuant to the provisions of Section 139(2) of the Act, a listed company may appoint / re- appoint an audit firm for a period of not more than two terms of five consecutive years. As such, M/s. Suryanarayana & Suresh, Chartered Accountants, the existing Statutory Auditors of the Company will complete their first term as Statutory Auditors of the Company at the conclusion of the ensuing 34th AGM and are eligible to be re-appointed as the Statutory Auditors of the Company for another term of five years.

After evaluating various factors such as independence, industry experience, technical skills, audit team, audit quality reports, etc., the Board of Directors at their meeting held on 30th May, 2022, based on recommendations of the Audit Committee, have approved the re-appointment of M/s. Suryanarayana & Suresh, Chartered Accountants, as the Statutory Auditors of the Company for a second term of 5 (five) years i.e. from the conclusion of this AGM till the conclusion of 39th Annual General Meeting. The re-appointment is subject to approval of the shareholders of the Company.

In accordance with the provisions of Sections 139, 141 and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") read with the Companies (Audit and Auditors) Rules, 2014 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), M/s. Suryanarayana & Suresh, Chartered Accountants, have provided their consent and eligibility certificate to that effect that, their re-appointment, if made, would be in compliance with the applicable laws.

The proposed remuneration to be paid to M/s. Suryanarayana & Suresh, Chartered Accountants, for the financial year ending 31st March, 2023 is Rs.21,00,000/- (Rupees Twenty One Lakhs Only) plus out of pocket expenses if any.

The remuneration for the subsequent year(s) of their term shall be determined based on the recommendation of the Audit Committee and as mutually agreed between the Board of Directors of the Company and the Statutory Auditors from time to time.

None of the Directors / Key Managerial Personnel of the Company / their relatives are in any way, concerned or interested, financially or otherwise, in this Resolution, except to the extent of shareholding held by them in the Company, if any.

The Board recommends the Ordinary Resolution set out at Item No. 4 of the Notice for approval of the Members.

Pursuant to Section 102 of the Companies Act, 2013

Item No. 5

Approval/Ratification of related party transactions for purchase and sale of products/by-products/material at arm's length price with VKT Pharma Private Limited and SMS Lifesciences India Limited, Eshwar Coal Movers and PixaLot Labs Private Limited.

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

The Board recommends the resolution for approval of the members.

Save and except Mr. Ramesh Babu Potluri (Chairman and Managing Director) and Mr. Vamsi Krishna Potluri (Executive Director) none of the other Directors, Key Managerial Personnel is, in any way, concerned or interested, financially or otherwise, in this resolution, except to the extent of shareholding held by them in the Company, if any.

Item No. 6

Pursuant to the provisions of Section 188 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014, the Related Party Transactions as mentioned in clause (a) to (g) of the said section requires a Company to obtain approval of the Board of Directors and subsequently the Shareholders of the Company by way of ordinary resolution in case the value of the Related Party Transactions exceed the stipulated thresholds prescribed in Rule 15 of the said Rules and transactions other than in ordinary course of business and on arm's length basis.

Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') read with the Company's Policy on Related Party Transactions, stipulates that entering into material related party transactions which, either individually or taken together with previous transaction(s) during a financial year, exceed Rs.1,000 crores or 10% of the annual consolidated turnover of the Company as per the last audited financial statements, whichever is lower, requires approval of the shareholders through ordinary resolution.

As per the SEBI vide its Circular no. SEBI/HO/CFD/CMD1/CIR/P/2022/47 dated 08th April, 2022 clarified that the share holders' approval of omnibus Related Party Transactions approved in an Annual General Meeting shall be valid up to the date of the next Annual General Meeting for a period not exceeding fifteen months.

Accordingly, the related party transactions as recommended by the Audit Committee and approved by the Board of Directors at their respective meetings held on 12th August and 13th August, 2022 are hereby placed before the shareholders for their approval by way of Ordinary Resolution to enable the Company to enter into the following Related Party Transactions in one or more tranches, during the period from the date of this Annual General Meeting to till the date of next Annual General Meeting, which shall not be more than fifteen months. The approval by the shareholders' is without prejudice to the need for the Audit Committee to approve, authorize and review transactions on a financial year basis.

Pursuant to Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014 and SEBI Circular SEBI/HO/CFD/CMD1/CIR/P/2021/662, dated November 22, 2021, SEBI/HO/CFD/CMD1/CIR/P/2022/47 dated April 08, 2022 the particulars of transactions to be entered into by the Company with related parties are as under:

1. SMS Pharmaceuticals Limited and VKT Pharma Private Limited:

S. No	Description	Particulars
1	Name of the related party	VKT Pharma Private Limited
2	Nature of relationship [including nature of its interest (financial or otherwise)]	Associate Company Promoter Group holding majority equity shares and having common Directors.
3	Type, material terms and particulars of the proposed transaction.	a) Sale/ Purchase of Pharmaceutical Bulk Drugs (APIs) & its Intermediates and Chemicals related products. b) Leasing of property of any kind. c) Availing or rendering of any services d) Providing and / or receiving of loans or guarantees or securities or making investments. e) Any transfer of resources, services, or obligations to meet its objective/requirements
4	Tenure of the proposed transaction	The Transactions in one or more tranches, during part of the financial year 2022-23 as well as part of the financial year 2023-24 i.e., from conclusion of the 34th AGM till the conclusion of the 35th AGM of the Company.
5	Value of the Proposed Transaction.	Up to Rs. 150 Crores.
6	Percentage of Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction.	Company's annual consolidated turnover, for the immediately preceding financial year was Rs. 525.07 Crores. 28.57 % of the annual consolidated turnover of the Company.

S. No	Description	Particulars
7	Justification of the proposed transaction	<p>The procurement of raw materials, intermediates and other products and services from VKT Pharma Private Limited is expected to ensure availability of supply of consistent grade of materials to the plants of the company there by ensuring efficiency in productivity.</p> <p>Considering the current business scenario, these proposed transactions with related parties shall support the availability of prime raw material & intermediaries to API's, to increase of its overall operations and profitability and for growth of the business of the Company.</p> <p>These transactions shall be purely on the basis of day to day business requirements and in the Ordinary Course of business.</p>
8	A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through registered email address of the shareholder	All contracts with the related parties are on arm's length basis and the same shall be reviewed and approved by the audit committee.
9	Following additional disclosure to be made in case loans, inter-corporate deposits, advances or investment made or given:	
a)	Details of the source of funds	Own share capitals/internal approvals and liquidity of the Company
b)	<p>In case any financial indebtedness is incurred to make or give loan, inter-corporate deposit, advances or investments:</p> <p>(a) Nature of Indebtedness (b) Cost of Fund; and (c) Tenure</p>	Not Applicable
c)	Applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security	<p>Inter corporate deposits, loans; Lock-in period: on demand to pay basis. Tenure: Up to 12 months Interest rates 9% to 12.5 % linked to Company's short-term borrowing costs Repayment Schedule: Not Applicable Secured or Unsecured: Unsecured loans Investments:</p> <ul style="list-style-type: none"> • the pricing is based on valuation or as per the approval of the board of directors of the company • Tenure: Not applicable • Interest Rate: Not Applicable • Repayment Schedule: Not Applicable
d)	The purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT	To meet the working Capital/ Capex requirements

The proposed contracts/arrangements/transactions relate to sale/purchase of goods/services or any other transaction(s), which shall be governed by the Company's Related Party Transaction Policy and shall be reviewed by the Audit Committee within the overall limits approved by the members. The Board of Directors or any Committee thereof would carefully evaluate the proposals providing and/or receiving of loans or guarantees or securities or making investments through deployment of funds out of internal resources/accruals and/or any other appropriate sources, from time to time, only for principal business activities of such entities.

The proposal outlined above will contribute to the principal business activities of your Company and is in the interest of the Company. Hence, the Audit Committee/Board recommends the resolution set out in the Item No. 6 of the notice for your approval as an Ordinary Resolution. None of the Related Parties shall vote in the resolution.

Except Mr. Ramesh Babu Potluri, Chairman & Managing Director, and Mr. Vamsi Krishna Potluri, Whole-time Director and their respective relatives, none of the other directors, key managerial personnel or their respective relatives in any way,

financially or otherwise, concerned or interested in the said resolution.

Item No. 7

The Board, on the recommendations of the Audit Committee has re-appointed the Cost Auditor Mr. K.S.N. Sarma, to conduct the Audit of the cost records of the Company for the Financial Year 2022-23.

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 requires ratification from the members of the Company. Accordingly, consent of the members is accorded, for ratification of the remuneration payable to the Cost Auditor for the financial year ending 31st March, 2023 as set out in the Notice.

The Board recommends the resolution for approval of the members.

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

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

[Pursuant to Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard 2 on General Meetings issued by the Institute of Company Secretaries of India]

Name of the Director	Mr. Vamsi Krishna Potluri
Director Identification Number (DIN)	06956498
Nationality	Indian
Date of birth	15th August, 1988
Qualification	BE(EEE) from Bits Pilani – Dubai Masters in engineering management from Missouri University of science and technology, US.
Experience (including expertise in specific functional area)/ Brief Resume	Mr. Vamsi Krishna Potluri, worked in Ohm Labs which is a biggest manufacturing hub of Ranbaxy in US in the supply chain group and had hands on experience in managing the supply chain to ensure hassle free manufacturing schedules. He had exposure to subjects like Lean manufacturing; finance and cash flow management etc. which will keep him in a good stead going forward in managing Pharma industry. He has associated with SMS pharmaceuticals Ltd as Vice President – Operations in the year 2014. Took charge of the operations of unit II and was instrumental in planning the business growth of the unit from 50 Crores to 100 crores in a span of five years without any capital investment or expansion but realizing the full potential of a limited capacity manufacturing facility through his optimization and marketing skills. He was appointed as an Executive Director in the year 2020.
Skills and capabilities required for the role and the manner in which the proposed person meets such requirements	He had exposure to subjects like Lean manufacturing; finance and cash flow management etc. which will keep him in a good stead going forward in managing Pharma industry.
Date of first Appointment on the Board of the Company	05th June, 2020
Terms and Conditions of appointment / re-appointment	Retire by rotation
Shareholding in the Company	1,33,28,370 equity shares
List of Directorship held in other companies	M/s. VKT Pharma Private Limited
Membership / Chairmanship in Committees of other companies as on date*	Nil
Listed entities from which he/she has resigned in the past three years	Nil
Relationships between Directors inter-se	He is son of Mr. Ramesh Babu Potluri, Chairman and Managing Director of the Company

*Only two Committees namely, Audit Committee and Stakeholders' Relationship Committee have been considered.

By the order of the Board

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

Place: Hyderabad
Date: 13-08-2022





Regd. Off: Plot No. 72,
H.No. 8-2-334/3 & 4, Road No. 5,
Opp. SBI Executive Enclave,
Banjara Hills, Hyderabad,
Telangana State - 500 034
Ph: 040 - 35359999, Fax: 040 25259889
E-mail: complianceofficer@smspharma.com
www.smspharma.com

