



## INFORMATION MEMORANDUM

### SMS LIFESCIENCES INDIA LIMITED

**Registered Office:** Plot No.19-III, Road No. 71, Opp.Bharatiya Vidya Bhavan Public School, Jubilee Hills, Hyderabad-500096, Telangana, India.

Phone: 040-6628 8888, Website: [www.smslife.in](http://www.smslife.in)

Contact person: Pavan Pise, Company Secretary & Compliance Officer

Email: [cs@smslife.in](mailto:cs@smslife.in) (or) [info@smslife.in](mailto:info@smslife.in)

The Company was incorporated originally as “Potluri Real Estate Private Limited” on 31<sup>st</sup> May, 2006 for undertaking the activities of real estate business and the Company could not commence business activities and the company’s name has been changed to “Potluri Packaging Industries Private Limited” on 6<sup>th</sup> November, 2013. The Company could not undertake any such activities, once again the company’s name has been changed to “SMS Lifesciences India Private Limited on 4<sup>th</sup> August, 2014 to undertake the activities related pharma sector. The Company has become a wholly owned subsidiary company of SMS Pharmaceuticals Limited w.e.f. 01.04.2016. Subsequently converted into a Public Company under the Companies Act, 2013 w.e.f. 22<sup>nd</sup> June, 2016.

CIN: U74930TG2006PLC050223

PAN : AAEC4285F

**INFORMATION MEMORANDUM FOR LISTING OF  
30,23,287 EQUITY SHARES OF RS. 10/- EACH FULLY PAID UP.**

**NO EQUITY SHARES ARE PROPOSED TO BE SOLD  
OR OFFERED PURSUANT TO THIS INFORMATION MEMORANDUM.**

### GENERAL RISKS

**Investments in equity and equity-related securities involve high degree of risk and investors should not invest in the equity shares of SMS Lifesciences India Limited unless they can afford to take the risk of losing part or all their investment. Investors are advised to read the Risk Factors carefully before taking an investment decision in the Equity Shares of SMS Lifesciences India Limited. For taking an investment decision, investors must rely on their own examination of the Company including the risks involved**

## **ABSOLUTE RESPONSIBILITY OF SMS LIFESCIENCES INDIA LIMITED**

**SMS Lifesciences India Limited having made all reasonable inquiries, accepts responsibility for, and confirms that this Information Memorandum contains all information with regard to SMS Lifesciences India Limited, which is material, that the information contained in this Information Memorandum is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Information Memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.**

## **LISTING**

The Equity Shares of **SMS Lifesciences India Limited** are proposed to be listed on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE).

The Company has submitted this Information Memorandum with BSE and NSE and the same has been made available on the Company's website viz. **www.smslife.in**. The Information Memorandum would also be made available on the website of BSE ([www.bseindia.com](http://www.bseindia.com)) and NSE ([www.nseindia.com](http://www.nseindia.com)).

## **REGISTRAR AND SHARE TRANSFER AGENT**

**M/s. Aarthi Consultants Private Limited**  
1-2-285, Domalguda, Hyderabad-500 029  
Tel: 040-27642217/27638111  
Website: [www.aarthiconsultants.com](http://www.aarthiconsultants.com)  
E-Mail: [info@arthiconsultants.com](mailto:info@arthiconsultants.com)  
Contact Person: Mr. G. Bhaskara Murthy, General Manager

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## SECTION – I GENERAL

### DEFINITIONS, ABBREVIATIONS & INDUSTRY RELATED TERMS

<b>Term</b>	<b>Description</b>
Act/Companies Act	Companies Act, 1956 and Companies Act, 2013 and amendments thereto.
“SMS Life” or “Company” or “Our Company” or Resulting Company or SMS Lifesciences India Limited	SMS Lifesciences India Limited, a Public Limited Company incorporated under the Provisions of the Companies Act, 1956
“We” or “us” and “our”	Refers to SMS Lifesciences India Limited
API	Active Pharmaceutical Ingredient
Articles/Articles of Association	Articles of Association of SMS Lifesciences India Limited
Auditors	The Statutory Auditors of SMS Lifesciences India Limited
Board of Directors/ Board/ Directors	The Board of Directors of SMS Lifesciences India Limited
BSE	Bombay Stock Exchange Limited
CDSL	Central Depository Services (India) Limited
Current Year	1 <sup>st</sup> April, 2016 to 31 <sup>st</sup> March, 2017
Demerged Company	SMS Pharmaceuticals Limited, a Public Limited Company registered under the Provisions of the Companies Act, 1956.
Demerged Undertaking	As defined in the Scheme of Arrangement and includes the Semi-Regulated units of Demerged Company
DSE	Designated Stock Exchange
EPSEquity Shares	Earnings per equity share Equity shares of the Company of Rs.10/- each unless otherwise specified in the context thereof
Financial year/fiscal/FY	The twelve months ended 31 <sup>st</sup> March , unless otherwise stated
HUF	Hindu Undivided Family

<b>Term</b>	<b>Description</b>
Information Memorandum	This document filed with the Stock Exchanges is known as and referred to as the Information Memorandum
I.T. Act	The Income-tax Act, 1961, as amended from time to time, except as stated otherwise
Memorandum/Memorandum of Association	The Memorandum of Association of SMS Lifesciences India Limited
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
RBI	Reserve Bank of India
Registered office of our Company	Registered Office: Plot No.19-III, Road No. 71, Opp.Bharatiya Vidya Bhaban Public School, Jubilee Hills, Hyderabad-500096, Telangana, India.
Record Date	23rd June, 2017 the date fixed for entitlement of Shares of the company.
ROC	Registrar of Companies, Hyderabad
Scheme	Scheme of Arrangement under Section 391 to 394 read with Section 100 to 103 of of the Companies Act, 1956 and other applicable Provisions of the Companies Act, 2013 as applicable, between SMS Pharmaceuticals Limited and SMS Lifesciences India Limited and their respective shareholders and creditors sanctioned by the National Company Law Tribunal Hyderabad for the State of Telangana and State of Andhra Pradesh vide its order dated 15 <sup>th</sup> May, 2017.
SEBI	The Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act, 1992
SEBI Act	Securities and Exchange Board of India Act, 1992 as amended from time to time
SEBI Regulations	Extant Regulations issued by SEBI, constituted under the SEBI Act (as amended), called Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended, including instructions and clarifications issued by SEBI from time to time.
Stock Exchanges	BSE and NSE

## **CERTAIN CONVENTIONS; USE OF MARKET DATA**

Unless stated otherwise, the financial data in this Information Memorandum is derived from our audited financial statements for twelve months period i.e. from 1st April, 2016 to 31st March, 2017. In this Information Memorandum, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

For definitions, please see the section titled “Definitions, Abbreviations and Industry Related Terms”.

All references to “India” contained in this IM are to the Republic of India. All references to “Rupees”, or “Rs.” are to Indian Rupees, the legal currency of the Republic of India, “\$” “US Dollar”, in “USD” “US \$” refers to legal currency of The United States of America and “€” or “Euro” refers to the Euro Zone.

Unless stated otherwise, industry data used throughout this Information Memorandum has been obtained from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry data used in this Information Memorandum is reliable, it has not been independently verified. The information included in this Information Memorandum about the various other companies is based on their respective Annual Reports and information made available by the respective companies.

## FORWARD LOOKING STATEMENTS

We have included statements in this Information Memorandum, that contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions that are “forward-looking statements.” All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant forward- looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others:

General economic and business conditions in India and other countries;

- Regulatory changes and our ability to respond to them;
- Our ability to successfully implement our strategy, our growth and expansion plans and technological changes;
- Changes in the value of the Rupee and other currency changes;
- Changes in Indian or international interest rates;
- Changes in laws and regulations in India;
- Changes in political conditions in India;
- Changes in the foreign exchange control regulations in India.
- Our exposure to market risks, general economic and political conditions in India which have an impact on our business activities and investments;
- The monetary and fiscal policies in India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally;
- Changes in domestic and foreign laws, regulations and taxes and changes in competition in our Industry.

For further discussion of factors that could cause our actual results to differ, see the section titled “Risk Factors”. By their nature, certain risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated.

We do not have any obligation to, and do not intend to, update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition.

## **SECTION-II**

### **RISK FACTORS**

This is only a summary with intent to give a general understanding. However Investors are expected to read the following summary with the risk factors mentioned and the more detailed information about us and our financial statements included elsewhere in this Information Memorandum. Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any of the risks described in this section.

Risk is an undesirable part of making an equity investment; you should carefully consider all of the information in this Information Memorandum, including the risks and uncertainties described below. If any of the following risks actually occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment.

India is considered to be the pharmacy of the world and Global Pharma Capital. In the current grim Global Economy, India is one of the Economies which is thriving and poised for steady growth. Pharma industry is arguably one of the key growth drivers in India. With all the positive charm of the industry, there would be possible risks associated with business which are to be noted to take considerate decisions. Some of the risk factors are listed below to give an insight but may not cover the entire risks and hence the investor needs to make his own assessments before taking considerate decision.

#### **Internal Risk Factors**

*The Demerger of the Company includes transfer of registered business with many semi regulated/Rest of the World (ROW) countries where the products are registered with the local authorities which will need efforts and resources to change the registrations.*

There may be additional costs involved in complying with government regulations since the International Business Unit is supplying the product in some of the semi regulated/ROW countries where registrations have been done long back in the name of SMS Pharmaceuticals Ltd. The demerger and subsequent change of name will require the registrations in those countries to be changed to new name and hence it might affect the business till the registrations are changed. This might also require audits by few authorities or customers resulting in increased resources consumption to effect the change. The entire transition needs to be handled meticulously otherwise there is risk of losing business.



***Complying with Change in regulations from time to time in destination countries - Semi regulatory countries in current scenario might tighten regulations to become almost a regulatory country.***

There are stringent requirements and audit mechanism regulating the manufacturing, research, development, testing and safety of pharmaceutical products on an on-going basis in many countries. There may be changes in the regulations regulating the existing and future products and the company shall have to comply with the changed regulations from time to time. The time frame in obtaining required clearances from regulatory authorities in any country cannot be predicted. The company's products require extensive approvals before it can market these products. All these uncertainties may affect the operations of the International Business of the Company.

***Registrations/licensing of commercial products in new countries and underdevelopment of products if not handled properly could result in delayed sales In case of International Business which will result in harming the operating results.***

Pharmaceutical industry is a very dynamic one in terms of keeping abreast with the fast moving developments in medical field and industry need to invest on finding new drugs which are effective and affordable. The developed products need to be registered in time to bag business and delays in registrations and licensing can lead to impact on operating results of the Company.

***API market being highly competitive need to constantly innovate to make the product cheaper to continue business and hence require effective R&D. The Research and Development Activities involve high risk as the costs are certain while the results are uncertain:***

Even after developing an API and commercializing it, industry needs to continuously work on the product to investigate any shortcoming in the product or to deal with the customer complaints but also needs to be innovative and work on the process with an aim to reduce the cost or wastages. However the Research and Development Activities will have high risk and high return compared to manufacturing and marketing of pharmaceutical products business. The Resource requirements in the R&D Activities also can be difficult to predict. However, given the right resource base and focus, the R&D Activities offer strong potential. Delays in any part of the R&D activity, our inability to obtain necessary regulatory approvals for the company products or failure of a product to be successful at any stage could harm its operating results.

***If the company is unable to comply with the conditions listed in licenses and approvals, the licenses may be cancelled resulting in an adverse effect on its business.***

In respect of the Demerged Undertaking, SMS Lifesciences India Ltd will have to obtain licenses from several regulatory authorities for the operations of its business. There might be few conditions incorporated in these licenses, which requires the compliance. Any non-compliance may result in the cancellation of the relevant licenses which may adversely affect the company's business.

***The company derives a significant portion of its revenue from the sale of single product in certain therapeutic areas and any reduction in demand for these products could have an adverse effect on the business, results of operations, financial condition and cash flows.***

The company derives a significant portion of its revenue from a single product called Ranitidine HCL which contributes almost 80% of its revenue from Anti ulcerant therapeutic segment. Any reduction in demand or a temporary or permanent discontinuation of manufacturing of products in these therapeutic areas could have an adverse effect on the business, results of operations, financial condition and cash flows.

***If the products become obsolete due to a breakthrough in the development of alternate drugs, the business, results of operations, financial condition and cash flows may be adversely affected.***

If our major products, viz Ranitidine, Famotidine and Sildenafil citrate which are currently used as one of the preferred first line treatment in their respective segments, due to various unknown reasons are stopped by health authorities and any failure on our part to effectively address such situations, or to successfully introduce new products in these therapeutic areas, could adversely affect the business, results of operations, financial condition and cash flows.

***The Company derives a significant portion of its revenue from few customers, most of whom do not have long term contractual arrangements with, and the loss of one or more such customers, the deterioration of their financial condition or prospects, or a reduction in their demand for the company products could adversely affect the company business, results of operations, financial condition and cash flows.***

The company is dependent on a limited number of customers for a significant portion of its revenues. Further, the company currently does not have long term contractual arrangements with most of its significant customers and conduct business with them on the basis of purchase orders that are placed from time to time.

The customers participate in a competitive tender process for supply to government entities, private agencies and institutions in the International market. Any inability on the part of customers to successfully win tenders will result in a lower demand for the company's products from them. Further, some of the customers currently manufacture or may start manufacturing their own APIs and may discontinue purchasing APIs from the company. The loss of one or more of significant customers or a reduction in the amount of business obtained from them could have an adverse effect on the business, results of operations, financial condition and cash flows.

The company's reliance on a select group of customers may also constrain the ability to negotiate arrangements, which may have an impact on the profit margins and financial performance. The deterioration of the financial condition or business prospects of these customers could reduce their requirement of products and result in a significant decrease in the revenues the company derives from these customers. The company cannot assure that it can maintain historic levels of business from its significant customers.

***Dependence on China for sourcing of Raw material.***

The company currently is dependent on raw material procurement from China which is known to be highly unreliable in business. Any shortage or stoppage of supply of the Raw material might have huge impact on the company operations and inflows. Though the company will be making effort to manufacture the raw materials also through backward integration, the risk will be high with the Chinese Government closing many industries in view of rampant pollution issues in China.

***If the company fails to comply with laws relating to environment, employees, health and safety and other laws that regulate manufacturing activities or face litigation related to any of these, the costs may increase resulting in decreased revenues.***

The company's products mainly includes manufacturing of APIs, which are highly polluting in general and also risky. There are stringent regulatory requirements relating to environment, employees, health and safety etc. For this purpose, the company may incur substantial costs in order to comply with the requirements of environmental laws and regulations. In addition, there may be discovery of currently unknown environmental problems or conditions. The company is subjected to significant national and state environmental laws and regulations which govern the discharge, emission, storage, handling and disposal of a variety of substances that may be used in or result from the operations. Environmental laws and regulations are not as extensive in India as they are in other countries such as the United States. They have, however, been increasing in stringency and it is possible that they will become significantly more stringent in the future. The company is also subject to laws and regulations governing relationships with employees in such areas as minimum wage and maximum working hours, overtime, working conditions, hiring and terminating of employees, contract labour and work permits. Furthermore, the success of business is contingent upon, among other things, receipt of all required licenses, permits and authorizations, including local land use permits, building and zoning permits and environmental, health and safety permits. Changes or concessions required by regulatory authorities could also involve significant costs and delay or prevent completion of the construction or opening or operations of expansions, renewals of existing facilities etc.

From the compliance to environment regulations point of view, the company's main facility in Khazipally had been fairly stable after lot of investment has gone into it on the environment protection in the past 5 years and the threat of closure has substantially reduced. However there is ever growing regulatory conditions which need to be

complied with on timely basis otherwise there could be risk of closure of the facility leading to operations losses.

***The Company has outsourced the stage III process of the main product Ranitidine owing to its pollution problems related to that stage which affected the company earlier. The Company has entered into an exclusive agreement for contract manufacturing of the stage III on Job work basis and hence is dependent on outsourced company.***

Stage III of Ranitidine manufacturing involved generation of anobnoxious gas called Methyl Mercaptan whose handling is very crucial in terms of pollution control. There were many instances in the past related to this gas when the closure of the operations was ordered by the authorities. In compliance with the directions given by pollution control board, this particular stage has been outsourced to a company based in Karnataka.

However the company invested in R&D and found out a path breaking technology wherein the obnoxiousgas is converted into a solvent which can be reused in the same process. The company was also awarded for Green chemistry turning the weakness into strength. Any differences or disputes with outsourced company would affect the operations and the closure of that particular plant due to environmental noncompliance by pollution authorities of Karnataka might adversely affect the company operations.

***Promoters and promoter group hold majority of equity shares in the Company. Therefore, the promoters and promoter group control the Company and, if they take actions that are not in your best interests, it may harm the value of your investment.***

Consequent to demerger, the promoters of the demerged company together with family members in the aggregate, own majority of of the issued equity shares of the Company as on the record date. As a result, they have the ability to exercise significant control over most matters requiring approval of the shareholders, including the election and removal of directors and significant corporate transactions. This control by the promoters and promoters group could delay, defer or prevent a change in control of the Company, impede a merger, consolidation, takeover or other business combination involving the Company, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company.

***The Company's operations are dependent on key personnel. If the company is not able to continue to attract and retain qualified employees, its operations could be harmed.***

The Company's operations are dependent on scientific, technical, marketing and management executives who are key to the operations. The qualified personnel are difficult to be attracted and retained. The company may not be able to continuously attract qualified personnel or retain such personnel, or retain them on acceptable terms, given the demand for such personnel among pharmaceutical and healthcare companies. If the company is not able to attract and retain qualified personnel, the results of operations may be adversely affected.

***If there is a change in accounting or tax policies applicable to the Company, it may affect the reported results of operations.***

The Company's reported results may be significantly affected by accounting or tax policies promulgated from time to time by relevant authorities. Some of the tax incentives may be phased out progressively and may cease to be available in near future. The implications of change in accounting or tax policies cannot be assessed at this time and hence there is a likely uncertainty on these aspects.

***The company is involved in litigation proceedings and it cannot be assured that it will prevail in these proceedings***

The company is a defendant in few legal proceedings incidental to its business and operations. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Should any new developments arise, such as a change in Indian law or rulings against the company by appellate courts or tribunals, there might be a need to make provisions in the financial statements, which could adversely impact the business results. Furthermore, if significant claims are determined against the company and if it is required to pay all or a portion of the disputed amounts, it could have an adverse effect on its business and profitability.

### **External Risk Factors**

***Downturns or disruptions in the securities markets could reduce transaction volumes.***

The share price of the Company may be affected directly by the regional, national and global economic and political conditions, broad trends in business and finance, disruptions to the securities markets and changes in volume and price levels of securities and future transactions.

***Future sale of shares by the shareholders could cause the price of equity shares to decline.***

As there is no lock-in provision on the equity shares after listing, sale of substantial number of equity shares could lead to fall in market prices of the equity shares of the Company.

***Decline of economic strength of many customer countries and failure to realize payments in time.***

There are many instances of economy of a country going bust and no payments were made from the country to those whom they owe payment due to purchases. There is the risk of devaluation of the economies of buyer countries which might affect the purchase of the products or defaulting of the payments which will have huge impact on the company affecting the sales and revenues.

***After the demerger the prices of the Company's equity shares may be volatile, or an active trading market for Company's equity shares may not develop.***

There might be changes in the investor mentality subsequent to the current demerger which could impact the prices of the Company's equity shares which may fluctuate. There can be no assurance that an active trading market for the equity shares will develop or be sustained after this demerger. In these circumstances, the company's share price could be volatile.

***A significant change in the Indian Government or its economic liberalization and deregulation policies could disrupt the business.***

The Company is an Indian company and a substantial part of its operations are conducted, and all its assets are located, in India. The Government of India has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could continue to have a significant effect on private-sector entities, including the Company, and on market conditions and prices of Indian securities. It cannot be ascertained that in future government will continue with the same economic policies or the same pace of change. A significant change in government policies could harm business and economic conditions in India in general as well as business, future financial performance and the price of company's shares.

***If regional hostilities or terrorist attacks increase, the business could suffer***

Terrorist attacks and such other acts of violence or terrorism may negatively affect the Indian markets where the equity shares trade and also adversely affect the worldwide financial markets. India has from time to time experienced social and civil unrest and hostilities with neighboring countries. If such type of hostilities and tensions recur, they could lead to political or economic instability in India and harm our business, our future financial performance and the price of company equity shares.

## **SECTION-III INTRODUCTION**

### **SUMMARY OF INDUSTRY**

The information contained in this section is derived from the reports from various sources available in public domain unless specified otherwise. Neither we, nor any other person connected with us has independently verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but that their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends.

#### **Macroeconomic Overview of India**

In the current gloomy global economies, India is among a very few economies which are on rise and is a beacon of growth. The country's gross domestic product ("GDP") is expected to grow at an impressive CAGR of 5.6% between 2016 and 2022. Driven by strong macroeconomic fundamentals including moderate inflation, a narrow current account deficit, fiscal consolidation, and the Government's reform drive, India has overtaken China to become the world's fastest growing major economy in 2016. The future growth prospects of Asia's third-largest economy is also bright, even as many of the world's leading economies are slowing down. Drug industry has been one of the key driving factor in Indian economy.

The growth is likely to be supported by strong consumption demand aided by favorable demographics and the Government's 'reform to transform' approach. The development agenda of 'Vision 2022' seeks to ensure pan-India access to employment, economic opportunities, housing, electricity, water, sanitation, online connectivity, medical facilities and schools by 2022.

The Government of India has undertaken multiple initiatives to fast-track growth. Reforms to improve the business environment, enhance investment in infrastructure, liberalize norms for foreign direct investment ("FDI"), provide speedy resolutions to business disputes, along with simplifying and lowering corporate taxes have been initiated. Additionally, initiatives have been undertaken for MAKE IN INDIA and to improve the EASE OF DOING BUSINESS in India. For example, new delicensing and de-regulation measures will reduce complexity and significantly increase the speed and transparency of transactions.

Flagship schemes of the Indian government such as 'Make in India', 'Skill India', 'Digital India', and 'Start-up India' are expected to create opportunities in all sectors of the economy

and build long-term growth engines for the country. All these initiatives are expected to make India an attractive destination to do business and thereby attract greater investment. Buoyed by these factors, India's ease of doing business rank, as per the World Bank estimates, improved from 134 in 2015 to 130 in 2016 and expected to be better going forward.

### **Overview of the Global Pharmaceutical Market:**

The global pharmaceutical industry is in a state of flux, working towards win-win transformations across all value chains from manufacturers, providers, payers, and patients. The global pharmaceutical market was estimated to be around US\$ 894.2 billion in 2015 and is expected to grow at a CAGR (2015–2020) of 9.8% annually to reach US\$ 1427.1 billion by 2020.

North America accounted for the largest market share of around 40% by value, followed by Europe with around 32% of the market share. This is mainly due to the leading role of the US and European pharmaceutical industry.

In 2015, the generic drugs market comprised a major segment of the pharmaceutical industry valued at US\$ 330.87 Billion, covering a significant 37% share of the global pharmaceutical market. The generic market is poised for significant growth in the next few years and is expected to reach US\$ 557.37 billion in 2020, growing at a CAGR of 42.11% from 2015 to 2020.

The US is the world's largest generic pharmaceuticals market with a share of 25.4%, valued at US\$ 84.03 billion in 2015 and growing at a CAGR (2015–2020) of 7.4%. China ranks second, occupying around 18.6% market share of the global generics market and is valued at US\$ 61.4 billion, growing at a CAGR (2015–2020) of 12.3%. India has emerged as a major market for consumption as well as manufacturing of generics, targeting exports of 40% and above to the US each year.

### **Overview of the Indian Pharmaceutical Industry**

The Indian pharmaceutical Industry has been one of the success stories in the manufacturing sector, due to Indian manufacturers' expertise in chemistry, low cost arbitrage and their ability to align their processes with the most stringent regulations of the world, i.e. United States Food and Drug Administration (USFDA) and The Medicines and Healthcare products Regulatory Agency (MHRA). The Indian pharmaceuticals industry has been growing between 12%-14% over the past of couple of years and on a broad level the industry is well geared to cater to the domestic needs of the country. The size of the pharmaceutical industry in India was estimated to be US\$22 billion of which formulations contributed US\$14 billion and the rest being accounted for by bulk drugs. The Indian pharmaceutical industry is comprised of 70-75% generic drugs and rest being contributed by patented and innovative molecules and OTC products. The Indian pharmaceutical industry accounts for the second



largest number of Abbreviated New Drug Applications (“ANDAs”) and is the world’s leader in Drug Master Files (“DMFs”) applications with the US. India is also the largest global exporter of formulations in terms of volume, and 12th in terms of export value, with 14% market share.

### **Advantage India: Pharmaceutical Sector**

India is one among the top five pharmaceutical emerging markets globally and is a front runner in a wide range of specialties involving manufacturing and development of complex drugs. India has about 40% of all Abbreviated New Drug Application (ANDA) approvals from US FDA. The Indian API manufacturing industry is the third largest in the world, producing over 400 APIs. Globally Indian companies hold more than 90% of APIs approvals for ARVs, Anti-Tuberculosis and Anti-malarials.

India also has many other advantages and established credentials such as:

- **Well Qualified Skills and Resources** : India has the 2nd highest number of qualified doctors in the world. Of every six medical doctors in the US, one is an Indian. Around 700,000 Science and Engineering graduates and 1,500 PhDs qualify annually. India has over 15,000 scientists across different fields of science and technology.
- **Global Recognition** : Indian generic manufacturers have reduced the cost of combination drug treatments for AIDS to as low as US\$120 a year per patient, which could otherwise cost thousands of dollars per year in the US or Europe. India also has the highest number of approvals from the US President's Emergency Plan for AIDS Relief (“PEPFAR”).
- **India as a Pharmacy to the World** : 70-90% of essential medicines for developing countries are supplied from India and 50% of medicines procured by UNICEF for developing countries are from India. Over 40% of generics prescribed in the US are procured from India.

## GENERAL INFORMATION

Originally the company was incorporated as Potluri Real Estate Private Limited” on 31<sup>st</sup> May, 2006 and the company’s name has been changed to “Potluri Packaging Industries Private Limited” on 6<sup>th</sup> November, 2013. Once again the company’s name has been changed to “ SMS Lifesciences India Private Limited w.e.f. 4<sup>th</sup> August, 2014. The Company has become a wholly owned subsidiary company of SMS Pharmaceuticals Limited w.e.f. 01.04.2016. Subsequently converted into a Public Company under the Companies Act, 2013 w.e.f. 22<sup>nd</sup> June, 2016.

CIN of the Company: U74930TG2006PLC050223 PAN : AAACP4285F

### Address of Registered Office of the Company

Plot No.19-III, Road No. 71,  
Opp. Bharatiya Vidya Bhaban Public School,  
Jubilee Hills, Hyderabad-500096,  
Telangana, India.  
Phone: 040-6628 8888, Website: www.smslife.in  
Email: cs@smslife.in (or) info@smslife.in

## BOARD OF DIRECTORS

### Board of Directors as on the date of filing of the Information Memorandum

S.No	Name	Category	DIN
1.	Mr. TVVSN Murthy	Managing Director	0000465198
2.	Mr. Ramesh Babu Potluri	Non Executive Director	0000166381
3.	Mr. P. Sarath Kumar	Non Executive & Independent Director	0001456746
4.	Mr. P.S. Rao	Non Executive & Independent Director	0000099066
5.	Mrs. T. Neelaveni	Non Executive & Independent Director	0000065571

For further details of the Board of Directors of the Company, please see the section titled “Management”.

**Company Secretary and Compliance Officer:**

Mr.Pavan B. Pise  
Registered and Corporate Office:  
Plot No.19-III, Opp. Bharatiya Vidya Bhaban Public School,  
Hyderabad-500 096, Telangana State  
Phone: 040-6628 8888, Website: www.smslife.in  
Email: cs@smslife.in (or) info@smslife.in

**Auditors:**

M/s. Rambabu & Co.,  
Chartered Accountants  
Flat No.6-3-1090/1/A  
Pancom Chambers  
Rajbhavan Road, Somajiguda  
Hyderabad-500082  
Telangana.

**Registrar and Share Transfer Agent:**

M/s. Aarathi Consultants Private Limited  
1-2-285, Domalguda, Hyderabad-500 029  
Tel: 040-27642217/27638111  
Website: www.aarhiconsultants.com  
E-Mail: info@aarhiconsultants.com  
Mr. G. Bhaskara Murthy, General Manager

**Registrar of Companies:**

Registrar of Companies  
Andhra Pradesh & Telengana  
2nd Floor, Corporate Bhawan,  
GSI Post, Tattannaram Nagole, Bandlaguda  
Hyderabad - 500 068

- Investors are requested to contact the above-mentioned Compliance officer or Registrar and Share Transfer Agent in case of any clarification such as non-receipt of letters of allotment/ share certificates/ credit of securities in depository beneficiary account/ refund orders, etc.

## CAPITAL STRUCTURE

### SHARE CAPITAL

#### Share Capital of SMS Lifesciences India Limited pre-scheme of Arrangement:

Particulars	Aggregate value (Rs.)
<b>Authorised Share Capital</b>	
2,50,000 Equity Shares of Rs.10/- each	25,00,000
<b>Issued, Subscribed &amp; Paid-up Capital</b>	
10,000 Equity Shares of Rs.10/- each	1,00,000

The initial Authorised Share Capital of the Company at the time of incorporation was Rs.25,00,000/- (Rupees Twenty Five Lakhs only), Issued, Subscribed & Paid-up Share Capital was Rs.1,00,000/- (Rupees One Lakh only), which was held by SMS Pharmaceuticals Limited (Holding Company) and stand cancelled, extinguished and annulled as per the Scheme of Arrangement.

#### Share Capital of SMS Lifesciences India Limited Post-Scheme of Arrangement and as at date of this Information Memorandum:

	Aggregate value (Rs.)
<b>Authorised Share Capital</b>	
35,00,000 Equity Shares of Rs.10/- each	3,50,00,000
<b>Issued, Subscribed &amp; Paid-up Capital</b>	
30,23,287 Equity Shares of Rs.10/- each	3,02,32,870

As per the approved scheme of Arrangement between SMS Pharmaceuticals Limited and SMS Lifesciences India Limited the Authorised Share capital increased to Rs.3,50,00,000/- (Three Crores Fifty Lakhs Only). The present Issued, Subscribed & Paid-up Share Capital is Rs.3,02,32,870/- (Three Crores Two Lakhs Thirty Two Thousand Eight Hundred and Seventy Only) divided into 30,23,287 (Thirty Lakhs Twenty Three Thousand Two Hundred and Eighty Seven Only) Equity Shares of Rs.10/- (Ten Only) each.

**SHAREHOLDING PATTERN OF THE COMPANY BEFORE AND AFTER ALLOTMENT OF EQUITY SHARES PURSUANT TO THE SCHEME**

Category code	Category	Pre-arrangement shareholding		Post-arrangement shareholding – as on date of allotment of shares	
		No. of shares	% of shares	No. of shares	% of shares
<b>(A)</b>	<b>Shareholding of Promoter and Promoter Group</b>				
<b>1</b>	<b>Indian</b>				
(a)	Individuals/ Hindu Undivided Family	0	0	1834116	60.67
(b)	Central Government/ State Government(s)				
(c)	Bodies Corporate	10000	100	221513	7.33
(d)	Financial Institutions/ Banks				
(e)	Any Others(Specify)				
	<b>Sub Total(A)(1)</b>	<b>10000</b>	<b>100</b>	<b>2055629</b>	<b>67.99</b>
<b>2</b>	<b>Foreign</b>				
A	Individuals (Non-Residents Individuals/ Foreign Individuals)				
B	Bodies Corporate				
C	Institutions				
D	Any Others(Specify)				
	<b>Sub Total(A)(2)</b>	-	-	-	-
	<b>Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)</b>	<b>10000</b>	<b>100</b>	<b>2055629</b>	<b>67.99</b>
<b>(B)</b>	<b>Public shareholding</b>				
<b>1</b>	<b>Institutions</b>				
(a)	Mutual Funds/ UTI				
(b)	Financial Institutions/ Banks	-	-	611	0.02
(c)	Central Government/ State Government(s)				
(d)	Venture Capital Funds				

(e)	Insurance Companies				
(f)	Foreign Institutional Investors				
(g)	Foreign Venture Capital Investors				
(h)	Any Other (specify)				
	i) Alternate Investment Funds	-	-	4460	0.15
	ii) Foreign Portfolio Investor	-	-	51	0.00
	<b>Sub-Total (B)(1)</b>	<b>0</b>	<b>0</b>	<b>5122</b>	<b>0.17</b>
<b>B 2</b>	<b>Non-institutions</b>				
(a)	Bodies Corporate (Including Foreign Bodies Corporates)	-	-	110902	3.67
(b)	Individuals				
I	Individuals -i. Individual shareholders holding nominal share capital up to Rs 2 lakh	-	-	671636	22.22
II	ii. Individual shareholders holding nominal share capital in excess of Rs. 2 lakh.	-	-	105457	3.49
(c)	Any Other (specify)				
	i) NBFCs Registered with RBI	-	-	3	0
	ii) Non-Resident Indian (NRI) - Non Repatriable	-	-	43002	1.42
	iii) Non-Resident Indian (NRI) - Repatriable	-	-	17195	0.57
	iv) Clearing Member	-	-	14192	0.47
	v) Trust	-	-	132	0.00
	vi) Unclaimed Suspense A/c	-	-	17	0.00
	<b>Sub-Total (B)(2)</b>	<b>0</b>	<b>0</b>	<b>962536</b>	<b>31.84</b>
<b>(B)</b>	<b>Total Public Shareholding (B)= (B)(1)+(B)(2)</b>	<b>0</b>	<b>0</b>	<b>967658</b>	<b>32.01</b>
	<b>TOTAL (A)+(B)</b>	<b>10000</b>	<b>100</b>	<b>3023287</b>	<b>100</b>
<b>(C)</b>	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0
	<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>10000</b>	<b>100</b>	<b>3023287</b>	<b>100</b>

**List of the persons/entities comprising Promoter Group**

<b>Sr. No.</b>	<b>Name of Shareholder</b>	<b>No. of Shares</b>	<b>Percentage %</b>
<b>PROMOTERS</b>			
1	Mr. T V V S N Murthy	293821	9.72
2	Mr. T V V S N Murthy (HUF)	142190	4.70
3	Mr. Ramesh Babu Potluri	518105	17.14
<b>PROMOTER GROUP</b>			
4	Ms. Hima Bindu Potluri	441905	14.62
5	M/s. Potluri Infra Projects LLP	213213	7.05
6	Ms. T Annapurna	156797	5.19
7	Mr. Vamsi Krishna Potluri	72520	2.4
8	Ms. Gopineedi Sudeepthi	62500	2.07
9	Mr. Trilok Potluri	51118	1.69
10	Mr. T V Praveen	46262	1.53
11	Ms. Satya Vani Potluru	27023	0.89
12	Mr. Hari Kishore Potluri	15359	0.51
13	Mr. P Suresh Babu	5051	0.17
14	Mrs. Sukumari Koneru	1428	0.05
15	M/s. Potluri Laboratories Private Limited	8300	0.27
16	Mr. Rajeswara Rao Gopineedi	37	0
	<b>Total</b>	<b>2055629</b>	<b>67.99</b>

**The list of top 10 shareholders of the Company and the number of Equity Shares held by them.**

**a) Top ten shareholders on the date of filing the Information Memorandum**

<b>Sl No</b>	<b>Name of the Shareholder</b>	<b>No. of Shares</b>	<b>Percentage %</b>
1	RAMESH BABU POTLURI	518105	17.14
2	HIMA BINDU POTLURI	441905	14.62
3	T V V S N MURTHY	293821	9.72
4	POTLURI INFRA PROJECTS LLP	213213	7.05
5	T ANNAPURNA	156797	5.19
6	T V V S N MURTHY	142190	4.7
7	VAMSI KRISHNA POTLURI	72520	2.4
8	VENKATA SUBBARAJU PENMATSA .	63928	2.11
9	GOPINEEDI SUDEEPTHI	62500	2.07
10	TRILOK POTLURI	51118	1.69
	<b>Total</b>	<b>2016097</b>	<b>66.69</b>



**b) Top Seven shareholders pre-scheme of arrangement and before the allotment of shares pursuant to the Scheme of Arrangement:**

Sr. No.	*Name of Shareholders	No. of Equity Shares	%
1	SMS Pharmaceuticals Limited	9994	99.94
2	Mr. P RAMESH BABU (Beneficial interest held by SMS Pharmaceuticals Limited)	1	0.01
3	Mr. T V V S N MURTHY (Beneficial interest held by SMS Pharmaceuticals Limited)	1	0.01
4	Mr. P S RAO (Beneficial interest held by SMS Pharmaceuticals Limited)	1	0.01
5	P VAMSI KRISHNA (Beneficial interest held by SMS Pharmaceuticals Limited)	1	0.01
6	Mr. T V PRAVEEN (Beneficial interest held by SMS Pharmaceuticals Limited)	1	0.01
7	Mr. PSR BRAHMAM (Beneficial interest held by SMS Pharmaceuticals Limited)	1	0.01
	<b>Total</b>	<b>10,000</b>	<b>100</b>

\* Holding shares on behalf of SMS Pharmaceuticals Limited to ensure requirement of minimum 7 members.

c) **Top two shareholders of the Company on the date of incorporation. (Only Two shareholders since the company was a private Limited Company at the time of Incorporation):**

<b>Sr. No.</b>	<b>Name of Shareholders</b>	<b>No. of Equity Shares</b>	<b>%</b>
1.	POTLURI HIMABINDU	5000	50
2.	POTLURI HARI KISHORE	5000	50
	<b>Total</b>	<b>10,000</b>	<b>100</b>

Notes:

1. The Company, its directors, its promoters have not entered into any buy-back, stand by or similar arrangements to purchase equity shares of the Company from any person.
2. There shall be only one denomination for the Equity Shares of the Company, subject to applicable regulations and Company shall comply with such disclosure and accounting norms specified by SEBI, from time to time.
3. As on the date of this Information Memorandum, there are no outstanding warrants, options or rights to convert debentures, loans or other instruments into Equity Shares.
4. The Company has approximately 14,225 members as on the date of filing this Information Memorandum.

## **SALIENT FEATURES OF THE SCHEME OF ARRANGEMENT**

### **A. PREAMBLE**

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

### **B. DESCRIPTION OF COMPANIES**

- (i) SMS Pharmaceuticals Limited (“Demerged Company”) is a public limited company incorporated under the provisions of the Companies Act, 1956 on 14th day of December, 1987 originally in the name of “S.M.S. Pharmaceuticals Private Limited” and subsequently converted into a Public Limited Company in the name of “S.M.S. Pharmaceuticals Limited” on 2nd November, 1994. The name of the Company has been changed from S.M.S. Pharmaceuticals Limited to SMS Pharmaceuticals Limited with effect from 12th April, 2004. The Registered Office of the company is situated at Plot No.19-III, Road No.71, Opp. Bharatiya Vidya Bhavan Public School, Jubilee Hills, Hyderabad. It is engaged in the business of manufacturing and sale of active pharmaceutical ingredients and intermediates. The Equity Shares of Demerged Company are listed on BSE Limited (‘BSE’) having Security Code “532815” and National Stock Exchange of India Limited (‘NSE’) having Symbol “SMSPHARMA”. The Corporate Identity Number of the Company is L24239AP1987PLC008066.
- (ii) SMS Lifesciences India Limited (“Resulting Company”) is a public limited company incorporated under the provisions of the Companies Act, 1956, on 31st day of May, 2006, originally as Private Limited Company in the name of “Potluri Real Estate Private Limited” and subsequently changed its name to “Potluri

Packaging Industries Private Limited” on 6th November, 2013. Thereafter the Company had changed its name as “SMS Lifesciences India Private Limited” on 4th August, 2014 and subsequently converted as Public Limited Company with effect from 22nd June, 2016 having its registered office at Plot No. 265Q, Road No. 10, Jubilee Hills, Hyderabad and its Corporate Identity No. is U74930TG2006PLC050223. The Resulting Company is a wholly owned Subsidiary of the Demerged Company and is presently engaged in the business of manufacturing, buying, selling, offering consultancy, importing and exporting, acting as commission agents and generally dealing with of all types of Organic & Inorganic Chemicals, Pharmaceuticals, Active Pharmaceutical Ingredients (API) and Intermediates.

### **C. RATIONALE**

- (i) (i) This Scheme is presented under Sections 391 to 394 read with Sections 100 to 103 of the Companies Act, 1956 and the provisions of the Companies Act, 2013 as applicable for transfer of the Semi Regulated Units namely I, IV and V and other assets (defined as demerged undertaking) of the Demerged Company as a going concern to the Resulting Company, a wholly-owned subsidiary of the Demerged Company and consequential restructure of its share capital in form of Utilisation of General Reserve Account of the Demerged Company.
- (ii) The Demerged Company has presently operating five units out of which three manufacturing divisions are Semi-Regulated Units namely Unit I (i.e. Khazipally Unit), which is located at Sy. No. 180/2, IDA Kazipally Village, Jinnaram Mandal, Medak District, Hyderabad, Telangana State; Unit IV (i.e. Jeedimetla Unit), which is located at Plot No. 66/B-2, Phase-1, IDA Jeedimetla, Hyderabad, Telangana State and Unit V (i.e. Bollaram Unit) which is located at Sy. No. 296/7/4, S.V. Co.op. Ind. Estate I.D.A., Bollaram, Medak District, Hyderabad, Telangana State and the rest of the Units are Regulated Units. With a view to reduce the impact of semi-regulated units on regulated units, achieving operational efficiencies, site synergies and streamlining its current structure, the Demerged Company has decided to demerge its Unit Nos. I, IV and V and transfer to the Resulting Company along with other assets and Investments with primary intention to bifurcate its units which are semi regulated under FDA (Food and Drug Administration) norms and transfer them to a separate Company. The circumstances, reasons and/or grounds that have necessitated and/or justified the Scheme and the advantages thereof are, inter alia, as follows:
  - a) The nature of risk and return involved in the business of Semi-Regulated units is distinct from the Regulated Units of the Demerged Company. Hence, transfer of all the Semi-Regulated units under one umbrella would enable these Units to run independently and in a more cohesive manner so as to run more profitably and attract potential collaborators for future

growth and development of business by the Resulting Company, without impacting the Demerged Company.

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

#### **D. OPERATION OF THE SCHEME**

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

- (a) all the assets relatable to the Demerged Undertaking being transferred by the Demerged Company, as on the Appointed Date shall become the properties of the Resulting Company by virtue of this Scheme;
  - (b) all the liabilities relatable to the Demerged Undertaking, as on the Appointed Date shall become the liabilities of the Resulting Company by virtue of this Scheme;
  - (c) all the assets and the liabilities relatable to the Demerged Undertaking being transferred by the Demerged Company shall be transferred to the Resulting Company, on a going concern basis, at the value appearing in the books of account of the Demerged Company immediately before the Demerger;
  - (d) the Resulting Company shall issue, in consideration of the Demerger Undertaking, its Equity Shares to the shareholders of the Demerged Company as on the Record Date as per the share entitlement ratio; and
  - (e) all the shareholders of the Demerged Company as on the Record Date shall become the shareholders of the Resulting Company by virtue of the Demerger.
- (vi) The Scheme shall be in compliance with the applicable SEBI Guidelines, Regulations including Listing Regulations, SCRR and the Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 any subsequent amendments thereof ( “**SEBI Circular**”).

#### **E. PARTS OF THE SCHEME**

The Scheme is divided into the following parts:

Part I - deals with definitions, interpretations and share capital

Part II - deals with transfer and vesting of demerged undertaking

Part III - deals with General terms and conditions.

## PART I

### DEFINITIONS, INTERPRETATIONS AND SHARE CAPITAL

#### 1. DEFINITIONS AND INTERPRETATIONS

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

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

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

**“Appointed Date”** means opening business hours of 1<sup>st</sup> April, 2016.

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

**“Articles of Association”** means the articles of association of the Demerged and Resulting Companies.

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

**“BSE”** means the BSE Limited.

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

**“Demerged Undertaking”** means and include

1. all the business, undertaking, properties, investments and liabilities of whatsoever nature and kind and wheresoever situated, of the Demerged Company, in relation

to and pertaining to the Semi-Regulated Units No. I, IV and V on going concern basis, together with all its assets and liabilities and shall mean and include (without limitation):

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



- (ii) the specific loans and borrowings raised, incurred and utilised solely for the activities and operations of Demerged Company in relation to the Semi-Regulated Units; and
  - (iii) liabilities other than those referred to in sub-clauses (i) and (ii) above and not directly relatable to the Semi-Regulated Units, being the amounts of any general or multipurpose borrowings of Demerged Company as stand in the same proportion which the value of assets transferred under this Clause of Semi-Regulated Units bears to the total value of the assets of the Demerged Company immediately before the Appointed Date;
- (c) all intellectual property rights, including trademarks, trade names and the goodwill associated therewith, patents, patent rights, copyrights and other industrial designs and intellectual properties and rights of any nature whatsoever including know-how, or any applications for the above, assignments and grants in respect thereof of the Demerged Company in relation to the Semi-Regulated Units as on the Appointed Date;
- (d) all books, records, files, papers, engineering and process information, records of standard operating procedures, computer programmes along with their licenses, drawings, manuals, data catalogues, quotations, sales and advertising materials, lists of present and former customers and suppliers, customer credit information, customer pricing information and other records whether in physical or electronic form, in connection with or relating to the Semi-Regulated Units of the Demerged Company as on the Appointed Date;
- (e) all employees of the Demerged Company engaged in the Semi-Regulated Units; and
- (f) any question that may arise as to whether a specific asset (tangible or intangible) or any liability pertains or does not pertain to the Semi-Regulated Units or whether it arises out of the activities or operations of the Semi-Regulated Units or not, shall be decided by the Board of the Demerged Company or any Committee thereof.
2. Premises located at C-23 Industrial Estate, Sanatnagar Hyderabad to be transferred to the Resulting Company without any further deed or act under this Scheme.
3. Premises located at D-63, Phase I, Industrial Development Authority, Jeedimetla, Hyderabad, to be transferred to the Resulting Company without any further deed or act under this Scheme.

4. Premises located at Flat No. 417, Nilgiri, Aditya Enclave, Ameerpet, Hyderabad, to be transferred to the Resulting Company without any further deed or act under this Scheme.
5. Vacant land admeasuring Ac. 19 in Plot bearing no. 46 located at Pharma City, Parawada Mandal, Visakhapatnam District, Andhra Pradesh to be transferred to the Resulting Company without any further deed or act under this Scheme.
6. Investments relating to Semi Regulated Units held by Demerged Company, in other entities to be transferred to the Resulting Company without any further deed or act under this Scheme.

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

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

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

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

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

**“Memorandum”** means memorandum of association of a Company.

**“NSE”** means the National Stock Exchange of India Limited.

**“Parties” or “Parties to the Scheme”** means the Demerged Company and the Resulting Company.

**“RBI”** means the Reserve Bank of India.

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

**“Registrar of Companies”** means the Registrar of Companies at Hyderabad for the State of Andhra Pradesh and the State of Telangana.

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

**“Remaining Employees”** mean all the permanent employees of the Demerged Company other than the Transferred Employees.

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

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

**“SCRR”** means Securities Contracts (Regulation) Rules, 1957

**“SEBI”** means the Securities and Exchange Board of India.

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

**"Semi-Regulated Units"** means, units which are certified on accreditation basis and include rest of the world [apart from markets mentioned under Regulated Units

except USA, Europe and Australia], which offer low entry barriers in terms of Regulated Units requirements and intellectual property rights, which includes:

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

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

**“Stock Exchanges”** means collectively, the BSE and the NSE.

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

1.2 In this Scheme, unless the context otherwise requires:

- (a) words denoting singular shall include plural and vice versa;
- (b) headings and bold typeface are only for convenience and shall be ignored for the purposes of interpretation;
- (c) references to the word “include” or “including” shall be construed without limitation;
- (d) a reference to an article, section, paragraph or schedule is, unless indicated of the contrary, a reference to an article, section, paragraph or schedule of this Scheme;
- (e) unless otherwise defined, the reference to the word “days” shall mean calendar days;
- (f) references to dates and times shall be construed to be references to Indian dates and times;
- (g) reference to a document includes an amendment or supplement to or replacement or novation of, that document;
- (h) word(s) and expression(s) elsewhere defined in the Scheme will have the meaning(s) respectively ascribed to them.

## **2. DATE OF TAKING EFFECT AND OPERATIVE DATE**

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

## **3. SHARE CAPITAL**

3.1 The share capital of the Demerged Company as on **31<sup>st</sup> March, 2016** is as under:

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

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

3.2 The Share capital of the Resulting Company as on **31<sup>st</sup> March, 2016** is as under:

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

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

## **4. COMPLIANCE WITH TAX LAWS**

The Scheme has been drawn up to comply with the conditions relating to “demerger” as defined under Section 2(19AA) and other relevant sections of the Income-tax Act, 1961 and accordingly all the Assets and Liabilities pertaining to the demerged undertaking shall be transferred from the transferor company to transferee company at book values only. If any terms or provisions of the Scheme are found to be or interpreted to be inconsistent with any of the said provisions at a later date whether as a result of any amendment of law or any judicial or executive interpretation or for any other reason whatsoever, the aforesaid provisions of the tax laws shall prevail. The Scheme shall then stand modified to the extent determined necessary to comply with the said provisions. The power to make such amendments shall vest the Board

of Directors of demerged Company, which power can be exercised anytime and shall be exercised in the best interest of the companies and their shareholders.

## **PART II**

### **TRANSFER AND VESTING OF DEMERGED UNDERTAKING AS A GOING CONCERN**

#### **5. TRANSFER AND VESTING**

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

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

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

Resulting Company and that appropriate entries should be passed in their respective books to record the aforesaid changes;

- c) In respect of such of the assets belonging to the Demerged Undertaking other than those referred to in sub-clauses (a) and (b), the same shall be transferred to and vested in and/or be deemed to be transferred to and vested in Resulting Company on the Appointed Date pursuant to the provisions of Section 394 of the Act.

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

5.3 With effect from the Appointed Date and upon the Scheme becoming effective, any statutory licenses, permissions or approvals or consents held by Demerged Company required to carry on operations of the Demerged Undertaking shall stand vested in or transferred to Resulting Company without any further act or deed, and shall be appropriately mutated by the statutory authorities concerned therewith in favour of Resulting Company and the benefit of all statutory and Regulated permissions, environmental approvals and consents, registration or other licenses, etc., shall vest in and become available to Resulting Company as if they were originally obtained by Resulting Company. In so far as the various incentives, subsidies, rehabilitation schemes, special status and other benefits or privileges enjoyed, granted by any Government body, local authority or by any other person or availed of by Demerged Company relating to the Demerged Undertaking, are concerned, the same shall vest with and be available to Resulting Company on the same terms and conditions as applicable to Demerged Company, as if the same had been allotted and/or granted and/or sanctioned and/or allowed to Resulting Company.

5.4 The entitlement to various benefits under Incentive Schemes and Policies in relation to the Demerged Undertaking of the Demerged Company shall stand transferred to and be vested in and/or be deemed to have been transferred to and vested in the Resulting Company together with all benefits, entitlements or incentives of any nature whatsoever. Such entitlements shall include (but shall not be limited to)

income-tax, sales tax, value added tax, turnover tax, excise duty, service tax, customs and others and incentives in relation to the Demerged Undertaking to be claimed by the Resulting Company with effect from the appointed date as if the Resulting Company was originally entitled to all such benefits under such incentive scheme and/or policies, subject to continued compliance by the Resulting Company of all the terms and conditions subject to which the benefits under such incentive Schemes were made available to the Demerged Company.

- 5.5 Since each of the permissions, approval, consents, sanctions, remissions (including remission under Income-tax, sales tax, value added tax, excise duty, service tax, customs), special reservations, sales tax remissions, holidays, incentives, concessions and other authorisations relating to the Demerged Company, shall stand transferred under the Scheme to the Resulting Company, the Resulting Company shall file the relevant intimations if any, for the record of the statutory authorities who shall take them on file, pursuant to this Scheme coming into effect.
- 5.6 It is clarified that all the taxes and duties pertaining to the Demerged Undertaking payable by the Demerged Company, from the appointed date onwards including all or as any refund and claims shall, for all purposes, be treated as the tax and are duties, liabilities or refunds and claims of Resulting Company. Accordingly, upon the Scheme becoming effective, the Resulting Company is expressly to file its respective income-tax, sales tax, value added tax, turnover tax, excise duty, service tax, customs and any other return to claim refunds/ credits, pursuant to the provisions of this Scheme.
- 5.7 The transfer and vesting of the Demerged Undertaking as aforesaid shall be subject to the existing securities, charges, mortgages and other encumbrances if any, subsisting over or in respect of the property and assets or any part thereof relating to the Demerged Undertaking to the extent such securities, charges, mortgages, encumbrances are created to secure the liabilities forming part of the Demerged Undertaking.
- a) In so far as any securities, charges, hypothecation and mortgages over the assets comprised in the Demerged Undertaking are securities for liabilities of the Remaining Undertaking, the same shall, on the Effective Date, without any further act, instrument or deed be modified to the extent that all such assets shall stand released and discharged from the obligations and security relating to the same and the securities, charges, hypothecation and mortgages shall only extend to and continue to operate against the assets retained by Demerged Company and shall cease to operate against any of the assets transferred to Resulting Company in terms of this Scheme. The absence of any formal amendment which may be required by a lender or third party shall not affect the operation of the above. The provisions of this Clause shall operate notwithstanding anything contained in



any instrument, deed, agreement or writing or terms of sanction or issue or any security document, all of which instruments, deeds and writings shall stand modified and/or superseded by the foregoing provision.

- b) Provided further that the securities, charges, hypothecation and mortgages (if any subsisting) over and in respect of the assets or any part thereof of Resulting Company and this Scheme shall not operate to enlarge such securities, charges, hypothecation or mortgages and shall not extend or be deemed to extend, to any of the assets of the Demerged Undertaking vested in Resulting Company, provided always that this Scheme shall not operate to enlarge the security of any loan, deposit or facility created by Demerged Company in relation to the Demerged Undertaking which shall vest in Resulting Company by virtue of the vesting of the Demerged Undertaking with Resulting Company and there shall not be any obligation to create any further or additional security therefore after the Scheme has become effective.
- c) Provided further that all the loans, advances and other facilities sanctioned to Demerged Company in relation to the Demerged Undertaking by its bankers and financial institutions prior to the Appointed Date, which are partly drawn or utilised shall be deemed to be the loans and advances sanctioned to Resulting Company and the said loans and advances may be drawn and utilised either partly or fully by Demerged Company from the Appointed Date till the Effective Date and all the loans, advances and other facilities so drawn by Demerged Company in relation to the Demerged Undertaking (within the overall limits sanctioned by their bankers and financial institutions) shall on the Effective Date be treated as loans, advances and other facilities made available to Resulting Company and all the obligations of Demerged Company in relation to the Demerged Undertaking under the loan agreement shall stand released and discharged and shall become the obligation of Resulting Company without any further act or deed on the part of Resulting Company.

5.8 Without prejudice to the above and upon the effectiveness of this Scheme, the Demerged Company and the Resulting Company shall execute any instruments or documents or do all the acts and deeds as may be required, including the filing of necessary particulars and/or modification(s) of charge, with the Registrar of Companies and other Authorities under the Act to give formal effect to the above provisions, if required.

5.9 It is expressly provided that, save as mentioned in this scheme, no other term and condition of the liability transferred to the Resulting company is modified by virtue of this Scheme except to the extent that such amendment is required by necessary implication.

- 5.10 Subject to necessary consents being obtained in accordance with the terms of this Scheme the provisions of above sub-clauses shall operate, notwithstanding anything to the contrary contained in any instrument, deed or writing or the terms of sanction or issue or any security document.
- 5.11 It is clarified that if any assets, (estate, claims, rights, title, interest in or authorities relating to such assets) or any contract, deeds, bonds, agreements, schemes, arrangements of other instruments of whatsoever in relation to any of the Demerged Undertaking which Demerged Company owns or to which Demerged Company is a party and which cannot be transferred to Resulting Company or to its successor in business, for any reason whatsoever, Demerged Company shall hold such assets or contract, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in trust for the benefit of Resulting Company to which the Demerged Undertaking is being transferred in terms of this scheme, in so far as it is permissible so to do, till such time as the transfer is affected.
- 5.12 With effect from the appointed date, the general reserve of the demerged Company pertaining to the demerged undertaking shall become the General Reserves of the Resulting Company.

## **6. ISSUE OF SHARES BY THE RESULTING COMPANY**

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

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

- 6.2 The equity shares issued and allotted by the Resulting Company in terms of this Scheme shall rank pari-passu in all respects with the existing equity shares of the Resulting Company.
- 6.3 No fractional certificate(s) shall be issued by the Resulting Company in respect of any fractions which the members of the Demerged Company may be entitled to on issue and allotment of the New Equity Shares as aforesaid by the Company. The Board of Directors of the Resulting Company shall instead, consolidate all such fractional entitlements and allot New Equity Shares in lieu thereof to a Director or an

officer of the Resulting Company or such other person(s) as the Board of Directors of the Resulting Company shall appoint in this regard who shall hold the New Equity Shares in trust on behalf of the members entitled to such fractional entitlements with express understanding that such director or officer or person(s) shall sell the same in market at such time(s) (not later than 6 months upon coming into effect of this Scheme) at such price(s) and to such person(s) as it/he/they may deem fit, and pay to the Resulting Company the net sale proceeds thereof. Thereupon the Resulting Company shall distribute the net sale proceeds, after deduction of applicable taxes/duties/levies, if any, to the members entitled in proportion to their respective fractional entitlements. In case the number of such shares to be allotted to the Director/officer by virtue of consolidation of fractional entitlements is a fraction, one additional equity share will be issued in the Resulting Company to such Director/officer.

- 6.4 Shares to be issued by Resulting Company pursuant to Clause 6.1 in respect of any equity shares held by shareholder of Demerged Company which are held in abeyance under the provisions of Section 126 of the Companies Act, 2013 or otherwise shall, pending allotment or settlement of dispute by order of Court or otherwise, also be held in abeyance by Resulting Company.
- 6.5 In so far as the issue of equity shares pursuant to Clause 6.1 is concerned, the same shall be issued and allotted in dematerialized form to those equity shareholders who hold equity shares in Demerged Company in dematerialized form, in to the account with the Depository Participant in which the equity shares of Demerged Company are held or such other account with the Depository Participant as is intimated by the equity shareholders to Resulting Company before the Record Date. All those equity shareholders of Demerged Company who hold equity shares of Demerged Company in physical form shall also have the option to receive the shares, as the case may be, in dematerialised form provided the details of their account with the Depository Participant are intimated in writing to Resulting Company before the Record Date. In the event that Resulting Company has received notice from any equity shareholder of Demerged Company that equity shares are to be issued in physical form or if any member has not provided the requisite details relating to his/her/its account with a Depository Participant or other confirmations as may be required or if the details furnished by any member do not permit electronic credit of the shares of Resulting Company, then Resulting Company shall issue equity shares of Resulting Company, in accordance with the Demerged Company Share Entitlement Ration, as the case may be, in physical form to such equity Shareholder.
- 6.6 In the event of there being any pending share transfers, whether lodged or outstanding, of any shareholder of Demerged Company, the Board of Directors or any committee thereof of Demerged Company shall be empowered in appropriate cases, prior to or even subsequent to the Record Date, to effectuate such a transfer in

Demerged Company as if such changes in registered holder were operative as on the Record Date, in order to remove any difficulties arising to the transfer of the share in Demerged Company and in relation to the shares issued by Resulting Company after the effectiveness of this Scheme. The Board of Directors of Demerged Company and Resulting Company shall be empowered to jointly remove such difficulties as may arise in the course of implementation of this Scheme and registration of new members in Resulting Company on account of difficulties faced in the transaction period.

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

6.13 Resulting Company shall comply with the relevant and applicable rules and regulations including provisions of Foreign Exchange Management Act, 1999 to enable it to issue shares pursuant to this scheme.

6.14 In so far as the equity shares of the Resulting Company held by the Demerged Company are concerned, such shares would be cancelled on the effective date and the capital of the Resulting Company shall be reduced to that extent.

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

### **A. RESULTING COMPANY**

#### **7.1 Capital Clause**

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

### **B. DEMERGED COMPANY**

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

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

## **8. ACCOUNTING TREATMENT IN THE BOOKS OF RESULTING COMPANY**

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

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

- 8.2 All the liabilities pertaining to the Demerged Undertaking shall be recorded by the Resulting Company at their book values.
- 8.3 In case of any difference in accounting policies between the Demerged Company and the Resulting Company the accounting policies followed by the Resulting Company shall prevail to ensure that the financial statements reflect the financial position on the basis of consistent accounting policies.
- 8.4 Resulting Company shall credit to the Share Capital account in its books of account, the aggregate face value of the shares issued and allotted as per Clause 6.1 of the Scheme to shareholders of Demerged Company.
- 8.5 The difference being the excess of the Net Assets Value of the Demerged Undertaking transferred to and recorded by Resulting Company as per Clause 8.1 and 8.2 above and the face value of Shares allotted as per Clause 8.4 above, after considering the adjustments mentioned in Clause 8.3 above, shall be credited to General Reserve of Resulting Company. The shortfall, if any, shall be debited to Goodwill account of Resulting Company. ("Net Assets Value" shall be computed as the value of assets less the value of liabilities, of the Demerged Undertaking transferred to Resulting Company and recorded in Resulting Company in terms of Clause 8.1 and 8.2).

## **9. ACCOUNTING TREATMENT IN THE BOOKS OF DEMERGED COMPANY**

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

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

## **10. CONDUCT OF BUSINESS UNTILL THE EFFECTIVE DATE**

- 10.1 Demerged Company in respect of the Demerged Undertaking, shall carry on and be deemed to have been carrying on the business and activities and shall stand possessed of and hold all of its properties and assets for and on account of and in trust for Resulting Company. Demerged Company hereby undertakes to hold the said assets with utmost prudence until the Effective Date.

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

## **12. LEGAL PROCEEDINGS**

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

### **13. CONTRACTS, DEEDS, BONDS AND OTHER INSTRUMENTS**

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

### **14. SAVING OF CONCLUDED TRANSACTIONS**

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

### **16. REMAINING UNDERTAKING OF DEMERGED COMPANY**

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



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

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

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

## **17. TAX CREDITS**

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

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

17.3 Demerged Company and Resulting Company are expressly permitted to revise their respective tax returns including tax deducted at source (TDS) certificates / returns and to claim refunds, advance tax credits, excise and service tax credits, set off, etc., on the basis of the accounts of the Demerged Undertaking of Demerged Company as vested with Resulting Company upon coming into effect of this Scheme, and its right to make such revisions in the related tax returns and related certificates as applicable and the right to claim refunds, adjustments, credits, set-offs, advance tax credits pursuant to the sanction of this Scheme and the Scheme becoming effective is expressly reserved.

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

**PART III**  
**GENERAL TERMS AND CONDITIONS**

**19. LISTING AGREEMENT AND SEBI COMPLIANCES**

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

**20. GENERAL TERMS**

- 20.1 It is clarified that all the taxes paid by the Demerged Company, relating to the demerged undertaking from the appointed date onwards including all or any refunds and claims, for all purposes, be treated as the tax liabilities or refunds and claims on the Resulting Company. Accordingly, upon the Scheme become effective, the Resulting Company is expressly permitted to revise its VAT and Sales tax returns, Excise and/or CENVAT Returns, other tax returns and to claim refunds/credits, pursuant to the provisions of this Scheme, if any.

- 20.2 In accordance with the CENVAT Rules framed under the Central Excise Act, 1944, as are prevalent on the effective date, the unutilised Credits relating to the Excise Duties paid on in puts /capital goods lying to the account of the Demerged Company, if any, shall be permitted to be transferred to the Credit of the Resulting Company, as if all such unutilised credits were lying in the Account of the Resulting Company. The Resulting Company shall accordingly be entitled to setoff all such unutilised credits against the Excise Duty payable by it.
- 20.3 Upon the Scheme coming into effect, all the taxes paid (including TDS) by the Demerged Company from the appointed date, regardless of the period to which they relate, shall be deemed to have been paid for and on behalf of and to the credit of the Resulting Company as effectively as if the Resulting Company had paid the same.

### SCHEDULE - 1

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

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

## **Approvals with respect to the Scheme of Arrangement**

The National Company Law Tribunal, Hyderabad vide its Order dated 15<sup>th</sup> May, 2017 has approved the Scheme of Arrangement between SMS Pharmaceuticals Limited and SMS Lifesciences India Limited and their respective shareholders and creditors (the "Scheme").

In accordance with the said Scheme, the Equity shares of SMS Lifesciences India Limited issued pursuant to the Scheme, subject to applicable regulations shall be listed and admitted to trading on BSE Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"). Such listing and admission for trading is not automatic and will be subject to such other terms and conditions as may be prescribed by the Stock Exchanges at the time of application by SMS Lifesciences India Limited seeking listing.

The aforesaid Order of the National Company Law Tribunal, Hyderabad was filed by SMS Pharmaceuticals Limited and SMS Lifesciences India Limited with the Registrar of Companies, Hyderabad on 17<sup>th</sup> May, 2017. Hence, the Effective Date of the Scheme is 17<sup>th</sup> May, 2017.

The company has made an application to Stock Exchanges/SEBI for relaxation from Rule 19(2)(b) of the Securities Contract Regulation (Rules), 1957 (SCRR) for the purpose of listing of shares of SMS Lifesciences India Limited (Transferee Company) complying with the provisions of SEBI circular No.CFD/SCRR/CMD/16/2015 dated November 30, 2015.

SMS Lifesciences India Limited has submitted its Information Memorandum, containing information about itself, making disclosures in line with the disclosure requirement for public issues, as applicable, to BSE and NSE for making the said Information Memorandum available to public through their websites.

This Information Memorandum is made available on the websites as under:

Company's website : [www.smslife.in](http://www.smslife.in)

BSE's website : [www.bseindia.com](http://www.bseindia.com)

NSE's website : [www.nseindia.com](http://www.nseindia.com)

The Company shall publish an advertisement after approval from SEBI in due course.

SMS Lifesciences India Limited also undertakes that all material information about itself shall be disclosed to stock exchanges on a continuous basis so as to make the same available to public, in addition to the requirements, if any, specified in Listing Agreement.

## STATEMENT OF TAX BENEFITS

To,  
Board of Directors,  
SMS Lifesciences India Limited  
Hyderabad

In the proposed demerger of the semi regulated undertakings of SMS Pharmaceuticals Limited in to SMS Lifesciences India Limited, as per the present provisions of Income-tax Act, 1961 (hereinafter referred to as “the Act”) as amended from time to time and other laws as applicable for the time being in force in India, the following tax benefits are available to the SMS Lifesciences India Limited and to the shareholders of the Company, subject to fulfillment of prescribed conditions:

### **A. To the Company under the Income Tax Act, 1961 (‘the Act’)**

1. Under Section 32 of the Act, the Company is entitled to claim depreciation allowance at the prescribed rates on all eligible tangible and intangible assets acquired and put to use for its business. Further, subject to fulfillment of conditions prescribed in section 32(1)(iia) of the Act, the Company will be entitled to claim accelerated depreciation of 20 per cent of the actual cost of certain new machinery or plant which have been acquired and installed after 31<sup>st</sup> March, 2005. If, however, the assets are put to use for less than 180 days in the year in which they are acquired, the rate of accelerated depreciation will be 10 per cent in such year.
2. Under Section 10(34) of the Act, dividend income (whether interim or final) received by the Company from any other domestic company (in which the company has invested) is exempt from tax in the hands of the Company.
3. Subject to fulfillment of conditions, the company will be eligible, inter alia, for deduction under sections 35(1)(i) and (iv) of the Act, in respect of any revenue or capital expenditure incurred on scientific research related to the business of the Company, other than expenditure on the acquisition of any land.
4. The income received by the Company from distribution made by any mutual fund specified under Section 10(23D) of the Act or from the Administrator of the specified undertaking or from the specified companies referred to in Section 10(35) of the Act is exempt from tax in the hands of the Company under Section 10(35) of the Act.
5. Under Section 10(38) of the Act, the Long-term Capital Gains arising from transfer of equity shares in any other company or units of equity oriented mutual funds, which are chargeable to Securities Transaction Tax, are exempt from tax in the hands of the Company. However, the said exemption will not be allowable in respect of taxation of Book Profits under section 115JB of the Act.

6. As per the provisions of Section 112(1)(b) of the Act, other Long-term Capital Gains arising to the Company are subject to tax at the rate of 20% (Plus applicable surcharge and education cess). However, as per the Proviso to that section, the long-term capital gains resulting from transfer of listed securities or units or zero coupon bonds are subject to tax at the rate of 20% worked out after considering indexation benefit (plus applicable surcharge and education cess), which would be restricted to 10% worked out without considering indexation benefit (plus applicable surcharge and education cess).
7. As per the provisions of Section 111A of the Act, Short-term Capital Gains arising to the Company from transfer of Equity Shares of a company whose shares are listed on a recognized stock exchange as specified in the said section or of units of any equity oriented fund (as defined in Section 10(38) of the Act), are subject to tax @15% (plus applicable surcharge and education cess), if such a transaction is subjected to Securities Transaction Tax.
8. In accordance with and subject to the conditions specified in Section 54G of the Act, the Company would be entitled to exemption from tax on capital gains arising on the transfer of a capital asset, being machinery or plant or building or land or any right in building or land used for the purpose of the business of an industrial undertaking situated in an urban area (original asset) effected in the course of or in consequence of the shifting of the industrial undertaking to any area other than urban area (new industrial undertaking) and the Company has, within 1 year prior to or within 3 years after the transfer of the original asset, utilized the capital gain for the specified purpose. The utilization could be for the following purposes:
  - a. For purchasing of new machinery or plant for the new industrial undertaking;
  - b. For acquiring land or building for the new industrial undertaking;
  - c. For shifting / transferring the original asset to the new industrial undertaking;
  - d. For incurring expenses as may be prescribed by the Central government for the purpose of this section.

**B. To the Shareholders of the Company**

**Resident Shareholders:**

1. Under Section 10(34) of the Act, dividend (whether interim or final) received from a domestic company is exempt from tax up to Rupees Ten Lakhs in the hands of the shareholders of the Company. Dividend amount over and above Rs.10 Lakhs will be taxable @10%
2. Under Section 10(38) of the Act, the Long-term Capital Gain arising from transfer of equity shares in the Company which is chargeable to Securities Transaction Tax is exempt from tax in the hands of the shareholders. However, shareholders being



companies will not be able to claim the above exemption while computing the book profits under section 115JB.

3. As per the provisions of Section 112(1) (a) of the Act, other Long-term Capital Gains arising to the resident shareholders are subject to tax at the rate of 20% (plus applicable surcharge and education cess). However, as per proviso to that section, the long-term capital gains arising from transfer of listed securities are subject to tax at the rate of 20% after considering the indexation benefit (plus applicable surcharge and education cess), which would be restricted to 10% of long term capital gains without considering the indexation benefit (plus applicable surcharge and education cess).
4. In case of an individual or Hindu Undivided Family, where the total taxable income as reduced by long-term capital gains is below the basic exemption limit, the long-term capital gains will be reduced to the extent of the shortfall and only the balance long-term capital gains will be subjected to such tax in accordance with the proviso to sub-section (1) of section 112 of the IT Act.
5. As per the provisions of Section 111A of the Act, Short-term Capital Gains arising to the shareholders from the transfer of Equity Shares in a company whose shares are listed on a recognized stock exchange, are subject to tax @15% (plus applicable surcharge and education cess) if such transaction is subjected to Securities Transaction Tax. In case of an individual or Hindu Undivided Family, where the total taxable income as reduced by short-term capital gains is below the basic exemption limit the short-term capital gains will be reduced to the extent of the shortfall and only the balance short-term capital gains will be subjected to such tax in accordance with the proviso to sub-section (1) of section 111a of the Act.
6. As per the provisions of Section 36(1)(xv) of Act, where the business income of an assessee includes profits and gains from sale of securities liable to Securities Transaction Tax, a deduction is allowable of the Securities Transaction Tax paid by the Assessee in respect of taxable securities transactions entered into in the course of his business during the year.
7. In accordance with and subject to the conditions specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on Long-term Capital Gains (in cases not covered under Section 10(38) of the Act) if such capital gains are invested in any of the long-term specified asset (hereinafter referred to as the “new asset”) to the extent and in the manner prescribed in the said section subject to a maximum limit of Rupees Fifty lakhs.
8. In Case of a Shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent provided in Section 54F of the Act, the shareholder is entitled to exemption from Long-term Capital Gains arising from the transfer of any long term capital asset (in cases not covered under Section 10(38) of the Act) , not being a residential house, if the net consideration is invested for purchase or construction of a residential house. If

part of the net consideration is invested within the prescribed period in a residential house, such gains would not be chargeable to tax on a proportionate basis.

### **Mutual Funds**

In case of a shareholder being a Mutual fund as per the provisions of section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India are exempt from income-tax, subject to the conditions notified by Central Government in this regard.

### **Venture Capital Companies/Funds**

In case of a shareholder being a Venture Capital / Fund, any income of Venture Capital Companies / Funds registered with the Securities and Exchange Board of India are exempt from income-tax subject to the conditions specified in Section 10(23FB) of the Act.

### **Non-Resident/ Non-Resident Indian Member**

1. Dividend (both Interim and final) income, if any, received by the non-resident/non-resident Indian shareholders from the domestic company shall be exempt up to Rupees Ten Lakhs under Section 10(34) of the Act.
2. Benefits Outlined in Paragraph B(2) above are also available to a non-resident/non-resident Indian shareholder except that under first proviso to Section 48 of the Act, the capital gains arising on transfer of capital assets being shares of an Indian Company need to be Computed by converting the cost of acquisition , expenditure in connection with such transfer and full value of the consideration received or accruing as a result of the transfer into the same foreign currency in which the shares were originally purchased. The Resultant gains thereafter need to reconverted into Indian currency. The conversion needs to be at the prescribed rates prevailing on dates stipulated Further ,the benefit of Indexation is not available to non-resident shareholders.
3. Benefits Outlined in Paragraph B(4), B(5), B(6), B(7),and B(8) above are also applicable to the non-resident/non-resident Indian shareholders.
4. As per Section 90(2) of the Act, the provisions of the Act would prevail over the provision of the tax treaty and vice versa to the extent they are more beneficial to the non-resident /non-resident Indian shareholders. Thus a non resident/non-resident Indian Shareholders can opt to be governed by the beneficial provisions of an applicable tax treaty.

5. Capital gains tax-Option available to a non-resident Indian under the Act.

- a) Non-resident Indian: As per Section 115C (e) of the Act, a non-resident Indian means an individual, being a citizen of India or a person of Indian origin who is not a resident as per the Explanation to the said clause, a person shall be deemed to be of Indian origin if he, or either of his parents or any of his grand-parents was born in undivided India.
- b) Where shares have been subscribed in convertible foreign exchange, the non-resident Indian [as defined in Section 115C(e) of the Act], being shareholder of an Indian company, has the option of being governed by the provisions of Chapter XII-A of the Act, which, inter alia, entitles them to the following benefits in respect of income from shares of an Indian company acquired, purchased or subscribed to in convertible foreign exchange:
- As per the provision of Section 115D read with Section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of the shares of the Company (in cases not covered under Section 10(38) of the Act), will be subject to tax at the rate of 10 percent (plus applicable surcharge on tax and education cess on tax and surcharge), without indexation benefit.
  - As per the provisions of Section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset being shares in an Indian company (in cases not covered under Section 10(38) of the Act) shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the Act, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset (being shares in the Indian Company) as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.
  - Further, if the specified asset or saving certificates in which the investment has been made, is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier, would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.
  - As per the provision of Section 115G of the Act, non-resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their only source of income is income from investments or long term capital gains

earned on transfer of such investments or both, provided, tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

- Under Section 115H of the Act, where the non-resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for the year and subsequent assessment years until such assets are converted into money.
- As per the provisions of Section 115I of the Act, a non-resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

### **Foreign Institutional Investors (FIIs)**

1. Dividend (both interim and final) income, if any, received by the shareholder from the domestic company shall be exempt under Section 10(34) up to Rupees Ten Lakhs of the Act.
2. Capital gains
  - a) Under Section 115AD, income (other than income by way of dividends referred in Section 115-O) received in respect of securities (other than units referred to in Section 115AB) shall be taxable at the rate of 20% (plus applicable surcharge on tax and education cess on tax and surcharge).
  - b) Under Section 115AD, capital gains arising from transfer of securities (other than units referred to in Section 115AB) which are not exempt under Section 10(38), shall be taxable as follows:
    - i) Securities which are held for the period of upto or less than twelve months and where such transaction is chargeable to Securities Transaction Tax, capital gain shall be taxable at the rate of 15% (plus applicable surcharge on tax and education cess on tax and surcharge). Securities other than those held for the period of upto or less than twelve months and where such transaction is not chargeable to Securities Transaction Tax, capital gain shall be taxable at the rate of 30% (plus applicable surcharge on tax and education cess on tax and surcharge);
    - ii) Securities which are held for the period of more than twelve months shall be

taxable at the rate of 10% (plus applicable surcharge on tax and education cess on tax and surcharge). Such capital gains would be computed without giving effect of first proviso and without indexation as provided in the second proviso to Section 48.

3. Long-term capital gains arising on transfer of equity shares in the Company, which is held for the period of more than twelve months and where such transaction is chargeable to Securities Transaction Tax, shall be exempt from tax under Section 10(38) of the Act.
4. Benefit of exemption under Section 54EC shall be available as outlined in Paragraph B(7) above.
5. As per Section 90(2) of the Act, the provision of the Act would prevail over the provisions of the tax treaty and vice versa to the extent they are more beneficial to the non-resident. Thus, a non-resident can opt to be governed by the beneficial provisions of an applicable tax treaty.

Note: There is a legal uncertainty over whether a FII can elect to be governed by the normal provisions of the Act, instead of the provisions of Section 115AD. Investors are advised to consult their tax advisors in this regard.

### **C. Taxability of gifts in form of shares**

Gifts received in the form of shares may be taxed as the income of the recipient of the Gift under section 56(2) of the Act, subject to the conditions specified therein.

#### **Notes:**

1. All the above benefits are as per the current tax laws. Each tax Assessee is advised to seek expert opinion before proceeding ahead. Shareholders are also required to consider the tax implications of any new enactments which may change/modify the law.
2. In view of the nature of tax consequences, being based on all the specific facts as applicable in a given case, each shareholder / investor is advised to consult his/her/its own tax advisor with respect to specific tax consequences.

**Place: Hyderabad**

**Date: 28<sup>th</sup> June, 2017**

**For Rambabu & Co  
Chartered Accountants  
FRN: 002976S**

**GVL Prasad  
Partner  
M.No.:026548**

## **SECTION-IV**

### **ABOUT SMS LIFESCIENCES INDIA LIMITED**

#### **OVERVIEW OF OUR BUSINESS**

SMS Pharmaceuticals Ltd is a 25 years old leading research and development (“R&D”) driven API manufacturing group having multiple facilities with varied degree of Good Manufacturing Practice (GMP) compliance catering to Regulatory, semi regulatory and ROW markets along with domestic market. The company did not have any subsidiaries at present and therefore, the financial data reflects the financial position of the Company on a standalone basis.

SMS pharma has been a leading company known for its quality and commitment to customers in over 70 countries since inception with couple of its units being highly regulatory ones with approvals from international bodies like USFDA, EUGMP, TGA, PMDA, KFDA, COFEPRIS etc. The products from the two highly regulatory facilities are mostly sold into regulatory markets while the facilities without international GMP’s cater to semi regulatory and ROW markets. For ease of doing business, SMS Pharmaceuticals Ltd is being demerged into two entities. While SMS Pharmaceuticals Ltd., the parent company will keep the facilities catering to regulatory markets, the demerged company SMS Lifesciences India Ltd. will take the facilities with local GMP meant for semi regulatory and ROW markets. There are few products like Ranitidine, Famotidine, itraconazole and Sildenafil citrate which are manufactured in both the international GMP approved and local GMP approved facilities of the group. However it is very clear that these products manufactured in international GMP units of SMS Pharmaceuticals Ltd will be exported to regulatory markets like US, EU, Japan etc., while the products manufactured in local GMP facilities of SMS Lifesciences India Ltd. units are sold in semi regulatory/ROW markets.

SMS Lifesciences India Ltd., the Resulting entity of the SMS Pharmaceutuicals Ltd has inherited the API businesses destined for semi regulatory/ROW markets. The group will have 2 manufacturing facilities in operation and an R&D center at Sanathnagar. The flagship product of the group viz Ranitidine and famotidine from same therapeutic segment are the two major products in unit I and the third product is Sildenafil citrate.

Over the years, this unit has achieved leadership position in all the three API which it is manufacturing viz. Ranitidine, Famotidine and Sildenafil Citrate. The facility is approved by COFEPRIS (Mexico), KFDA, Japan PMDA along with WHO GMP which enables the company to sell into ROW markets which are major for these products. SMS has been known for the quality of its products and reliability for the past 25 years with customer base

spread in over 70 countries. It is not any surprise that the company has 100% market share in few countries like Russia for Ranitidine.

Ranitidine is a very difficult product with the pollution potential attached with it generating an obnoxious gas like methyl mercaptan in one of its steps but the company has invested in R&D activity to come out with a novel process which had not only prevented emissions of mercaptan into atmosphere but also converts it into useful solvent which can be reused in the same product. The company has received the Green Chemistry certification for this novel process turning a huge weakness into notable strength. When all other manufacturers are exiting this product; The company is going from strength to strength and gradually expanding the volumes.

With leadership position in generic active pharmaceutical ingredients (“APIs”), the company also manufactures intermediates of API’s to be supplied to the regulatory facilities of the same group as well as to other innovator companies. The strategic and early investments in R&D and manufacturing infrastructure have enabled the company to become one of the leading suppliers of APIs in the anti ulcerant therapeutic area to multi-national pharmaceutical formulation companies which cater to the large and fast-growing semi regulatory markets.

API business comprises the development, manufacture and sale of APIs and advanced intermediates. Starting with a single product with the capacity of 6 Tons/Annum in 1990, this facility first consolidated the product Ranitidine and expanded rapidly to manufacturing 1440 MT/Annum thru R&D based innovative processes which enabled the manufacturing steps to be reduced from 11 to 3 steps passing on the financial benefit to the customers and gaining on the trust of the customers and thereby business. After consolidating the first product, the company started working on intermediates and advanced intermediates catering to customer requirements and gradually increased volumes. The company has also developed non infringing process of those API and proceeded further in manufacturing API from the intermediates stage. The company then started offering the API also to semi regulatory and ROW markets.

Our key customers include domestic majors like Sun Pharma, Torrent, etc. and multinationals like Teva, Mylan etc. The company strongly believes in “research-first” approach which has been critical to its success and a differentiating factor from its competitors. The highest priority given for product quality and reliability which has given the company undivided loyalty of the customer base. The first dedicated R&D center was set up in Sanathnagar in Hyderabad in the year 2001 which was pivotal in improving the process of existing product giving it strength to expand and in the process stabilized the business.

The Quality Control and Quality Assurance teams at the facility worked relentlessly and submitted Drug Master Files (DMF) in various countries which helped in increasing the business in semi regulatory markets. The company is committed to making continued investments to improve its manufacturing process efficiencies and backward integration strategy to maintain the cost competitiveness in its key products.

The company currently operates two manufacturing facilities in Khazipally industrial area and Jeedimetla industrial area in Hyderabad, Telangana. As of June 30, 2017, our operational manufacturing capacity have been an aggregate of 2302 tonnes per annum. Our manufacturing facilities have received one or more approvals from Local drug authorities, Mexican COFEPRIS, Japan PMDA, Korean FDA etc. The company has been audited by many leading customers and believes that it has adopted uniform manufacturing standards across all its facilities.

Both the Promoters, Mr.P.Ramesh Babu and Mr. TVVSN Murthy have extensive experience in the pharmaceutical industry. Ramesh Babu Potluri is the founding chairman and Managing Director of SMS Pharmaceuticals Ltd., a leading entity in the pharmaceuticals industry. He is a Post Graduate in Science and had been passionately involved in the pharma industry since early 1980's having more than 35 years of experience and has been inspiration behind the company's drive to manufacture low cost API to support the drug needs of mankind at affordable prices.

He is a pioneer of pharma industry in erstwhile Andhra Pradesh and visualizing grand potential in the sector, proposed creating pharma specific industrial parks viz SEZ and Pharmacity which are today world's biggest pharma parks. He was on the task force created by Dynamic Chief Minister Shri Chandra Babu Naidu in the year 2000 for the development of Pharma Sector, which was instrumental in moulding the state to be the world's supplier of Quality API.

He had turned around sick units into profit making ones after buying them out and then ventured into creating world class infrastructure to attract foreign customers which are approved by international agencies like USFDA, EUGMP, TGA, PMDA, COFEPRIS, KFDA etc.

Creating unprecedented levels of foreign and domestic investment inflows, generating new employment opportunities and changing lifestyles had been the forte of Mr.Ramesh Babu. A humanitarian to the core, he continues in his endeavor to try and get the essential drugs into reach of common man in domestic market and showcase excellent strengths in quality, technology and regulatory to the world market.

He served in various capacities in many committees and associations constituted by the state as well as the industry bodies for development of pharma industry. He was the



Chairman of southern region of Chemexcil and during that tenure was instrumental in proposing formation of Pharmexcil to boost the exports of pharma industry. He is currently the member on council of administration of Pharmexcil and also on the Task Force headed by Chief Minister of Andhra Pradesh for development of Pharma industry in Andhra Pradesh after the bifurcation of the state.

Mr. TVVSN Murthy, one of the co-promoters of the Company and Managing director of SMS Lifesciences India Ltd. is a Graduate in Chemistry and has a vast experience of over 35 years in bulk drug and pharmaceutical industry. He started his career in 1981 with SOL, Hyderabad, as a chemist in R & D. During this period he was instrumental in developing technologies and processes for several bulk drugs. He was actively involved in commercialization of products by scaling up the laboratory-scale process to pilot plant and up to commercial scales.

During his tenure, Cheminor Drugs Limited got US FDA approved. As a production Manager, his contributions lie in process improvement, cost reduction and procedures to increase labor productivity by motivation. He is a very dynamic leader and is the force behind the production team capable of finding solutions to any production related issues. He is also a naturist and environmentalist to the core which is visible in his relentless thrust to improve the old facility by continuously investing in renovations to make it more efficient and setting up excellent pollution treatment systems including the Zero Liquid Discharge Facility

SMS Pharmaceuticals received Best Overall Bulk Drug Manufacturer and Best Export Bulk Drug Manufacturer award from Government of India. The company have received other awards apart from what listed above among them important one for converting the methyl mercaptan to Dimethyl sulfoxide (DMSO) through a patented process developed by the Company's R&D. SMS utilized its strong R&D to work out the solution in which methyl mercaptan instead of incineration, was being converted into DMSO which is used back as solvent in the process and so effective was the developed process in controlling the methyl mercaptan menace that the Green Chemistry Network Center based out of Delhi University which is an Indian representation of center for Green Chemistry and Green Engineering at Yale which is led by father of Green Chemistry Dr. Paul T Anastas has considered the case for awarding the Green Chemistry award for adopting Green Chemistry Mandate in the industry and this was all the more satisfying that SMS is the first in the world to be awarded green chemistry award for industrial operations handling more than 100 Tons/month manufacturing while earlier cases were more or less lab scale successes.

## **STRENGTHS**

### **Leadership in APIs in Select, High Growth Therapeutic Areas**

The company is a leading developer and manufacturer of APIs in select, high-growth therapeutic areas of Anti ulcerant segment. It also manufactures intermediates and advanced intermediates of other API's in other therapeutic areas. The company has achieved leadership position in export of all the three APIs and particularly Ranitidine.

### **Strong R&D Capabilities and Process Chemistry Skills**

The company believes its “research-first” approach has been critical to its success and a differentiating factor from our competitors. The company is focused on undertaking dedicated R&D in our existing products and in areas where we believe there is significant growth potential. SMS believes that any challenge can be overcome through strong R&D and focused hardwork which has been proved in case of handling methyl mercaptan.

The company believes that its R&D efforts have led, and will continue to lead, to new, innovative processes that can increase the efficiencies of existing products as well as address new opportunities that we have identified in the global market for our businesses. It also believes that our superior process chemistry skills and cost effective process optimization have led to new synthetic routes and product variants, and have given us market leadership for our key products in the Anti ulcerant therapeutic area.

### **Modern and Regulatory Compliant Manufacturing Capacities**

The company has two manufacturing facilities in Hyderabad, which have received one or more approvals from COFEPRIS, PMDA and KFDA. The company believes that the quality is a key differentiator in the business and has made strong efforts to adopt uniform manufacturing standards across all our facilities and to achieve standardized product quality for all our markets. In order to meet the growing demand for our products, the Company has increased the manufacturing capacity to 2302 tonnes per annum, as of June 30, 2017. SMS believes that our significant investment in enhancing our manufacturing capabilities has also resulted in economies of scale and helped us in consistently gaining market share in an expanding market for our key APIs. The company with huge manufacturing facilities are capable of large scale commercial production of APIs enabling us to position ourselves as suppliers of choice for pharmaceutical companies seeking to leverage our technical expertise, cost effective manufacturing and capacities.

### **Long-standing Relationships with Global Generic and Supply chain Partners**

The company has maintained long-standing relationships with Global generic and supply chain partners across the countries catering to multi-national pharmaceutical companies. 80% of our customers have been with us for at least 15 years and our cumulative revenues from such customers has grown year over year for the last three financial years. Further, company believe that our unique position as a preferred supplier of APIs to several major participants in the tender driven markets insulates us from the wins and losses of our customers and significantly hedges us against revenue volatility. Company strongly believes that the product quality, regulatory compliant manufacturing and customer relationships have helped us to strengthen our competitive position.

### **Experienced Promoters and Qualified Operational Personnel**

The company is led by qualified and experienced Promoters and key managerial personnel, who we believe have extensive knowledge and understanding of the global generic pharmaceutical business environment and have the expertise and vision to organically scale up our business. We believe that the knowledge and experience of our senior and middle level management team members in the pharmaceutical business provides us with a significant competitive advantage as we seek to grow our business. Our core managerial team has an average pharmaceutical industry experience of more than 20 years and almost all of them have been associated with our Company since our formative years.

### **Established Track Record of Consistent Quality and Delivery Reliability.**

The company was established in the year 1991 and has delivered consistent growth over the past 25 years owing to its uncompromising stand on Quality and reliability. The customer bases established over the years are securely with the group and new ones are being added year on year. Our customers vouch for our track records.

## **STRATEGY**

### **Capitalize on our leadership position in our key API**

The company is particularly focused on growing its presence in the key therapeutic areas, comprising Anti ulcerate and others. The company has built a leadership position in the manufacturing of APIs in the Anti-ulcerate therapeutic area and believe that there are significant growth opportunities in this area as a result of expected increase in medication. With increase in population and more number of people being covered under medical care with intervention of Governments, there is increase in usage of various drugs. Anti ulcerant drugs being a combination medicine given along with other medicines to prevent ulcers, this segment has seen steady growth and is expected to continue its growth robustly.

Already being a leading exporter, the company is in consolidation and expansion mode and is poised to continue the leadership position over the years to come.

### **Expand our API Portfolio**

The company intends to continue to leverage on its process chemistry skills to expand the API product portfolio. The company is also focusing to expand its capabilities and volumes in manufacturing key intermediates across an array of therapeutic segments for internal API consumption and also targeted at other API manufacturers in our customer base. With 25 years of experience, company is well poised to leverage on its expertise and experience to start manufacturing key intermediates by backward integration and also to check mate the current volatile Chinese influence on intermediates and key RM supply. The company would focus on developing the manufacturing capabilities of key RM for our products so that we can reduce the dependence on China and give more stability and profitability of operations.

### **Extend to select API's for contract manufacturing and partnerships with our key customers globally.**

The company with customer base and strong relationships with multinationals and domestic giants can exploit the contract manufacturing business particularly with our reputation for no compromise on quality and reliability, it would be win win situation for both parties.

## **HISTORY:**

SMS Lifesciences India Limited incorporated under the provisions of the Companies Act, 1956, on 31st day of May, 2006, originally as Private Limited Company in the name of “Potluri Real Estate Private Limited” and subsequently changed its name to “Potluri Packaging Industries Private Limited” on 6th November, 2013. Thereafter the Company had changed its name as “SMS Lifesciences India Private Limited” on 4th August, 2014 and subsequently converted as Public Limited Company with effect from 22nd June, 2016 having its registered office at Plot No. 19-III, Road No.71. Opp. Bharatiya Vidya Bhavan Public School, Jubilee Hills, Hyderabad, Telangana, India-500096 and its Corporate Identity No. is U74930TG2006PLC050223. The Company is presently engaged in the business of manufacturing, buying, selling, offering consultancy, importing and exporting, acting as commission agents and generally dealing with of all types of Organic & Inorganic Chemicals, Pharmaceuticals, Active Pharmaceutical Ingredients (API) and Intermediates.

### **Main Object of the SMS Lifesciences India Limited as set out in Memorandum of Association of the Company are as under :**

1. To manufacture buy, sell, offer consultancy import & export, act as commission agents and generally deal with all types of Organic & Inorganic Chemicals, Pharmaceuticals, Drugs and Intermediates.
2. To undertake research work in developing marketing newer indigenous technologies for various medicines and also newer medicines for various therapeutics uses.
3. To fabricate, manufacture, buy, sell, import, export and generally deal in all types of chemicals, surgical, medical, pharmaceutical and scientific equipment, appliances and accessories.
4. To carry on the business of manufacturer, trader, exporter, importer, whole sale and retail sellers, dealers in all types of Herbal Products, Bio-chemicals, Bio-technology products, active pharmaceutical intermediates and ingredients, herbal extracts, phyto-pharmaceuticals, botanical extracts, amino-acids, herbal formulations, agroceuticals /naturoceuticals / nutraceuticals and alternate medicines and also to do research and development in these areas.
5. To undertake, promote, assist, engage, and deal in research, development and manufacturing and distribution of Bio Technology Products and Services related to Clinical Diagnostics, Diagnostic kits, Biological products, Therapeutics and Genomics. And the setup laboratories, purchase and acquire any equipment and instruments required for carrying out research in the fields of Bio-Technology, Medical research.

## MANAGEMENT OF SMS LIFESCIENCES INDIA LIMITED

**Board of Directors are given below:**

Sl. No.	Name of the Director	Designation	Residential Address	Other directorships held.
01.	Mr. TVVSN Murthy DIN: 00465198	Managing Director	Plot No.10-C, Road No.8, Film Nagar, Hyderabad-500 096	SMS Pharmaceuticals Limited
02.	Mr. Ramesh Babu Potluri DIN: 00166381	Non Executive Director	Plot No. 265Q, Road No.10, Jubilee Hills, Hyderabad-500 033.	SMS Pharmaceuticals Limited VKT Pharma Private Limited Webcity Pharmatech Private Limited
03.	Mr. P.S. Rao DIN: 00099066	Independent & Non Executive Director	Plot No.626, Road No.35, Jubilee Hills, Hyderabad-500 033	SMS Pharmaceuticals Limited A.G. Bio-Systems Pvt. Limited Revive Impex Pvt. Limited Revag Biosciences Limited VKT Pharma Pvt. Limited RA Chem Pharma Limited Value Education Pvt. Limited Navipharm Pvt. Limited Galaxy Scientific Nutrition Private Limited Selectchemie Services Private Limited
04.	P. Sarath Kumar DIN: 01456746	Independent & Non Executive Director	A-19, Journalist Colony, Road No.70, Jubilee Hills, Hyderabad – 500033, Telangana	SMS Pharmaceuticals Limited Shreyas Management And Services Private Limited Neha International Limited
05.	T. Neelaveni DIN: 00065571	Independent & Non Executive Director	H.No. 8-3-191/160, 32-B, Vengalrao Nagar Colony, Hyderabad-T.S. 500 038	SMS Pharmaceuticals Limited. Enzopro Biotech Private Limited

## **BRIEF BIOGRAPHY OF DIRECTORS**

### **TVVSN Murthy Managing Director**

He is a Graduate in Chemistry and has a rich experience in bulk drug and pharmaceutical industry. He started his career in 1981 with Standard Organics Limited, Hyderabad, as a chemist in R & D. During this period he was instrumental in developing technologies and processes for several bulk drugs. He was actively involved in commercialization of products by scaling up the laboratory-scale process to pilot plant and up to commercial scales.

In 1984, he joined Cheminor Drugs Limited (Group of Dr. Reddy's Limited Laboratory), Hyderabad as Production Manager. He played a major role in substantial development of production and turnover. He played a key role in getting US FDA approval for Cheminor Drugs Limited. As a production Manager, he contributed a lot in process improvement and cost reduction procedures and to increase labor productivity by motivation.

He has been with SMS Pharmaceuticals Limited since 1990. He played a vital role in developing the production and R& D activities of SMS Pharma. He also played a major part in reducing the Ranitidine production Process from 7 stages to 4 stages.

He has vast experience in pharmaceuticals industry. He has been associated with SMS Lifesciences India Limited since 2016. He always strives towards the product development and growth of the organization.

### **P. Ramesh Babu Non Executive Director**

He is a Post-graduate Technocrat. He started his career in the year 1984 with Cheminor Drugs Limited (Group of Dr. Reddy's Limited Laboratory), Hyderabad. With his innovative skills and methodological approaches in R & D he developed cost effective Ibuprofen by using cyanide route. Later he took active part in commercializing the same. He was first promoted as Assistant Production Manager and then in a short span was promoted as the Production Manager in Cheminor Drugs Limited. During his tenure he was responsible for significant reduction in production cost of Ibuprofen. He played a key role in getting US FDA approval for Ibuprofen for Cheminor Drugs Limited in 1987.

In 1990 he acquired SMS Pharmaceuticals Limited which at that point of time was a sick unit and became the Managing Director of the Company. After taking charge as Managing Director, he changed the product mix of the Company. This gave the Company a boost in sales and helped the SMS Pharma in achieving profitability in the first year of operations itself. Under his guidance the SMS Pharma introduced many other series of API's. Under his management SMS Pharma become one of the largest producers of Ranitidine HCl.

He had served on boards of organizations like SMS Pharma, Chemexcil and has been advisor to AP State Government for Pharma sector.

He has good experience in developing product mix developing R& D activities. He becomes the part of SMS Lifesciences India Limited, and always strive towards implementation of best product mix, product development technics and boost the sales around the world.

**Mr. P. VenkataSubba Rao (P.S. Rao)**  
**Non Executive &Independent Director**

Mr. P. S. Rao is having over 40 years of professional experience in the pharma industry. He had worked in organization like RA Chem P. Ltd., Fluka AG, Ranbaxy Laboratories and Nichilas Pharmaceuticals (India) Limited, Switzerland. He is having association with various global pharmaceuticals companies as a consultant since 1997.

He is also Managing Partner, Shorepharm, India since 2003, which Offers Full Services to US Originator and Generic Pharma Companies. Intermediates, APIs, Finished Dosage Forms, Clinical Studies, Tox Studies & Project Management. He was earlier associated with Natco Pharma Ltd., as Director - International Operations.

**Mr. P. Sarath Kumar**  
**Non Executive &Independent Director**

Mr. P. Sarath Kumar is the founder partner of the Sarath & Associates. He is a Chartered Accountant with about 30 years of standing in the Profession of Chartered Accountancy and Consulting. He is a Graduate in Commerce and a Bachelor of Law. He is also a Certified Fraud Examiner & Certified Forensic Accounting Professional. He had been a Partner of a leading Firm of Chartered Accountants in Hyderabad earlier and established this Firm in the year 1990.

He is an Advisor actively involved with 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, which investigated the famous Satyam Computers fraud case. He is one of the leading Consultants for Business Analysis, System Study and other areas of Consulting. He has been the guiding force behind the successful completion of every task in-front of S & A. He is an expert in Investigation Audits and is a visiting faculty at CBI Academy, SardarVallabhbai Patel National Police Academy, Andhra Pradesh Police Academy, A P Judicial Academy, National Academy of Direct Taxes, National Academy of Customs & Excise, ECIL, Midhani, HAL and other Public Sector Undertakings and deliver lectures on White Collar Crimes, Forensic Accounting, Anti-Corruption case investigations, Fraud Investigations etc., He had lead teams to carryout various types of Consulting and Audits, with specialization in Fraud Investigation and Forensic Accounting.



## **Dr.T Neelaveni**

### **Non Executive &Independent Director**

She is Graduate in BDS, from Osmania University, Hyderabad and she is one of the reputed dental surgeons in Hyderabad. She has vast experience of more than 20 years in the profession.

### **REMUNERATION OF MANAGING DIRECTOR:**

Mr. TVVSN Murthy has been appointed as the Managing Director of the Company by the Board of Directors in their meeting held on 25<sup>th</sup> May, 2017 with remuneration of Rs.15,00,000/- [Rupees fifteen lakhs only] per month, for a period of 5 years with effect from 01<sup>st</sup> June, 2017 subject to approval of members and statutory authorities, if any.

### **CORPORATE GOVERNANCE**

The provisions of the listing agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to the Company immediately upon the listing of its Equity Shares on the Stock Exchanges. The Company is fully compliant with Corporate Governance provisions of Regulation 27 of SEBI (LODR) Regulations, 2015.

### **Board of Directors**

<b>S.No</b>	<b>Name</b>	<b>Category</b>
1	Mr. TVVSN Murthy	Managing Director
2	Mr. Ramesh Babu Potluri	Non Executive Director
3	Mr. P.S. Rao	NonExecutive &Independent Director
4.	Mr. P. Sarath Kumar	NonExecutive &Independent Director
5.	Mrs. T. Neelaveni	NonExecutive &Independent Director

### **Audit Committee**

<b>Director</b>	<b>Category</b>	<b>Member / Chairman</b>
Mr. P. Sarath Kumar	Director	Chairman
Mr. P.S. Rao	Director	Member
Mrs. T. Neelaveni	Director	Member

### **Nomination & Remuneration Committee**

<b>Director</b>	<b>Category</b>	<b>Member / Chairman</b>
Mr. P.S. Rao	Director	Chairman
Mr. P. Sarath Kumar	Director	Member
Mrs. T. Neelaveni	Director	Member

### **Shareholders Grievance Committee**

<b>Director</b>	<b>Category</b>	<b>Member / Chairman</b>
Mrs. T. Neelaveni	Director	Chairperson
Mr. TVVSN Murthy	Director	Member
Mr. P.S. Rao	Director	Member

### **Corporate Social Responsibility Committee**

<b>Director</b>	<b>Category</b>	<b>Member / Chairman</b>
Mr. TVVSN Murthy	Director	Member
Mr. Ramesh Babu Potluri	Director	Member
Mr. P.S. Rao	Director	Member

The role, powers, scope of functions and duties of the Audit committee, Nomination & Remuneration Committee and Investors' Grievance Committee and Corporate Social Responsibility Committee are as per the applicable provisions of the Companies Act, 2013 and Regulation 27 of SEBI (LODR) Regulation, 2015.

Since, the Company was not listed, the Regulation 27 of the listing Agreement was not applicable to the Company. However the same is complied with and will be complied with continuously, with effect from the date of this Memorandum.

The Directors have no interest in the transactions of the Company, otherwise than as directors of the Company and of those companies in which they are Directors.

### **Change in Board of Directors since the Company's inception**

At the time of inception, the Board of Directors of the Company consisted of Two Directors namely Mrs. Hima Bindu Potluri, Mr. Hari Kishore Potluri, on 15<sup>th</sup> March, 2016, Mr. Krishna Chaitanya Potluri was introduced to the Board.

On 01<sup>st</sup> April, 2016 the Company become the wholly owned Subsidiary of SMS Pharmaceuticals Limited. Then the management was changed and three Directors were appointed on 01<sup>st</sup> April, 2016 namely Mr. TVVSN Murthy, Mr. Ramesh Babu Potluri, Mr. P.S. Rao and existing Directors were resigned from the Board i.e, Mrs. Hima Bindu Potluri, Mr. Hari Kishore Potluri and Mr. Krishna Chaitanya Potluri.

Mr. P.Sarath Kumar, Mrs. T. Neelaveni are appointed as Independent Directors on 25<sup>th</sup> May, 2017 and Mr. TVVSN Murthy as designated has been Managing Director w.e.f. 01<sup>st</sup> June, 2017.

#### **Date of expiration of current term of office of Directors**

Mr. TVVSN Murthy has been appointed as Managing Director for a period of 5 years, from 01<sup>st</sup> June 2017 and all the Independent Directors appointed for a period of 5 years w.e.f., 25<sup>th</sup> May, 2017.

#### **Shareholding of Directors**

<b>S.No.</b>	<b>Name of Director</b>	<b>No. of Shares held</b>	<b>%</b>
1	Mr. TVVSN Murthy	293821	9.72
2	Mr. TVVSN Murthy(HUF)	142190	4.70
3	Mr. Ramesh Babu Potluri	518105	17.14
4	Mr. P.Sarath Kumat	3035	0.10
5	Mr. P.S. Rao	NIL	-
6	Dr. T Neelaveni	NIL	-

#### **Key managerial personnel**

The Company is managed, controlled, and directed by the Board of Directors. The Board has appointed Mr. Pavan Pise as Company Secretary and Compliance Officer of the Company and Mr. N. Rajendra Prasad as Chief Financial Officer (CFO) of the Company.

#### **DEMERGED COMPANY'S EMPLOYEES:**

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

In so far as the existing provident fund, gratuity fund and pension and/or superannuation fund, trusts, retirement fund or benefits and any other funds or benefits created by Demerged Company for the employees related to the Demerged Undertaking (collectively referred to as the "Funds"), the Funds and such of the investments made by the Funds which are preferable to the employees related to the

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

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

## **PROMOTERS**

### **Details of Promoters and Promoter Group**

#### **TVVSN Murthy**

He is a Graduate in Chemistry and has a rich experience in bulk drug and pharmaceutical industry. He started his career in 1981 with Standard Organics Limited, Hyderabad, as a chemist in R & D. During this period he was instrumental in developing technologies and processes for several bulk drugs. He was actively involved in commercialization of products by scaling up the laboratory-scale process to pilot plant and up to commercial scales.

In 1984, he joined Cheminor Drugs Limited (Group of Dr. Reddy's Limited Laboratory), Hyderabad as Production Manager. He played a major role in substantial development of production and turnover. He played a key role in getting US FDA approval for Cheminor Drugs Limited. As a production Manager, he contributed a lot in process improvement and cost reduction procedures and to increase labor productivity by motivation.

He has been with SMS Pharmaceuticals Limited since 1990. He played a vital role in developing the production and R& D activities of SMS Pharma. He also played a major part in reducing the Ranitidine production Process from 7 stages to 4 stages.

He has vast experience in pharmaceuticals industry. He has been associated with SMS Lifesciences India Limited since 2016. He always strives towards the product development and growth of the organization.

#### **P. Ramesh Babu**

He is a Post-graduate Technocrat. He started his career in the year 1984 with Cheminor Drugs Limited (Group of Dr. Reddy's Limited Laboratory), Hyderabad. With his innovative skills and methodological approaches in R & D he developed cost effective Ibuprofen by using cyanide route. Later he took active part in commercializing the same. He was first promoted as Assistant Production Manager and then in a short span was promoted as the Production Manager in Cheminor Drugs Limited. During his tenure he was responsible for significant reduction in production cost of Ibuprofen. He played a key role in getting US FDA approval for Ibuprofen for Cheminor Drugs Limited in 1987.

In 1990 he acquired SMS Pharmaceuticals Limited which at that point of time was a sick unit and became the Managing Director of the Company. After taking charge as Managing Director, he changed the product mix of the Company. This gave the Company a boost in sales and helped the SMS Pharma in achieving profitability in the first year of operations itself. Under his guidance the SMS Pharma introduced many other series of API's. Under his management SMS Pharma become one of the largest producers of Ranitidine HCl.

He had served on boards of organizations like SMS Pharma, Chemexcil and has been advisor to AP State Government for Pharma sector.

He has good experience in developing product mix developing R& D activities. He becomes the part of SMS Lifesciences India Limited and always strive towards implementation of best product mix, product development technics and boost the sales around the world.

### Promoter and Promoters Group

PROMOTERS	T V V S N Murthy
	T V V S N Murthy (HUF)
	Ramesh Babu Potluri
PROMOTER GROUP	Satya vani potluru
	Hima bindu potluri
	P suresh babu
	Trilok potluri
	Hari kishore potluri
	Vamsi krishna potluri
	T V Praveen
	T Annapurna
	Rajeswara rao gopineedi
	Gopineedi sudeepthi
	Sukumari koneru
	Potluri laboratories private limited
	Potluri Infra Projects LLP

## **CURRENCY OF PRESENTATION**

In this Information Memorandum all references to “Rupees” and “Rs” are to Indian Rupees, the legal currency of India.

## **DIVIDEND POLICY**

There is no set dividend payment policy. Dividend is intended to be declared based on the quantum and availability of future profits and will be disbursed based on shareholder approval based on the recommendation of the Board of Directors.

## **RESEARCH & DEVELOPMENT**

The In-house R & D of SMS Lifesciences India Limited, is engaged in the research work to optimize the manufacturing process of existing products as part of cost improvement and also to develop new intermediates and APIs for scale up.

### **Main objectives for the cost improvement of the existing products.**

- Improving the manufacturing technologies in terms of yields and purity of existing APIs & intermediates in order to reduce the cost of production.
- Reducing the cost by developing recovery procedures for the spent solvents obtained from the different steps of the manufacturing like workups, in-situ distillations and also from the Mother Liquors.
- Reducing the cost by optimizing the quantities of starting materials, reagents and solvents in stoichiometry equivalence based on the process knowledge gained from routine manufacturing.
- Countdown the cycle time of the manufacturing process by eliminating the isolation steps wherever possible to achieve more productivity without compromising the compliance.
- Reducing the effluent by a suitable technologies to make the process ecofriendly.
- Preparation of impurities which is required for analytical method development of intermediates & final products.
- Preparation of technology transfer documents to undertake scale up and production in manufacturing facilities.
- Vendor qualification of involved key raw materials.

### **Main objectives for the new product development**

- Develop non-infringing processes for generic and future generic APIs (Active Pharmaceutical Ingredients) & its intermediates.
- Assessment of feasibility of the selected Route of synthesis.
- Optimizing the selected Route of synthesis to define critical process parameters and critical quality attributes.
- Preparation of technology transfer documents to undertake for scale up followed by commercial production.
- Preparation of impurities which are required for analytical method validations and the release of the intermediates & APIs



**SECTION-V  
FINANCIAL INFORMATION**

**AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED  
ON 31<sup>ST</sup> MARCH, 2017**

## **Independent Auditor's Report**

### **To the Members of SMS LIFESCIENCES INDIA LIMITED**

#### **Report on the Financial Statements**

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

#### **Management's Responsibility for the Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

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

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

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

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

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

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2017, and its Profit and its Cash Flow for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "**Annexure A**" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
  - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c. The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - e. On the basis of written representations received from the directors as on March 31, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
  - f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "**Annexure B**".
  - g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 and in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations as at 31st March, 2017 on its financial position in its financial statements as referred to in note 30, 31, and 32 to the financial statements.
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii. The Company has been regular in transferring amounts to the Investor Education and Protection Fund in accordance with the relevant provisions of the Companies Act, 2013 and the Rules made there under.

- iv. the Company has provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8<sup>th</sup> November, 2016 to 30<sup>th</sup> December, 2016 and these are in accordance with the books of accounts maintained by the Company. Refer to Note.15.6 to the financial statements.

Place: Hyderabad  
Date: 25-05-2017

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

Ravi Rambabu  
Partner  
M.No.018541

## **“Annexure A” to the Independent Auditors’ Report**

Referred to in paragraph 1 under the heading ‘Report on Other Legal & Regulatory Requirement’ of our report of even date to the financial statements of the Company for the year ended March 31, 2017:

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
  - b) The Company has a regular program of physical verification of its fixed assets by which all fixed assets are verified in a phased manner. In our opinion the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- ii) In respect of Inventories:
  - a) As explained to us the inventories except goods in transit and stocks lying with third parties have been physically verified during the year by the management at reasonable intervals.
  - b) In our opinion and according to the information and explanations given to us the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the company and nature of its business.
  - c) In our opinion and according to the information and explanations given to us the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- iii) The Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability partnerships or other parties covered in the Register maintained under section 189 of the Act. Accordingly, the provisions of clause 3 (iii) (a) to (c) of the Order are not applicable to the Company and hence not commented upon.
- iv) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 185 and 186 of the Companies Act, 2013 in respect of loans, investments, guarantees, and security.
- v) The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.
- vi) We have broadly reviewed the cost records maintained by the Company pursuant to the rules prescribed by the Central Government of India under Section 148(1) of the Companies Act, 2013 and are of the opinion that prima facie the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- vii) a) According to information and explanations given to us and on the basis of our examination of the books of account, and records, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income-Tax, Sales tax, Service Tax, Duty of Customs, Duty of Excise, Value added Tax, Cess and any other statutory dues with the appropriate authorities. According to the information and explanations given to us, no

undisputed amounts payable in respect of the above were in arrears as at March 31, 2017 for a period of more than six months from the date on when they become payable.

- b) According to the information and explanation given to us, there are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax outstanding on account of any dispute, except the following:

S.No	Name of the Statute	Nature of the dues	Forum where dispute is pending	Year	Amount Involved Rs	Amount Deposited Rs.	Amount not Deposited Rs.
1	Central Excise Act, 1944	Central Excise	AP High Court	1995-96 to 1997-98	38,91,220	38,91,220	--
2	Income Tax Act, 1961	Income Tax	BIFR	1988-89	672	--	672
3	Income Tax Act, 1961	Income Tax	BIFR	1991-92	8,809	--	8,809
4	Income Tax Act, 1961	Income Tax	BIFR	1992-93	11,19,284	--	11,19,284
5	Income Tax Act, 1961	Income Tax	BIFR	1993-94	2,47,280	--	2,47,280
6	Income Tax Act, 1961	Income Tax	BIFR	1994-95	14,25,362	--	14,25,362
7	Income Tax Act, 1961	Income Tax	BIFR	1994-95	1,01,538	--	1,01,538
8	Income Tax Act, 1961	Income Tax	BIFR	2003-04	36,50,000	--	36,50,000
9	Income Tax Act, 1961	Income Tax	BIFR	2005-06	9,54,203	--	9,54,203
10	Income Tax Act, 1961	Interest on IT	BIFR	1992-2015	1,11,23,989	--	1,11,23,989
11	Central Excise Act, 1944	Interest on CEX	AP High Court	1992-2010	66,47,731	--	66,47,731
12	Central Excise Act, 1944	Interest on CEX	AP High Court	1995-2011	16,40,032	--	16,40,032
				<b>Total</b>	<b>3,08,10,120</b>	<b>38,91,220</b>	<b>2,69,18,900</b>

- c) The Company has been regular in transferring amounts to the Investor Education and Protection Fund in accordance with the relevant provisions of the Companies Act 2013 and the Rules made there under.

- viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks. The Company has not issued any debentures.
- ix) Based upon the audit procedures performed and the information and explanations given by the management, the company has not raised moneys by way of initial public offer or further public offer including debt instruments and term Loans. Accordingly, the provisions of clause 3 (ix) of the Order are not applicable to the Company and hence not commented upon.
- x) Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud by the Company or on the company by its officers or employees has been noticed or reported during the year.
- xi) Based upon the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- xii) In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 4 (xii) of the Order are not applicable to the Company.
- xiii) In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.
- xiv) Based upon the audit procedures performed and the information and explanations given by the management, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company and hence not commented upon.
- xv) Based upon the audit procedures performed and the information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company and hence not commented upon.
- xvi) In our opinion, the company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the Order are not applicable to the Company and hence not commented upon.

Place: Hyderabad  
Date: 25-05-2017

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

Ravi Rambabu  
Partner  
M.No.018541

## **“Annexure B” to the Independent Auditor’s Report**

### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of SMS LIFESCIENCES INDIA LIMITED (“the Company”) as of March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

#### **Management’s Responsibility for Internal Financial Controls**

The Company’s management responsible for establishing and maintaining internal financial controls base on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditors’ Responsibility**

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls over financial reporting.

#### **Meaning of Internal Financial Controls over Financial Reporting**

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that

(1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;



(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Place: Hyderabad  
Date: 25-05-2017

FOR RAMBABU & Co.,  
Chartered Accountants  
FRN: 002976S

Ravi Rambabu  
Partner  
M.No.018541

**SMS LIFESCIENCES INDIA LIMITED**  
**Plot No.19-III, Opp.BVBP School, Road No.71, Jubilee Hills, Hyderabad**

**Balance Sheet as at 31st March, 2017**

Amount in Rs.

S.No	Particulars	Note No.	As at	31.03.2017	As at 31.03.2016
<b>I</b>	<b>EQUITY AND LIABILITIES</b>				
<b>1</b>	<b>Shareholders' Funds</b>				
	(a) Share Capital	1		100,000	100,000
	(b) Reserves & Surplus	2		808,235,854	(182,092)
				808,335,854	(82,092)
<b>2</b>	<b>Non-Current Liabilities</b>				
	(a) Long Term Borrowings	3		161,254,921	-
	(b) Deferred Tax Liability	4		100,219,456	-
	(c) Long Term Provisions	5		23,034,838	-
				284,509,215	-
<b>3</b>	<b>Current Liabilities</b>				
	(a) Short Term Borrowings	6		40,382,909	30,000
	(b) Trade Payables	7		554,782,367	67,917
	(c) Other Current Liabilities	8		72,792,604	-
	(d) Short Term Provisions	9		7,357,763	-
				675,315,643	97,917
	<b>Total</b>			1,768,160,713	15,825
<b>II</b>	<b>ASSETS</b>				
<b>1</b>	<b>Non Current Assets</b>				
	(a) Fixed Assets	10			
	(i) Tangible Assets			734,888,425	-
	(ii) Intangible Assets			-	-
	(iii) Capital Work In Progress			27,854,890	-

	(b) Non Current Investments	11	410,680	-
	(c) Long Term Loans & Advances	12	21,022,595	-
			784,176,590	-
<b>2</b>	<b>Current Assets</b>			
	(a) Inventories	13	437,945,064	-
	(b) Trade Receivables	14	397,539,166	-
	(c) Cash and Bank Balances	15	29,086,164	15,825
	(d) Short Term Loans & Advances	16	45,690,589	-
	(e) Other Current Assets	17	73,723,141	-
			983,984,124	15,825
	<b>Total</b>		1,768,160,713	15,825
	Significant Accounting Policies	30		

The Company has become Wholly Owned Subsidiary (WOS) of M/s SMS Pharmaceuticals Limited w.e.f. 01-04-2016 and the said Holding Company has demerged its Semi Regulatory Units w.e.f. 01-04-2016 vide NCLT Order dated 15-05-2017, in consequence to this, the said units are vested with the company.

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

as per our report of even date

for and on behalf of the Board

**for RAMBABU & CO.,**

Chartered Accountants  
FRN : 002976S

**RAVI RAMBABU**

Partner

M.No.18541

Place : Hyderabad

Date : 25-05-2017

**P.RAMESH BABU**  
Director

**T V V S N  
MURTHY**  
Director

**PAVAN PISE**  
Company Secretary

**SMS LIFESCIENCES INDIA LIMITED**  
**Plot No.19-III, Opp.BVBP School, Road No.71, Jubilee Hills, Hyderabad**

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

Amount in Rs.				
S.No	Particulars	Note No.	* Current Year 2016-17	Previous Year 2015-16
1	<b>Revenue from Operations</b>	18	2,159,030,213	-
2	<b>Other Income</b>	19	17,235,771	-
3	<b>Total Revenue (1+2)</b>		2,176,265,984	-
4	<b>Expenses :</b>			
	Cost of Materials Consumed	20	1,236,794,559	-
	Changes in Inventories	21	(36,067,300)	-
	Employee Benefit Expenses	22	172,578,173	-
	Finance Cost	23	60,902,026	-
	Depreciation and Amortisation	10	55,545,460	-
	Other Expenses	24	505,173,889	18,500
	<b>Total Expenses</b>		1,994,926,807	18,500
5	<b>Profit / (Loss) Before Tax (5-6)</b>		181,339,177	(18,500)
6	<b>Tax Expenses</b>			
	(a) Current Tax Expenses		60,000,000	-
	(b) Deferred Tax		(5,134,125)	-
	Sub Total		54,865,875	-
7	<b>Profit after Tax (5-6)</b>		126,473,302	(18,500)

**8 Earnings Per Share**

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(Amount in Rs.)

(1) Basic	<b>12,647</b>	(1.85)
(2) Diluted	<b>41.83</b>	(1.85)

Significant Accounting Policies 30

\*The figures for the Current Year 2016-17 are derived from the units vested with the Company in pursuance of the Demerger Scheme

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

as per our report of even date  
**for RAMBABU & CO.,**  
Chartered Accountants  
FRN : 002976S

for and on behalf of the Board

**P.RAMESH BABU**  
Director

**T V V S N MURTHY**  
Director

**RAVI RAMBABU**

Partner

M.No.18541

**PAVAN PISE**

Company Secretary

Place : Hyderabad

Date : 25-05-2017

**SMS LIFESCIENCES INDIA LIMITED**  
**Plot No.19-III, Road No.71, Opp.BVBP School, Jubilee Hills, Hyderabad**

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

S.No	Particulars	Current Year 2016-17
<b>A</b>	<b>Cash Flows from operating activities :</b>	
	Net Profit Before Tax	181,339,177
	Add: Miscellaneous Exp written off	109,499
	Add : Depreciation	55,545,460
	Add : Interest on Term Loans	28,407,652
	Add: Bad Debts written off	396,197
	Add: Retirement Benefits	6,269,099
	Add: Bonus	1,787,432
	<b>Operating Profit before working capital changes</b>	<b>273,854,516</b>
	Adjustment for:	
	Trade Receivables	810,704
	Inventories	(19,589,187)
	Loans and Advances & Other Assets	(2,921,880)
	Other current assets	(18,382,000)
	Trade Payables	28,844,014
	Other Current Liabilities	(8,417,775)
	Short term provisions	(1,252,984)
	<b>Cash Generated From Operating activities</b>	<b>252,945,408</b>
	Income Tax Paid	(50,345,629)
	<b>Net cash from operating activities " A "</b>	<b>202,599,779</b>
<b>B</b>	<b>Cash Flows from Investing activities :</b>	
	Purchase of fixed assets	(75,501,238)
	Margin Money Deposits Made	(5,795,997)

	Investment in Equity Shares	-
	<b>Net cash used in investing activities " B "</b>	<b>(81,297,235)</b>
<b>C</b>	<b>Cash Flows from Financing activities :</b>	
	Repayment of Long Term borrowings	(61,608,467)
	Repayment of Short term borrowings	(13,009,781)
	Repayment of Unsecured Loans	(19,739,412)
	Interest Paid	(29,088,028)
	<b>Net Cash used in financing activities " C "</b>	<b>(123,445,688)</b>
	<b>Net ( Decrease ) / Increase in Cash and Cash Equivalents (A+B+C)</b>	(2,143,144)
	<b>Cash and Cash Equivalents at the beginning of the Year</b>	<b>2,916,278</b>
	<b>Cash and Cash Equivalents at the end of the Year</b>	<b>773,134</b>

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

as per our report of even date  
**for RAMBABU & CO.,**  
Chartered Accountants  
FRN : 002976S

for and on behalf of the Board

**P.RAMESH BABU**  
Director

**T V V S N MURTHY**  
Director

**RAVI RAMBABU**  
Partner  
M.No.18541

**PAVAN PISE**  
Company Secretary

Place : Hyderabad

Date : 25-05-2017

**SMS LIFESCIENCES INDIA LIMITED**  
**Notes Forming Part of the Financial Statements**

**Note No. 1: Share Capital :**

Particulars	As at 31.03.2017		As at 31.03.2016	
	No. of Shares	Amount	No. of Shares	Amount
<b>Authorised Share Capital</b> Equity Shares of Rs.10/- (Previous year 10/-) each	<b>250,000</b>	<b>Rs. 2,500,000</b>	250,000	Rs. 2,500,000
	<b>250,000</b>	<b>2,500,000</b>	250,000	2,500,000
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b> Equity Shares of Rs.10/- each	<b>10,000</b>	<b>100,000</b>	10,000	100,000
<b>Total</b>	<b>10,000</b>	<b>100,000</b>	10,000	100,000

**Details of share holders holding more than 5% shares in the Company :**

Name of the share holder	As at 31.03.2017		As at 31.03.2016	
	No of Shares	% held	No of Shares	% held
Hima Bindu Potluri	-	-	4,700	47%
Potluri Hari Kishore	-	-	4,700	47%
SMS Pharmaceuticals Ltd	<b>10,000</b>	<b>100%</b>	-	-

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

Particulars	No of shares	
	As at 31.03.2017	As at 31.03.2016
Equity Shares at the beginning of the year	<b>10,000</b>	10,000
Shares issued during the year	-	-
Shares bought back during the year	-	-
Equity Shares at the end of the year	<b>10,000</b>	<b>10,000</b>



**SMS LIFESCIENCES INDIA LIMITED**  
**Notes Forming Part of the Financial Statements**

Note No.	Particulars	Amount in Rs.	
		As at 31.03.2017	As at 31.03.2016
<b>2</b>	<b>Reserves and Surplus</b>		
	<b>a. General Reserve</b>		
	At the Commencement of the Year	<b>681,835,145</b>	-
	(-) Deletions during the year		-
	(+) Transfer from Profit and Loss statement	-	-
	At the end of the year	<u><b>681,835,145</b></u>	-
2.1	The above amount was vested with the Company on 01-04-2016 in pursuance of the Demerger Scheme		
	<b>b. Surplus Balance in Profit and Loss Statement</b>		
	At the Commencement of the Year	<b>(72,593)</b>	(54,093)
	<b>Add : Profit for the Year</b>	<b>126,473,302</b>	(18,500)
		<u><b>126,400,709</b></u>	<u><b>(72,593)</b></u>
	At the End of the Year	<u><b>126,400,709</b></u>	<u>(72,593)</u>
	<b>c. Miscellaneous Expenditure to the extent not written off</b>		
	Opening Balance	<b>(109,499)</b>	(109,499)
	Less: Written off during the year	<b>109,499</b>	-
	Closing Balance	<u>-</u>	<u>(109,499)</u>
2.2	Miscellaneous Expenditure consists of Rs. 71,208/- Preliminary Expenses and Rs. 38,291/- Pre operative Expenses. As there are no profits in earlier years, the same were carried forward and now total amount written off against current year profits.		
	<b>Total</b>	<u><b>808,235,854</b></u>	<u><b>(182,092)</b></u>

**SMS LIFESCIENCES INDIA LIMITED**  
**Notes Forming Part of the Financial Statements**

Note No.	Particulars	Amount in Rs.			
		As at		As at	
		31.03.2017		31.03.2016	
3	<b>Long Term Borrowings</b>	<b>Current Maturities</b>	<b>Non Current Portion</b>	<b>Current Maturities</b>	<b>Non Current Portion</b>
3.1	<b>i) Secured</b> (Term Loans)				
	<b>a) Export Import Bank of India</b>	60,000,000	150,000,000		
	<b>b) Hire Purchase Loans- Vehicles</b>	466,803	-	-	-
		<b>60,466,803</b>	<b>150,000,000</b>	-	-
3.2	<b>ii) Unsecured</b>				
	Sales Tax Deferment Loan (Refer Note No.3.2.1 & 3.2.2)	-	11,254,921	-	-
		-	<b>11,254,921</b>	-	-
	<b>Total</b>	<b>60,466,803</b>	<b>161,254,921</b>	-	-

3.1.1 Term Loan of Rs. 21,00,00,000/- from Exim Bank of India was assumed as on 01-04-2016 by the company in pursuance of the Demerger Scheme

3.1.2 Term Loan from Export-Import Bank of India is secured by first charge on pari-passu basis of all movable and immovable fixed assets both present and future and second charge on pari-passu basis of all current assets both present and future and guaranteed by Sri P.Ramesh Babu and Sri TVVSN Murthy, Directors of the company in their personal capacities.

3.1.3 Hire Purchase Loan Outstanding as on 01-04-2016 of Rs. 4,66,803/- from ICICI Bank Ltd assumed by the company as per Demerger Scheme. The Said loan is secured by the respective vehicles.

**3.1.5 Terms of Repayment**

Term loan balance amount of Rs.21,00,00,000/- from Export Import Bank of India is repayable in quarterly Installments of Rs. 1,50,00,000/- each up to Septemeber,2020, The loan carries interest rate of 11.75% p.a

3.1.6 Current Maturities of Long Term borrowings have been disclosed seperately under the head other current liabilities.

**3.2.1** Sales Tax Deferment Loan outstanding as on 01-04-2016 of Rs. 2,44,46,307/- and also an amount of Rs.65,48,027/- due during the current year were assumed by the company in pursuance of Demerger Scheme. Out of these amounts an amount of Rs.1,97,39,412/- was re-paid during the year 2016-17. On this the Company has availed discount of Rs.22,62,470/- for Pre-Payment of the Sales Tax (deferment) Loan.

**3.2.2** Balance Sales Tax (deferment) Loan liability is due for repayment as under:

Year	Amount	Year of Repayment
	<b>Rs.</b>	
2006-07	6,962,641	2019-20
2007-08	4,292,280	2020-21
<b>Total</b>	<b>11,254,921</b>	

Note No.	Particulars	Amount in Rs.	
		As at 31.03.2017	As at 31.03.2016
<b>4</b>	<b>Deferred Tax Liability</b>		
	Opening Deferred Tax Liability	<b>105,353,581</b>	-
	Add / Less : for the Year	<b>(5,134,125)</b>	-
	Closing Deferred Tax Liability	<b>100,219,456</b>	-
4.1	Deferred Tax Liability on 01-04-2016 was assumed by the company as per the Demerger Scheme.		
4.2	<b>Details of the deferred tax liability are as furnished below :</b>		
	<b>(A) Deferred Tax Liability:</b>		
	Depreciation on Assets	109,292,129	-
	<b>Sub Total</b>	<b>109,292,129</b>	-
	<b>(B) Deferred Tax Asset:</b>		
	On timing differences		-
	Provision for Gratuity, Leave Encashment and Bonus	9,072,673	
	<b>Sub Total</b>	<b>9,072,673</b>	-
	<b>Net Deferred Tax Liability (A-B)</b>	<b>100,219,456</b>	-

## 5 Long Term Provisions

### Provision for Employee Benefits (refer note no 34)

Provision for Gratuity - Unfunded	<b>18,049,692</b>	-
Provision for leave encashment - -Unfunded	<b>4,985,146</b>	-
<b>Total</b>	<b>23,034,838</b>	-

- 5.1 Provision for Gratuity and Leave Encashment of Rs. 1,18,90,844/- and Rs. 48,74,895/- respectively, were assumed by the Company on 01-04-2016 in pursuance the Demerger Scheme.

Amount in Rs.

Note No.	Particulars	As at 31.03.2017	As at 31.03.2016
<b>6</b>	<b>Short Term Borrowings</b>		
<b>6.1</b>	<b>i) Secured</b> (Working Capital Facilities)		
	<b>a) State Bank of Inida</b>		
	Bills Discounting - Export	<b>40,352,909</b>	-
<b>6.2</b>	<b>ii) Unsecured</b>	<b>30,000</b>	30,000
	<b>Total</b>	<b>40,382,909</b>	30,000

- 6.1.1 Bill Discounting outstanding liability of Rs. 5,33,62,690/- was assumed by the Company on 01.04.2016 in pursuance the Demerger Scheme.
- 6.1.2 Working capital facility by State Bank of India is secured by first charge on pari-passu basis of all current assets both present and future. These facilities are further secured by way of second charge on pari-passu basis of all movable and immovable fixed assets of the company both present and future and also guaranteed by Sri P.Ramesh Babu and Sri TVVSN Murthy, Directors of the company, in their personal capacities.
- 6.1.3 Working Capital Facility extended by State Bank of India are having the following additional security apart from the details of security mentioned supra.
- i)** Equitable mortgage of commercial flat No 416 admeasuring 618 Sq.ft, situated in Nilgiri Block, Aditya Enclave, Ameerpet, Hyderabad, along with undivided share of land of 25 sq. yds., belonging to M/s.Potluri Laboratories Pvt. Ltd (formally Known as Hima Farms Pvt Ltd) in which Spouse of sri P. Ramesh Babu a Director of the company, is a director.
- ii)** Equitable mortgage of Agricultural land admeasuring 3.65 Acres situated in Yalamanchili Village of West Godavari District, belonging to Sri TVVSN Murthy a Director of the Company.
- iii)** Corporate Guarantee by M/s.Potluri Laboratories Pvt Ltd (formally Known as Hima Farms Pvt Ltd.), to the extent of collateral security extended by them.
- iv)** Personal Guarantee of Smt. T.Annapurna spouse of Sri TVVSN.Murthy a Director of the Company.

		Amount in Rs.	
Note No.	Particulars	As at 31.03.2017	As at 31.03.2016
<b>7</b>	<b>Trade Payables</b>		
	Dues to Micro and Small Enterprises	48,357,410	-
	Others	464,623,879	-
	Total Creditors for purchases	512,981,289	
	Creditors for expenses	41,801,078	67,917
	<b>Total</b>	<b>554,782,367</b>	<b>67,917</b>
7.1	Creditors for Purchases and for Expenses of Rs. 47,11,58,805/- and Rs. 5,47,11,631/- respectively were assumed by the Company on 01-04-.2016 in pursuance of the Demerger Scheme		
<b>8</b>	<b>Other Current Liabilities</b>		
	Current Maturities of Long Term Debt (refer note no 3)	60,466,803	-
	Statutory Dues (Refer Note no 8.1)	6,882,468	-
	Advance received from Customers	3,098,470	-
	Creditors for capital goods	213,507	-
	Interest Accrued but not due on Term Loans	2,131,356	-
	<b>Total</b>	<b>72,792,604</b>	<b>-</b>
8.1	Statutory Dues includes an amount of Rs.52,44,839/- represents Income tax dues pending for more than six months on account of dispute.		
8.2	An amount of Rs. 11,31,43,633/- towards other current liabilities were assumed by the Company on 01-04-2016 in pursuance of the Demerger Scheme.		
<b>9</b>	<b>Short Term Provisions</b>		
	<b>(a) Provision for Employee Benefits</b>		
	Bonus Payable	3,180,711	-
	<b>(b) Others</b>		
	Provision for Income Tax (Net off Prepaid Taxes)	4,177,052	-
	<b>Total</b>	<b>7,357,763</b>	<b>-</b>
9.1	Bonus Payable outstanding on 01-04-2016 of Rs. 26,46,263/- was assumed by the Company by the Company in pursuance of the Demerger Scheme.		

**SVS LIFESCIENCES INDIA LIMITED**

**Note No. 10**

**Fixed Assets & Depreciation statement for the Year ending 31.03.2017**

	Name of the Asset	Gross Block				Depreciation				Net Block	
		As at 01.04.2016*	Additions During the Year	Deletion During the Year	As at 31.03.2017	As on 01.04.2016	For The Year	on Deletions	Total up to 31.03.2017	WDV as at 31.03.2017	WDV as at 31.03.2016
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>a</b>	<b>Tangible Assets:</b>										
	Land & Land Development	30,434,520	-	-	30,434,520	-	-	-	-	30,434,520	-
	Buildings	199,882,129	80,063	-	199,962,192	66,070,557	6,085,375	-	72,155,932	127,806,260	-
	Plant & Machinery	1,088,921,194	49,610,439	-	1,138,531,633	538,290,830	44,857,361	-	583,148,191	555,383,443	-
	Pollution Control Equipment	55,216,976	-	-	55,216,976	45,805,938	1,762,441	-	47,568,379	7,648,597	-
	Data Processing Equipment	7,908,712	1,731,933	-	9,640,645	6,859,800	867,300	-	7,727,100	1,913,546	-
	Furnitures & Fixtures	11,535,124	91,193	-	11,626,317	7,600,454	414,222	-	8,014,676	3,611,641	-
	Office Equipment	4,591,202	37,270	-	4,628,472	4,262,751	48,405	-	4,311,156	317,316	-
	Vehicles	17,240,362	-	1,164,204	16,076,158	9,246,963	1,356,472	1,105,994	9,497,441	6,578,716	-
	Land Scaping	1,623,795	-	-	1,623,795	275,526	153,884	-	429,410	1,194,385	-
	<b>Sub total</b>	<b>1,417,354,015</b>	<b>51,550,898</b>	<b>1,164,204</b>	<b>1,467,740,709</b>	<b>678,412,819</b>	<b>55,545,460</b>	<b>1,105,994</b>	<b>732,852,285</b>	<b>734,888,425</b>	<b>-</b>
<b>b</b>	<b>Intangible Assets:</b>										
	Computer Software	-	-	-	-	-	-	-	-	-	-
	Patents	108,750	-	-	108,750	108,750	-	-	108,750	-	-
	<b>Sub total</b>	<b>108,750</b>	<b>-</b>	<b>-</b>	<b>108,750</b>	<b>108,750</b>	<b>-</b>	<b>-</b>	<b>108,750</b>	<b>-</b>	<b>-</b>
	<b>Total</b>	<b>1,417,462,765</b>	<b>51,550,898</b>	<b>1,164,204</b>	<b>1,467,849,459</b>	<b>678,521,569</b>	<b>55,545,460</b>	<b>1,105,994</b>	<b>732,961,035</b>	<b>734,888,425</b>	<b>-</b>
<b>c</b>	<b>Capital Work-in-Progress</b>	<b># 26,188,062</b>	<b>49,082,670</b>	<b>47,415,842</b>	<b>27,854,890</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,854,890</b>	<b>-</b>
	<b>Total (a+b+c)</b>	<b>1,443,650,827</b>	<b>100,633,568</b>	<b>48,580,046</b>	<b>1,495,704,349</b>	<b>678,521,569</b>	<b>55,545,460</b>	<b>1,105,994</b>	<b>732,961,035</b>	<b>762,743,315</b>	<b>-</b>

#Refer Note No. 31

\* These amounts represents book value of respective assets as on 01-04-2016 were vested with the Company in pursuance of Demerger Scheme.

Note No.	Particulars	Amount in Rs.	
		As at 31.03.2017	As at 31.03.2016
<b>11</b>	<b>Non Current Investments</b>		
	<b>At Cost - Non-Trade - Unquoted - Long Term Investments</b>		
	17,538 Equity Shares of Rs.10/- each in M/s Patancheru Enviro Tech Ltd.	<b>175,380</b>	-
	2,253 Equity Shares of Rs.100/- in M/s Jeedimetla Effluent Treatment Ltd.	<b>225,300</b>	-
	1000 Equity Shares of Rs.10 each in M/s Sireen Drugs Private Limited	<b>10,000</b>	-
	<b>Total</b>	<b>410,680</b>	-
11.1	Above Investments are vested with the Company on 01-04-2016 in pursuance of the Demerger Scheme.		
<b>12</b>	<b>Long Term Loans &amp; Advances</b>		
	(Unsecured Considered Good)		
	(a) Deposits Recoverable (Refer Note 12.1)	<b>20,817,332</b>	-
	(b) Advance for Capital Goods	<b>205,263</b>	-
	Total	<b>21,022,595</b>	-
12.1	Deposits Recoverable of Rs. 1,49,46,979/- vested with the Company on 01-04-2016 in pursuance of the Demerger Scheme.		
12.2	Deposits recoverable consists of Rs.1,81,02,243/- with Electricity Department and Rs.27,15,089/- with Others.		
<b>13</b>	<b>Inventories</b>		
	(as Valued and Certified by the Management)		
	Raw Material (Valued at Cost)	<b>117,687,932</b>	-
	Stock in Process (as cost and an appropriate share of overheads.)	<b>309,322,454</b>	-
	Finished Goods	<b>7,721,746</b>	-

(Valued at lower of cost or net realisable value)

Coal & Fuel (Valued at Cost)

3,212,932

-

**Total**

**437,945,064**

-

- 13.1 Total Inventories of Rs. 41,83,55,877/- vested with the Company by the Company on 01-04-2016 in pursuance of the Demerger Scheme.

Amount in Rs.

<b>Note No.</b>	<b>Particulars</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
<b>14</b>	<b>Trade Receivables</b>		
	<b>Unsecured</b>		
	(a) Outstanding for a period exceeding Six months		
	Considered Good	2,586,972	-
	Considered Doubtful	508,344	-
		<b>3,095,316</b>	-
	Less: Bad debts written off	396,197	-
		<b>2,699,119</b>	-
	(b) Others		
	Considered Good	394,840,047	-
	<b>Total</b>	<b>397,539,166</b>	-

- 14.1 Trade Receivables of Rs. 39,87,46,067/- vested with the Company on 01-04-2016 in pursuance of the Demerger Scheme.

- 14.2 Trade Receivables includes an amount of Rs.51,99,579/- due from M/s. VKT Pharma Private Limited, a related party.

Amount in Rs.

<b>Note No.</b>	<b>Particulars</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
<b>15</b>	<b>Cash and Bank Balances</b>		
	<b>(a) Cash and Cash Equivalentents :</b>		
	(i) Cash on Hand	263,690	15,825
	(ii) Balances with Scheduled Banks		
	- in Current Accounts	509,445	-



**(b) Other Bank Balances :**

(i) Deposit against Margin Money	<b>28,233,395</b>	-
(ii) Fixed Deposits	<b>79,635</b>	-
<b>Total</b>	<b>29,086,164</b>	15,825

- 15.1 Cash in Hand and Bank balances as on 01-04-2016 of Rs. 2,11,727/- and Rs. 26,88,726/- vested with Company on 01-04-2016 in pursuance of the Demerger Scheme.
- 15.2 Margin Money Deposits and Fixed Deposit as on 01-04-2016 of Rs. 2,24,37,398/- and Rs. 79,635/- respectively vested with the Company as per the Demerger Scheme.
- 15.3 Out of the above amount, cash and cash equivalents was Rs 7,73,135/- (previous year Rs. 15,825/-).
- 15.4 Deposit against margin money amount of Rs. 2,82,33,395/- (Previous Year Rs. Nil) have maturity period of more than 12 months.
- 15.5 Fixed Deposits amount of Rs.79,635/- have maturity period of more than 12 months.
- 15.6 Transactions of Specified Bank Notes during the period from 08-11-2016 to 30-12-2016 are as follows:

Particulars	SBNs	Other Denomination Notes	Total
Closing Cash in hand as on 08-11-2016	341,000	143,561	484,561
(+) Permitted receipts		420,660	420,660
(-) Permitted Payments		(449,650)	(4,49,650)
(-) Amount Deposited in Banks	(3,41,000)		(3,41,000)
Closing Cash Balance as on 30-12-2016	-	114,571	114,571

Amount in Rs.

Note No.	Particulars	As at 31.03.2017	As at 31.03.2016
16	<b>Short Term Loans &amp; Advances Unsecured and Considered Good</b>		
	Advances for Raw Material	<b>23,988,722</b>	-
	Advances to Others	<b>13,283,618</b>	-
	MAT Credit	<b>8,418,249</b>	-
	<b>Total</b>	<b>45,690,589</b>	-

- 16.1 Short Term Loans and Advances of Rs. 4,88,44,325/- vested with the Company as on 01-04-2016 in pursuance of the Demerger Scheme.
- 16.2 Advances for Raw Materials includes Rs. 78,95,737/- to M/s. Rchem (Somanahalli) Pvt Ltd, a related party.

**17 Other Current Assets**

Prepaid Expenses	<b>185,475</b>	-
Interest Receivable	<b>2,901,325</b>	-
Cenvat & Service Tax Credit Receivable	<b>47,591,162</b>	-
VAT Credit Receivable	<b>12,904,456</b>	-
Export Incentives Receivable	<b>10,140,723</b>	-
<b>Total</b>	<b>73,723,141</b>	-

- 17.1 Other Current Assets of Rs. 6,08,18,460/- vested with the Company as on 01-04-2016 in pursuance of the Demerger Scheme.

Note No.	Particulars	Amount in Rs.	
		Current Year 2016-17	Previous Year 2015-16
<b>18</b>	<b>Revenue From Operations</b>		
	<b>(a) Sale of Products</b>		
	Gross Revenue From Sales		
	Sale of Products	<b>2,243,876,656</b>	-
	Export Incentives	<b>35,869,606</b>	-
		<b>2,279,746,262</b>	-
	Less : Excise Duty	<b>120,162,002</b>	-
	Sales Tax	<b>16,556,547</b>	-
	Total Taxes	<b>136,718,549</b>	-
	<b>Net Revenue from Sales</b>	<b>2,143,027,713</b>	-
	<b>(b) Other Operating Income</b>		
	Conversion Charges Received	<b>16,002,500</b>	-
	<b>Net Other Operating Income</b>	<b>16,002,500</b>	-
	<b>Net Revenue from Operations</b>	<b>2,159,030,213</b>	-

<b>19</b>	<b>Other Income</b>		
	(a) Interest Income	3,584,083	-
	(b) Exchange Fluctuation	10,996,799	-
	(c) Miscellaneous Income	2,654,889	-
	<b>Total</b>	<b>17,235,771</b>	<b>-</b>
<b>20</b>	<b>Materials Consumed</b>		
	<b>(a) Raw Materials</b>		
	Opening Stock	135,043,479	-
	Add : Purchases	1,190,794,511	-
		<b>1,325,837,990</b>	<b>-</b>
	Less: Closing Stock	116,222,940	-
	Sub-Total (a)	<b>1,209,615,050</b>	<b>-</b>
	<b>(b) Packing Materials</b>		
	Opening Stock	1,186,170	-
	Add : Purchases	27,458,331	-
		<b>28,644,501</b>	<b>-</b>
	Less : Closing Stock	1,464,992	-
	Sub-Total (b)	<b>27,179,509</b>	<b>-</b>
	<b>Total Materials Consumed (a+b)</b>	<b>1,236,794,559</b>	<b>-</b>

Note No.	Particulars	Amount in Rs.	
		Current Year	Previous Year
		2016-17	2015-16
<b>21</b>	<b>Changes in Inventories of Finished Goods and Stock in Process</b>		
	<b>(Increase) / Decrease in Stocks</b>		
	<b>At the Commencement of the Year :</b>		
	Stock in Process	275,725,272	-
	Finished Goods	5,251,628	-
	Sub-Total (a)	<b>280,976,900</b>	<b>-</b>
	<b>At the end of the Year :</b>		
	Stock in Process	309,322,454	-
	Finished Goods	7,721,746	-
	Sub-Total (b)	<b>317,044,200</b>	<b>-</b>
	<b>(Increase) / Decrease in Stocks (a)-(b)</b>	<b>(36,067,300)</b>	<b>-</b>

<b>22</b>	<b>Employee Benefit Expenses</b>		
	Salaries, Wages and Bonus	155,083,832	-
	Contribution to PF & Other Funds	8,327,363	-
	Staff Welfare Expenses	9,166,978	-
	<b>Total</b>	<b>172,578,173</b>	<b>-</b>

Note No.	Particulars	Amount in Rs.	
		Current Year	Previous Year
		2016-17	2015-16
<b>23</b>	<b>Finance Cost</b>		
	Interest on Term Loans	28,407,652	-
	Interest on Working Capital	20,965,918	-
	Interest on Others	539,729	-
	Bank Charges	10,988,727	-
	<b>Total</b>	<b>60,902,026</b>	<b>-</b>
<b>24</b>	<b>Other Expenses</b>		
	Power & Fuel	204,027,115	-
	Consumable Stores	12,303,894	-
	Testing Charges	1,511,272	-
	Water Charges	11,580,680	-
	Conversion Charges	119,203,982	-
	Effluent Treatment Charges	27,694,069	-
	Repairs & Maintenance - Plant & Machinery	34,405,021	-
	Repairs & Maintenance - Buildings	5,426,004	-
	Factory Maintenance	3,926,851	-
	Travelling Expenses	1,963,727	-
	Postage & Telephones	1,331,416	-
	Printing & Stationary	3,165,085	-
	Rent, Rates & Taxes	5,416,723	-
	Insurance	3,212,947	-
	General Expenses	3,536,580	7,000
	Payment to Auditors	600,000	11,500
	Repairs to other assets	508,381	-
	Vehicle Maintenance	2,686,638	-
	Carriage Outward	36,117,591	-
	Sales Commission	22,928,579	-

Business Promotion Expenses	2,588,060	-
Interest on Indirect Taxes	643,077	-
Bad Debts Written Off	396,197	-
<b>Total</b>	<b>505,173,889</b>	<b>18,500</b>

24.1 Audit Fee consists of  
As Statutory Audit

600,000

**25 Earnings Per Share (Basic and Diluted)**

<b>Basic</b>	12,647	(1.85)
<b>Diluted</b>	41.83	-

**26 Note on CSR Liability**

As per the Section 135 (l) of the Companies Act, 2013 Corporate Social Responsibility provisions are not applicable to the Company for the financial year 2016-17, as the Company has not earned profits during the previous 3 years.

**27 Scheme of arrangement (De-Merger) between SMS Lifesciences India Ltd (Lifesciences), the company and SMS Pharmaceuticals Ltd (SMSPL)**

The board of directors of SMSPL in their meeting held on 13-08-2016 had approved the de merger scheme to demerge the semi regulated units in to the Lifesciences

- a) The Hon'ble National Company Law Tribunal (NCLT), Hyderabad vide its order dated 15-05-2017 sanctioned the Scheme under Section 391 to 394 read with Sections 100 to 104 of the Companies Act and other applicable provisions of the Companies Act, 2013 between the Lifesciences and SMSPL.. Pursuant to the Scheme, all the assets and liabilities pertaining to the demerged undertakings (as defined in the Scheme) have been transferred to and vested in the company with retrospective effect from the appointed date i.e 01-04-2016 at their respective book values appearing in the books of demerged company i.e SMSPL. Accordingly the Scheme has been given effect to in the financial statements. The Company has filed certified copy of the order on 17-05-2017 (Effective Date), with the Register of Companies, Hyderabad.
- b) The consideration for demerger to the equity share holder of the demerged company will be discharged by the company i.e Lifesciences by issue of 1 (one) equity share of Rs.10/-each (fully paid-up) of Resulting Company shall be issued and allotted for every 28(twenty eight) Equity Shares of Re.1 each (fully paid-up) held by the shareholders in Demerged Company. As a result of this and pursuant to the provisions of the Scheme, the existing Share Capital of Rs.1.00 lac of the Company shall stand cancelled.

c) The Book value of assets and liabilities acquired effective from 01-04-2016 are as follows:

<b>Particulars</b>	<b>Amount</b>
	<b>(Rs.)</b>
<b>Assets transferred</b>	
<b>Non-Current Assets</b>	
Fixed Assets	76,63,50,721
Investments	4,10,680
Loans and Advances	14,946,979
<b>Current Assets</b>	
Inventories	418,355,877
Trade Receivables	398,746,067
Cash and Bank Balances	25,417,486
Loans and Advances	48,844,325
Other Current Assets	60,818,460
<b>Sub Total (A)</b>	<b>1,733,890,596</b>
<b>Liabilities assumed</b>	
<b>Non-Current Liabilities</b>	
Long Term Borrowings	234,913,110
Deferred Tax Liability	105,353,580
Long Term Provisions	16,765,739
<b>Current Liabilities</b>	
Short Term Borrowings	53,362,690
Trade Payables	525,870,436
Other Current Liabilities	113,143,633
Short Term Provisions	2,646,263
<b>Sub Total (B)</b>	<b>1,05,20,55,451</b>
<b>Net Assets (A) - (B)</b>	<b>68,18,35,146</b>

The Difference between assets and liabilities of an amount of Rs.68,18,35,146/- is treated as general reserve in pursuance of the Demerger Scheme. The Company is required to allot 30,23,287 fully paid equity Shares of Rs.10/- each to the Shareholders of demerged company out of the General Reserve.

## **28. Corporate Information**

SMS Lifesciences India Limited is a multi-product company manufacturing Active Pharma Ingredients and their intermediates. SMS Lifesciences India Limited has manufacturing facilities at IDA Kazipally, IDA Jeedimetla, and Bolaram apart from R&D center at Sanath Nagar in and around Hyderabad city and having registered office at Plot No. 19-III, Road No. 71, Jubilee Hills, Hyderabad. The shares of the company are in the process of listing on stock exchanges in India.

## **29. Basis of Accounting**

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

## **30. Significant Accounting Policies**

### **a. Use of Estimates**

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

### **b. Fixed Assets:**

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

### **c. Capital Work In progress:**

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

### **d. Depreciation:**

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

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

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

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

**e. Investments:**

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

**f. Inventories:**

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

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

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

**g. Sales:**

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

**h. Research & Development Expenses:**

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

**i. Patents:**

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

**j. Operating Leases:**

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

**k. Retirement Benefits:**

**i. Defined Contribution Plans:**

**Provident Fund:**

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



## **ii. Defined Benefit Plans:**

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

## **iii. State Plans:**

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

## **I. Excise Duty / Sales Tax:**

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

## **m. Service Tax:**

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

## **n. Cenvat / VAT / Service Tax Credit:**

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

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

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

## **o. Revenue Recognition:**

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

## **p. Foreign Currency Transactions:**

- i. Transactions denominated in foreign currency are normally recorded at the exchange rate prevailing at the time of the transaction
- ii. Any income or expense on account of exchange differences on foreign currency transactions are recognised in the statement of profit and loss.

- iii. Financial Derivative Contracts are accounted on the date of their settlement and realized gain / loss in respect of settled contracts are recognized in the statement of profit and loss along with underlined transactions.

**q. Taxation:**

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

**i. Current year charge:**

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

**ii. Deferred Tax:**

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

**r. Borrowing Costs:**

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

**s. Provisions and Contingent Liabilities:**

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

**t. Impairment of Assets:**

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

**u. Export Benefits:**

All export benefits on exports are recognized on accrual basis.

**31. Contingent Liabilities not provided for**

(Amount in Rs.)

Particulars		2016-17	2015-16
(a)	Guarantees given by banks	24,00,000	-
(b)	Letter of credits opened in favor of suppliers for which goods are yet to be received	11,29,82,844	-
(c)	Disputed Income Tax demands against which company is in Appeals.	22,62,309	-
(d)	Interest dues in respect of disputed demands of Income Tax and Central Excise.	1,77,71,720	-
(e)	Interest on disputed demand of Central Excise (Refer Note No.33. (iii))	16,40,032	-
(f)	Capital Commitments	-	-

31.1 Contingent liabilities not provided mentioned under 31(c) to (e) were vested with the Company on 01-04-2016 in pursuance of the Demerger Scheme.

**32.** Capital work-in-progress of Rs. 2,53,15,608/- vested with the Company as on 01-04-2016 as per Demerger Scheme. This includes an amount of Rs.2,51,88,062/- paid for acquiring land to the extent of Ac.19 bearing plot no. 46 in Jawaharlal Nehru Pharma City Parawada in Viskhapatanam Dist which was under litigation with the developer and the matter is sub-judice before the Hon'ble High Court. Which was under litigation with the developer and the matter is sub-judice before the Hon'ble High Court.

**33. (i)** M/s SMS Pharmaceuticals Ltd (SMSPL), the demerged company has entered in to an agreement with M/s. Divya Enterprises Limited for purchase of 918 sqm industrial plot and buildings and structures situated at D-63,Phase – I, Jeedimetla, for a consideration of Rs.60,00,000/-. Pending registration of the same, SMSPL has paid the entire amount to the vendor for the said property and has taken the possession during the year 2002-03. The said property was not registered as on the appointed date i.e 01-04-2016.

**(ii)** SMSPL has constructed/modified buildings and structures to suit the requirement for carrying out its manufacturing activity in the said premises. SMSPL has incurred an amount of Rs.1,69,67,521/- during the earlier years for modification of buildings and also for acquiring required equipment and other assets. The said assets were capitalized and accordingly SMSPL has claimed depreciation up to 31-03-2016.

**(iii)** Central excise department has issued a demand for an amount of Rs.16,40,032/- towards interest for the period from 01-04-1995 to 18-03-2011 jointly in the name of Divya Enterprises Limited and SMS Pharmaceuticals Limited for which M/s Divya Enterprises Limited has obtained stay from the Honourable High court of Andhra Pradesh in the year 2013.

**(iv)** The assets mentioned in above (i) and (ii) have got transferred from SMS Pharmaceuticals Ltd by virtue of scheme of arrangement approved by the NCLT (National Company Law Tribunal) dated 15-05-2017. No manufacturing activity is carried out at these premises.

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

(1) Defined Contribution Plans:	<b>(Amount in Rs)</b>	
	<b>2016-17</b>	<b>2015-16</b>
Contribution to Provident Fund	72,50,199	-----
(2) Defined Benefit Plans:	i. Gratuity (Partly Funded)	
	ii. Leave Encashment (Un funded)	

#### Disclosures (as per actuary certification)

Particulars	<b>(Amount : Rs.in Lakhs)</b>			
	<b>2016-17</b>		<b>2015-16</b>	
	<b>Gratuity (Unfunded)</b>	<b>Leave Encashment (Unfunded)</b>	<b>Gratuity (Unfunded)</b>	<b>Leave Encashment (Unfunded)</b>
<b>(i) STATEMENT OF PROFIT AND LOSS :</b>				
Current Service Cost	13.15	14.49	-	-
Interest cost on benefit obligation	11.25	1.80	-	-
Net Actuarial (Gain)/Loss recognized in the year	37.19	(12.16)	-	-
Short Term compensated absence Liability	-	-	-	-
Past service cost	-	-	-	-
-Contribution paid	-	(3.15)	-	-
Expected return on planned Assets	-	-	-	-
Net benefit expenses	61.59	1.10	-	-

#### **(ii) BALANCE SHEET:**

Change in the present value of the defined benefit obligation are as follows:

Opening defined benefit obligation	118.91	48.75	-	-
Interest cost	11.25	1.80	-	-
Current services cost	13.15	14.61	-	-
Actuarial (Gain)/Loss on obligation	37.19	(12.16)	-	-
Expected return on planed Assets	-	-	-	-
Short Term compensated absence liability	-	-	-	-

Contribution paid	-	(3.15)	-	-
Closing defined benefit obligation	180.50	49.85	-	-
Past Service Cost	-	-	-	-

- Net benefit expenses of Rs.61.59 lakhs relating to Gratuity charged to Statement of Profit & Loss being the difference between the independent actuary valuation and that of amount contributed through LIC. This amount was unfunded and total amount of unfunded was Rs.180.50 lakhs as on the balance sheet date.

**(iii) The Principal Assumptions Used in Determining Gratuity**

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

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

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

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

**(Amount in Rs)**

<b>Particulars</b>	<b>2016-17</b>	<b>2015-16</b>
Principal amount remaining unpaid as at the end of the year	<b>4,78,17,682</b>	-
Interest due and payable for the period of delay	<b>5,39,729</b>	-
Interest paid on above	<b>Nil</b>	-

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.

**36. Related Party Disclosures:**

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

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

<b>S.No.</b>	<b>Name</b>	<b>Relationship</b>
1.	Sri. P.Ramesh Babu	Director
2.	Sri. T.V.V.S.N.Murthy	Director
3.	Sri T.V.Praveen	Relative of Key Managerial Personnel

**(ii) list of Related Parties**

<b>S.No.</b>	<b>Name of the Company</b>	<b>Relationship</b>
1.	SMS Pharmaceuticals Limited	Holding Company
2.	VKT Pharma Pvt. Ltd	Associate of Holding Company
3.	Rchem (Somanahalli) Pvt Ltd	Enterprises over which KMP are able to Exercise significant influence.
4.	Potluri Laboratories Private Limited.	
5.	Potluri Infra Projects Private Limited	
6.	Potluri Packing Industries Private Limited	

**(iii) Transactions:****(Amount in Rs.)**

<b>Particulars</b>	<b>Associate Company &amp; Companies in which KMP having significant influence</b>	<b>Key Management Personnel</b>	<b>Relatives of Key Management Personnel</b>	<b>Total</b>
Remuneration & Commission (Previous Year)			40,12,500 (--)	40,12,500 (--)
Purchases (Previous Year)	2,16,29,331 (--)			2,16,29,331 (--)
Sales (Previous Year)	3,98,85,704 (--)			3,98,85,704 (--)
Conversion Charges paid (Previous Year)	8,58,05,460 (--)			8,58,05,460 (--)
<b>Balance outstanding :</b>				
Receivable (Previous Year)	1,30,95,316 (--)			1,30,95,316 (--)
Payable (Previous Year)		29,22,263 (--)	1,80,600 (--)	31,02,863 (--)

**37. Segment Reporting:**

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

(Amount in Rs.)

Particulars	2016-17		2015-16	
	Revenue	%	Revenue	%
Exports	138,54,07,612	64.65	----	--
Sales to EOU	1,95,52,500	0.91	----	--
Domestic	70,21,97,995	32.77	----	--
Export Incentives	3,58,69,606	1.67	----	--
<b>Total</b>	<b>214,30,27,713</b>	<b>100.00</b>	<b>----</b>	<b>--</b>

**38. Consumption of Raw Materials:**

(Amount in Rs.)

Particulars	2016-17		2015-16	
	Value	%	Value	%
Imported	66,83,02,229	55.25	----	--
Indigenous	54,13,12,821	44.75	----	--
<b>Total</b>	<b>120,96,15,050</b>	<b>100.00</b>	<b>----</b>	<b>--</b>

**39. Expenditure in Foreign Currency****40.1 CIF Value of Imports:**

(Amount in Rs.)

Particulars	2016-17	2015-16
Raw Materials	63,22,11,161	----
Capital Goods	1,04,62,500	----
<b>Total</b>	<b>64,26,73,661</b>	<b>----</b>

**40.2 Other Expenses :**

(Amount in Rs.)

Particulars	2016-17	2015-16
Sales Commission	1,74,72,614	----
Travelling Expenses	1,03,003	----
<b>Total</b>	<b>1,75,75,617</b>	<b>----</b>

**41. Earnings in Foreign Currency:**

(Amount in Rs.)

Particulars	2016-17	2015-16
FOB Value of Exports	123,69,94,254	----

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

43. The Company has become an Wholly Owned Subsidiary to M/s. SMS Pharmaceuticals Ltd w.e.f 01.04-2016.



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

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

as per our report of even date

for and on behalf of the Board

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

**P.RAMESH BABU**  
Director

**T V V S N MURTHY**  
Director

**RAVI RAMBABU**  
Partner  
M No.18541

**PAVAN PISE**  
Company Secretary

Place: Hyderabad  
Date: 25.05.2017

## MANAGEMENT DISCUSSIONS AND ANALYSIS

### INDUSTRY PERSPECTIVE

The Indian pharmaceuticals market is the third largest in terms of volume and India is the largest provider of generic drugs globally with the Indian generics accounting for 20 per cent of global exports in terms of volume.

India enjoys an important position in the global pharmaceuticals sector. The country also has a large pool of scientists and engineers who have the potential to steer the industry ahead to an even higher level. Presently over 35 per cent of the API across various therapeutic segments used globally to combat various medical conditions are supplied by Indian pharmaceutical firms.

India is also emerging as a low-cost, high quality option for outsourcing of research, manufacturing and other services. This offers a great opportunity for the Indian pharmaceutical industry and Indian pharma companies. Cashing on opportunity, India today has the most DMF's filed across regulatory markets and also have most USFDA approved facilities outside US.

### Market Size

The Indian pharma industry, which is expected to grow over 15 per cent per annum between 2017 and 2020, will outperform the global pharma industry, which is set to grow at an annual rate of 5 per cent between the same period. The Indian market is expected to grow to US\$ 55 billion by 2020, thereby emerging as the sixth largest pharmaceutical market globally.

India's biotechnology industry comprising bio-pharmaceuticals, bio-services, bio-agriculture, bio-industry and bioinformatics is expected grow at an average growth rate of around 30 per cent a year and reach US\$ 100 billion by 2025. Biopharma, comprising vaccines, therapeutics and diagnostics, is the largest sub-sector contributing nearly 62 per cent of the total revenues at Rs 12,600 crore (US\$ 1.89 billion).

### Investments

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

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

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

### **Government Initiatives**

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

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

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

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

- The Department of Pharmaceuticals has planned to launch a venture capital fund of Rs 1,000 crore (US\$ 149.11 million) to support start-ups in the research and development in the pharmaceutical and biotech industry.

## **BUSINESS**

### **DOMESTIC API BUSINESS:**

The domestic API business is a very critical component of SMS Lifesciences India Ltd business. The company has built an important relationship with traders and formulators and is known as the leading company in Ranitidine, Famotidine and Sildenafil citrate. Ranitidine manufacturers who were our competitors earlier have now stopped manufacturing the product and to continue with their supplies to their customers as part of registrations and agreements are buying advanced intermediates from us giving indirect business to the company. SMS Lifesciences will continue to focus on domestic market trying to increase the capacities to meet the rising demands for API as well as for intermediates.

### **INTERNATIONAL BUSINESS:**

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

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

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

### **FINANCE :**

The Company has registered a standalone total income of Rs.215.90 Crores for the year ended on 31<sup>st</sup> March 2017. The standalone Profit before Taxes, was Rs.18.13 Crores and a standalone profit after tax of Rs.12.64 Crores for the year under review.

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

## **OUTLOOK:**

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

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

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

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

## **INTERNAL CONTROL SYSTEMS AND ADEQUACY:**

The Company has an Internal Control System commensurate with the size, scale and complexity of its operations. The scope of the Internal Audit is decided by the Audit Committee and the Board. To maintain its objectivity and scope of the Internal Audit is decided by the Audit Committee and the Board. To maintain its objectivity and independence, the Board has appointed an Internal Auditor, which reports to the Audit Committee of the Board on a periodic basis. The Internal Auditor monitors and evaluates the efficacy and adequacy of internal control systems in the Company, its compliance with operating systems, accounting procedures and policies for various functions of the Company. Audit observations and actions taken thereof are presented to the Audit Committee of the Board.

## **HUMAN RESOURCE**

'Human Resources' are recognized as a key pillar of any successful organization and so is for SMS Lifesciences. The company puts constant efforts in recruiting and training the employees and ensures to bring out the best of them. The company adopts a HR policy and ensures that all the employees are aware of personnel policies. The needs of the employees are addressed with high importance and efforts are made to provide a highly challenging and healthy environment. Besides all these, the company places high emphasis on professional etiquette required of every employee.

Success of a growing organization is the resultant endeavor of a dedicated team setting stretch targets to push prospects for advancement. The potential and ability to deliver consistently is evident from the consistent growth of your company.

The Board of Directors of the Company appreciates the valuable contribution of its employees towards the progress of the Company as a whole. As always, performance orientation, innovation and meritocracy remain high priority areas, and your company continues to afford an enabling work environment and opportunities for career advancement.

## **HEALTH, SAFETY, SECURITY AND ENVIRONMENT:**

SMS Lifesciences India Limited is in the business of design, manufacture and supply of Bulk Drugs and Drug Intermediates and is committed to protect its employees, the environment and public in all phases of its business activities. SMS Lifesciences India Limited is developing a robust Environment Management System (EMS) in line with ISO 14001 to mitigate the impact of its operations on the environment including the human environment. The manufacturing facility operates a Zero Liquid Discharge Effluent Treatment Plant in the facility which also enables recycle of Water which is one of the key natural resources.

The company has a full-fledged safety team and safety systems in place to prevent and address any safety concerns from its operations. Regular internal and external audits are carried out to measure its progress in Safety, Health and Environment (SHE) systems, considered an integral part of its business. Under EMS, the policy provides frame work for compliance with applicable laws and regulations and commitment for continual improvement of Environment, personnel skills and conservation of natural resources.

## **CONTRIBUTION TO SOCIETY:**

SMS Lifesciences is committed to enhancing the quality of life in and around the communities it operates in. With implementation of various control measures has ensured that there is barest minimum impact of its operations on the surroundings and to go beyond just compliance is also participating in corporate social responsibility activities by contributing funds to the district administration who implements various welfare measures in the surrounding villages. Public liability insurance is also taken to safeguard against any emergency situations if they arise unexpectedly or thru acts of nature.

## GROUP COMPANIES

The Details of other companies in the group as under:

### 1. SMS Pharmaceuticals Limited

SMS Pharmaceuticals Limited is a public limited company incorporated under the provisions of the Companies Act, 1956 on 14<sup>th</sup> day of December, 1987 originally in the name of “S.M.S. Pharmaceuticals Private Limited” and subsequently converted into a Public Limited Company in the name of “S.M.S. Pharmaceuticals Limited” on 2<sup>nd</sup> November, 1994. The name of the Company has been changed further from S.M.S. Pharmaceuticals Limited to SMS Pharmaceuticals Limited with effect from 12<sup>th</sup> April, 2004. The Registered Office of the Company is situated at Plot No.19-III, Road No.71, Opp. Bharatiya Vidya Bhavan Public School, Jubilee Hills, Hyderabad 500 096. The Equity Shares of Demerged Company are listed on BSE Limited (‘BSE’) having Security Code “532815” and National Stock Exchange of India Limited (‘NSE’) having Symbol “SMSPHARMA”. The Corporate Identity Number of the Company is L24239AP1987PLC008066.

#### Principal Business:

The Company is engaged in the business of manufacturing and sale of active pharmaceutical ingredients and intermediates.

#### Shareholdin Pattern as on 23rd June, 2017:

S.No	Catogory	No. of Holders	Shares	Percentage
1	Promoter & Promoter Group	16	57557890	67.99
2	Public	17164	27094140	32.01
	<b>Total</b>	<b>17180</b>	<b>84652030</b>	<b>100.00</b>

#### Capital Structure of SMS Pharmaceuticals Limited

Particulars	Aggregate value(Rs.)
<b>Authorised Share Capital</b>	
12,00,00,000 Equity Shares of Rs.1/- each	12,00,00,000
<b>Issued, Subscribed &amp; Paid-up Capital</b>	
8,46,52,030 Equity Shares of Rs.1/- each	8,46,52,030

## BOARD OF DIRECTORS

Sl. No.	Name of the Director	Designation	Residential Address
1	Mr. Ramesh Babu Potluri	Chairman & Managing Director	Plot No. 265Q, Road No.10, Jubilee Hills, Hyderabad-500 033.
2	Mr. TVVSN Murthy	Director	Plot No.10-C, Road No.8, Film Nagar, Hyderabad-500 096
3	Mr. P.S. Rao	Non Executive & Independent Director	Plot No.626, Road No.35, Jubilee Hills, Hyderabad-500 033
4	P. Sarath Kumar	Non Executive & Independent Director	A-19, Journalist Colony, Road No.70, Jubilee Hills, Hyderabad – 500033, Telangana
5	T. Neelaveni	Non Executive & Independent Director	H.No. 8-3-191/160, 32-B, Vengalrao Nagar Colony, Hyderabad-T.S. 500 038
6	Mihir K.Chaudhuri	Non Executive & Independent Director	Quarter IIT Guwahati F-Type 1F6 Pro North Guwahati 781039 As India
7	Utpal Gokhale	Nominee Director	Flat No. 1603, 16th Floor, Wallace Apartments, Sleater Road, Grant Road (West), Mumbai 400007 Maharastra

## FINANCIAL PERFORMANCE OF THE COMPANY

Particulars	Standalone	
	2016-17	2015-16
	Amount in Rs.	Amount in Rs.
Total Revenue	4,392,566,376	6,068,013,095
PBT	415,573,367	5,505,289,220
PAT	355,242,153	416,391,542
EPS	4.20	4.92

### Details of listing and Highest and Lowest market price of the share during the precedingsix months:

Equity Shares of SMS Pharmaceuticals Limited are listed at the Bombay Stock Exchange Limited and National Stock Exchange of India Limited.



**Monthly High & Low price of the Equity Shares of Re.1/- each of SMS Pharma at BSE & NSE for Last six months and last Two Financial Years:**

MONTH	BSE			NSE		
	Open Price	High Price	Low Price	Open Price	High Price	Low Price
Jan-17	87.95	96.8	85.75	87.80	96.80	85.10
Feb-17	87.95	99.95	84.5	87.65	99.30	84.70
Mar-17	89.8	93.8	85	89.45	91.45	85.15
Apr-17	87	95	86.45	86.00	94.75	86.00
May-17	92.1	93.6	78	92.45	93.80	77.90
Jun-17	83	90.5	69.65	83.85	89.70	71.25

YEAR	BSE			NSE		
	Open Price	High Price	Low Price	Open Price	High Price	Low Price
2017	87.95	99.95	69.65	87.80	99.30	71.25
2016	124.50	125	72	124.70	125.65	71.60

**2. VKT PHARMA PRIVATE LIMITED**

**Date of Incorporation:**

VKT Pharma Private Limited was incorporated on 31<sup>st</sup> May, 2006.

**Principal Business:**

VKT Pharma, a Quality driven pharmaceutical company with a strong matrix of capabilities is presently focusing on research, development, manufacturing & marketing of Ready to fill pre formulation intermediates of Immediate & Modified release pellets for a wide range of generic drug formulations in various Therapeutic segments.

**Shareholding Pattern of VKT Pharma Private Limited as on 30.06.2017**

Category	No.of shares held	% of shareholding
Promoter	7733165	85.60
Others	1300650	14.40
<b>Total</b>	<b>9033815</b>	<b>100</b>

## Capital Structure

Particulars	Aggregate value (Rs.)
<b>Authorized Share capital</b>	
1,000,0000 Equity shares of Rs.10 each	10,000,0000
<b>Issued, Subscribed &amp; Paid-up Capital</b>	
90,33,815 Equity shares of Rs.10 each	9,033,8150

## Board of Directors

Name	Designation
POTLURI RAMESH BABU	Managing Director
POTLURI HIMA BINDU	Director
VAMSI KRISHNA POTLURI	Director
POTLURI VENKATA SUBBA RAO	Director

## Financial performance

Particulars	2015-16	2014-15	2013-14
Revenue from operations	1,34,88,498	86,01,964	-
Other Income	6,52,572	4,27,507	2,57,424
Expenses	3,59,05,756	93,99,702	4,49,285
PBT	(2,17,64,686)	(3,70,231)	(1,91,861)
PAT	(2,17,64,686)	(3,70,231)	(1,91,861)

## SECTION VI

### LEGAL & OTHER INFORMATION

#### OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

In relation to the company, persons named as Promoters, Directors, and the companies/firms promoted by the Promoters, to the best of knowledge of the company, there are no outstanding material litigations against or any material disputes for tax liabilities, non payment of statutory dues, overdue to banks/financial institutions, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences no disciplinary action has been taken by SEBI/Stock exchanges against the company, its Directors, its Promoters, and the companies/firms promoted by the Promoters, except the following :

01. The Drugs Control Authority has initiated a case bearing No.633/2015 against the Director of Earstwhile Sreenivasa Pharma Private Limited(part of the Demerged Undertaking) in the year 2015 before the VI MM Court, Medchal for non-compliance of guidelines for the year 2009-10 under the Drugs & Cosmetics for the facility located at Jeedimetla, Hyderabad, which is under hearing stage.
02. Sabal Health Care & Pharma Ltd., UK has filed a company petition against SMS Pharmaceuticals Limited bearing No. CP 68 of 2014 against SMS Pharma before the Hon'ble High Court of Andhra Pradesh bearing No.68/2014 for non-receipt of commission. The company is not liable to pay any amount to M/s. Sabal Health Care, hence this said case has not yet admitted and is pending till date.
03. M/s. Embiotech Pharma Private Limited has filed a Civil Case against SMS Pharmaceuticals Limited bearing No.2742/2011 against the company for recovery of Rs.10.4 Lakhs for non-supply part order quantity of material. The material was not supplied due to dishonor of cheque. The case is pending at Bangalore Court.
04. Application 90 of 2013 filed before the National Green Tribunal, Chennai by Indian Council for Enviro Legal Action against the Union of India and 230 other pharma companies and the SMS Pharmaceuticals Limited is attending the case as Respondent NO.66. The case is pending.
05. Income Tax Department filed appeals against the favorable orders given to SMS Pharmaceuticals Ltd for payment of Advance Tax issues and assessments, the details which are as under:

<b>A Y</b>	<b>CASE NO.</b>	<b>PETITIONER</b>	<b>RESPONDENT</b>	<b>SUBJECT</b>	<b>Amount Rs. In Lakhs</b>
2000-01	ITTA 777 / 2006	The Commissioner Of Income Tax- III,	M/S SMS Pharmaceuticals Ltd.,	U/Sec.234(B) Interest of defaults in Payment of Advance tax	11.43
2001-02	ITTA 301 / 2015	The Commissioner Of Income Tax(Central)	M/S SMS Pharmaceuticals Ltd.,	U/Sec. 143 Assessment	13.55
2002-03	ITTA 20 / 2016	The Commissioner Of Income Tax(Central) Hyderabad	M/S SMS Pharmaceuticals Ltd., Hyderabad	U/Sec. 143 Assessment	66.25
2003-04	ITTA 97 / 2015	The Commissioner Of Income Tax(Central)	M/S SMS Pharmaceuticals Ltd.,	U/Sec. 143 Assessment	13.12
2004-05	ITTA 303 / 2015	The Commissioner Of Income Tax(Central)	M/S SMS Pharmaceuticals Ltd.,	Income Tax Tribunal Appeals	10.69
<b>Total Liability (incl. Interest)</b>					<b>115.04</b>

## GOVERNMENT APPROVALS

The Company has received all the necessary permissions and approvals from the Government and various Government agencies for the existing activities. No further material approvals from any Government authority are required by the Company to undertake the existing activities, save and except those approvals, which may be required to be taken in the normal course of business from time to time.

- Certificate of incorporation dated 31<sup>st</sup> day of May, 2006, issued by the RoC to our Company, in its former name, being Potluri Real Estate Private Limited.
- Fresh certificate of incorporation dated 6<sup>th</sup> November, 2013 issued by the RoC to our Company consequent upon change of name to Potluri Packaging Industries Private Limited.
- Fresh certificate of incorporation dated 4<sup>th</sup> August, 2014 issued by the RoC to our Company consequent upon change of name to SMS Lifesciences India Private Limited.
- Fresh certificate of incorporation dated 22<sup>nd</sup> June, 2016 issued by the RoC to our Company consequent upon change into a public limited company and upon change of name to SMS Lifesciences India Limited.
- The CIN of Company is U74930TG2006PLC050223 .
- Permanent Account Number of the Company as issued by the Income Tax Department is  
AAECP4285F.
- Import Export Code of the Company as issued by the Director General of Foreign Trade is  
0916506169.
- TIN of the Company is 36931550528 issued by Commercial Tax Department Govt. of Telangana.

## SECTION VII

### OTHER REGULATORY AND STATUTORY DISCLOSURES

#### REGULATORY AND STATUTORY DISCLOSURES

##### **Authority for the Scheme**

The National Company Law Tribunal, Hyderabad its Order dated 15<sup>th</sup> May, 2017 has approved the Scheme of Arrangement between SMS Pharmaceuticals Limited and SMS Lifesciences India Limited and their respective shareholders and creditors (the "Scheme").

##### **Prohibition by SEBI**

The Company, its directors, its promoters, other companies promoted by the promoters and companies with which the Company's directors are associated as directors have not been prohibited from accessing the capital markets under any order or direction passed by SEBI.

##### **Caution**

**The Company accepts no responsibility for statements made otherwise than in the Information Memorandum or in the advertisements to be published in terms of SEBI circular No.CFD/SCRR/CM/16/2015 dated November 30, 2015 or any other material issued by or at the instance of the Company and anyone placing reliance on any other source of information would be doing so at his or her own risk. All information shall be made available by the Company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner.**

##### **DISCLAIMER CLAUSE OF THE STOCK EXCHANGES**

As required, a copy of the information memorandum has been submitted to the Stock Exchanges and a copy of this document has been filed with the Stock Exchanges. The Stock Exchanges do not in any manner:

- a. warrant, certify or endorse the correctness or completeness of any of the contents of this document;
- b. warrant that our Company's Equity Shares issued pursuant to this document will be listed or will continue to be listed on the Stock Exchanges; or
- c. take any responsibility for the financial or other soundness of our Company, its Promoter, its management or any scheme or project of our Company;

The filing of this document should not for any reason be deemed or construed to mean that this document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquires any Equity Shares of our Company pursuant to this Issue may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition, whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever

### **Filing**

Copies of this Information Memorandum would be filed with BSE and NSE.

### **Listing**

Applications will be made to BSE & NSE for permission to deal in and for an official quotation of the Equity Shares of the Company. The Company has nominated BSE as the Designated Stock Exchange for the aforesaid listing of the shares.

The Company shall ensure that all steps for the completion of necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above.

### **Demat Credit**

The Company has executed Agreements with NSDL and CDSL for admitting its securities in demat form. On 27<sup>th</sup> June, 2017 the Company made allotment of the equity shares and such shares were credited in demat form by NSDL on 05.07.2017 and by CDSL on 03.07.2017 to the respective demat account of those shareholders who have provided necessary details to the Company and/or who were holding their shares in SMS Pharmaceuticals Limited in demat form and/or of those shareholders who have opted to receive the shares in demat form, as on the Record Date.

### **Despatch of Share Certificates**

Upon allotment of Shares to eligible shareholders pursuant to the Scheme the Company dispatched share certificates on 30<sup>th</sup> June, 2017 to those shareholders who were holding shares in SMS Pharmaceuticals Limited in physical form and have not opted to receive shares in demat form, as on the Record Date.

### **Expert Opinions**

Save as stated elsewhere in this Information Memorandum, we have not obtained any expert opinions.

### **Previous rights and public issues**

The Company has not made any public or rights issue since incorporation

### **Commission and brokerage on previous issues**

Since the Company has not issued shares to the public in the past, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since its inception.

### **Promise vis-a-vis performance**

This is for the first time the Company is being listed on the Stock Exchange.

### **Disposal of Investor Grievances**

M/s. Aarthi Consultants Private Limited is the Registrars and Transfer Agents of the Company. Documents/Letters are also received from the Investors directly at its Hyderabad office by courier/post.

All documents are received at the inward section of registrar and share transfer agents, where the same are classified based on the nature of the queries/actions to be taken and coded accordingly. The documents are then electronically captured before forwarding to the respective processing units.

The Company has appointed Mr. Pavan Pise, Company Secretary and the Compliance Officer and he may be contacted in case of any queries. He can be contacted at the following address:

SMS Lifesciences India Limited  
Plot No.19-III, Opp. BVBP School  
Road No.71, Jubilee Hills Vadodara-390  
Hyderabad-500 096 Telangana State  
Tele No.040-66288888  
Fax No.040-23551401  
Email : [cs@smslife.in](mailto:cs@smslife.in)



## Articles of Association of SMS Lifesciences India Limited

Articles of Association comply with the requirements of the Companies Act, 2013, other relevant laws and the requirements of the SEBI (Listing Obligations Disclosure Requirements) Regulation, 2015.

The relevant provisions of Articles of Association of the Company are as under:

### **LIEN**

#### **12. CREATION OF LIEN ON SHARES**

- (i) The Company shall have a first and paramount lien:
  - (a) on every share (not being a fully paid up share, for all monies (whether presently payable or not) called, or payable at a fixed time, in respect of that share; and
  - (b) on all shares (not being fully paid up shares) standing registered in the name of the single person, for all moneys presently payable by him or his estate to the Company.**Provided** that the Board of Directors may at any time declare any share to be wholly or in part exempt from the provision of this Article.
- (ii) The Company's lien, if any, on a share shall extend to all dividends payable thereon.
- (iii) \*Fully paid shares shall be free from all lien and in case of partly paid shares the issuer's lien shall be restricted to moneys called or payable at a fixed time in respect of such shares.  
**\*(Inserted vide special resolution passed in the Extra-Ordinary general Meeting held on 10<sup>th</sup> May 2017)**

#### **13. SELLING OF LIEN SHARES**

- (i) The Company may sell, in such manner as the Board thinks fit, any shares on which the Company has a lien, provided that no sale shall be made:
  - (a) unless a sum in respect of which the lien exists is presently payable, or
  - (b) until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or insolvency.
- (ii) To give effect to any such sale, the Board may authorize any person to transfer the shares sold to the purchaser thereof.
- (iii) The purchaser shall be registered as the holder of the shares comprised in any such transfer.
- (iv) The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by irregularity or invalidity in the proceedings in the reference to the sale.

#### **14. USAGE OF PROCEED OF LIEN SHARES**

- (i) The proceeds of the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable.
- (ii) The residue, if any, shall subject to a like lien for sums not presently payable as existed upon the shares before the sale, be paid to the person entitled to the shares at the date of the sale.

## CALL ON SHARES

15. The Board may,
- (i) from time to time, make calls upon the members in respect of any moneys unpaid on their shares (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times.  
**Provided** that no call shall exceed one-fourth of the nominal value of the share or be payable at less than one month from the date fixed for the payment of the last preceding call.
  - (ii) Each member shall, subject to receiving at least fourteen days' notice specifying the time or times and place of payment, pay to the Company, at time or times and place so specified, the amount called on his shares.
  - (iii) A call may be revoked or postponed at the discretion of the Board.
- 15A \*The option or right to call shares shall not be given to any person except with the sanction of the issuer in general meeting.  
**\*(Inserted vide special resolution passed in the Extra-Ordinary general Meeting held on 10<sup>th</sup> May 2017)**
- 15B \*Any amount paid up in advance of calls on any share may carry interest but shall not in respect thereof confer a right to dividend or to participate in profits.  
**\*(Inserted vide special resolution passed in the Extra-Ordinary general Meeting held on 10<sup>th</sup> May 2017)**
16. A call is deemed to have been made at time when the resolution of the Board authorizing the call was passed and may be required to be paid by installments.
17. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.
18. If a sum called in respect of a share, is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest thereon from the day appointed for payment thereof to the time of actual payment thereof to the time of actual payment at rate as the Board may determine.
19. The Board shall be at liberty to waive payment of any such interest wholly or in part.
20. Any sum
- (i) which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of nominal value of the share or by way of premium, shall, for the purpose of these regulations, be deemed to be a call duly made and payable on the date which by the terms of issue such sum become payable.
  - (ii) In case of non-payment of such sum, all the relevant provisions of these regulations as to payment of interest and expenses, forfeiture or other wish shall apply as if such sum had become payable by virtue a call duly made and notified.
21. The Board
- (i) may, if it thinks fit, receive from any member willing to advance the same, all or any part of the moneys uncalled and unpaid upon any shares held by him; and
  - (ii) upon all or any moneys advanced, may (until the same would, but for such advance, become presently payable) pay interest at such rate not exceeding unless the Company in general meeting shall otherwise direct twelve percent per annum, as may be agreed upon between the Board and the member and the member paying the sum in advance.

### ***TRANSFER OF SHARES***

22. The instrument of transfer of any share in the Company shall be executed by or on behalf of both the transferor and transferee.
- 22A.\*A common form of transfer shall be used.  
**\*(Inserted vide special resolution passed in the Extra-Ordinary General Meeting held on 10<sup>th</sup> May 2017)**
23. The transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the register of members in respect thereof.
24. The Board may, subject to the right of appeal conferred by Section 58 of the Companies Act, 2013, decline to register:
- (i) the transfer of a share, not being a fully paid share, to a person of whom they do not approve; or
  - (ii) any transfer of shares on which the Company has a lien.
25. The Board may also decline to recognize any instrument of transfer unless:
- (i) The instrument of transfer is in the form as prescribed in rules made under sub-section (1) of Section 56 of the Companies Act, 2013.
  - (ii) The instrument of transfer is accompanied by the certificate of shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; and
  - (iii) The instrument of transfer is in respect of only one class of shares.
- 25A.\*The registration of transfer shall not be refused on the grounds of the transferor being either alone or jointly with any person or persons indebted to the issuer on any account whatsoever.  
**\*(Inserted vide special resolution passed in the Extra-Ordinary general Meeting held on 10<sup>th</sup> May 2017)**
26. Subject to the provision of Section 91 of the Companies Act, 2013, the registration of transfers may be suspended at such times and for such periods as the Board may from time to time determine.  
**Provided** that such registration shall not be suspended for more than thirty days at any one time or for more than forty-five days in the aggregate in any year.
27. Subject to the provisions of section 56 of the Act and other applicable provisions, if any, or any other law for the time being in force, the Board shall have power at any time, and from time to time, make necessary changes in procedure of transfer of shares.

### ***TRANSMISSION OF SHARES***

28. On the death of a member, the survivor or survivors where the member was a joint holder, and legal representatives where he was a sole holder, shall be the only persons recognized by the Company as having any title to his interest in the shares.
29. Nothing in Article 27 shall release the estate of a deceased joint holder from liability in respect of any share which had been jointly held by him with other persons.

30. Any person,
- (i) becoming entitled to a share in consequence of the death or insolvency of any member may, upon such evidence being produced as may from time to time properly be required by the Board and subject as hereinafter provided, elect, either:
    - (a) to be registered himself as holder of shares: or
    - (b) to make such transfer of the share as the deceased or insolvent member could have made.
  - (ii) The Board shall, in either case, have the same right to decline or suspend registration as it would have had, if the deceased or insolvent member had transferred the share before his death or insolvency.
31. If the person so becoming entitled shall elect to be registered as holder of the share himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects.
32. If the person aforesaid shall elect to transfer the share, he shall testify his election by executing a transfer of the share.
33. All the limitations, restriction and provisions of these regulations relating to the right of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or insolvency of the member had not occurred and the notice or transfer were a transfer signed by that member.
34. A person becoming entitled to a share by reason of death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to the meeting of the Company. **Provided** that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days, the Board may thereafter withhold payments of all dividends, bonuses or money payable in respect of the share, until the requirements of the notice have been complied with.
35. Subject to the provisions of section 56 of the Act and other applicable provisions, if any, or any other law for the time being in force, the Board shall have power at any time, and from time to time, make necessary changes in procedure of transmission of shares.
36. There shall be no fee paid to the Company, in respect of the transfer or transmission of any number of shares, registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar other document. The Board shall reserve the right to correct any unintentional clerical error or omission happened due to oversight in any transfer or transmission process.

### ***FORFEITURE OF SHARES***

#### **37. PROCEDURE**

- (i) If a member fails to pay any call, or instalment of a call, on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued.

- (ii) The notice aforesaid shall:
  - (a) name a further day (not being earlier than the expiry of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made; and
  - (b) state that, the event of non-payment on or before the day so named, the shares in respect of which the call was made will be liable to be forfeited.
- (iii) If the requirements of any such notices as aforesaid are not complied with, any share in respect of which the notice has been given may, at any time thereafter, before the payment required by the notice has been made, be forfeited by the resolution of the Board to that effect.
- (iv) A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit.
- (v) At any time before a sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.

### **38. LIABILITY OF SHARE HOLDER**

- (i) A person whose shares have been forfeited shall cease to be a member in respect of forfeited shares, but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which, at the date of forfeiture, were presently payable by him to the Company in respect of the shares.
  - (ii) The liability of such person shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares.
39. A duly verified declaration in writing that the declarant is a Director, the manager, or the secretary, of the Company, and that a share in the Company has being duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share.

### **40. PROCEEDS OF SALE**

- (i) The Company may receive the consideration, if any, given for share on any sale or disposal thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of.
  - (ii) The transferee shall there upon be registered as the holder of the share.
  - (iii) The transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in the reference to the forfeiture, sale or disposal of the share.
41. The provision of these regulations as to forfeiture shall apply in the case of non-payment of any sum, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made notified.

### ***ALTERATION OF CAPITAL***

42. The Company may, from time to time, by ordinary resolution increase the share capital by such sum, to be divided into shares of such class of share as may be specified in the resolution.
43. Subject to the provisions of section 61, the company may, by **ordinary resolution,—**

- (i) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
  - (ii) Convert all or any of its fully paid-up shares into stock, and reconvert that stock into fully paid-up shares of any denomination;
  - (iii) sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the memorandum, subject, nevertheless, to the provisions of Section 61 of the Companies Act, 2013;
  - (iv) cancel any shares which, at the date of passing of the resolution, have not taken by any person; and
44. Subject to the provision of the Act and other applicable provision of law, the Company may issue shares; either equity or any other kind with non-voting rights and the resolution authorizing such issue shall prescribe the terms and conditions of that issue.
45. **Where shares are converted into stock,-**
- (i) The holder of the stock may transfer the same or any part thereof in the same manner as, and subject to the same regulations under which, the share from which the stock arose might before the conversion have been transferred, or as near thereto as circumstances admit:
  - (ii) **Provided** that the Board may, from time to time, fix the minimum amount of stock transferable, so, however, that such minimum shall not exceed the nominal amount of the shares from which the stock arose.
  - (iii) The holders of the stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company, and other matters, as if they held the shares from which stock arose: but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding-up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.
  - (iv) Such of the regulation of the Company (other than those relating to share warrants), as are applicable to paid-up shares shall apply to stock and the words "share" and "shareholder" in those regulations shall include "stock" and "stockholder" respectively.
46. The Company may, by special resolution, reduce in any manner and with, and subject to any incident and consent required any law:
- (i) its share capital;
  - (ii) any capital redemption reserve account;
  - (iii) any share premium account; or

#### ***CAPITALISATION OF PROFITS***

47. The Company, in general meeting may, upon the recommendation of the Board, resolve:
- (i) that it is desirable to capitalize any part of the amount for the time being standing to the credit of any of the Company's reserve account, or to the credit of the profit and loss account, or otherwise available for distribution; and
  - (ii) that such sum be accordingly set free for distribution in the manner specified in clause (iii) amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.
  - (iii) Sum aforesaid shall not be paid in cash but shall be applied, subject to the provision contained in clause (ii), either in or towards:

- (a) paying up any amounts for the time being unpaid on any shares held by such members respectively;
- (b) paying up in full, unissued shares of the Company to be allotted and distributed, credited as fully paid-up, to and amongst such members in the proportions aforesaid; and
- (c) partly in the way specified in sub clause (a) and partly in that specified in sub clause (b).
- (d) A securities premium account and a capital redemption reserve account may, for the purposes of this regulation, be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares; or
- (e) The Board shall give effect to the resolution passed by the Company in pursuance of this regulation.

48. Whenever such a resolution as aforesaid shall have been passed,
- (i) the Board shall:
    - (a) make all appropriations and application of the undivided profits resolved to be capitalized thereby, and all allotments and issues of fully paid shares if any; and
    - (b) generally do all acts and things required to give effect thereto.
  - (ii) The Board shall have power:
    - (a) to make such provision, by issue of fractional certificates or by payment in cash or otherwise, as it thinks fit, for the case of shares or debentures becoming distributable in fraction; and
    - (b) to authorize any person, on behalf of all the members entitled thereto, to enter into an agreement with the Company providing for the allotment to such members, credited as fully paid up, of any further shares or debentures to which they may be entitled upon such capitalization or (as the case may require) for the payment of by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to the capitalised of the amounts or any parts of the amounts remaining unpaid on the shares.
    - (c) Any agreement made under such authority shall be effective and binding on such members.

#### ***REDUCTION OF SHARE CAPITAL***

49. Subject to provisions of Sections 66, 67 and 242 and any other any other applicable provision of the Act or any other law for the time being in force, the company may reduce its own share capital.
50. Nothing in this clause shall affect the right of the Company to redeem any shares issued under Section 55.

#### ***BUY-BACK OF SHARES***

51. Notwithstanding anything contained in these articles but subject to the provisions of sections 68 to 70 and any other applicable provision of the Act or any other law for the time being in force, the company may purchase its own shares or other specified securities.

#### ***GENERAL MEETINGS***

52. All general meetings other than annual general meeting shall be called extraordinary general meeting.
53. The Board may, whenever it thinks fit, call an extraordinary general meeting.
54. Subject to provisions of Section 100 and any other any other applicable provision of the Act, If at any time directors capable of acting who are sufficient in number to form aquorum are not within India, any director or any two members of the company may call an extraordinary general meeting in the same manner, as nearly as possible, as that in which such a meeting may be called by the Board.

#### **55. PROCEEDINGS AT GENERAL MEETINGS**

- (i) All general meetings including annual general meetings shall be convened by giving at least twenty-one days' notice to shareholders.
- (ii) However, a general meeting may be called after giving a shorter notice if consent is given in writing or by electronic mode by not less than ninety-five per cent of the members entitled to vote at such meeting.
- (iii) The Board may, whenever it thinks fit, call an Extra ordinary General Meeting and it shall do so upon a requisition in writing by any Member or Members holding in the aggregate not less than one-tenth of such of the paid-up capital as at that date carries the right of voting in regard to the matter in respect of which the requisition has been made.
- (iv) No business shall be transacted at any general meeting unless a quorum of members is present as provided in Section 103 of the Act.
- (v) The Chairman, if any, of the Board shall preside as Chairman at every general meeting of the Company.
- (vi) If there is no such Chairman, or he is not present within fifteen minutes after the time appointed for holding the meeting, or is unwilling to act as Chairman of the meeting, the Directors present shall elect one of their members to be the Chairman of the meeting.
- (vii) If at any meeting no Director is willing to act as Chairman or if no Director is present within fifteen minutes the time appointed for holding the meeting, the members present shall choose one of their members to be the Chairman of the meeting.

#### **56. ADJOURNMENT OF MEETING**

- (i) The Chairperson may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time and from place to place.
- (ii) No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
- (iii) When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.
- (iv) Save as aforesaid, and as provided in section 103 of the Act, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

#### **57. VOTES OF MEMBERS**

- (i) Subject to any rights or restrictions for the time being attached to any classes of shares:
  - (a) on a show of hands, every member present in person shall have one vote; and
  - (b) on a poll, voting rights of members shall be as laid down in Section 47 of the Companies Act, 2013.
- (ii) A member may exercise his vote at a meeting by electronic means in accordance with the Section 108 of the Companies Act, 2013 and shall vote only once.
- (iii) In case of joint holders, the vote of the senior who tenders the vote, whether in a person or by proxy, shall be accepted to the exclusion of votes of the other joint holders.
- (iv) For this purpose, seniority shall be determined by the order in which the names stand in the register of members.



58. A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian, and any such committee or guardian may, on a poll, vote by proxy.
59. Any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll.
60. No member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.
61. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes.
62. Any such objection made in due time shall be referred to the Chairman of the meeting, whose decision shall be final and conclusive.
63. In case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place, or ay which the poll is demanded, shall be entitled to a second or casting vote.

**64. PROXY**

- (i) The instrument appointing proxy and the power of attorney or other authority, if any under which it is signed or a notarial certified copy of that power or authority, shall be deposited at the registered office of the Company not later than 48 hours the time for holding the meeting at which the person named in the instrument proposes to vote and in the default the instrument of proxy shall not be treated as valid.
- (ii) An instrument appointing proxy shall be in either of the forms in the Act or a form as near thereto as circumstances admit.
- (iii) A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy or the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given:  
**Provided** that no limitation in writing of such death, insanity, revocation or transfer shall have been received by the Company at its office before the commencement of the meeting at which the proxy is used.

***DIRECTORS***

**65. APPOINTMENT & RE-APPOINTMENT:**

- (i) Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 149 of the Act, the number of Directors shall not be less than three and not be more than fifteen.
  - (ii) The above named Directors of the Company shall hold the office as per the provisions contained in these articles and as per the provisions of the Act.
66. The following persons are the First Directors of the Company.
- (i) Hari Kishore Potluri
  - (ii) Hima Bindu Potluri
67. The Directors need not hold any qualification Shares.

68. Notwithstanding anything contained in these articles the office of a director shall be subject to provisions of Sections 167 and 169 and any other any other applicable provision of the Act or any other law for the time being in force.
69. Managing Director(s) shall hold the office of the Company till his directorship in the Company.
70. Subject to the provisions of section 149, the Board shall have power at any time, and from time to time, to appoint any person other than a person who fails to get appointed as a director in a general meeting, as an additional director, provided the number of the directors and additional directors together shall not at any time exceed the maximum strength fixed for the Board by the articles.
71. Such person shall hold office only up to the date of the next annual general meeting of the company but shall be eligible for appointment by the company as a director at that meeting subject to the provisions of the Act.
72. The Directors may elect one of them to the office of the Chairman/chairperson of the Board of Directors.
73. Appointment of additional director(s), alternate director(s) and nominee director(s) will be subject to the provisions of section 161 of the Act and any other any other applicable provision of the Act or any other law for the time being in force.
- 74. ROTATION OF DIRECTORS:**
- (i) At every Annual General Meeting of the Company, all executive directors' are liable to retire by rotation. Office of all non-executive directors e.g. Independent, Nominee, Special and Debenture Directors etc. if any, shall not be subject to retire by rotation during their tenure.
  - (ii) At the annual general meeting at which a director retires as aforesaid, the company may fill up the vacancy by appointing the retiring director or some other person thereto.
75. Every director present at any meeting of the Board or of a committee thereof shall sign his name in a book to be kept for that purpose.
- 76. REMUNERATION OF DIRECTOR'S**  
The remuneration paid to,
- (i) the Executive Directors either by way of monthly payment or at specified percentage of the net profits of the Company or partly by one way and partly by the other.
  - (ii) the Non-Executive Directors may either by way of fee, as may be decided by the Board, not exceeding such amount as may be permissible under the Rules for attending each meetings of the Board or Committee thereof, or for other business purpose; or at specified percentage of the net profits, of the Company or partly by one way and partly by the other
77. In addition to the remuneration payable to them in pursuance of the Act, the directors may be paid all travelling, lodging and boarding expenses and other expenses properly

incurred by them—

- (i) in attending and returning from meetings of the Board of Directors or any committee thereof or general meetings of the company; or
  - (ii) in connection with the business of the company.
78. Managing Director(s) will be appointed upon such terms and conditions as the Board may think fit and may from time to time (subject to the provisions of any contract between him/her or them and the Company) remove or dismiss him or them from office and appoint another or others in his/her or their place or places. Subject to the provisions of the Act and to the approval of the Company in General Meeting, if required by the Act, the remuneration of a Managing Director or Executive Director shall from time to time be fixed by the Board of Directors and may be by way of fixed salary, perquisites, benefits or commission on profits of the Company, or by participation in any such profit or by any or all of these modes or any other mode not expressly prohibited by the Act.

**79. DISCLOSURE OF INTEREST**

- (i) A Director of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into by or on behalf of the Company, shall disclose the nature of his concern or interest at a meeting of the Board in the manner provided in Section 184 of the Act.
  - (ii) A Director or his relative, firm in which such Director or relative is a partner, or any other partner in such firm or a private company of which the Director is a member or Director, may enter into any contract with the Company for the sale, purchase or supply of any goods, materials, property or services or for underwriting the subscription of any shares in or debentures or other securities of the Company, provided that the sanction of the Board and the approval of the shareholders, if and as may be required, shall be obtained in accordance with Section 188 of the Act.
80. Subject to the superintendence, control and direction of the Board of Directors, the day to day management of the Company may be entrusted to the Director (s) or Committee of Director with power to the Board to distribute such day to day functions among such Director(s) or Committee of Director (if any), in any manner as directed by the Board, or to delegate such power of distribution to any one of them. Any Committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may be imposed on it by the Board.
81. The Board of Directors may from time to time entrust to and confer upon a Managing Director(s) or Executive Directors for the time being, save as otherwise prohibited in the Act, such powers which are exercisable under the presence of the Board as they may think fit, and may confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and restrictions as they think expedient and they may subject to the provisions of the Act and these Articles confer upon such powers either collaterally with or to the exclusion of or in substitution for all or any of the powers of the Directors in that behalf, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

**82. NOMINEE DIRECTOR**

Subject to the provision of the Act, and notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to a financial institution whether public or private or any other body

corporate hereinafter referred to as "Financial Institution") out of any loans granted by the Financial Institution to the Company or so long as the Financial Institution holds shares in the Company as a result of underwriting or direct subscription or so long as any liability of the Company arising out of any guarantee furnished by the financial institution on behalf of the Company remains outstanding the financing institution shall have a right to appoint from time to time, its nominee/s as a director or directors (which director or directors is/are hereinafter referred to as "Nominee Director/s") on the Board of the Company and to remove from such office the Nominee Director/s so appointed, and the time of removal and also in the case of death or resignation of the Nominee Director/s appointed at any time appoint any other person/persons in his/her place and also fill any vacancy which may occur as a result of such director/ceasing to hold office for any reasons whatsoever; such appointment or removal shall be made in writing on behalf of the Financial Institution appointing such nominee Director/s and shall be delivered to the Company at its Registered Office.

83. The Nominee Director/s shall not be required to hold any qualification shares in the Company to qualify him/them for the office of a director/s nor shall he/they be liable to retirement by rotation. The Board of Directors of the Company shall have no power to remove him/her from the office the Nominee Director/s appointed, subject to the aforesaid, the said nominee directors/s shall be entitled to the same rights and privileges and to subject to the same obligations as any director of the Company.
84. The Nominee Director/s so appointed shall hold the office only so long as any moneys remain owing by the Company to the Financial Institution or so long as Financial Institution holds debentures in the Company as a result of subscription or private placement or so long as the Financial Institution holds shares in the Company as a result of undertaking or direct subscription or the liability of the Company arising out of any guarantee, is outstanding and the Nominee Director/s so appointed in exercise of the said powers shall vacate such office, immediately the moneys owing by the Company to the Financial Institution is paid off or on the Financial Institution ceasing to hold debenture/shares in the Company or on the satisfaction of the liability of the Company arising out of any guarantee furnished by the Financial Institution.
85. The Nominee Director/s appointed under this Article shall be entitled all notice and attend all general meetings and Board meeting and meeting of the committee of which the Nominee Director/s is/are member/s as also the minutes of such meeting. The Financial institution shall also be entitled to receive all such notice and minutes.
86. The Financial Institution shall be entitled to depute, observer or to attend the meeting of the Board or any other Committee constituted by the Board. The Company shall pay any expenses that may be incurred by the Financial or such Nominee Director/s in connection with his/her appointment of directorship. The Company shall pay to the Nominee Director/s sitting fees and expenses to which the other Directors of the Company are entitled.
87. The Nominee Director/s shall notwithstanding anything to the contrary contained in these Articles, be at liberty to disclose any information obtained him/them to the Financial Institution appointing him/them as such Director/s.

## **PROCEEDINGS OF THE DIRECTORS**

88. The Board of Directors may meet for the conduct of business, adjourn and otherwise regulate its meetings, as it thinks fit.
89. A director may, and the manager or company secretary on the requisition of a director shall, at any time, summon a meeting of the Board by giving a notice in writing to every other Director. Notice in writing of every meeting of the Board shall be given to every Director for the time being in India, and at his address in India to every other Director and his alternate.
90. Subject to the provisions of Section 173 of the Act and any other any other applicable provision of the Act the Directors may meet either in person or through video conferencing, capable of recording and recognizing the participation of the directors, for the conduct of businesses from time to time and shall so meet at least once in every three months and at least four such meetings shall be held in every year, provided that there is no gap of more than one hundred and twenty days between two such meetings. The Directors may adjourn and otherwise regulate their meetings, as they think fit.
91. The provisions relating to notice, agenda, quorum and minutes stated hereinafter shall *mutatis mutandis* apply to the meetings held through such video conferencing.
92. Subject to the provisions of Section 174 of the Act and any other any other applicable provision of the Act the quorum for a meeting of the Board shall be one third of its total strength (any fraction contained in that one third being rounded off as one) or two directors, present in person or attending through video-conferencing, whichever is higher, provided that where at any time the number of interested directors exceeds or is equal to two thirds of the total strength the number of the remaining director that is to say, the number of directors who are not interested shall be the quorum during such time provided such number is not less than two. Provided that any Director participating through video conferencing shall attend in person at least one Board Meeting in a period of twelve months of each financial year.
93. If a meeting of the Board could not be held for want of a quorum then, the meeting shall stand adjourned to the same time and day next week, which is not a National Holiday, or such other date and time as may be fixed by the Chairman.
94. The Board may elect the Chairman of its meeting and determine the period for which he is to hold the office.
95. If no such Chairman is elected, or if at any meeting the Chairman is not present within five minutes after the time appointed for holding the meeting, the members present may choose one of their members to be the Chairman of their meeting.
96. The Board may, subject to the provisions of the Act, delegate any of its powers to committees consisting of such member or numbers of its body as it thinks fit.
97. Any committee so formed shall, in the exercise of the power so delegated, confirm to any regulation that may be imposed on it by the Board.
98. A committee may elect a Chairman of its meetings. If no such Chairman is elected, or

if at any meeting the Chairman is not present within minutes after the time appointed for meeting, the members present may choose one of their members to be the Chairman of the meeting.

99. Save as otherwise expressly provided in the Act, Question arising at any meeting of the Board or committee shall be determined by a majority of votes of the directors present, and in case of an equality of votes, the Chairman has a second or casting vote.
100. The continuing directors may act notwithstanding any vacancy in the Board; but, if and so long as their number is reduced below the quorum fixed by the Act for a meeting of the Board, the continuing directors or director may act for the purpose of increasing the number of directors to that fixed for the quorum, or of summoning a general meeting of the company, but for no other purpose.
101. All acts done by any meeting of the Board or of a committee thereof or by any person acting as a Director, shall notwithstanding that it may be afterward discovered that there was some defect in the appointment of any one or more of such Directors or of any person acting as aforesaid, or that they or any one of them were disqualified, be as valid as if every Director or such person had been duly appointed and was qualified to be a Director.
102. Save as otherwise expressly provided in the Act, a resolution in writing, signed by all the members of the Board or of a committee thereof, for the time being entitled to receive notice of a meeting of the Board or committee, shall be valid and effective as if it had been passed at a meeting of the Board or committee, duly convened and held. Passing of resolution by circulation in the Board or Committee Meeting is subject to the provisions of Section 175 of the Act and any other any other applicable provision of the Act.
103. The Board shall have power to pay such remuneration to Director(s), whether Executive or Non-Executive, for their services to the Company or for services of a professional or other natural rendered by him as may be determined by the Board. If any Director, being willing shall be called upon to perform extra services or to make any special executions in going to or residing at a place other than the place where the office of the Company is situated or where such Director usually resides, or otherwise on the Company's business then the to pay to such Director such remuneration as may be determined by the Board.
104. Subject to the provisions of the Act, a Non-Executive Director who is neither in the whole time employment nor a managing Director may be paid remuneration by way of commission if the Company so resolves.
105. The Directors may, from time to time, at their discretion raise or borrow for the purpose of the Company's business such of money as they think fit. The Directors may secure the repayment of or raise any such sum or sums as aforesaid by mortgage or charge upon the whole or any part of the property and assets of the Company, present and future including the uncalled capital or by the issue, at such price as they may think fit, of bonds or debentures of debentures-stock, either charged upon the whole or any part of the property and assets of the Company or not so charged or in such other way as the Directors may think expedient.

106. Subject to the provisions of the Act, the Board of Directors of the Company shall be entitled to exercise all such powers, give all such consents, make all such arrangements, be nearly do all such acts and things as are or shall be by the said Act, the Memorandum of Association or by the Articles of Association of the Company or authorized to be exercised, given, make or done by the Company and are not thereby expressly directed or required to be exercised, given, made or done by the Company in General Meeting, but subject to such regulations being (if any) not inconsistent with the said provisions as from time to time may be prescribed by the Company in General Meeting provided that no regulation so made by the company in General Meeting shall invalidate any prior act of the Directors which would have been valid if the regulations had not been made. Subject to the provisions of Section 179 of the Act and any other any other applicable provision of the Act, the Directors may delegate all or any powers by the said Act or by the Memorandum of Association by the Articles of Association of the Company reposed in them.

***Chief Executive Officer, Manager, Company Secretary or Chief Financial Officer***

107. Subject to the provisions of the Act,—
- (i) A chief executive officer, manager, company secretary or chief financial officer may be appointed by the Board for such term, at such remuneration and upon such conditions as they may think fit; and any chief executive officer, manager, company secretary or chief financial officer so appointed may be removed by means of a resolution of the Board;
  - (ii) A director may be appointed as chief executive officer, manager, company secretary or chief financial officer.

***THE SEAL***

108. The Board shall provide for the safe custody of the seal.

109. The Seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board or of a committee of the Board authorized by it in that behalf, and except in the presence of at least two Directors and of the secretary or such other person as the Board may appoint for the purpose; and those two directors and the secretary or other person aforesaid shall sign every instrument to which the seal of the company is so affixed in their presence.

***DIVIDENDS AND RESERVES***

110. The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board.

111. Subject to the provisions of section 123, the Board may from time to time pay to the members such interim dividends as appear to it to be justified by the profits of the Company.

112. Notice of any dividends that may have declared shall be given to the person entitled to share therein in the manner mentioned in the Act.

113. No dividends shall bear interest against the Company.

114. No amount paid or credited as paid on a share in advance of calls shall be treated for the purpose of these regulations as paid on the share.

115. The Board may,

- (i) before recommending any dividends, set aside out of the profits of the Company such as it thinks proper as a reserve or reserves which shall, at the discretion of the Board, be applicable, for any purpose to which the profits of the Company may be properly applied, including provisions for meeting contingencies or for equalizing dividends; and pending such application, may, at the like discretion, either be employed in the business of the Company or be invested in such investment ( other than shares of the Company) as the Board may, from time to time, think fit.
- (ii) also carry forward any profits that it may think prudent not to divide, without setting them aside as a reserve.
- (iii) deduct from any dividend payable to any member all sums of money, if any, presently payable by him to the company on account of calls or otherwise in relation to the shares of the Company

**116. PAYMENT OF DIVIDEND:**

- (i) Subject to the rights of the persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and be paid according to the amounts paid or credited as paid on the shares in respect whereof, the dividend is paid, but if so long and nothing is paid upon any of the shares in the Company, dividends may be declared and paid according to the amounts of the shares.
- (ii) All dividends shall be apportioned and paid proportionally to the amounts paid or credited as paid on the shares during any proportion or proportions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such shares rank for dividend accordingly.
- (iii) Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case joint holders to the registered address of that one of the joint holders who is first named on the register of members, or to such person and to such address as the holder or joint holders may in writing direct.
- (iv) Every such cheque or warrant shall be made payable to the order of the order of the person whom it is sent.
- (v) \*There shall be no forfeiture of unclaimed dividends before the claim becomes barred by law.

**\*(Inserted vide special resolution passed in the Extra-Ordinary general Meeting held on 10<sup>th</sup> May 2017)**

117. Any one of two or more joint holders of a share may give effectual receipt for any dividends, bonuses or other moneys payable in respect of such share.



**SECTION VIII**  
**OTHER INFORMATION**

**Documents available for Inspection during business hours at the registered office of the Company:**

Memorandum and Articles of Association, as amended till date. Certification of incorporation dated 31st May, 2006 Certificate of Incorporation consequent upon change of name issued by ROC dated 06.11.2013. Certificate of Incorporation consequent upon change of name issued by ROC dated 04.08.2014 subsequently converted into public limited company fresh certificate for conversion given dated 22nd day of June 2016.

Scheme of Arrangement sanctioned by the Honb'le National Company Law Tribunal of Hyderabad vide its order dated 15th May, between SMS Pharmaceuticals Limited and SMS Lifesciences India Limited and their respective shareholders and creditors. Observation Letters dated 13.10.2016 of BSE and 14.10.2016 of NSE approving the Scheme.

Form INC-28 filed with Registrar of Companies, Hyderabad on 17th May, 2017 for filing of order of National Company Law Tribunal.

Tripartite Agreement with NSDL dated 11th April, 2017 and with CDSL dated 05th April, 2017,

Certificate from M/s. Rambabu & Co., Chartered Accountants regarding Statement of Tax Benefits, dated 28th June, 2017.

The company has submitted an application with Stock Exchanges for granting relaxation from the strict enforcement of the requirement of Rule 19(2)(b) of the Securities Contract Regulation (Rules), 1957 (SCRR) for the purpose of listing of shares of SMS Lifesciences India Limited in due course.

**DECLARATION:**

To the best of knowledge and belief of the Board of Directors of the Company, all statements made in this Information Memorandum are true and correct.

By order of the Board of Directors and

**For SMS Lifesciences India Limited**

**TVVSN Murthy**  
**Managing Director**

Date : 03<sup>rd</sup> July, 2017

Place : Hyderabad