sms pharmaceuticals ltd.

Registered & Corporate Office :
Plot No. 19-111, Road No. 71,
Opp. Bharatiya Vidya Bhavan Public School,
Jubilee Hills Hyderabad - 500 096.Telangana. INDIA,
Tel : +91-40-6628 8888, Fax : +91-40-2355 1402
CIN : L24239AP1987PLC008066
Email : info@smspharma.com, www.smspharma.com

Date: 6th October, 2016

To,
The Managers,
Corporate Filings Department,
Bombay Stock Exchange Limited,
PhirozeJeejeebhoy Towers,
Dalal Street,
Mumbai- 400001

Security Code: 532815

The Managers,
Listing Compliance Department,
National Stock Exchange of India Ltd.
Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051.

Symbol: SMSPHARMA

Subject: Annual Report - Regulation 34 of the SEBI (LODR) Regulations, 2015

Dear Sir/Madam,

This is further to our letter dated 30th September, 2016, wherein the Company had intimated the Exchange about the Outcome of the 28th Annual General Meeting (AGM) of the Company. Pursuant to the Regulation 34 of the SEBI (LODR) Regulations, 2015 the Company is submitting herewith its 28th Annual Report.

Please take the above intimation on your records.

Thanking You,

For SMS Pharmaceuticals Limited

Saurav Roy

Saurav Roy
Company Secretary

Encl: As above

sms Pharmaceuticals ltd.

ANNUAL REPORT
2015 - 16

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Corporate Information

Board of Directors:

Sri P Ramesh Babu	Chairman & Managing Director
Sri T.V.V.S.N. Murthy	Vice-Chairman & Joint Managing Director
Dr. Mihir K.Chaudhuri	Director
Sri P. Sharath Kumar	Director
Dr. (Smt.) T. Neelaveni	Director
Sri P. S. Rao	Director (w.e.f. 07.11.2015)
Sri A.P. Rao	Director (up to 09.10.2015)
Sri K.S. Rao	Director (up to 29.11.2015)
Dr. Ayman Sahli	Nominee Director of Gulf Pharmaceutical Industries, U.A.E.
Sri Utpal Gokhale	Nominee Director of Exim Bank

Chief Financial Officer:
Sri N. Rajendra Prasad

Company Secretary & Compliance Officer:
Sri P. Prabhakara Rao (upto 31.07.2015)
Sri Saurav Roy (w.e.f. 04.08.2015)

Registered Office:
Plot No. 19-III, Opp. Bharatiya Vidya Bhavan Public School
Road No. 71, Jubilee Hills, Hyderabad-500 096,
Telangana State, India.
Phone : 040-66288888,
Fax : 040-23551401/23551402
CIN : L24239AP1987PLC008066
Website : www.smspharma.com
Email : info@smspharma.com

Auditors:
M/s. Rambabu & Co., Chartered Accountants
31, Pancom Chambers, Rajbhavan Road,
Hyderabad-500 082, Telangana State.
Phone : 040-23311587
Fax : 040-23397182
Email : rambabuandco1982@yahoo.com

Internal Auditors:
M/s. Adusumilli and Associates, Chartered Accountants
Flat No. 302, Sri Sai Residency
Balkampet Main Road, Hyderabad-500 038, Telangana State

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

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

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

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

Plant Locations:

Unit-I
Sy.No. 180/2, Kazipally (V), Jinnaram Mandal,
Medak Dist. 502 319, Telangana State, India.
Phone : 08458-277067 / 68
Email : admin_unit1@smspharma.com

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

Unit-IV
Phase-1, Plot No. 66/B-2,
IDA Jeedimetla, Ranga Reddy District,
Hyderabad-500 055, Telangana State, India.
Phone : 040-23095233
Fax No. : 040-23735639
Email : warehouse_unit4@smspharma.com

Unit-V
Sy. No. 296/7/4, S.V. Co.op Ind. Estate
I.D.A., Bollaram, Medak Distric
Hyderabad - 502 325, Telangana State, India.
Phone : 040-64547975
Email : unit5@smspharma.com

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

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

NOTICE

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

Notice is hereby given that the 28th Annual General Meeting of SMS Pharmaceuticals Limited (CIN: L24239AP1987PLC008066) will be held on Friday, 30th day of September, 2016 at 11.00 A.M. at the Jubilee Hills International Centre (Jubilee Hills Club), Jubilee Hills, Hyderabad-500 033 to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Standalone and Consolidated Financial Statements of the Company for the year ended 31st March, 2016 along with the Reports of the Board of Directors' and Auditors' thereon.
2. To declare Dividend on the equity shares for the financial year 2015-16.
3. To re-appoint Sri Ramesh Babu Potluri (DIN: 00166381) who retires by rotation, and being eligible, offers himself for re-appointment.
4. To re-appoint Sri TVVSN Murthy (DIN: 00465198) who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint Statutory Auditors and fix their remuneration, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:-**

   "RESOLVED THAT pursuant to the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time, pursuant to the recommendations of the Audit Committee and the Board, M/s. Rambabu & Co., Chartered Accountants, (ICAI Firm Registration No. 002976S) who have confirmed their eligibility in terms of the provisions of Section 141 of the Companies Act, 2013 and Rule 4 of the Companies (Audit & Auditors) Rules, 2014, be appointed as Statutory Auditors of the Company for a period of one year, i.e., to hold office from the conclusion of 28th Annual General Meeting (AGM) till the conclusion of the 29th Annual General Meeting of the Company to be held in the year 2017, at such remuneration as may be decided by the Board of Directors of the Company."

SPECIAL BUSINESS:

6. **TO RATIFY / APPROVE THE RELATED PARTY CONTRACTS/ARRANGEMENTS/ TRANSACTIONS OF THE COMPANY**

   To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution:**

   "RESOLVED THAT pursuant to the provisions of Section 188 and all other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Meeting of Board and its Power) Rules, 2014 (as amended from time to time) and as per Regulation 23(8) of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015, the approval / ratification of the members of the Company, be hereby, accorded to all the arrangements / transactions with SMS Pharmaceuticals Limited undertaken in the financial year 2015-16 or earlier year, whether by way of continuation / extension / renewal / modification of earlier arrangements / transactions or otherwise, and entering into further contracts / arrangements / transactions with 'Related Parties' as defined under section 2(76) of the Companies Act, 2013, within the prescribed limits of Rule 15(3) of Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 23(1) of SEBI (LODR) Regulation, whether material or not, for the FY 2016-17 as set out in the Explanatory Statement.

RESOLVED FURTHER THAT the Board of Directors and of the Company, be hereby, authorised to do, all such acts, matters, deeds and things, settle any queries/difficulties/doubts arise from it, including delegate such authority as may be deemed necessary and execute such addendum contracts/arrangements/ transactions, documents and writings and make such changes to the terms and conditions of these contracts/arrangements/transactions as may be considered necessary, proper or expedient to give effect to this resolution and for matters connected herewith or incidental there to in the best interest of the Company."

7. RE-APPOINTMENT OF SRI RAMESH BABU POTLURI (DIN: 00166381) AS CHAIRMAN AND MANAGING DIRECTOR OF THE COMPANY

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 196, 197, 198 and 203 and other applicable provisions, if any, read with Schedule V of the Companies Act, 2013 read with Companies (Appointment and Qualifications of Directors) Rules, 2014 (as amended from time to time), under the provisions of the Articles of Association of the Company, and pursuant to the recommendations of the Nomination and Remuneration Committee and the Board, the consent and approval of the members of the Company, be hereby, accorded for the re-appointment of Sri Ramesh Babu Potluri (DIN: 00166381) as Whole-time Director designated as Chairman and Managing Director of the Company for a further period of five years with effect from 1st October, 2016, liable to retire by rotation, on the terms and conditions as set out in the Explanatory Statement.

RESOLVED FURTHER THAT pursuant to Schedule V, other provisions of the Companies Act, 2013 (as amended from time to time), and under the provisions of the Articles of Association of the Company, the Board of Directors of the Company, be hereby, authorized to vary, alter or modify the designation of Sri Ramesh Babu Potluri and the terms and conditions of his appointment including remuneration and/ or perquisites payable or to be provided (including any monetary value thereof) to him, as recommended by the nomination and remuneration committee, and to the extent the Board of Directors deem fit, provided however, the overall remuneration does not exceed the ceiling of 5% of the Company's net profits as prescribed by the Companies Act, 2013.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year during his tenure, the remuneration as set out in the Explanatory Statement annexed hereto or the revised remuneration in accordance with the limits specified under the Schedule V of Companies Act, 2013 (including any statutory modifications or re-enactments thereof, for the time being in force) or such other limits as may be prescribed by the Government from time to time in this regard, as minimum remuneration, as approved by the remuneration committee, be paid to Sri Ramesh Babu Potluri, subject to such approvals as may be required.

8. RE-APPOINTMENT OF SRI TVVSN MURTHY (DIN: 00465198) AS VICE-CHAIRMAN AND JOINT MANAGING DIRECTOR OF THE COMPANY

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 196, 197, 198 and 203 and other applicable provisions, if any, read with Schedule V of the Companies Act, 2013 read with Companies (Appointment and Qualifications of Directors) Rules, 2014 (as amended from time

to time), under the provisions of the Articles of Association of the Company, and pursuant to the recommendations of the Nomination and Remuneration Committee and the Board, the consent and approval of the members of the Company, be hereby, accorded for the re-appointment of Sri TVVSN Murthy (DIN: 00465198) as Whole-time Director designated as Vice Chairman and Joint Managing Director of the Company for a further period of five years with effect from 1st October, 2016, liable to retire by rotation, on the terms and conditions as set out in the Explanatory Statement.

RESOLVED FURTHER THAT pursuant to Schedule V, other provisions of the Companies Act, 2013 (as amended from time to time), and under the provisions of the Articles of Association of the Company, the Board of Directors of the Company, be hereby, authorized to vary, alter or modify the designation of Sri TVVSN Murthy and the terms and conditions of his appointment including remuneration and/or perquisites payable or to be provided (including any monetary value thereof) to him, as recommended by the nomination & remuneration committee, and to the extent the Board of Directors deem fit, provided however, the overall remuneration does not exceed the ceiling of 5% of the Company's net profits as prescribed by the Companies Act, 2013.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year during his tenure, the remuneration as set out in the Explanatory Statement annexed hereto or the revised remuneration in accordance with the limits specified under the Schedule V of Companies Act, 2013 (including any statutory modifications or re-enactments thereof, for the time being in force) or such other limits as may be prescribed by the Government from time to time in this regard, as minimum remuneration, as approved by the remuneration committee, be paid to Sri TVVSN Murthy, subject to such approvals as may be required.

9. APPOINTMENT OF SRI P. S. RAO (DIN: 00099066) AS AN INDEPENDENT DIRECTOR OF THE COMPANY

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 149, 152 and 160 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Appointment and Qualifications of Directors) Rules, 2014 (as amended from time to time), and also under the provisions of the Articles of Association of the Company, Sri P S Rao (DIN: 00099066) who was appointed as an Additional Director of the Company, categories as Independent Director by the Board with effect from 7th November, 2015, and who holds the office under the said Articles and pursuant to provisions of Section 161 of the Companies Act, 2013 upto the date of this Annual General Meeting, and who has submitted a declaration that he meets the criteria for Independent Director as provided in Sec. 149(6) of the Act and is eligible for appointment under the relevant provisions of the Companies Act, 2013, and in respect of whom the Company has received notice in writing under Section 160 of the Companies Act, 2013, from a member signifying his intention to propose him as a candidate for the office of Director of the Company, be hereby appointed as an Independent Director of the Company, with effect from 7th November 2015 to hold office up to 6th November 2020, not liable to retire by rotation".

10. RE-APPOINTMENT OF SRI T.V. PRAVEEN AS VICE-PRESIDENT (MARKETING) OF THE COMPANY

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 188(1)(f) and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder

and regulation 23 of Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 (as amended from time to time), and pursuant to the recommendations of the Nomination and Remuneration Committee and the Board, consent of the members of the Company, be hereby, accorded for the re-appointment of Sri T.V. Praveen designated as Vice-President (Marketing) of the Company, for a further period of three years from 1st October 2016 to hold the office of profit with a Remuneration of ₹ 4,25,000/- (₹ Four lakh twenty five thousand only) per month and other perquisites, as per the Company's policy in force."

RESOLVED FURTHER THAT pursuant to the applicable provisions of the Companies Act, 2013 (as amended from time to time), the Board of Directors of the Company or any committee thereof, be hereby, authorized to vary, alter or modify the designation and revisions in the remuneration and/or perquisites payable or to be provided (including any monetary value thereof) to Sri T.V. Praveen to the extent the Board of Directors deem fit, subject to overall remuneration ceiling of related party as approved by members.

RESOLVED FURTHER THAT the Board of Directors of the Company be hereby authorised to do, all such acts, matters, deeds and things, settle any queries/difficulties/doubts arise from it, including delegate to such authority as may be deemed necessary, proper or expedient to give effect to this resolution and for matters connected herewith or incidental there to in the best interest of the Company."

11. RE-APPOINTMENT OF SRI P. VAMSI KRISHNA AS VICE-PRESIDENT (OPERATIONS) OF THE COMPANY

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 188(1)(f) and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder and regulation 23 of Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 (as amended from time to time), and pursuant to the recommendations of the Nomination and Remuneration Committee and the Board, consent of the members of the Company, be hereby accorded for the re-appointment of Sri P. Vamsi Krishna designated as Vice-President (Operations) of the Company, for a further period from 9th August, 2016 to 30th September, 2019 to hold office of profit, with a Remuneration of ₹ 3,25,000/- (₹ Three lakh twenty five thousand only) per month and other perquisites as per the Company policy in force.

RESOLVED FURTHER THAT pursuant to the applicable provisions of the Companies Act, 2013 (as amended from time to time), the Board of Directors of the Company or any committee thereof, be hereby, authorized to vary, alter or modify the designation and revisions in the remuneration and/or perquisites payable or to be provided (including any monetary value thereof) to Sri P. Vamsi Krishna to the extent the Board of Directors deem fit, subject to overall remuneration ceiling of related party as approved by members.

RESOLVED FURTHER THAT the Board of Directors of the Company be hereby authorised to do, all such acts, matters, deeds and things, settle any queries/difficulties/doubts arise from it, including delegate to such authority as may be deemed necessary, proper or expedient to give effect to this resolution and for matters connected herewith or incidental there to in the best interest of the Company."

12. RATIFICATION OF REMUNERATION PAYABLE TO THE COST AUDITOR FOR THE FINANCIAL YEAR ENDING ON 31st MARCH, 2017

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

"**RESOLVED THAT** pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 read with Rule 14 and other applicable rules of the Companies (Audit and Auditors) Rules, 2014 (as amended from time to time), and pursuant to the recommendations of the Audit Committee, Sri K.S.N. Sarma, Cost Accountant having Registration No. 102145 and Membership No. 6875 appointed by the Board of Directors of the Company as Cost Auditor of the Company, who had confirmed his eligibility in terms of the provisions of Section 141 read with Section 148 of the Companies Act, 2013 for the financial year 2016-17, to conduct the audit of the cost records of the Company.

RESOLVED FURTHER THAT, pursuant to the recommendations of the Audit Committee and subsequent approval by the Board, the Cost Auditor be paid a remuneration of ₹ 1,00,000/- (₹ One lakh only) plus out of pocket expenses (if any) at actuals and applicable taxes.

RESOLVED FURTHER THAT the Board of Directors of the Company be hereby authorised to do, all such acts, matters, deeds and things, settle any queries/difficulties/doubts arise from it, including delegate to such authority as may be deemed necessary, proper or expedient to give effect to this resolution and for matters connected herewith or incidental there to in the best interest of the Company."

13. FIXATION OF THE AMOUNT TO BE DEPOSITED WITH THE COMPANY FOR SERVICE OF DOCUMENTS TO THE SHAREHOLDER/MEMBER VIA SPECIFIED MODE ON SPECIFIC REQUEST

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

"**RESOLVED THAT** pursuant to the provisions of Section 20(2) and other applicable provisions of the Companies Act, 2013 read with the applicable rules of the Companies (Incorporation) Rules, 2014 (as amended from time to time), and pursuant to the recommendations of the Stakeholders Relationship Committee and the Board, consent of the members of the Company, be hereby, accorded to fix a sum of ₹ 1000/- (Rupees one thousand only) as deposit by the respective member(s) for service of documents to him/her/it by a specified mode on request and the applicable charges will be debited to the account from time to time."

RESOVED FURTHER THAT the Company will keep the said amount in separate ledger/ account in it's books of accounts and used solely for the above mentioned purpose, the Board of Directors of the Company be hereby authorised to do, all such acts, matters, deeds and things, settle any queries/difficulties/doubts arise from it, as may be considered necessary, proper or expedient to give effect to this resolution and for matters connected herewith or incidental there to in the best interest of the Company."

By the order of the Board

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

Place: Hyderabad
Date: 10-08-2016

Notes :

1. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, relating to special business to be transacted at the Meeting and Clause 8.5 of Secretarial Standard on General Meetings (SS-2), wherever applicable is annexed hereto.

2. A MEMBER OF THE Company ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND A PROXY NEED NOT BE A MEMBER OF THE Company. THE INSTRUMENT OF PROXY, IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE Company DULY COMPLETED AND SIGNED, NOT LESS THAN 48 HOURS BEFORE THE MEETING. PROXIES SUBMITTED ON BEHALF OF LIMITED COMPANIES, SOCIETIES, PARTNERSHIP FIRMS, ETC. MUST BE ACCOMPANIED BY APPROPRIATE RESOLUTION/AUTHORITY AS APPLICABLE, ISSUED ON BEHALF OF THE NOMINATING ORGANIZATION.

   PURSUANT TO THE PROVISIONS OF SECTION 105 OF THE COMPANIES ACT, 2013 A PERSON CAN ACT AS A PROXY ON BEHALF OF MEMBERS NOT EXCEEDING FIFTY AND HOLDING IN THE AGGREGATE NOT MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE Company CARRYING VOTING RIGHTS. A MEMBER HOLDING MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE Company CARRYING VOTING RIGHTS MAY APPOINT A SINGLE PERSON AS PROXY AND SUCH PERSON SHALL NOT ACT AS A PROXY FOR ANY OTHER PERSON OR SHAREHOLDER/MEMBER.

3. Corporate members intending to send their authorized representative(s) to attend the meeting are requested to send to the Company a certified copy of the board resolution authorizing their representative(s) to attend and vote on their behalf at the meeting.

4. During the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled to inspect the proxies lodged with the Company, at any time during the business hours of the Company, provided that not less than three days of notice in writing is given to the Company.

5. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the AGM.

6. The Register of Contracts or Arrangements in which Directors are interested, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members at the AGM.

7. The Register of Members and Transfer Books of the Company will be remaining closed from Saturday, 24th September, 2016 to Friday, 30th September, 2016, both days inclusive.

8. The Board of Directors of the Company at their meeting held on 14th May, 2016 has recommended a dividend of ₹ 0.20 (i.e. 20%) per equity share of ₹ 1/- face value, aggregating of ₹1,69,30,406/- as final dividend for the financial year 2015-16. Dividend, if declared, at the AGM, will be paid on or after 3rd October, 2016. The dividend, if approved at the 28th AGM, will be paid to those members whose names appear on the register of members of the Company as of the end of the day on Saturday, 24th September, 2016.

9. Pursuant to Section 108 of the Companies Act, 2013, read with Rules 20 of the Companies (Management and Administration) Rules, 2014 as substituted by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), the Company is pleased to offer voting by electronic means to the members to cast their

votes electronically on all resolutions set forth in this notice.

10. **The Company will provide the "Remote E-Voting" facility to all the members, whose names appear on the register of members of the Company as of the end of the day on Saturday, 24th September, 2016. Pursuant to the above mentioned rule 4(3)(b) the Company will provide the Voting by way of ballot or polling paper at the AGM Venue. The detailed instructions for e-voting are given as a separate attachment to this notice**

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

Commencementof E-Voting:	From 9:00 A.M. (IST) on Monday, 26th September, 2016
End of E-Voting:	On 05:00 P.M. (IST) on Thursday, 29th September, 2016

12. The Notice of the AGM along with the Annual Report 2015-16 is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company / Depositories, unless any Member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode at their address. A copy of the notice of the AGM along with the Annual Report is also available for download on the website of the Company www.smspharma.com. To support the 'Green Initiative' Members who have not registered their e-mail addresses are requested to register the same with Aarthi Consultants Private Limited/Depositories. The members will be entitled to a physical copy of the annual report for the financial year 2015-16, free of cost, upon sending a request to the Company Secretary at Plot No:19-III, Road No:71, Jubilee Hills, Opp. BharatiyaVidyaBhavan Public School, Hyderabad - 500096

13. The members are requested to intimate immediately any change in their address or bank mandates to their depository participants with whom they are maintaining their demat accounts or to the Company's Share Transfer Agent M/s. Aarthi Consultants Private Limited at their office, 1-2-285, Domalguda Hyderabad, Telangana-500 029" or mail them at info@aarthiconsultants.com stating their details, if the shares are held in physical form.

14. The business set out in the notice will be transacted through electronic voting system and the Company is providing facility for voting through electronic means. Instructions and other information relating to e-voting are given separately.

15. For the convenience of members and for proper conduct of the meeting, entry to the place of meeting will be regulated by attendance slip, which is part of the annual report. Members are requested to duly fill in and sign at the place provided on the attendance slip and hand it over at the entrance of the venue.

16. Shareholder/member desiring any information relating to the accounts are requested to write to the Company at least 7 days before the date of AGM so as to enable the management to keep the information ready.

17. Relevant documents referred to in the notice and the Explanatory Statement is open for inspection by the members at the Registered Office of the Company on all working days during business hours up to the date of Annual General Meeting.

18. The Company has transferred the unpaid or unclaimed dividends declared up to financial year 2007-08, from time to time on due dates, to the Investor Education and Protection Fund (the IEPF) established by the Central Government. Pursuant to the provisions of Sec. 124 of Companies Act, 2013 and Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on September 29, 2015 (date of last Annual General Meeting) on the website of the Company (www.smspharma.com), as also on the website of the Ministry of Corporate Affairs.

19. Members who have not en-cashed the dividend warrant(s) for the financial year ended March 31, 2009 onwards are requested to make their claims directly to the Company or to M/s Aarthi Consultants Pvt. Ltd. at info@aarthiconsultants.com&aarthiconsultants@gmail.com , without any delay

Due date for transfer of unclaimed dividend to IEPF				
Year	**Dividend rate per share (Rs.)**	**Date of declaration**	**Due date for transfer to IEPF**	**Amount of Unpaid Dividend (₹)**
2008-09	2	30/09/09	07/10/16	1,97,868
2009-10	2	29/09/10	06/10/17	85,602
2010-11	2	30/09/11	07/10/18	1,13,604
2011-12	2	29/09/12	06/10/19	Not Applicable
2012-13	2	30/09/13	07/10/20	1,13,452
2013-14	2	30/09/14	07/10/21	1,57,702
2014-15	2	29/09/15	06/10/22	1,83,374

Explanatory Statement Pursuant to Section 102 of the Companies Act, 2013 ("the Act")

Item No. 6:

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

- Appointment of relatives in office or place of profit as set out in item no. 10 & 11 of this notice
- Job work assignment to R.Chem (Somanahalli) Private Limited at an arm's length price
- Sales and purchase of products/by-products/ material at an arm's length price to VKT Pharma Private Limited and R.Chem (Somanahalli) Private Limited.

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

The Board recommends the resolution for approval of the members.

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

Item No. 7.

Information in terms of Regulation 36(3) of The SEBI (LODR) Regulation, 2015

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

In 1990 he acquired SMS Pharmaceuticals Limited which at that point of time was a sick unit and became the Managing Director of the Company. After taking charge as Managing Director, he changed the product mix of the Company. This gave the Company a boost in sales and helped the

Company in achieving profitability in the first year of operations itself. Under his guidance the Company introduced many other series of API's. He helped the Company in reaching a level as one of the largest producers of Ranitidine HCl. He had served on boards of organizations like Chemexcil and has been advisor to AP State Government for Pharma sector.

He is neither associated with other director and nor director in other listed entity. He is the Chairman of the Corporate Social Responsibility Committee of the Company.

At the 25th Annual General Meeting held on 30.09.2013, the members had approved the re-appointment of Sri Ramesh Babu Potluri as Chairman and Managing Director of the Company for a period of three years w.e.f. 01.12.2013 at a remuneration of ₹ 4,00,000/- per month and other perquisites. The Nomination and Remuneration Committee and the Board at its meeting approved the re-appointment of Sri Ramesh Babu Potluri as Chairman and Managing Director of the Company for a further period of 5 years w.e.f. 01.10.2016 subject to approval of the members, with remuneration, on the following terms and conditions:

1) Salary :

₹ 15,00,000/- (₹ fifteen lakhs only) per month with an enhancement @10% per annum

2) Allowances & Perquisites:

a) Housing:

i) Rent Free Accommodation. If no accommodation is provided by the Company, the CMD shall be entitled to House Rental Allowance for an amount of ₹ 1,50,000/- (₹ One lakh fifty thousand only) per month.

ii) Actual expenses pertaining to maintenance of accommodation, Gas, Electricity, Water and other utilities will be / reimbursed by the Company.

iii) The Company shall provide such furniture, furnishings, domestic servant and security guards at his residence as may require.

b) Provident Fund, Gratuity:

Company's contribution to the Provident Fund and payment of Gratuity shall be as per the Rules of the Company.

c) Medical Reimbursement:

Reimbursement of actual medical expenses incurred in India and abroad for self and dependent family members.

d) Medical Insurance :

Premium will be paid by the Company as per the Company's Policy.

e) Leave Travel Allowance (LTA):

LTA will be paid once in a year for maximum of one month salary, as per Rules of the Company.

f) Leave Encashment:

As per rules of the Company.

g) Personal Accident Insurance:

The premium shall not exceed ₹ 25,000/- per annum.

h) Club Membership:

Subscription or reimbursement of membership fees (excluding admission and life membership) for two clubs.

i) Benefits if any, assigned under Keyman Insurance Policy.

j) Other allowances as may be decided by the Board / nomination and remuneration committee from time to time, subject to the provisions of the Companies Act, 2013.

Explanation:

(1) Perquisites shall be evaluated as per Income-tax Rules, wherever applicable and in the absence of any such rule, Perquisites shall be evaluated at actual costs.

(2) Family mentioned above means the spouse, dependent parents and dependent children of the Chairman

and the Managing Director as mentioned in the applicable rules or schemes.

3) **Commission:** Commission payable as percentage of profits as may be decided by the Board of Directors.

4) **Amenities:**

a) Conveyance facility: The Company shall provide a Car with Driver.

b) Communication facilities: The Company shall provide Telephone, Cell Phone, Internet, and other communication facilities at the Chairman and Managing Director's residence.

c) Travelling expenses actually incurred on travelling and boarding and lodging for self and spouse and also attendant, if required accompanying him during domestic and overseas business trips.

Explanation: The following shall not be included for the purpose of computation of the Chairman and Managing Director's remuneration and perquisites as aforesaid.

i) Company's contribution to the Provident Fund and Superannuation Fund.

ii) Gratuity payable pursuant to the rules of the Company.

iii) Encashment of Leave.

iv) Amenities as mentioned above.

This may also be considered and treated as Abstract of the terms of appointment and Memorandum of Interest under Section 190 of the Companies Act, 2013.

The Board recommends the resolution for approval of the members.

None of the Directors of the Company except Sri Ramesh Babu Potluri is interested or concerned in this Resolution.

Item No.8

Information in terms of Regulation 36(3) of The SEBI (LODR) Regulation, 2015

Sri TVVSN Murthy is a Graduate in Chemistry having expertise in the field of organic chemistry and has an 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 Laboratories Limited), 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.

In the year 1990, he, along with Sri Ramesh Babu Potluri took over SMS Pharmaceuticals Limited. He looks after the production and R& D activities of the Company. He also played a major part in reducing the Ranitidine production Process from 7 stages to 4 stages. He was responsible in designing a state-of-art effluent treatment plant of the Company.

He is neither associated with other director and nor director in other listed entity. He is the member of Stakeholders Relationship Committee of the Company.

At the 25th Annual General Meeting held on 30.09.2013, the members had approved the re-appointment of Sri TVVSN Murthy as Vice-Chairman and Joint Managing Director of the Company for a period of three years w.e.f. 01.12.2013 at a remuneration of ₹ 4,00,000/- per month and other perquisites. The Nomination and Remuneration Committee and the Board at its meeting approved the re-appointment of Sri TVVSN Murthy as Vice-Chairman and Joint Managing Director of the Company for a further period of 5 years w.e.f. 01.10.2016 subject to approval of the members, with remuneration, on the following terms and conditions:

1) Salary :

₹ 15,00,000/- (₹ fifteen lakhs only) per month with an enhancement @10% per annum.

2) Allowances & Perquisites:

a) Housing:

i) Rent Free Accommodation. If no accommodation is provided by the Company, the VC & JMD shall be entitled to House Rental Allowance for an amount of ₹ 1,50,000/- (₹ One lakh fifty thousand only) per month.

ii) Actual expenses pertaining to maintenance of accommodation, Gas, Electricity, Water and other utilities will be / reimbursed by the Company.

iii) The Company shall provide such furniture, furnishings, domestic servant and security guards at his residence as may require.

b) Provident Fund, Gratuity:

Company's contribution to the Provident Fund and payment of Gratuity shall be as per the Rules of the Company.

c) Medical Reimbursement:

Reimbursement of actual medical expenses incurred in India and abroad for self and dependent family members.

d) Medical Insurance :

Premium will be paid by the Company as per the Company's Policy.

e) Leave Travel Allowance (LTA):

LTA will be paid once in a year for one month salary, as per Rules of the Company.

f) Leave Encashment:

As per the rules of the Company.

g) Personal Accident Insurance:

The premium shall not exceed ₹ 25,000/- per annum.

h) Club Membership:

Subscription or reimbursement of membership fees (excluding admission and life membership) for two clubs.

i) Benefits if any, assigned under Keyman Insurance Policy.

j) Other allowances as may be decided by the Board/ nomination and remuneration committee from time to time, subject to the provisions of the Companies Act, 2013.

Explanation:

(1) Perquisites shall be evaluated as per Income-tax Rules, wherever applicable and in the absence of any such rule, Perquisites shall be evaluated at actual costs.

(2) Family mentioned above means the spouse, dependent parents and dependent children of the Vice Chairman and Joint Managing Director as mentioned in the applicable rules or schemes.

3) Commission: Commission payable as percentage of profits as may be decided by the Board of Directors.

4) Amenities:

a) Conveyance facility:

The Company shall provide a Car with Driver.

b) Communication facilities:

The Company shall provide Telephone, Cell Phone, Internet, and other communication facilities at the Vice -Chairman and Joint Managing Director's residence.

c) Travelling expenses actually incurred on travelling and boarding and lodging for self and also spouse and attendant, if required accompanying him during domestic and overseas business trips.

Explanation: The following shall not be included for the purpose of computation of the

Vice-Chairman and Joint Managing Directors' remuneration and perquisites as aforesaid.

i) Company's contribution to the Provident Fund and Superannuation Fund.

ii) Gratuity payable pursuant to the rules of the Company.

iii) Encashment of Leave.

iv) Amenities as mentioned above.

This may also be considered and treated as Abstract of the terms of appointment and Memorandum of Interest under Section 190 of the Companies Act, 2013.

The Board recommends the resolution for approval of the members

None of the Directors of the Company except Sri TVVSN Murthy is interested or concerned in this Resolution.

Item No. 9

Information in terms of Regulation 36(3) of The SEBI (LODR) Regulation, 2015

Sri P. S. Rao is having over 40 years of professional experience in the pharma industry. He had worked in organization like Fluka AG, Switzerland, Ranbaxy Laboratories and Nicholas Pharmaceuticals (India) Limited. He is having association with various global pharmaceuticals companies as a consultant since 1991.

He is also Managing Director of Maxi Pharm P. Ltd. which provides Full Services to Global 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. He is neither associated with other director nor director in other listed entity. He is the Chairman of the Stakeholders Relationship Committee and member of Audit Committee, Nomination and Remuneration Committee and Corporate Social Responsibility Committee of the Company.

The Board of Directors of the Company had appointed him as an additional Independent Director w.e.f. 7th November, 2015. In terms of the provisions of Sec. 161(1) of the Companies Act, 2013 Sri P.S. Rao would hold office upto the date of ensuing general meeting. As per the provision of Sec. 149 of the Companies Act, 2013 an independent Director shall hold office for a term upto not exceeding five consecutive years in the Board of the Company and is not liable to retire by rotation. Accordingly, his appointment as independent director proposed from 7th November, 2015 to 6th November, 2020.

The Board recommends the resolution for approval of the members.

None of the Directors/Key Managerial Personnel/ their relatives is, of the Company except Sri P.S. Rao, is any way, concerned or interested, financially or otherwise, in this resolution.

Item No. 10

Sri T.V. Praveen son of Sri TVVS Murthy (Vice Chairman and Joint Managing director) was first appointed as Vice-President (Marketing) of the Company by the Members of the Company in 20th Annual General Meeting held on 29th December, 2008 for a period of 5 years w.e.f. 01.01.2009. Subsequently he was reappointed by the members at the 25th Annual General Meeting held on 30th September, 2013 for a further period of 3 years at a remuneration of ₹ 3,00,000/- per month inclusive of all perquisites and allowances.

Sri T.V. Praveen is a post graduate in management from IIM Kozhikode and an engineering graduate from BITS, Pilani. Prior to joining SMS Pharmaceuticals Limited, he had worked in multinational companies like Deloitte Consulting and Cognizant Technologies. He is focusing on forging long term relationships between the Company and customers.

The Board of Directors of the Company has decided to re-appoint him as Vice-President (Marketing) for a further period of three years with effect from 1st October, 2016 with such remuneration as set out in the Notice.

The Board recommends the resolution for approval of the members.

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

Item No. 11

Sri P. Vamsi Krishna son of Sri Ramesh Babu Potluri (Chairman and Managing Director) was first appointed as Vice-President (Operations) of the Company by the Members of the Company at the 25th Annual General Meeting held on 30th September, 2013 for a period of 3 years w.e.f. 09.08.2013 at a remuneration of ₹ 1,50,000/- per month inclusive of all perquisites and allowances.

He had studied B.Tech.(EEE) in Birla Institute of Technology and Science (BITS) Pilani, Dubai, and M.S. (Engineering Management & Finance) in University of Missouri, St. Louis, Rola, U.S.A. Prior to joining SMS Pharmaceuticals Limited, he had worked in Ranbaxy Laboratories, Jacksonville, Florida, U.S.A. He is focusing on improvement of operations of the Company and to improve operational efficiency.

The Board of Directors of the Company has decided to re-appoint him from 9th August, 2016 to 30th September, 2019 with such remuneration as set out in the Notice.

The Board recommends the resolution for approval of the members.

None of the Directors/Key Managerial Personnel/ their relatives is of the Company except Sri Ramesh Babu Potluri, is any way, concerned or interested, financially or otherwise, in this resolution.

Item No. 12

The Board, on the recommendation of the Audit Committee has approved the re-appoint of the Cost Auditor Sri K.S.N. Sarma, to conduct the Audit of the cost records of the Company for the Financial Year 2016-17.

In terms of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules 2014, the remuneration of the Cost Auditor needs ratification from the members of the Company. Accordingly consent of the members is accorded, for ratification of the remuneration payable to the Cost Auditor for the year ending 31st March, 2017 as set out in the Notice.

The Board recommends the resolution for approval of the members.

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

Item No.13

Section 20(2) of the Companies Act, 2013 requires that, "a member may request for delivery of any document through a particular mode, for which he shall pay such fees as may be determined by the Company in its annual general meeting."

The Stakeholders Relationship Committee and the Board has recommended to fix a sum of ₹ 1000/- (Rupees one thousand only) to be kept in a separate account, for serving the document to the member by specified mode and on request the applicable charges will be debited to the account from time to time.

The Board recommends the resolution for approval of the members.

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

By the order of the Board

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

Place: Hyderabad
Date: 10-08-2016

AGM Venue Route Map:

INSTRUCTIONS FOR SHAREHOLDERS VOTING ELECTRONICALLY ARE AS UNDER:

(i) The voting period begins on **26-09-2016** at **09:00** A.M.and ends on **29-09-2016** at **05:00 P.M.** During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of **24-09-2016**, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

(ii) The shareholders should log on to the e-voting website www.evotingindia.com.

(iii) Click on Shareholders.

(iv) Now Enter your User ID

a. For CDSL: 16 digits beneficiary ID,

b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,

c. Members holding shares in Physical Form should enter Folio Number registered with the Company.

(v) Next enter the Image Verification as displayed and Click on Login.

(vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any Company, then your existing password is to be used.

(vii) If you are a first time user follow the steps given below:

	FOR MEMBERS HOLDING SHARES IN DEMAT FORM AND PHYSICAL FORM
PAN	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) • Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field. • In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.
DOB	Enter the Date of Birth as recorded in your demat account or in the Company records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details	Enter the Dividend Bank Details as recorded in your demat account or in the Company records for the said demat account or folio. • Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or Company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).

(viii) After entering these details appropriately, click on "SUBMIT" tab.

(ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

(x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

(xi) Click on the EVSN for the relevant <Company Name> on which you choose to vote.

(xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

(xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.

(xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

(xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

(xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.

(xvii) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

(xviii) Note for Non – Individual Shareholders and Custodians

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
- The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

(xix) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting before you the 28th Annual Report of the Company together with Audited Statement of Accounts for the year ended 31st March, 2016.

A. FINANCIAL SUMMERY: (INR In lakh)

Particulars	Standalone	
	2015-16	2014-15
	(INR in Lakhs)	(INR in Lakhs)
Gross Sales	**58,246.88**	55,764.66
Net Sales	**55,607.10**	53,604.12
Other Operating Income	**4,712.23**	4,324.46
Net Revenue from Operations	**60,319.33**	57,928.58
Other Income	**360.80**	1,632.00
EBIDTA	**9,280.35**	10,258.05
Finance Charges	**1,709.81**	1,793.09
Depreciation	**1,943.30**	1,716.61
Profit Before Tax	**5,627.24**	6,748.35
Taxation	**1,463.32**	3,223.89
Profit After Tax	**4,163.92**	3,524.46
Balance brought forward from previous year	**8,369.01**	6,073.30
Less : Adjustment of depreciation reserve as per Schedule II of Companies Act, 2013	**-**	24.98
Balance available for Appropriations.	**12,532.93**	9,572.78
Appropriations:		
Proposed Dividend	**169.30**	169.30
Dividend Tax	**34.47**	34.47
General Reserve	**1,000.00**	1,000.00
Profit carried to Balance Sheet	**11,329.16**	8,369.01
Earnings per share - Basic/Diluted	**4.92**	4.16

B. STATE OF Company AFFAIR'S

B.1) In Financial & Production terms

During the year 2015-16 the Company had achieved production of 2,375 M.T. of APIs and their Intermediates in comparison with 2,026 M.T of FY 2014-15 and registered a growth of 17.22% The net sales of the Company has reached to ₹ 55,607.10 lakhs as against ₹53,604.12 lakhs registering a growth of 3.74% and the net revenue from operations have increased by 4.12%. With this EPS has increased to ₹ 4.92 as against ₹ 4.16 during the year 2014-15. The management believes that the profitablility margins from the operations are sustainable and it will continue to strengthen its leadership position.

B.2) Awards and Approval

Your Company had won first "India Pharma Award, 2015" in the following two categories:

1. INDIA PHARMA BULK DRUG Company OF THE YEAR AWARD.
2. INDIA PHARMA BULK DRUG EXPORT Company OF THE YEAR AWARD.

During the year under review, the facility located at kandivalasa has completed USFDA Inspection and there were no observations in this regard. Apart from this our facility at bachupally, also had the USFDA approval.

B.3) Subsidiaries and Associates:

Your Company is having one associate Company. The said associate Company viz. "VKT Pharma Private Limited" is under the same management. Your Company is holding 34.33% equity shares in the said associate Company and the share of loss for your Company for financial year 2015-16 was ₹ 74,71,033/-. SMS Lifesciences India Limited has become the wholly owned subsidiary of your Company during the Financial Year 2016-17.

The consolidated financial statements had been prepared as per Accounting Standard (AS) 23 – "Accounting for Investment in Associates in Consolidated Financial Statements" specified under Section 133 of Companies Act, 2013 for considering the financials of Associate Company. The required form, as per the provisions of the Sec. 129(3) read

with rule 5 of Companies (Accounts) Rules, 2014 viz. 'AOC-1' is form part of this report as Annexure –'1'

B.4) Change in Nature of Business

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

B.5) Share Capital

During the year under review the Company had neither issued fresh equity/sweat equity shares nor any debentures, Employees Stock Option Scheme or any share based employee benefits. The Company had sub divided the face value of share of ₹ 10/- each into face value of ₹ 1/- of each with record date of 18th December, 2015. A report on the same viz. 'Equity Buildup Report' is form part of this report as Annexure – '3'

C. TRANSFER TO RESERVES:

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

D. DIVIDEND:

Your Directors have pleasure in recommending the dividend of ₹ 0.20/- (i.e. 20%) per equity share of ₹ 1/- face value, aggregating to ₹ 1,69,30,406/- which shall be paid within 30 days after the conclusion of the Annual General meeting, subject to the approval of the shareholders of the Company. The total cash outflow on account of dividend including dividend distribution tax is ₹ 203.77 lakhs.

E. PROPOSAL FOR DE-MERGER OF SEMI REGULATED UNITS:

The Board has approved the "Draft Scheme of Arrangement for Demerger of Semi Regulated Units (Unit - I, IV & V) along with other Assets to transfer the same to SMS Lifesciences India Limited (Resulting Company), with an object to reduce the impact of Semi Regulated Units on Regulated Units, achieving operational efficiencies, site synergies and streamlining its current structure. The Draft Scheme of Arrangement is subject to the Approvals of Stock Exchanges, Securities Board of India Limited, Reserve Bank of India and other regulatory authorities and also Hon'ble High Court of Judicature at Hyderabad for the State of Telangana and Andhra Pradesh.

F. DIRECTORS' RESPONSIBILITY STATEMENT:

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

1. In preparation of the Financial Statements for the year ended 31st March, 2016 the applicable accounting standards had been followed along with proper explanation relating to material departures, if any.
2. They had selected such accounting policies as notified & modified by ICAI and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
3. They had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 as amended form time to time for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. The Annual Accounts had been prepared on going concern basis.
5. The Company has developed an effective mechanism for internal financial controls, it has been followed by the Company consistently; such internal financial controls are adequate and operating effectively.
6. They had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

G. LOANS, GUARANTEES AND INVESTMENTS:

Your Company had made investment in it's associate Company viz. M/s. VKT Pharma Private Limited for its business purpose. During the year under review,

your Company had acquired 5,11,400 equity shares of face value of ₹ 10/- each in the said associate at an average price of ₹ 157.21. Further, your Company had also made an investment in 1000 equity shares of Sireen Drugs Private Limited of ₹ 10/- each.

The Particulars of loans/advances given are provided in the Standalone Financial Statements. Please refer (Note no. 16.1) of the Standalone Financial Statements.

The Company is maintaining the details of investments made during the year in Statutory Form MBP – 2. The details of loans / advances given and investments made during the financial year ended on 31st March, 2016 are furnished as Annexure –'4'.

H. RELATED PARTY TRANSACTIONS

All contracts/arrangements/transactions entered by the Company during the financial year 2015-16 with related parties were in the ordinary course of business and at an arm's length basis and are in compliance with the provisions of the Companies Act and the SEBI (Listing Obligation & Disclosure Requirement) Regulation, 2015. There are no materially significant related party transactions made by the Company with Promoters, Directors and Key Managerial Personnel etc. which may have potential conflict with the interest of the Company. All related party transactions are presented to the Audit Committee and to the Board on quarterly basis.

A statement of all Related Party Transactions is being presented before the Audit Committee on Quarterly basis specifying the nature, value and terms and conditions of the transactions. A Policy on Related Party Transactions approved by the Board on 14th May, 2016 is uploaded on the Company's website at the web link http://www.smspharma.com/investors/downloads/policy-on-related-party-transactions.pdf. The particulars of contracts or arrangements entered into by the Company with related parties referred to in Section 188(1) are kept by the Company in Statutory Form AOC-2. Further details required to disclose as per Accounting Standard–18 (as issued & modified by ICAI) form part of the notes to the financial statements provided in the annual report. The required form viz. 'AOC-2' is form part of this report as Annexure –'5'

I. STATE OF BOARD AFFAIRS

I.1) Board of Directors and Key Managerial Personnel:

Your Company is maintaining an optimum combination of Independent and Executive directors in the Board, who have vast experience in pharma and other relevant fields. During the year under review following changes occurred in the position of Independent directors:

a) Sri A. P. Rao resigned from the Board on 9th October, 2015.

b) The Board had appointed Sri Potluri Venkata Subba Rao (P.S. Rao) as an additional Independent Director on Board w.e.f. 7th November, 2015.

c) Sri K.S. Rao having a long association with the Company had demised on 29th November, 2015 due to illness.

Further, in accordance with the provisions of Section 152(6)(a) of the Companies Act, 2013 and revised Articles of Association as approved by the shareholders at their meeting held on 29th September, 2015. All the Executive Directors are compulsorily liable to retire by rotation. Accordingly Sri Ramesh Babu Potluri and Sri TVVSN Murthy, whole time directors, are liable to retire by rotation at the forthcoming/ensuing Annual General Meeting scheduled on 30th September, 2016 and being eligible, seeks reappointment. A brief profile of directors and managers seeking re-appointment are given along with the AGM Notice for the reference of the shareholders.

The board had been appointed Sri Saurav Roy in place of Sri P. Prabhakar Rao on 4th August, 2015 and designated him as Company Secretary of the Company pursuant to provisions of Section 203 of the Companies Act, 2013. Sri P. Prabhakar Rao resigned from the Company w.e.f. 31st July, 2015. Further the Board has affirmed the Compliance of the Code of Conduct as applicable on the Directors & Senior Management Personnel.

I.2) Independent Directors:

In accordance with the provisions of the Section 149 (7) of the Companies Act, 2013, each independent director had confirmed to the Company that he/

she meets the criteria of Independence laid down in the Section 149 (6) of the Companies Act, 2013 and Regulation 25(1) of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015.

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

1.3) Annual Evaluation:

Your Company had conducted a separate Meeting of Independent Directors on 9th February, 2015 in which they had evaluated the performance of Executive directors and Non- Executive/Nominee Director's. Further, in the Board Meeting held on 14th May, 2016 the Board had evaluated the performance of Independent Directors and their contribution in the Board. The evaluation had been made on specified standards.

1.4) Risk Management Policy

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

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

1.5) KMP Appointment and Remuneration Policy

During the year under review your Company had adopted a 'Nomination and Remuneration Committee Charter' in its Board meeting held on 5th December, 2015. The Nomination and Remuneration Committee abide by the said Charter for appointing any Key Managerial Persons (KMP). During the year under review, the Committee had recommended for appointment of Company Secretary and one Independent Director. The appointment made by the Company for the position of Independent Director in compliance with the relevant provisions of Companies Act, 2013, its allied rules and other applicable norms of the SEBI. Appointment of any KMP is made by the Nomination and Remuneration Committee in commensuration of the requirement of the position and experience of the candidate. The Committee has not formulated any formal policy for appointment of KMP, it is more as and when basis.

1.6) Composition and Number of Meetings of the Board and Audit Committee:

During the year under review the Board of directors met seven times. The dates on which the Board Meetings were held on 30th May 2015, 8th August 2015, 9th October 2015, 7th November 2015, 5th December 2015, 11th February 2016, 30th March 2016. A detailed report on the above mentioned along with reporting required under Sec. 177(8) and 177(10) of the Companies Act, 2013 and composition of various committees formed part of the report viz. 'Corporate Governance Report' is form part of this report as Annexure – '6 '

1.7) Extract of Annual Return:

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

J. DEPOSITS

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

K. CORPORATE SOCIAL RESPONSIBILITY

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

As per the provisions of the Section 135 of the Act, the average net profits of the Company during the

preceding three years stands as ₹ 923.75 lakhs hence the Company is required to spend a sum of ₹ 18.47 lakhs towards CSR Expenditure in FY 2015-16. The details of it are mentioned under 'CSR Expenditure' in statutory format is form part of this report as Annexure–'8'.

L. PARTICULARS OF EMPLOYEES:

Disclosures pertaining to remuneration and other details as required under Section 197 (12) of the Companies Act, 2013 read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is mentioned under 'Employees Remuneration Report' is form part of this report as Annexure – '9'. None of the employees is receiving salary of more than ₹ 5 Lakh per month.

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

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

N. AUDITORS:

N.1) Statutory Auditors

The shareholders at their 27th Annual General Meeting (AGM) held on 29-09-2015, approved the reappointment of M/s. Rambabu& Co., Chartered Accountants (ICAI Firm Registration No. 002976S), as Statutory Auditors of the Company, to hold the office till the conclusion of the 28th Annual General Meeting. M/s. Rambabu & Co., Chartered Accountants, are eligible for reappointment and have confirmed their eligibility under Section 141 of the Companies Act, 2013, read with Rule 4 of the Companies (Audit and Auditors) Rules, 2014. They have consented to the said appointment. They have further confirmed that they are not disqualified to be appointed as statutory auditor.

The Audit Committee of the Board of Directors recommended the appointment of M/s. Rambabu & Co., Chartered Accountants, as Statutory Auditors of the Company from the conclusion of 28th Annual General Meeting till the conclusion of the 29th Annual General Meeting.

N.2) Secretarial Auditor

Pursuant to Section 204 of the Companies Act, 2013, and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, M/s. SVVS & Associates Company Secretaries LLP were appointed to conduct Secretarial Audit of the Company for the Financial Year ended on 31st March, 2016. Secretarial Audit Report for the financial year 2015-16 is form part of this report as Annexure-'11'

N.3) Cost Auditor

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, and the Companies (Cost Records & Audit) Amendment Rules, 2014, the Company maintains Cost Records Your Board has on the recommendations of the Audit Committee, appointed Sri K.S.N. Sarma having Registration No.–102145 and Membership No.–6875 as Cost Auditor of the Company for the financial year 2016-17. The provisions also require the remuneration of the Cost Auditor to be approved by the shareholders, as mentioned under AGM Notice under item no. 12. As a matter of record, the Cost Audit Report for the year 2014-15 was filed with the Central Government within the prescribed time limit and for the year 2015-16 will be filed within the stipulated time.

O. INTERNAL FINANCIAL CONTROL SYSTEMS AND THEIR ADEQUACY:

Your Company has laid down set of standards which enables to implement internal financial control across the organization and ensure that the same are adequate and operating effectively (1) To provide reasonable assurance that: transactions are executed in conformity with generally accepted accounting principles/standards or any other criteria applicable to such statements, (2) to maintain accountability for assets; access to assets is permitted only in accordance with management's general or specific authorization and the maintenance of the records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company, (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of

the assets that could have a material effect on the Financial Statements.

P. WHISTEL BLOWER POLICY/VIGIL MECHANISM

The Company has established a mechanism trough which all the stakeholders can report the suspected frauds and genuine grievances to the appropriate authority. The whistle Blower Policy which has been approved by the Board of Directors of the Company has been uploaded on the Company's website of the Company (http://www.smspharma.com/investors/downloads/whistle-blower-protection-policy.pdf). During the year under review the Company has not received any complaint(s) under this policy.

Q. BOARD'S RESPONSE ON AUDITORS QUALIFICATION, RESERVATION OR ADVERSE REMARK OR DISCLAIMER MADE:

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

R. REPORTING ON SEXUAL HARRASEMENT:

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

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

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

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

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

Acknowledgements:

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

By the order of the Board

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

Place: Hyderabad
Date: 10-08-2016

Annexure - 'I'

FORM AOC-I

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

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

Part "A": Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in ₹)

Sl. No.	Particulars	Details
1.	Name of the subsidiary	SMS Lifesciences India Limited
2.	Reporting period for the subsidiary concerned, if different from the holding Company's reporting period	No
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	Not Applicable
4.	Share capital	1,00,000
5.	Reserves & surplus	(72,593)
6.	Total assets	1,25,324
7.	Total Liabilities	1,25,324
8.	Investments	0.00
9.	Turnover	0.00
10.	Profit before taxation	(18,500)
11.	Provision for taxation	0
12.	Profit after taxation	(18,500)
13.	Proposed Dividend	0.00
14.	% of shareholding	100.00

Note: SMS Lifesciences India Limited had become Subsidiary w.e.f. 01.04.2016.

Part "B": Associates and Joint Ventures

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

Sl. No.	Name of associates/Joint Ventures	VKT Pharma Private Limited
1	Latest audited Balance Sheet Date	31.03.2016
2	Shares of Associate/Joint Ventures held by the Company on the year end	
	Number of shares	27,09,400 Equity Shares of ₹ 10/- each.
	Amount of Investment in Associates/Joint Venture	₹ 212,279,000.00
	Extend of Holding%	34.33%
3	Description of how there is significant influence	Based on the percentage of holding over these investees.
4	The associate is consolidated	Financial Statement Consolidated for FY 2015-16
5	Net worth attributable to shareholding as per latest audited Balance Sheet	₹ 18,41,87,028.33
6	Profit/Loss for the year	
	i. Considered in Consolidation	₹ (74,71,033)
	ii. Not Considered in Consolidation	

By the order of the Board

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

Place: Hyderabad
Date: 10-08-2016

Annexure - '2'

Management Discussion and Analysis of Financial Condition and Result of Operations

1. Industry Structure and Developments:

a. Where we are

The pharmaceutical sector is one of the key 25 sectors identified by the Government of India under the ambitious 'Make in India' initiative, which is likely to provide the necessary impetus to the sector in order to achieve its true potential. At present, the Indian pharmaceuticals industry is third largest in volume and the tenth largest in value, globally. The country's domestic pharmaceutical market is estimated at INR 2,400 billion and is expected to grow at approximately 12 per cent Compound Annual Growth Rate (CAGR) over the next three years. A significant increase in domestic consumption due to the higher incidence of lifestyle diseases, increasing health awareness, growing population, greater penetration in rural markets, and a nascent, yet fast growing health insurance industry, are some factors impacting the growth of the pharmaceutical market. Moreover, the country's low-cost production base and the patent cliff in the global arena significantly affect the export market; play an important role in the growth of the industry.

However, despite an attractive value proposition, the Indian pharmaceuticals industry is facing multiple challenges in terms of growing concerns over the quality of drugs, price control measures, over dependence on China for bulk drugs and lack of clarity and predictability in regulations and the Intellectual Property Rights (IPR) regime. Complex approval procedures and stringent regulations too have led to a considerable slowdown in the clinical trials industry, impacting the innovation and drug discovery environment in the country.

Key issues/challenges

- A unified ministry with policymaking and implementation powers that can reduce multiplicity in drafting regulations in the sector has long been overdue
- Lack of transparency in the regulatory system has hampered the drug approval process, and the lack of a single-window clearance system for setting up manufacturing units has made the process tedious and time-consuming
- An unpredictable price control mechanism has brought in uncertainty and a trust deficit into the system
- In recent times, certain data integrity issues reported in the country by the United States Food and Drug
- Association (USFDA) has led to an import ban on products made by Indian companies and have marred the image of the Indian pharmaceutical industry
- Heavy dependency on China for sourcing many critical intermediaries and Active Pharmaceutical Ingredients (APIs) could potentially create vulnerabilities for the health security of the population
- Complex procedures to conduct clinical trials, low investment in Research and Development (R&D), a lack of focus on cluster development, and ambiguity around the enforcement of IPR laws need to be tackled as well.

b. Government's stance

- A task force was constituted by the government to address issues relating to the promotion of domestic pharmaceutical manufacturing. It is, at present, working on various proposals and recommendations suggested by the same.
- The government had declared '2015 as the Year of Active Pharmaceutical Ingredients' and is now planning to announce the new bulk drug policy soon, which aims to bring down imports of bulk drugs and increase the domestic output. It also aims to make India self-reliant on bulk drugs5 by 2020

- A high-level committee would be set up to enable a single-window clearance system for the industry.
- The government is also working on a proposal for setting up of a venture capital fund with corpus of about INR 500 crore.
- A move to establish a separate pharma ministry in the next one year is expected to bring the Central Drugs Standard Control Organisation (CDSCO), Drug Controller General of India (DGCI) and National Pharma Pricing Authority (NPPA) under one ministry to streamline rules and regulations.
- The government is expected to release a new IPR policy that is likely to increase predictability, clarity and transparency in the IP regime.
- In the last 20 months, another 450 drugs have been added under the pricing control to the earlier list of 400 drugs, making a total of 850 drugs under price control, in an effort to improve accessibility to affordable medicines.
- The government intends to expand 'Jan Aushadhi' scheme to offer more medicines and medical devices at affordable prices, by opening 3,000 'Jan Aushadhi' stores by 2017, from the current number of 121.
- It also plans to strengthen the drug regulatory system in the country with an investment of INR 1,750 crore during 2015-16 to 2017-18

c. Key announcements in the Union Budget 2016

- The government announced to reinvigorate the supply of generic drugs and announced its plan to open 3,000 stores under the Prime Minister's Jan AushadhiYojana, during 2016-17
- A new health protection scheme was introduced to cover poor and economically weaker sections of the society, under which health coverage of INR 1 lakh for a family is expected to be provided. Further, to safeguard senior citizens of age group 60 years and above, within the same section of the population, an additional benefit of INR30,000 has been announced
- A National Dialysis Services Programme has been launched under the National Health Mission (NHM). The programme aims to provide dialysis services in district hospitals via a PPP model. Additionally, to reduce the cost of dialysis, certain parts of the dialysis equipment have been exempted from custom duty, excise, Countervailing Duty (CVD) and special additional duty (SAD)
- A special patent regime has been proposed with 10 per cent rate of tax on income from worldwide exploitation of patents developed and registered in India by a resident
- About 1,500 multi-skill training institutes are expected to be set up in the country with an allocation of INR 1,700 crore
- For start-ups set up between April 2016 and March 2019, a 100 per cent deduction of profits for three out of five years has been introduced.

d. Upcoming bulk drug policy

With the bulk drug manufacturing policy expected to come in soon, the sector is upbeat. Bulk drug manufacturers expect the policy to revive India's active pharmaceutical ingredients (API) market and trigger fresh investments worth ₹ 30,000-40,000 crore in setting up new manufacturing facilities and augmenting existing ones.

Bulk drugs or APIs are basically the active raw materials used in a drug that gives it the therapeutic effect. Bulk drugs currently constitute only 10-12 per cent share in the country's ₹ 80,000 crore-domestic pharmaceutical sector. India is primarily dependent on China for its imports of bulk drugs. According to industry estimates, 70-80 per cent of the requirement of the industry is met by imports from China, varying across categories.

Government officials declined to share the salient features of the upcoming policy.

However, they said many of the Katoch Committee recommendations would be implemented. The committee under former secretary (health research) V M Katoch was formed to suggest how India could reduce its dependence on China for bulk drugs.

The government has decided to relax a number of norms on environment clearances related to bulk drug manufacturing to encourage Indian drug makers and reduce the country's dependence on Chinese imports.

The decision, which was taken in a meeting between the commerce, environment and chemical and fertilizers ministries, comes at a time when the government is working on a bulk drug manufacturing policy.

"I had a meeting with chemical and fertilizers minister Ananth Kumar and environment minister PrakashJavadekar on Tuesday where most of the problems that the bulk drugs manufacturers had raised have been sorted out," commerce and industry minister Ms. NirmalaSitharaman said on the sidelines of the board of trade meeting on Wednesday 6th April, 2016.

Ms. NirmalaSitharaman said this week, "In India, the bulk drugs industry depends on China largely for most of its APIs. So we have been working on it. Now there is an interest for us to set up specified pharmaceutical zones where API manufacturers will be invited to set up units."

The government has also decided to set up three dedicated parks in the country where special priority will be given to bulk drugs manufacturing, Sitharaman added.

2. Company's Perspective

a. Internal Control systems and their adequacy:

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

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

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

b. Performance and operations review.

During the year under review your Company has achieved net sales of ₹ 55,607.10 Lakhs as against ₹ 53,604.12 Lakhs during the previous year. Other Operating income of the Company has reached to 4,619.56 Lakhs as against ₹ 4,233.67 Lakhs during the previous year of 2014-15

The Company has earned other income of ₹ 360.79 Lakhs during the year 2014-15 as against ₹ 1,632.00 Lakhs in the previous year 2013-14. Your Company has incurred ₹ 481.79 Lakhs towards R&D expenditure for the year 2015-16 as against ₹ 362.02 Lakhs in the previous year. The said R & D expenditure works out to 0.87% and 0.61% of its turnover respectively.

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.

c. Human Resources

Pharmaceutical industry sector is facing global

competition and most effected by a high attrition rate in India. Since this industry needs trained manpower who has the requisite experience to meet the compliances with statutory requirements, good manufacturing practices, good laboratory practices, QA and QC personnel along with research personnel, your Company focuses on these aspects in human resources management.

Your Company continuously implements its training programmes that help in identifying the potential talent from employees and sharpen their talent skills and motivating them to do right things in the right way.

At the year end the Company had 1053 employees directly employed. Industrial relations continue to be peaceful and harmonious. The management has initiated various measures.

d. Safety, Health and Environment

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

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

e. Outlook:

SMSPL 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. Your Company 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 analysed on continual basis. By implementing these strategies, your Company aims to increase its revenues, EBITDA and return on investment higher than the industry average.

3. Cautionary Statement

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

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

By the order of the Board

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

Place: Hyderabad
Date: 10-08-2016

Annexure - 3

Equity Buildup Report

Reason of Allotment	Nature of payment of consideration	Date on which Equity Shares were allotted/ made fully paid-up	Number of Equity Shares alloted	Cumulative Equity Shares
Subscription to Memorandum of Association	Cash	14-Nov-87	40	40
Further Allotment	Cash	13-Dec-88	34,960	35,000
Allotted to relatives, friends of promoters	Cash	15-Dec-88	15,000	50,000
Allotted to promoters, relatives, friends	Cash	20-Mar-89	25,000	75,000
Allotted to relatives, friends of promoters	Cash	28-Sep-89	25,000	100,000
Allotted to relatives, friends of promoters	Cash	7-May-90	22,900	122,900
Allotted to relatives, friends of promoters	Cash	7-Jun-90	27,100	150,000
Allotted to Promoters, relatives and employees	Cash	26-Mar-92	150,000	300,000
Bonus @ 8:3	Bonus	1-Nov-94	800,000	1,100,000
Allotted to Promoters	Cash	21-Nov-94	150,000	1,250,000
Allotted to employees, friends and relatives of Promotes and Promoters	Cash	30-Nov-94	350,000	1,600,000
Allotted to Corporate Body.	Cash	18-Feb-95	450,000	2,050,000
Sub - Division into ₹ 5/- per share		22-Mar-04	-	4,100,000
Bonus shares @ 1: 1	Bonus	27-Mar-04	4,100,000	8,200,000
Re-Consolidation into ₹ 10/- per share		29-Sep-04	-	4,100,000
Allotted to Shareholders of Sreenivasa Pharma Pvt. Limited after SreenivasaPharmaPvt Ltd. became a subsidiary of SMS Pharma Limited.	Issued for consideration Other than cash	28-Apr-06	2,923,000	7,023,000
Pre - IPO placement to Gulf Pharmaceutical Industries[1]	Cash	8-Jan-07	400,000	7,423,000
Issue shares to Public via IPO	**cash**	**22-Feb-07**	**2,579,225**	**10,002,225**
Balance as on		31-Mar-07	-	10,002,225
Allotment of shares to erstwhile Plant Organics Limited (POL) Shareholders [@ 1 share of SMS Pharmaceuticals Ltd. for every 50 shares of POL]	Issued as per exchange ratio Other than cash	29-Nov-08	12,978	10,015,203
Balance as on		31-Mar-08	-	10,015,203
Buy Back of Shares [on various dates from 28/05/2013 to 25/07/2013]	cash		(1,550,000)	8,465,203
Balance as on		31-Mar-14	-	8,465,203
Balance as on		31-Mar-15	-	8,465,203
Sub–Division into ₹ 1/- per share [Splitting of ₹ 10 face value][2]	Split @ 10:1	17-Dec-15	-	84,652,030
Balance as on		**31-Mar-16**	**-**	**84,652,030**

Note: [1] Shares alloted as per MOU dated 24.12.2006. [2] Record date = 18.12.2015 whereas Ex-date 17.12.2015

By the order of the Board

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

Place: Hyderabad
Date: 10-08-2016

Annexure - '4'

FORM NO. MBP-2

Register of loans, guarantee, security and acquisition made by the Company
(Pursuant to Section 186 (9) & rule 12 (1))

Nature of transaction (whether loan/ guarantee/ security/ acquisition)	Date of making loan / acquisition /giving guarantee/ providing security	Name and address of the person or body corporate to whom it is made or given or whose securities have been acquired (Listed/Unlisted entities)	Number and kind of securities.		Nominal value and paid up value	Premium Paid	Cost of acquisition (in case of securities how the purchased price was arrived at)	Time period for which it is made/ given	Purpose of loan / acquisition / guarantee / security
			Kind	Number	₹	₹	₹		
Acquisition of Security for investment	12-05-2015	VKT Pharma Pvt. Ltd.	Equity	30,000	10	140	4,500,000.00	N.A.	For making investment in the project, taken up by associate Company
	30-06-2015	VKT Pharma Pvt. Ltd.	Equity	50,000	10	140	7,500,000.00	N.A.	
	10-07-2015	VKT Pharma Pvt. Ltd.	Equity	17,000	10	140	2,550,000.00	N.A.	
	21-07-2015	VKT Pharma Pvt. Ltd.	Equity	53,000	10	140	7,950,000.00	N.A.	
	11-08-2015	VKT Pharma Pvt. Ltd.	Equity	41,000	10	140	6,150,000.00	N.A.	
	28-09-2015	VKT Pharma Pvt. Ltd.	Equity	20,000	10	140	3,000,000.00	N.A.	
	07-10-2015	VKT Pharma Pvt. Ltd.	Equity	33,000	10	140	4,950,000.00	N.A.	
	28-10-2015	VKT Pharma Pvt. Ltd.	Equity	1,14,000	10	140	17,100,000.00	N.A.	
	10-11-2015	VKT Pharma Pvt. Ltd.	Equity	48,000	10	140	7,200,000.00	N.A.	
	19-02-2016	VKT Pharma Pvt. Ltd.	Equity	1,05,400	10	175	19,499,000.00	N.A.	
	31-03-2016	Sireen Drugs Private Limited	Equity	1,000	10	0	10,000.00	N.A.	Investment only

By the order of the Board

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

Place: Hyderabad
Date: 10-08-2016

Annexure - '5'

FORM NO. AOC -2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014

Form for Disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso thereto.

1. Details of contracts or arrangements or transactions not at Arm's length basis: Not Applicable

2. Details of contracts or arrangements or transactions at Arm's length basis

Sl. No.	Particulars	Details	Details
a)	**Name (s) of the related party**	**Sri P. Vamsi Krishna (VP - Operations)**	**Sri T.V. Praveen (VP - Marketing)**
a)	nature of relationship;	Son of Sri Ramesh Babu Potluri (CMD of the Company).	Son of Sri TVVS Murthy (VC & JMD of the Company).
b)	Nature of contracts/ arrangements/ transaction	remuneration payable to related party under place of profit in the Company	remuneration payable to related party under place of profit in the Company
c)	Duration of the contracts/ arrangements/transaction	09/08/2013 – 08/08/2016	01/01/2014 – 31/12/2017
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Appointed as Vice President (Operations) of the Company at a Monthly Remuneration of ₹ 1.50 lac per month.	Re-appointed as Vice President (Marketing) of the Company at a Monthly Remuneration of ₹ 2.50 lac per month.
e)	Justification for entering into such contracts or arrangements or transactions'	Joined the Company from 09/08/2013, under his leadership Company had established new operational setup and achieved new level of efficiencies in its operational capacity.	Joined the Company from 01/01/2009, since then Company grown up leaps & bounds. Under his leadership Company had accessed new markets and Net Revenue has increased from ₹ 242 Cr. in 2012-13 to ₹ 603 Cr. in 2015-16.
f)	Date of approval by the Board	13/08/2013	13/08/2013
g)	Amount paid as advances, if any	Not Applicable	Not Applicable
h)	Date on which the ordinary resolution was passed in General meeting as required under first proviso to section 188	29/09/2015	29/09/2015

Sl. No.	Particulars	Details	Details
a)	**Name (s) of the related party**	**R. Chem (Somanahalli) Private Limited**	**VKT Pharma Private Limited**
a)	nature of relationship;	1. Sri P. Suresh Babau, Managing Director of R. Chem (Somanahalli) Private Limited is brother of Sri Ramesh Babu Potluri (CMD) 2. Sri TVVSN Murthy (VC & JMD) of the Company, is a major shareholder.	Common Directors and also Associate Company
b)	Nature of contracts/ arrangements/transaction	**Contracts Made:** A. Job Work assignment - For conversion process for an intermediate of API on Job work basis. B. Hiring of Skoda Laura vehicle make 2009 bearing Reg. No. AP09BY7227 **[The Company had closed the contract w.e.f. 01-01-2016]** **Transactions Done During the FY:** C. Purchases of by product D. Sales some of materials	Sale in Ordinary Course of Business.
c)	Duration of the contracts/ arrangements/transaction	**For Contract - A:** 1. Original Contract made on 01/11/2011 to 31/10/2014 2. Renewal of Contract 01/11/2014 to 31/10/2017 **For Contract - B:** 1. Original Contract made on 01/10/2013 to 31/03/2015 2. Renewal of Contract 01/04/2015 to 31/10/2017	Transactions done during the year 2015-16.
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	**For Contract - A:** Conversion Capacity increased from 100MT to 200MT per month from previous contract term. Fixed Conversion Charges has increased from ₹ 50/- to ₹ 60/- per K.G. w.e.f. 01/04/2015. Total amount of Convertion charges was ₹ 805.54 lakhs during the year 2015-16. **For Contract - B:** Car Hiring Charges ₹ 10,000 per month payble to R. Chem Pvt. Ltd.; maintenance cost bear by SMS Pharmaceutical Ltd. Total amount of rental charges was ₹ 90,000.00 during the year 2015-16 **Purchases - C:** Total amount of Purchase was ₹ 94.77 Lac from R. Chem Pvt. Ltd., **Sales - D:** Total amount of Sale was ₹ 144.48 Lac from R. Chem Pvt. Ltd.	Sales of ₹ 147.39 Lac for VKT Pharma Pvt. Ltd. Made in the ordinary course of business.
e)	Justification for entering into such contracts or arrangements or transactions'	Contracts are made at prevaling market rate in the ordinary course of business.	Contracts are made at prevaling market rate in the ordinary course of business.
f)	Date of approval by the Board	26/08/2014 & 06/02/2015	Not Applicable
g)	Amount paid as advances, if any	**For ₹ 162.50 Lakh**	Not Applicable
h)	Date on which the ordinary resolution was passed in General meeting as required under first proviso to section 188	29/09/2015	**29/09/2015**

Sl. No.	Particulars	Details	Details
a)	**Name (s) of the related party**	**Potluri Laboratories Pvt. Ltd. (PLPL)**	**Smt. P. HimaBindu .**
a)	nature of relationship;	Smt. P. HimaBindu Spouse of Sri Ramesh Babu Potluri (CMD of the Company) is Director in PLPL.	Spouse of Sri Ramesh Babu Potluri (CMD of the Company).
b)	Nature of contracts/ arrangements/transaction	Hiring of Toyota Fortuner vehicle make 2010 bearing Reg. No. AP09BX7337	Lease of Property by Lessor named Smt. P. HimaBindu.
c)	Duration of the contracts/ arrangements/transaction	1. Original Contract made on 01/06/2013 to 31/03/2015 2. Renewal of Contract 01/04/2015 to 31/03/2017 **The Company had closed the contract w.e.f. 01-01-2016**	Lease Tenure 01/09/2014 to 31/08/2017 **The Company had closed the contract w.e.f. 01-01-2016**
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Car Hiring Charges ₹ 15,000 per month payble to PLPL; maintenance cost will be born by SMS Pharmaceutical Ltd. Total amount of rental charges of ₹ 1,35,000.00 during the year 2015-16	Lease Rent charges ₹ 25000 per month and Service Tax as applicable. Aminities / utilities bills paid by Lessee. Total amount of rental charges was paid ₹ 2,25,000.00 during the year 2015-16
e)	Justification for entering into such contracts or arrangements or transactions'	Contracts are made at prevaling market rate in the ordinary course of business.	Contracts are made at prevaling market rate in the ordinary course of business.
f)	Date of approval by the Board	6/2/2015	26/08/2014
g)	Amount paid as advances, if any	Not Applicable	Not Applicable
h)	Date on which the ordinary resolution was passed in General meeting as required under first proviso to section 188	**29/09/2015**	**29/09/2015**

By the order of the Board

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

Place: Hyderabad
Date: 10-08-2016

Annexure - '6'

CORPORATE GOVERNANCE

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

A report for the financial year ended 31st March, 2016 on the compliance by the Company with the Corporate Governance requirements under Regulation 34(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is furnished below : -

1. PHILOSOPHY ON CORPORATE GOVERNANCE:

SMS Pharmaceuticals Limited ("the Company") strives to follow the best corporate governance practices, develop best policies/guidelines, communicate and train all its employees in order to foster a culture of compliance and obligation at every level of the organization. Corporate Governance is the combination of voluntary practices and compliance with laws and regulations leading to effective control and management of the organization. Good Corporate Governance leads to long term shareholder value and enhances interest of other stake holders It brings into focus the fiduciary and the trusteeship role of the Board to align and direct the actions of the organization towards creating wealth and shareholder value as well as to sustained and long lasting development of the organization.

The Board of Directors of your Company sets high standards for the Company's employees, officers and directors. It is the duty of the board of directors to serve as a prudent fiduciary for shareholders and to oversee the management of the Company's business. The Company is committed to meet the expectations of stakeholders as a responsible corporate citizen. The four pillars of our Corporate Governance philosophy are corporate fairness, fiscal accountability, disclosure and complete transparency. The Company had adopted a Code of Conduct namely "Code of Business Conduct and Ethics for Director(s) & Senior Management Personnel" for its employees including the Managing Director and the Executive Directors, which was revised to align with changing cultural and regulatory norms across the multiple jurisdictions in which the Company conducts its business. The Company's corporate governance philosophy has been further strengthened through the "Code for Regulation & Prohibition of Insider Trading".

Pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") the Company had executed fresh Listing Agreements with the Stock Exchanges. These regulations initially notified on 2nd September, 2015 for few Regulation, but fully effective from 1st December, 2015. The new SEBI Listing Regulations imposed strict disclosure norms on Company for various stakeholders. The Company is in compliance with the requirements stipulated under Clause 49 of the erstwhile Listing Agreements and Regulation 17-20 & 22-27 read with Schedule V and Regulation 46(2) of SEBI Listing Regulations, as applicable, with regard to corporate governance.

2. BOARD OF DIRECTORS:

As on 31st March, 2016 the Company's Board consists of eight(8) members, out of which 50% are independent directors, who are leading professionals in their respective fields apart from that the Board comprises of two(2) executive directors who are promoter director too and two(2) nominee directors. The composition of the Board is in conformity with Regulation 17 of the SEBI Listing Regulations read with Section 149 of the Companies Act, 2013. None of the Directors are related to each other. The Board consist a women director as required under Rule 3 of Companies (Appointment and Qualification of Directors) Rules, 2014.

In accordance with the provisions of the Sec. 165 of the Companies Act, 2013 none of the Directors on the Board hold directorships in more than ten(10) public companies. Further,as per Regulation 26(1) of the SEBI Listing Regulations none of them is a member of more than ten(10) committees or chairman of more than five(5) committees across all the public companies in which he is a Director. The Committee membership excludes memberships in private/overseas/Sec.8 Companies. Necessary disclosures regarding Committee positions in other public companies as on 31st March, 2016 have been made by the Directors.

Independent Directors are non-executive directors as defined under Regulation 16(1)(b) of the SEBI Listing Regulations read with Section 149(6) of the Act. The maximum tenure of independent directors is in compliance with the Act. All the Independent Directors had confirmed that they meet the criteria as mentioned under Regulation 16(1)(b) of the SEBI Listing Regulations read with Section 149(6) of the Act. Further, they are not serving as an Independent Director in more than 7 listed entities as required under Regulation 25(1) of SEBI Listing Regulations.

Seven Board Meetings were held during the year at which proper quorum was present and the gap between two meetings did not exceed one hundred and twenty days. The dates on which the said meetings were held:

30-05-2015, 08-08-2015, 09-10-2015, 07-11-2015, 05-12-2015, 11-02-2016 and 30-03-2016.

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships/Memberships held by them in other public companies as on 31st March, 2016 are given herein below. Other directorships do not include directorships of private limited companies, foreign companies and companies under Section 8 of the Act. Chairmanships/ Memberships of Board Committees shall only include Audit Committee and Stakeholders' Relationship Committee:

Name of Director & Designation	DIN No.	Category* (Designation)	No. of Board Meetings during the Year 2015-16		Attended Last AGM 29.9.15	No. of Directorships in other Public Companies		No. of Committee Position held in other Public Companies	
			Held	Attended		Chairman	Member	Chairman	Member
Sri Ramesh Babu Potluri (Chairman & Managing Director)	00166381	Executive Director	7	7		1	1	0	0
Sri T.V.V.S.N Murthy Vice Chairman & Joint Managing Director)	00465198	Executive Director	7	6	Yes	0	1	0	1
Sri A.P. Rao[1]	00027847	Independent Director	3	2	Yes	0	2	0	0
Sri K.S. Rao[2]	00038416	Independent Director	4	3		0	1	0	0
Dr. Mihir K. Chaudhuri	00489843	Independent Director	7	1		0	1	0	0
Sri P. Sarath Kumar	01456746	Independent Director	7	5	Yes	0	2	2	4
Dr. T. Neelaveni	00065571	Independent Director	7	7		0	1	0	2
Sri P. S. Rao[3]	00099066	Independent Director	3	3		0	2	1	2
Dr. Ayman Sahli[4]	02680724	Non-Executive & Nominee Director	7	2		0	1	0	0
Sri Utpal Gokhale[5]	02619302	Non-Executive & Nominee Director	7	6		0	1	0	0

Notes

1 – Sri A. P. Rao resigned from the Board on 09-10-2015.
2 – Sri K. S. Rao demised on 29-11-2015.
3 – Mr.P. S. Rao appointed in Board as Additional Directorw.e.f. 07-11-2015.
4 – Nominee Director of M/s. Gulf Pharmaceuticals, RAK, U.A.E.
5 – Nominee Director of Exim Bank.

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

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

During the year, one meeting of the Independent Directors was held on 11th February, 2016. The Independent Directors, inter-alia, reviewed the performance of non-independent directors, Chairman of the Company and the Board as a whole.

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

The details of the familiarisation programme of the Independent Directors are available on the website of the Company at the following link: http://www.smspharma.com/downloads.php

The Company had not issued any convertible instruments. Details of equity shares of the Company held by the Directors as on March 31, 2016 are given below:

Name of Director	No. of Equity Share held as on 31-03-2016
Sri Ramesh Babu Potluri	1,13,56,960
Sri T.V.V.S.N Murthy	1,22,08,340
Sri P. Sarath Kumar	85,000

3. AUDIT COMMITTEE:

The Audit Committee of the Company is constituted in accordance with the provisions of erstwhile Clause 49(III) of the Listing Agreement and Section 177 of the Companies Act, 2013. The Composition of the Committee was revisited by the Board according to new SEBI Listing Regulations. During the year under review the Company had formulated an "Audit Committee Charter" in its Board Meeting held on 05-12-2015; in accordance to changing regulatory norms. The Charter contains the elaborated procedural guidelines for conducting the Audit Committee Meeting including the terms of references / role & responsibilities of the Committee members. The said Charter in compliance with the requirement of Section 177 of the Companies Act, 2013 and applicable rules made thereunder, Regulation 18 of SEBI Listing Agreement it includes the Part-C of Schedule II (i.e. Role of Audit Committee and Review of Information by Committee) as per SEBI Listing Agreement.

The Audit Committee met four times during the year on 30-05-2015, 08-08-2015, 07-11-2015, 09-02-2016 at which proper quorum was present and the gap between two meetings did not exceed one hundred and twenty days.

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

Name of the Director	Designation	Qualification	Category	Audit Committee Meetings		
				Held in their tenure	Held during the Year	Attended
Sri A. P. Rao[1]	Member	Fellow Cost Accountant	Independent Director	2	4	1
Sri K. S. Rao[2]	Chairman	Fellow Chartered Accountant	Independent Director	3	4	3
Sri P. Sarath Kumar[4]	Chairperson	Fellow Chartered Accountant	Independent Director	4	4	3
Dr. T. Neelaveni[3]	Member		Independent Director	2	4	2
Sri P.S. Rao[3]	Member		Independent Director	1	4	1

Notes

1 – Sri A. P. Rao resigned from the Board on 09-10-2015.

2 – Sri K. S. Rao relieved from the Committee on 07-11-2015.

3 – Committee Membership – Ms. T. Neelaveniw.e.f. 09-10-2015 & Sri P. S. Rao w.e.f. 07-11-2015.

4 – Sri P. Sarath Kumar designated as Chairperson of the Committee w.e.f. 07-11-2015.

4. NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee of the Company is constituted in accordance with the provisions of erstwhile Clause 49(IV) of the Listing Agreement and Section 178(1) of the Companies Act, 2013. The Composition of the Committee was revisited by the Board according to the new SEBI Listing Regulations. During the year under review the Company had formulated a "Nomination and Remuneration Committee Charter" in its Board Meeting held on 05-12-2015; in accordance to changing regulatory norms. The Charter contains the elaborated procedural guidelines for conducting the Nomination and Remuneration Committee Meeting including the terms of references / role and responsibilities of the Committee members. The said Charter in compliance with the requirements of Section 178 of the Companies Act, 2013 and applicable rules made thereunder, Regulation 19 of SEBI Listing Agreement it includes the Part-D(A) of Schedule II (i.e. Role of Nomination and Remuneration Committee and Review of Information by Committee) as per SEBI Listing Agreement.

The Nomination and Remuneration Committee met 2 times during the yearon 30-07-2015 and 05-11-2015 at which proper quorum was present.

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

Name of the Director	Designation	Category	Audit Committee Meetings		
			Held in their tenure	Held during the Year	Attended
Sri K. S. Rao[2]	Chairman	Independent Director	2	2	2
Sri A. P. Rao[1]	Member	Independent Director	1	2	0
Dr. T. Neelaveni[4]	Chairperson	Independent Director	2	2	2
Sri P. Sarath Kumar[3]	Member	Independent Director	1	2	1
Sri P.S. Rao[3]	Member	Independent Director	0	2	0

Notes
1 – Sri A. P. Rao resigned from the Board on 09-10-2015.
2 – Sri K. S. Rao demised on 29-11-2015.
3 – Committee Membership – Sri P. Sarath Kumar w.e.f. 09-10-2015 and Sri P. S. Rao w.e.f. 07-11-2015
4 – Dr. T. Neelaveni designated as Chairperson of the Committee w.e.f. 07-11-2015.

Performance Evaluation Criteria for Independent Directors:

The performance evaluation criteria for independent directors are determined by the Nomination and Remuneration Committee. An indicative list of factors that evaluated includes the following:

i. Participation and contribution by a Director;
ii. Commitment, including guidance provided to the Senior Management outside of Board/ Committee Meetings;
iii Effective deployment of knowledge and expertise;
iv Effective management of relationship with various stakeholders;
v Independence of behavior and judgment
vi Integrity and maintenance of confidentiality of critical issues

5. REMUNERATION OF DIRECTORS

Details of remuneration paid/payable to the directors for the year ended on 31st March, 2016 formed part of MGT-9 annexed as **"Annexure – 7"** to this Board Report.

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

Executive Directors:

(Amount: in ₹)

Name of the Director	Salary and Allowances	Commission	PF Contribution	Perquisites	Bonus/ Stock Options	Total
Sri Ramesh Babu Potluri (Chairman and Managing Director)	66,00,000	1,20,47,689	5,76,000	6,41,058	NIL	1,98,64,747
Sri TVVSN Murthy (Vice Chairman and Joint Managing Director)	66,00,000	1,20,47,689	5,76,000	4,88,968	NIL	1,97,12,657

Both the Executive Directors is continuing on the same Terms and Conditions as approved by the Shareholders on their 25th Annual General Meeting held on 30th September, 2013. The whole component except Commission

on profit is fixed. The Commission is payable as percentage of the Profit and needs subsequent approval of the Board; it may consider the performance linked incentive.

Independent and Nominee Directors:

(Amount: in ₹)

Name of the Independent Director	Sitting Fees	Name of the Nominee Director	Sitting Fees
Sri A. P. Rao[1]	11,667	Sri Utpal Gokhale (Exim Bank)	22,779
Sri K. S. Rao[2]	15,556		
Dr. Mihir K Chaudhuri	3,889		
Sri. P. Sarath Kumar	34,446	Dr. Ayman Sahli (M/s. Gulf Pharmaceuticals Limited)	N.A.
Dr. T. Neelaveni	40,003		
Sri P.S. Rao[3]	20,557		

Notes:
1 – Sri A. P. Rao resigned from the Board on 09-10-2015;
2 – Sri K. S. Rao demised on 29-11-2015;
3 – Sri P. S. Rao appointed in Board as Additional Director w.e.f. 07-11-2015.

6. STAKEHOLDERS RELATIONSHIP COMMITTEE

The Stakeholders Relationship Committee of the Company is constituted in accordance with the provisions of erstwhile Clause 49(VII)(E) of the Listing Agreement and Section 178(5) of the Companies Act, 2013. The Composition of the Committee was revisited by the Board according to new SEBI Listing Regulations. During the year under review the Company had formulated a "Stakeholders Relationship Committee Charter" in its Board Meeting held on 05-12-2015; in accordance to changing regulatory norms. The Charter contains the elaborated procedural guidelines for conducting the Stakeholders Relationship Committee Meeting including the terms of references / role and responsibilities of the Committee members. The said Charter in compliance with the requirement of Section 178 of the Companies Act, 2013 and applicable rules made thereunder, Regulation 20 of SEBI Listing Agreement it includes the Part-D(B) of Schedule II (i.e. Role of Nomination and Remuneration Committee and Review of Information by Committee) as per SEBI Listing Agreement.

The Stakeholders Relationship Committee met 3 times during the year at 05-11-2015, 05-12-2015, 09-02-2016 at which proper quorum was present.

The constitution of the Stakeholders Relationship Committee and attendance of each member of the Committee mentioned below:-

Name of the Director	Designation	Category	Audit Committee Meetings		
			Held in their tenure	Held during the Year	Attended
Sri P. Sarath Kumar	Chairman[1]	Independent Director	3	3	3
Sri P.S. Rao[1]	Chairperson	Independent Director	2	3	2
Dr. T. Neelaveni	Member	Independent Director	3	3	3
Sri TVVSN Murthy	Member	Executive Director	3	3	3

Notes: [1]Committee Membership – Sri P. S. Raow.e.f. 07-11-2015. The Board in their Meeting held on 07-11-2015 nominated him as Chairperson of the Committee and relieve Sri P. Sarat Kumar from Chairmanship, but he continue as member in the Committee.

7. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR COMMITTEE):

The CSR Committee of the Company is constituted in accordance with the provisions of Section 135(2) of the Companies Act, 2013. During the year under review the Company had formulated a "Corporate Social Responsibility Policy" in its Board Meeting held on 08-08-2015 and subsequently modified the same on Board Meeting held on 05-12-2015; in accordance to changing regulatory norms. The Charter contains the elaborated procedural guidelines for Expenditure on the Corporate Social Responsibility, including the mode & reporting mechanism of the same to the Committee. The said Charter in compliance with the requirement of Section 135& Schedule – VII of the Companies Act, 2013 and applicable rules made thereunder. The composition of the Committee was revisited by the Board in their meeting held on 07-11-2015. The Committee met on 11-02-2016 at which proper quorum was present.

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

Name of the Director	Designation	Category	Audit Committee Meetings	
			Held during the Year	Attended
Sri Ramesh Babu Potluri	Chairperson	Executive Director	1	1
Sri P. Sarath Kumar	Member	Independent Director	1	0
Sri P.S. Rao	Member	Independent Director	1	1

8. Name, designation and address of Compliance Officer:

Sri Saurav Roy
Company Secretary and Compliance Officer
SMS Pharmaceuticals Limited
Plot No.19-III, Opp. BharatiyaVidya Public School,
Road No.71, Jubilee Hills, Hyderabad, Telanagana – 500096.
E-mail: complianceofficer@smspharma.com
Phone: + 91-40-6628 8888
Fax: + 91-40-2355 1401, 2355 1402
Website: www.smspharma.com

9. Investor Grievances

Details of investor complaints received and redressed during the year 2015- 16 are as follows

Opening Balance	Received during the year	Resolved during the year	Closing Balance
Nil	5	5	Nil

10. GENERAL BODY MEETINGS:

The location and time of the Annual General Meetings held during the last 3 years are as follows:

AGM for FY	Date	Time	Venue	No. of Special Resolutions passed.
2012-13	30th September, 2013	11.00 A.M.	Jubilee Hills Club, Jubilee Hills, Hyderabad-500 033.	4
2013-14	30th September, 2014	11.00 A.M.		2
2014-15	29th September, 2015	11.00 A.M.		1

The Company had passed two resolution via postal ballot in last year details of those given hereunder pursuant to the Schedule-V(C)(7)(c) of the SEBI Listing Regulations:

Details of the Procedure for the Resolution passed through Postal Ballot:

Pursuant to the provisions of Section 110 of the Companies Act, 2013 read with Rule 22 of Companies (Management and Administration) Rules, 2014 and other applicable provisions, if any of the Act (including any statutory modification or re-enactment thereof for the time being in force) and applicable clause of listing agreement with the stock exchanges and SEBI Listing Regulations (as applicable, if any), the notice of the Postal Ballot and e-postal ballot along with explanatory statement dated 9th October, 2015 had been circulated among members for seeking their consent on the following Special Resolutions:

- Sub-division of Equity Shares of ₹ 10 each into ₹ 1 each.
- Alteration of the Capital Clause of the Memorandum of Association.

Sri C. Sudhir Babu (Practicing Company Secretary) of CSB Associates having Membership No. F2724 & Certificate of Practice No. 7666 as scrutinizer "The Scrutinizer" for conducting the postal ballot /e-voting process in a fair and transparent manner.

Procedure:

The voting rights were reckoned on the paid up value of shares registered in the name of the shareholders as on 30th October, 2015. The Company had provided e-voting facility to the shareholders to enable them to cast their votes electronically on the resolution proposed in the notice of Postal Ballot and e-postal ballot.

The dispatch of Notice of Postal Ballot/e-voting containing Special Resolutions, Explanatory Statements, Postal Ballot Forms, E-Voting User-IDs and Passwords and a self-addressed postage prepaid Business Reply Envelope were completed on 2nd November, 2015. News Paper advertisement informing completion of dispatch of postal ballot was published, both in 'Financial Express' (English) all editions and 'Andhra Prabha' (Telugu) Hyderabad editions on 4th November, 2015. The voting (by means of postal ballot and e-voting) was open from 3rd November, 2015 at 09:30 a.m. to 2nd December, 2015 up to 5:30 p.m.

Sri C. Sudhir Babu, informed the chairman that till the close of working hours (5:30 p.m.) on 2nd December, 2015, he received total 107 Nos of Postal Ballot form (Physical and through electronic mode) out of which one(1) was invalid. Thereafter, he handed over the final report of postal ballot along with all postal ballot forms to the Chairman. The report submitted by the scrutinizer had taken on record by the Chairman.

The scrutinizer's report on resolution as follows:

Sl. No.	Particulars	No. of Person Voted	No. of Shares/ Votes received
Postal Ballot Result:			
1.	Postal Ballot Forms received	57	708673
	Less: Invalid Postal Ballot Forms	1	2
2.	Net Valid Postal Ballot Forms	56	708671
3.	Less: Total No. with Dissent for the Resolution.	1	1
4.	Total No. with Assent for the Resolution	55	708670

Sl. No.	Particulars	No. of Person Voted	No. of Shares/ Votes received
E-Voting Result:			
1.	**RESOLUTION – 1: SUBDIVISION OF SHARES**		
	Valid Postal Ballot Forms	50	50,09,925
	Less: Total No. with Dissent for the Resolution.	3	418
	Total No. with Assent for the Resolution	47	5009507
2.	**RESOLUTION – 2 ALTERATION OF CAPITAL CLAUSE**		
	Valid Postal Ballot Forms	50	50,09,925
	Less: Total No. with Dissent for the Resolution.	8	498
	Total No. with Assent for the Resolution	42	5009427

Based on the above facts, the Special Resolutions for Sub-division equity shares and Alteration of Share Capital of the Company pursuant to Section 13 and 61 and other applicable provisions of the Companies Act, 2013 as contained in the Postal Ballot Notice dated 09th October, 2015 considered as passed by the members of the Company by way of Postal Ballot.

11. MEANS OF COMMUNICATION

The quarterly, half-yearly and annual results of the Company are published in leading newspapers in India whichinclude The Financial Express (All Editions) and Andhra Prabha (Hyderabad &Secunderabad Editions). The results are also displayed on the Company's website "http://www.smspharma.com/annual-reports.php". Press Releases made by the Company from time to time, whenever necessary are also displayed on the Company's website. No specific presentations made to the institutional investors and analysts after the declaration of the results.

GENERAL SHAREHOLDERS INFORMATION

Financial calendar:

28th Annual General Meeting

Financial Year	:	2015-2016
Day and Date	:	Friday, 30th September, 2016
Time	:	11.00 A.M.
Venue	:	Jubilee Hills International Center, (Jubilee Hills, Club), Hyderabad, Telanagana – 500033

As required under Regulation 36(3) of the SEBI Listing Regulations, particulars of Director seekingre-appointment at the forthcoming AGM are given herein and in the Annexure to the Notice of the AGM to be held on 30th September, 2016.

Date of book closure : 24th September, 2016 to 30th September, 2016

Dividend Payment Date : The dividend, if declared, will be paid/credited on or after 5th October, 2016.

Listing on Stock Exchange & Stock Code:

BSE Limited "BSE" Corporate Relationship Department 2nd Floor, New Trading Wing Dalal Street, Mumbai-400 001	National Stock Exchange of India Limited "NSE" Exchange Plaza, 5th Floor, Plot No.C/1 G Block, Bandra-Kurla Complex Bandra (E), Mumbai-400 051.
Stock Code: BSE: 532815	**Stock Code: NSE : SMSPHARMA**

Listing Fees as applicable had been paid.

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

The table below shows the monthly high and low price on the NSE and BSE Limited during the year 2015-16.

Month	BSE			NSE		
	High (₹)	Low (₹)	Volume	High (₹)	Low (₹)	Volume
April, 2015	714.00	501.00	1,40,816	662.00	500.50	5,06,691
May, 2015	618.75	505.00	40,695	619.95	502.10	1,51,460
June, 2015	667.50	543.00	63,307	669.90	540.00	2,60,164
July, 2015	758.00	565.00	1,20,851	758.80	570.05	4,62,475
August, 2015	820.00	520.00	2,07,265	821.70	520.00	7,32,306
September, 2015	662.50	504.25	50,188	657.30	526.50	2,27,411
October, 2015	869.75	635.00	1,61,649	869.85	636.35	7,19,276
November, 2015	933.00	755.00	1,05,269	935.00	750.10	3,09,969
December, 2015#	137.50#	878.00	23,02,832	137.15#	875.00	1,03,70,681
January, 2016#	125.00	88.80#	11,88,126	125.65	89.00#	60,57,552
February, 2016#	105.50	72.00	9,31,632	105.45	71.60	29,61,857
March, 2016#	93.95	77.95	7,86,254	93.75	77.10	20,12,343

Note: #Subdivision of Share on 18-12-2015 from Face value of ₹ 10 each to 10 shares of ₹ 1 each.

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

SMS Pharmaceuticals Limited vs. BSE

SMS Pharmaceuticals Limited vs. NSE

14. Share Transfer Agents:

Sri G. Bhaskara Murthy (G.M.)
M/s. Aarthi Consultants Private Limited
1-2-285, Domalguda, Hyderabad-500 029,
Telangana State
Phone : 040-27638111, 27642217, 27634445
Fax : 040-27632184
Email : info@aarthiconsultants.com
(For share related services/transfer of physical shares/change of address of members/nomination etc..)

15. Share Transfer System

The Boardin pursuant to regulation 40 of SEBI Listing Regulationshadauthorized Company Secretary and Company's Share Transfer Agent M/s Aarthi Consultants Private Limited vide a Board Resolution dated 05-12-2015 to look into the transfer of securities on day to day basis and report the same as on Stakeholder's Relationship Committee Meeting or Board Meeting occurred. All Shares as & when received with proper documents transferred within Statutory Time limit.

16. Distribution of Equity Shareholding

The table below shows the distribution of shareholding of various groups as on 31st March, 2016.

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

Slab of shareholdings			Shareholders	%	No. of Shares	%
1	-	100	5959	39.82	282111	0.33
101	-	1,000	7149	47.77	2938628	3.47
1,001	-	5,000	1357	9.07	2964523	3.5
5,001	-	10,000	226	1.51	1861553	2.2
10,001	-	1,00,000	224	1.5	6706746	7.92
1,00,001	-	10,00,000	37	0.25	7897726	9.33
10,00,000	and	Above	14	0.09	62000743	73.24
		Total	**14966**	**100**	**84652030**	**100**

According to categories of Equity Shareholders as on 31st March, 2016

Sl. No.	Category of Shareholders	No. of Shareholders	No. of Shares
(A)	**Shareholding of Promoter and Promoter Group**	16	54072850
(B)	**Public shareholding**		
	B1) Institutions	0	0
	Mutual Funds/	1	178385
	Financial Institutions/ Banks	2	50486
	Any Other (specify)	1	22292
	Sub Total B1	**4**	**251163**
B2)	**Central Government/ State Government(s)/ President of India**	0	0
B3)	**Non-Institutions**	0	0
	Individual share capital upto ₹ 2 Lacs	14376	15268649
	Individual share capital in excess of ₹ 2 Lacs	7	4450530
	NBFCs registered with RBI	2	26400
	Any Other (specify)		
	Foreign Individuals or NRI	50	1522472
	NRI - Repatriable	176	471719
	Bodies Corporate	216	3076387
	Clearing Members	118	270177
	Overseas corporate bodies	1	5239473
	Trust	1	1710
	Unclaimed Suspense	1	500
	Sub Total B3	**14948**	**30328017**
	Total Public Shareholding(B)=(B1+B2+B3)	**14952**	**30579180**
	TOTAL (A) + (B)	**14968**	**84652030**

17. Dematerialisation of Shares

The Company has made necessary arrangements with National Securities Depository Limited (NSDL) and Central Depository Services India Limited (CDSL) for dematerialization facility. As on 31st March, 2016, 83,21,845 Equity Shares (98.30%) of the Company's equity shares are in dematerialized form. Shareholders can open an account with any of the depository participants registered with any of these depositories.

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

The Company has not issued any GDRs/ ADRs/ Warrants or any convertible instruments in the past and hence as on 31st March, 2016 the Company does not have any outstanding GDRs/ ADRs/ Warrants or any convertible instruments.

19. Dematerialisation of shares and liquidity:

The Company is having 8,46,52,030 shares out of which 8,38,40,810 are in dematerialised mode on NSE and BSE. Equity shares of the Company representing 99.04% of the Company's equity share capital are dematerialised as on 31stMarch, 2016. Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE812G01025.

For Commodity price risk or foreign exchange risk and hedging activities please refer to Management Discussion and Analysis Report as annexed in the Board's Report as Annexure - 2.

20. OTHER DISCLOSURE:

Related party transactions

During the year under review no materially significant transactions entered into between the Company and related parties as defined under Section 185 or 188of the Companies Act, 2013 along with Regulation 23 of SEBI Listing Regulations; which might had/may have potential conflict with the interest at large of the Company. All the related party transaction for the year ended on 31stMarch, 2016 formed part of AOC-2 annexed as "Annexure – 5" to the Board Report. Further the Company in its Annual General Meeting held on 29-09-2015 taken necessary prior approval from the members of the Company for these transaction upto the limit prescribed under the law, and all periodic transactions, if any, were presented before the Audit Committee & Board on quarterly basis. The Board in its Meeting held on 14-05-2016 had approved the "Policy on Related Party Transaction". The said policy has been also hosted on the website of the Company at the following link: http://www.smspharma.com/investors/downloads/policy-on-related-party-transactions.pdf

There was no non-compliance, penalties, strictures imposed on the Company during the last three financial years 2013-14, 2014-15 and 2015-16 respectively by the stock exchanges or the SEBI or any statutory authority, on any matter related to capital markets.

The Company had adopted a Whistle Blower Policy and has established the necessary Vigil Mechanism asdefined under Regulation 22 of SEBI Listing Regulations for directors and employees to report concerns about unethical behavior. No person has been denied access to the Chairman of the audit committee. Thesaid policy has been also hosted on the website of the Company at the following link: http://www.smspharma.com/investors/downloads/whistle-blower-protection-policy.pdf

The Company is following the mandatory disclosure requirement under Schedule II of the SEBI Listing Regulations.

The Company had also adopted Policy for Determination of Materiality for Disclosures. The said policy has been also hosted on the website of the Company at the following link: http://www.smspharma.com/investors/downloads/policy-for-determination-of-materiality-for-disclosure.pdf

21. Details of Demat Suspense Account/Unclaimed Suspense Account

Pursuant to Regulation 34 (3) read with Schedule V of the SEBI Listing Regulation the dividend on shares remaining unclaimed by the shareholders were transferred by the Company during the financial year is stand ₹ 1,83,374.00 as on 30.06.2016 to the "SMS Pharmaceuticals Limited- Unclaimed Suspense Account". The voting rights on such shares shall remain frozen till the rightful owner claims the shares. During the year, on the basis of requests received from some of the shareholders, the Company credited the shares from said Account to the individual account of the related shareholders to the extent of their entitlement. The details as required under Schedule V(F) of the Listing Agreement are as under:

Pursuant to the provisions of Section 124 of the Companies Act, 2013, dividend which remains unpaid or unclaimed for a period of seven years from the date of its transfer to unpaid dividend account, is required to be transferred by the Company to the Investor Education and Protection Fund, established by the Central Government under the provisions of Section 125 of the Companies Act, 2013 had been transferred on 24-12-2015.

Shareholders of the Company who have either not received or have not en-cashed their dividend warrants, for the financial years 2008-09, 2009-10, 2010-11, 2012-13, 2013-14 and 2014-15 are requested to claim the unpaid/ unclaimed dividend from the Company before transfer to the fund.

Details of shares held in demat suspense account with HSE Securities Ltd. (IN302734-10034023) for the period from 01/04/2015 to 31/03/2016.

(i)	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year.	No. of shareholders No. of shares	: :	2 50
(ii)	Number of shareholders who approached issuer for transfer of shares from suspense account during the year.	No. of shareholders No. of shares	: :	- -
(iii)	Number of shareholders to whom shares were transferred from suspense account during the year.	No. of shareholders No. of shares	: :	- -
(iv)	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year.	No. of shareholders No. of shares	: :	2 50
(v)	That the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.	Yes		

Investors Correspondence :

For institutional investors / analysts queries relating to Financial Performance and Announcement kindly mail at below mentioned mail id.

Email : cs@smspharma.com

22. PLANT LOCATIONS

KHAZIPALLY UNIT Sy. No. 180/2, IDA Kazipally Village, JinnaramMandal, Medak District, Hyderabad Telangana State - 502 319 Phone :+91-08458-285434 Fax :+91-08458-277069 Email : admin_unit1@smspharma.com	**BACHUPALLY UNIT** Plot No. 24 & 24B, S.V. Co.op Ind. Estate Bachupally, I.D.A., R.R. Dist. Telangana State - 502 325. Phone :+ 91-40-6598 6691 Email : admin_unit2@smspharma.com
JEEDIMETLA UNIT Plot No. 66/B-2, Phase-1, IDA Jeedimetla, Hyderabad, Telangana State - 500 055 Phone :+91-40-2309 5151 Fax :+91-40-2373 5639 Email : admin_unit4@smspharma.com	**VIZIANAGARAM UNIT** Sy. No. 160, 161, 163 to 167, Kandivalasa, Poosapatirega (Mandal), Vizianagaram Dist., Andhra Pradesh – 535 204 Phone :+91-08922-258051/53/54 Fax :+91-08922-258052 Email : admin_unit7@smspharma.com
Bollaram Unit Sy. No. 296/7/4, S.V. Co.op. Ind. Estate I.D.A., Bollaram, MedakDistric, Hyderabad, Telangana State – 502325 Phone : + 91 - 040 - 64547975 Email : unit5@smspharma.com	**R & D CENTER** Sy. No. 186, 189 & 190, Gagillapur, Qutubullapur, Ranga Reddy Dist., Hyderabad, Telangana State, India. Phone : + 91 - 8418 - 257337 / 8 Fax : + 91 - 8418 - 257469 Email : rnd@smspharma.com

By the order of the Board

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

Place: Hyderabad
Date: 10-08-2016

Annexure -7

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2016

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS:

1	CIN	L24239AP1987PLC008066
2	Registration Date	14th December, 1987
3	Name of the Company	SMS Pharmaceuticals Limited
4	Category/Sub-category of the Company	Company Limited by Shares
		Listed Public Company
5	Address of the Registered office & contact details	Plot No:19-III, Road No:71, Jubilee Hills, Opp.Bharatiya Vidya Bhavan Public School, Hyderabad - 500 096, Telangana, India
6	Whether listed Company	Yes
		BSE(Bombay Stock Exchange) Ltd. National Stock Exchange of India Limited
7	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Aarthi Consultants Private Limited 1-2-285,Domalguda, Hyderabad, Telangana-500 029. Phone : 040-27638111/ 27642217 Email : infor@aarthiconsultants.com"

II. PRINCIPAL BUSINESS ACTIVITIES OF THE Company

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

SL. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the Company
1	Pharmaceuticals	Sec.-C; Div-21;Gr.-210	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl.No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	VKT Pharma Private Ltd.	U24100TG2006PTC050221	Associate	34.33%	2(6)

IV. SHARE HOLDING PATTERN

(Equity share capital breakup as percentage of total equity)

(i) Category-wise Share Holding

Category of Shareholders		No. of Shares held at the beginning of the year [As on 31-March-2015]				No. of Shares held at the end of the year [As on 31-March-2016]				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A.	**Promoters**									
(1)	**Indian**									
a)	Individual/ HUF	4,824,443		4,824,443	56.99%	48,205,430		48,205,430	56.95%	-0.05%
b)	Central Govt			-	-			-	-	
c)	State Govt(s)			-	-			-	-	
d)	Bodies Corp.	586,000		586,000	6.92%	5,867,420		5,867,420	6.93%	0.01%
e)	Banks / FI			-	-			-	-	
f)	Any other			-	-			-	-	
	Sub Total (A) (1)	**5,410,443**	**-**	**5,410,443**	**63.91%**	**54,072,850**	**-**	**54,072,850**	**63.88%**	**-0.04%**
(2)	**Foreign**									
a)	NRI Individuals			-	-			-	-	
b)	Other Individuals			-	-			-	-	
c)	Bodies Corp.			-	-			-	-	
d)	Any other			-	-			-	-	
	Sub Total (A) (2)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
	TOTAL (A)	**5,410,443**	**-**	**5,410,443**	**63.91%**	**54,072,850**	**-**	**54,072,850**	**63.88%**	**-0.04%**
B.	**Public Shareholding**									
1.	**Institutions**									
a)	Mutual Funds			-	-	178,385		178,385	0.21%	0.21%
b)	Banks / FI	520		520	0.01%	50,486		50,486	0.06%	0.05%
c)	Central Govt			-	-			-	-	
d)	State Govt(s)			-	-			-	-	
e)	Venture Capital Funds			-	-			-	-	
f)	Insurance Companies			-	-			-	-	
g)	FIIs	35,000		35,000	0.41%			-	-	-0.41%

Category of Shareholders		No. of Shares held at the beginning of the year [As on 31-March-2015]				No. of Shares held at the end of the year [As on 31-March-2016]				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
h)	Foreign Venture Capital Funds			-				-	-	-
i)	Others (specify)			-		22,292		22,292	0.03%	0.03%
	Sub-total (B)(1):-	35,520	-	35,520	0.42%	251,163	-	251,163	0.30%	-0.12%
2.	**Non-Institutions**									
a)	**Bodies Corp.**									
i)	Indian	416,677	170	416,847	4.92%	3,101,587	1,700	3,103,287	3.67%	-1.26%
ii)	Overseas									
b)	**Individuals**									
i)	Individual shareholders holding nominal share capital upto ₹ 1 lakh	964,239	91,387	1,055,626	12.47%	12,037,026	647,170	12,684,196	14.98%	2.51%
ii)	Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	652,432	51,332	703,764	8.31%	6,877,323	157,660	7,034,983	8.31%	0.00%
c)	**Others (specify)**									
	Non Resident Indians	169,255	298	169,553	2.00%	1,991,211	2,980	1,994,191	2.36%	0.35%
	Overseas Corporate Bodies	659,029	-	659,029	7.79%	5,239,473		5,239,473	6.19%	-1.60%
	Foreign Nationals									
	Clearing Members	14,250		14,250	0.17%	270,177		270,177	0.32%	0.15%
	Trusts	-	171	171	0.00%	-	1,710	1,710	0.00%	
	Foreign Bodies - D R									
	Sub-total (B)(2):-	**2,875,882**	**143,358**	**3,019,240**	**35.67%**	**29,516,797**	**811,220**	**30,328,017**	**35.83%**	**0.16%**
	Total Public (B)	**2,911,402**	**143,358**	**3,054,760**	**36.09%**	**29,767,960**	**811,220**	**30,579,180**	**36.12%**	**0.04%**
C.	**Shares held by Custodian for GDRs & ADRs**									
	Grand Total (A+B+C)	**8,321,845**	**143,358**	**8,465,203**	**100.00%**	**83,840,810**	**811,220**	**84,652,030**	**100.00%**	

Note = Number of shares had increased in 10 times at closing due to sub division of shares from Record date on 18-12-2015.

(ii) Shareholding of Promoter

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% Change during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	
1	Hima Bindu Potluri	1,237,336	14.62%	-	12,373,360	14.62%	-	-
2	Ramesh Babu Potluri	1,135,696	13.42%	-	11,356,960	13.42%	-	-
3	T V V S N Murthy	822,700	9.72%	-	8,227,000	9.72%	-	-
4	Potluri Infra Projects Private Limited	586,000	6.92%	-	5,860,000	6.92%	-	-
5	T Annapurna	439,034	5.19%	-	4,390,340	5.19%	-	-
6	T V V S N Murthy	398,134	4.70%	-	3,981,340	4.70%	-	-
7	Gopineedi Sudeepthi	175,000	2.07%	-	1,750,000	2.07%	-	-
8	Vamsi Krishna Potluri[1]	145,440	1.72%	-	2,030,590	2.40%	-	0.68%
9	Trilok Potluri	143,134	1.69%	-	1,431,340	1.69%	-	-
10	T V Praveen	129,534	1.53%	-	1,295,340	1.53%	-	-
11	Satyavani Potluru	75,666	0.89%	-	756,660	0.89%	-	-
12	Raghavendrarao Potluri[1]	57,619	0.68%	-	-	0.00%	-	-0.68%
13	Hari Kishore Potluri	43,006	0.51%	-	430,060	0.51%	-	-
14	P Suresh Babu	14,144	0.17%	-	141,440	0.17%	-	-
15	Sukumari Koneru	4,000	0.05%	-	40,000	0.05%	-	-
16	Madanagopala Swamy-Gopineedi	4,000	0.05%	-	-	0.00%	-	-0.05%
17	Rajeshwar Rao Gopineedi	-	-	-	1,000	0.00%	-	-
18	Potluri Laboratories P. Ltd.[2]	-	-	-	7,420	0.01%	-	0.01%
	Total	**5,410,443**	**63.91%**		**54,072,850**	**63.88%**		**-0.04%**

Note = Number of shares had increased in 10 times at closing due to sub division of shares from Record date on 18-12-2015.

[1] Further, Shares of Late Sri Raghavendrarao Potluri transferred to Sri Vamsi Krishna Potluri, Sri Madanagopala Swamy Gopineedi exit from promoter group.

[2] Potluri Laboratories earlier categorised at Public but subsequently changed to promoter group 30-09-2015 onwards.

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

SN	Particulars	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
	At the beginning of the year			5,410,443	63.91%	5,410,443	6.39%
	Changes during the year						
	Sri Madangopalswamy removed from promoter group	30-Sep-15	Transfer	(4,000)	-0.05%	5,406,443	6.39%
	Sri RajeshwarRaoGopineeni included in the promoter group	30-Sep-15	Transfer	100	0.00%	5,406,543	
	Incorporated Potluri Laboratories P. Ltd. in promoter group as per ICDR Reg.	30-Sep-15	Transfer	93,742	1.11%	5,500,285	
	Sale of Shares from Potluri Laboratories P. Ltd.	12-Feb-15	Transfer	(93,000)	-1.10%	5,407,285	
	Sub division of shares @ 1:10	18-Dec-15	Allot			54,072,850	
	At the end of the year					54,072,850	63.88%

Note = Number of shares had increased in 10 times at closing due to sub division of shares from Record date on 18-12-2015.

(iv) Shareholding Pattern of top ten Shareholders

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

SN	For each of the Top 10 shareholders	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
1	**Gulf Pharmaceutical Industries**						
	At the beginning of the year	**1-Apr-15**		**659,029**	**7.79%**		
	Changes during the year	20-Nov-15	Transfer	(18,000)	-0.21%	641,029	7.57%
		27-Nov-15	Transfer	(83,000)	-0.98%	558,029	6.59%
		04-Dec-15	Transfer	(1,352)	-0.02%	556,677	6.58%
	Closing at 18.12.15 = Sub division of shares @ 1:10	18-Dec-15	Allot	-	0.00%	5,566,770	6.58%
		25-Dec-15	Transfer	(46,770)	-0.55%	5,520,000	6.52%
		31-Dec-15	Transfer	(260,000)	-3.07%	5,260,000	6.21%
		04-Mar-16	Transfer	(10,000)	-0.12%	5,250,000	6.20%
		11-Mar-16	Transfer	(10,527)	-0.12%	5,239,473	6.19%
	At the end of the year	**31-Mar-16**				**5,239,473**	**6.19%**

SN	For each of the Top 10 shareholders	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
2	**Venkata Subbaraju Penmatsa**						
	At the beginning of the year	**1-Apr-15**		**195,000**	**2.30%**		
	Changes during the year	13-Nov-15	Transfer	(3,000)	-0.04%	192,000	2.27%
		20-Nov-15	Transfer	(8,500)	-0.10%	183,500	2.17%
		27-Nov-15	Transfer	(4,000)	-0.05%	179,500	2.12%
	Closing at 18.12.15 = Sub division of shares @ 1:10	18-Dec-15	Allot	-		1,795,000	2.12%
	At the end of the year	**31-Mar-16**				**1,795,000**	**2.12%**
3	**AniruddhMundra**						
	At the beginning of the year	**1-Apr-15**		**125,000**	**1.48%**		
	Closing at 18.12.15 = Sub division of shares @ 1:10	18-Dec-15	Allot	-	0.00%	1,250,000	1.48%
	At the end of the year	**31-Mar-15**			**0.00%**	**1,250,000**	**1.48%**
4	**Vivek Mundra**						
	At the beginning of the year	**1-Apr-15**		**112,000**	**1.32%**		
	Changes during the year	27-Nov-15	Transfer	(10,000)	-0.12%	102,000	1.20%
	Closing at 18.12.15 = Sub division of shares @ 1:10	18-Dec-15	Allot	-	0.00%	1,020,000	1.20%
	At the end of the year	**31-Mar-15**			**0.00%**	**1,020,000**	**1.20%**
5	**AlpanaMundra**						
	At the beginning of the year	**1-Apr-15**		**110,000**	**1.30%**		
	Changes during the year	20-Nov-15	Transfer	(11,395)	-0.13%	98,605	1.16%
		27-Nov-15	Transfer	(50,893)	-0.60%	47,712	0.56%
		04-Dec-15	Transfer	(1,907)	-0.02%	45,805	0.54%
		11-Dec-15	Transfer	(1,495)	-0.02%	44,310	0.52%
	Closing at 18.12.15 = Sub division of shares @ 1:10	18-Dec-15	Allot	-	0.00%	443,100	0.52%
		25-Dec-15	Transfer	(86,215)	-1.02%	356,885	0.42%
		31-Dec-15	Transfer	(2,715)	-0.03%	354,170	0.42%
	At the end of the year	**31-Mar-15**			**0.00%**	**354,170**	**0.42%**
6	**Poutluri Laboratories Pvt. Ltd.***						
	At the beginning of the year	**1-Apr-15**		**93,742**	**1.11%**		
	Changes during the year	27-Nov-15	Transfer	(93,000)	-1.10%	742	0.01%
	Closing at 18.12.15 = Sub division of shares @ 1:10	18-Dec-15	Allot	-	0.00%	7,420	0.01%
	At the end of the year	31-Mar-15			0.00%	7,420	0.01%

SN	For each of the Top 10 shareholders	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
7	**Asian Markets Securities Pvt Ltd.**						
	At the beginning of the year	**1-Apr-15**		**69,900**	**0.83%**		
	Changes during the year	09-Oct-15	Transfer	(3,600)	-0.04%	66,300	0.78%
		27-Nov-15	Transfer	(10,000)	-0.12%	56,300	0.67%
		04-Dec-15	Transfer	(11,683)	-0.14%	44,617	0.53%
		11-Dec-15	Transfer	(1,317)	-0.02%	43,300	0.51%
	Closing at 18.12.15 = Sub division of shares @ 1:10	18-Dec-15	Allot	-	0.00%	433,000	0.51%
		25-Dec-15	Transfer	(145,000)	-0.17%	288,000	0.34%
		31-Dec-15	Transfer	(55,000)	-0.06%	233,000	0.28%
		01-Jan-16	Transfer	11,000	0.01%	244,000	0.29%
		08-Jan-16	Transfer	(40,000)	-0.05%	204,000	0.24%
		15-Jan-15	Transfer	(204,000)	-0.24%	-	0.00%
	At the end of the year	**31-Mar-15**					
8	**Merlin Holding Pvt Ltd**						
	At the beginning of the year	**1-Apr-15**		**55,644**	**0.66%**		
	Changes during the year	1-Apr-15	Transfer	(5,000)	-0.06%	50,644	0.60%
		03-Apr-15	Transfer	(18,828)	-0.22%	31,816	0.38%
		19-Jun-15	Transfer	(1,000)	-0.01%	30,816	0.36%
		24-Jul-15	Transfer	(14,294)	-0.17%	16,522	0.20%
		31-Jul-15	Transfer	(13,875)	-0.16%	2,647	0.00%
		13-Nov-15	Transfer	(2,647)	0.00%	-	0.00%
	At the end of the year	**31-Mar-15**					
9	**The Indiaman Fund (Mauritius) Limited**						
	At the beginning of the year	**1-Apr-15**		**35,000**	**0.41%**		
	Changes during the year	31-Jul-15	Transfer	(35,000)	-0.41%	-	0.00%
	At the end of the year	**31-Mar-15**			**0.00%**	**-**	**0.00%**
10	**Nannapaneni Durga Prasad Rao**						
	At the beginning of the year	**1-Apr-15**		**28,441**	**0.34%**		
	Changes during the year	19-Jun-15	Transfer	(4,000)	-0.05%	24,441	0.29%
		30-Jun-15	Transfer	530	0.01%	24,971	0.29%
		03-Jul-15	Transfer	275	0.00%	25,246	0.30%
	Closing at 18.12.15 = Sub division of shares @ 1:10	18-Dec-15	Allot	-	0.00%	252,460	0.30%
		15-Jan-16	Transfer	(2,100)	0.00%	250,360	0.30%
	At the end of the year	**31-Mar-15**			**0.00%**	**250,360**	**0.30%**

SN	For each of the Top 10 shareholders	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
11	**ICM Finance Pvt. Ltd.**						
	At the beginning of the year	**1-Apr-15**		**23,000**	**0.27%**		
	Changes during the year	19-Jun-15	Transfer	(1,000)	-0.01%	22,000	0.26%
		24-Jul-15	Transfer	(8,664)	-0.10%	13,336	0.16%
		31-Jul-15	Transfer	27,664	0.33%	41,000	0.48%
		14-Aug-15	Transfer	(1,000)	-0.01%	40,000	0.47%
		21-Aug-15	Transfer	(35,000)	-0.41%	5,000	0.06%
		11-Sep-15	Transfer	(2,072)	-0.02%	2,928	0.03%
		18-Sep-15	Transfer	(2,437)	-0.03%	491	0.01%
		23-Sep-15	Transfer	(491)	-0.01%	-	0.00%
	At the end of the year	**31-Mar-15**					
*__Note__=Potluri Laboratories earlier categorised at Public but subsequently changed to promoter group 30-09-2015 onwards.							

(v) Shareholding of Directors and Key Managerial Personnel:

SN	Shareholding of each Directors and each Key Managerial Personnel	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
1	**Sri Ramesh Babu Potluri**						
	At the beginning of the year	1-Apr-15		1,135,696	13.42%		0.00%
	Changes during the year				0.00%	1,135,696	13.42%
	Closing at 18.12.15 = Sub division of shares @ 1:10	18-Dec-15				11,356,960	13.42%
	At the end of the year	31-Mar-16				11,356,960	13.42%
2	**Sri TVVSN Murthy**						
	At the beginning of the year	1-Apr-15		822,700	9.72%		0.00%
	Changes during the year				0.00%	822,700	9.72%
	Closing at 18.12.15 = Sub division of shares @ 1:10	18-Dec-15				8,227,000	9.72%
	At the end of the year	31-Mar-16			0.00%	8,227,000	9.72%
3	**Sri Sarath Kumar Pakalapaty**						
	At the beginning of the year	1-Apr-15			0.00%		0.00%
	Changes during the year - Transmission of shares from father	11-Mar-16	Transfer	85,000	0.10%	85,000	0.10%
	At the end of the year	31-Mar-16			0.00%	85,000	0.10%

Note = Number of shares had increased in 10 times at closing due to sub division of shares from Record date on 18-12-2015.

V. INDEBTEDNESS

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

(Amt. INR)

	Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year					
i)	Principal Amount	1,618,685,488	47,821,862	-	1,666,507,350
ii)	Interest due but not paid				-
iii)	Interest accrued but not due	7,808,124			7,808,124
	Total (i+ii+iii)	1,626,493,612	47,821,862	-	1,674,315,474
Change in Indebtedness during the financial year					
	* Addition				-
	* Reduction				-
	Net Change				-
Indebtedness at the end of the financial year					
i)	Principal Amount	1,998,615,113	42,994,333		2,041,609,446
ii)	Interest due but not paid				-
iii)	Interest accrued but not due	5,439,007			5,439,007
	Total (i+ii+iii)	**2,004,054,120**	**42,994,333**	**-**	**2,047,048,453**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sl. No.	Particulars of Remuneration		Name of MD/WTD/ Manager		
		Name	**Sri Ramesh Babu Potluri**	**Sri TVVSN Murthy**	**Total Amount (INR)**
		Designation	Chairman	Vice Chairman	
1		Gross salary			
	(a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	6,600,000	6,600,000	13,200,000
	(b)	Value of perquisites u/s 17(2) Income-tax Act, 1961			
	(c)	Profits in lieu of salary under section 17(3) Income- tax Act, 1961	641,058	488,968	1,130,026
2		Stock Option	-	-	-
3		Sweat Equity			
4		Commission	-	-	-
		- as % of profit	12,047,689	12,047,689	24,095,377
		- others, specify	-	-	-
5		Others, please specify	-	-	-
		Total (A)	19,288,747	19,136,657	**38,425,403**
		Overall Ceiling as per the Act			**60,238,518**

B. Remuneration to other Directors

SN.	Particulars of Remuneration	Name of Directors						Total Amount (INR)
1	Independent Directors	Sir. A.P. Rao	Sri. K.S. Rao	Sri. P.S. Rao	Dr. Mihir K. Chaudhuri	Sri. P. Sarath Kumar	Dr. (Mrs.) T. Neelaveni	
	Fee for attending board committee meetings	11,667	15,556	20,557	3,889	34,446	40,003	126,118
	Commission							-
	Others, please specify							-
	Total (1)	11,667	15,556	20,557	3,889	34,446	40,003	126,118
2	**Other Non-Executive Directors**	**Exim Bank (Sri. Utpal Gokhale Nominee Director)**	**Dr. AymanSahli Nominee Director of M/s. Gulf Pharma-ceuticals**					-
	Fee for attending board committee meetings	22,779	-					22,779
	Commission							-
	Others, please specify							-
	Total (2)	22,779	-	-	-	-	-	22,779
	Total (B)=(1+2)	34,446	15,556	20,557	3,889	34,446	40,003	148,897
	Total Managerial Remuneration							**38,574,300**
	Overall Ceiling as per the Act							**60,238,518**

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

Sl. No.	Particulars of Remuneration	Name of Key Managerial Personnel			Total Amount (Rs/Lakh)
	Name	N.A.	Sri N. Rajendra Prasad	Sri P. PrabhakaraRao/ Saurav Roy	
	Designation	CEO	CFO	CS	
1	Gross salary		1,286,880	435,092	1,721,972
	(a) Salary as per provisions contained in se ction 17(1) of the Income-tax Act, 1961		-	-	- -
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		-	-	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961		-	-	- -
2	Stock Option		-	-	-
3	Sweat Equity		-	-	-
4	Commission		-		-
	- as % of profit		-	-	-
	- others, specify		-	-	-
5	Others, please specify				-
	Total	**-**	**1,286,880**	**435,092**	**1,721,972**

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

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

for and on behalf of the Board

Ramesh Babu Potluri
DIN:00166381
Chairman and Managing Director

Place : Hyderabad
Date : 10.08.2016

Annexure - '8'

CSR ACTVITIES CONCLUDED

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

1	**A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs**	The Company shall carry its normal business in a manner that is beneficial to society & environment also in addition to propagation of business. For SMS Pharmaceutical Limited, Corporate Social Responsibility (CSR) means having business policies that are ethical, equitable, environmentally conscious, gender sensitive and sensitive towards the differently abled. We are working: i. To promote social and economic inclusion by ensuring that marginalized communities have equal access to healthcare services, educational opportunities, and rural development ii. To bridge the gap of gender disparity in education, healthcare and employment.		
2	**The Composition of the CSR Committee**	Sri Ramesh Babu Potluri	Executive Director	Chairperson
		Sri P.S. Rao	Non- Executive & Independent Director	Member
		Sri P. Sarath Kumar	Non- Executive & Independent Director	Member
3	**Average net profit of the Company for last three financial years (Rs. in Lakhs)**	₹ 923.74		
4	**Prescribed CSR Expenditure (two per cent. Of the amount as in item 3 above) (Rs. in Lakhs)**	₹ 18.47		
5	**Details of CSR spent during the financial year**			
	(a) Total amount to be spent for the financial year(Rs. in Lakhs)	₹ 18.47		
	(b) Amount unspent, if any	Nil		

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

S. No.	CSR project or activity identified	sector in which the project is covered	Projects or programs - where projects or Programs was undertaken		Amount outlay (budget) project wise	Amount spent on the projects or programs Sub heads: (1)Direct expenditure (2)Overheads	Cumulative expenditure upto to the reporting period	Amount spent Direct or through impleme-nting agency
			(1) Local area or other	**(2) Specify the State and district**				
1.	Construction of 600 Square Feet of RCC roof building for Public Health Center	Health Care	Kovvada Vllage, Poosapatirega Mandal,	Vizianagaram District, Andhra Pradesh	₹ 10 Lakhs	Direct expenditure = ₹ 9.22 Lakhs	₹ 9.22 Lakhs	Direct
2.	Construction of 600 Square Feet of RCC roof building for Public Health Center	Health Care	GumpamVllage, Poosapatirega Mandal,	Vizianagaram District, Andhra Pradesh	₹ 10 Lakhs	Direct expenditure = ₹ 9.22 Lakhs	₹ 9.22 Lakhs	Direct
3.	Provided School benches to Government Primary School	Education	Kazipally Village, Jinnaram Mandal,	Medak District; Telangana	₹ 0.78 Lakhs	Direct expenditure = ₹ 0.78 Lakhs	₹ 0.78 Lakhs	Direct
	TOTAL				**Rs.20.78**	**Rs.19.22**	**Rs.19.22**	**-**

6. The Company has fully spend the two per cent, of the average net profit of the last three financial years.

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

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

By the order of the Board

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

Place: Hyderabad
Date: 10-08-2016

Annexure - '9'

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

NAME	DESIGNATION	Remune-ration for FY 2015-16	Remune-ration for FY 2014-15	% increase in remune-ration during FY 2015	Ratio of remuneration of each director to the median remuneration of employees
Sri P. Ramesh Babu	Executive Director (Chairman & Managing Director)	7,241,058	7,445,977	(2.75)%	4660%
Sri TVVSN Murthy	Executive Director (Vice Chairman & Joint Managing Director)	7,088,968	7,186,186	(1.35)%	4562%
Dr. Mihir K. Chaudhuri	Non-Executive & Independent Director				0%
Sri P. Sarath Kumar	Non-Executive & Independent Director				0%
Dr. T. Neelaveni	Non-Executive & Independent Director				0%
Sri P. S. Rao	Non-Executive & Independent Director				0%
Dr. Ayman Sahli	Non-Executive & Nominee Director				0%
Sri Utpal Gokhale	Non-Executive & Nominee Director				0%
Sri Nadella Rajendra Prasad	Chief Financial Officer	1,286,880	1,192,200	7.94%	828%
Sri P. Prabhakara Rao/Saurav Roy*	Company Secretary	435,092	234,000	85.94%	280%
The Change in median remuneration of employees			7.92%		
The Change average increase in remuneration of employees			5.49%	There is no increment in the salary of Whole time Directors.	
Average % increase in remuneration of employees except KMP & its Comparison with performance of the Company			6.54%		

Note: Sri P. Prabhakara Rao employed with the Company upto 31-7-15, whereas Sri Saurav Roy had joined the Company on 4-8-16.

1. At the year end the Company had 1053 employees directly employed.
2. Remuneration paid to the Managerial Personnel is as per remuneration policy of the Company.
3. **Comparison of Remuneration of KMP against the performance of the Company:** The net revenue of the Company from operations has increased by 4.13% from the previous year. Similarly the net profitof the Company has increased by 18.14% from previous year.
4. The remuneration philosophy of the Company is to provide market competitive compensation which drives a high performance culture. Every year, the salary increases are based on benchmarking with similar profiled organizations and market competitiveness. The variable component is paid out to an employee on the basis of performance of the Company, the corresponding business unit or function and his/her own performance.

5. Non-Executive Directors are entitled for sitting fee only and no commission for the FY 2015-16 paid to them.
6. None of the employee (who is not directors) receives remuneration in excess of the highest paid director.
7. It is hereby affirmed that the remuneration paid during FY 2015-16 is as per the remuneration policy of the Company.

	Year	Year	% Incremental Growth
	2015-16	**2014-15**	
No. of Shares	84652030	8465203	
Face Value of the Each Share*	1.00	10.00	
Authorized Share Capital	**84,652,030**	**84,652,030**	
Closing Price			
BSE	83.40	506.50	
NSE	83.20	505.10	
Market Capitalization (Rs. in Lakh)			
BSE	70,599.79	42,876.25	65%
NSE	70,430.49	42,757.74	65%
EPS*	4.92	41.63	18%
Price Earnings Ratio			
BSE	16.95	12.17	39%
NSE	16.91	12.13	39%
% Change in the market quotations of the shares of the Company in comparison to the rate at which the Company came out with the last public offer			
IPO Price	380.00	380.00	
BSE	219.47%	133.29%	
NSE	218.95%	132.92%	

*Note: Shares Sub divided on 18-12-2015 from face value of ₹ 10/- each to Face Value of ₹ 1/- each.

By the order of the Board

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

Place: Hyderabad
Date: 10-08-2016

Annexure - '10'

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

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

CONSERVATION OF ENERGY

During the year, the Company had changes its light to more electric efficient LED/CFL. Further, the Company had made arrangement for receiving cheaper power in peak hours.

TECHNOLOGY ABSORPTION

1. **Efforts in brief, made towards technology absorption:**

   No technology absorption is involved as the Company has its own full-fledged R&D center supported with analyst, support staff and ancillary facilities which has been developing and improving Processes for manufacture of new and existing Active Pharmaceutical Ingredients and drug intermediates. During the year the Company had filed 4 DMF. The Company has continuously engaged in research on new products and process improvement on existing products as part of continuous improvement to reduce cost and make the existing processes more eco-friendly. The efforts are aimed at developing zero effluent manufacturing facilities. As soon as the development of technology, the same shall be transferred to the manufacturing sites for commercial production.

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

   a. Development of new products.

   b. Modification of existing manufacturing processes to achieve savings in production cost and reduce the time cycle.

   c. Developed novel processes and achieved cost and process efficiencies on existing products. Some of the new processes were developed to be non-infringing.

   d. Protection of intellectual property generated during research by filling Indian, US & EP patents.

   e. Technology for 3 new APIs was commercialized for regulatory markets. Processes were optimized further for some of the APIs that we already manufacturing, which yields to have more energy efficient, cost effective and environment friendly processes.

   f. A large part of our external API sales is to the regulated markets of US / Europe, and earns valuable foreign exchange, as also a reputation for quality and dependability.

3. **R&D Expenditure**

   For details of expenditure incurred in R&D center of the Company for the FY 2015-16 refer Note No.34 of Notes to Financial Statements.

4. **Foreign Exchange earnings and outgo**

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

By the order of the Board

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

Place: Hyderabad
Date: 10-08-2016

Annexure - 'II'

Form No. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2016

[Pursuant to Section 204 (1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To the Members,
SMS Pharmaceuticals Limited,
Hyderabad

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **SMS Pharmaceuticals Limited** ("the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March , 2016 complied with the statutory provisions listed hereunder and also that the Company has proper board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2016 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made there under;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made hereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under to the extent of Regulation 55A;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

   (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

   (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 [Upto 14th May, 2015] and Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 [Effective from 15th May, 2015];

   (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 **(not Applicable to the Company during the Audit Period);**

   (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and Securities and Exchange Board of India (Share Based Employee Benefit) Regulations, 2014 **(not Applicable to the Company during the Audit Period);**

   (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 **(not Applicable to the Company during the Audit Period);**

   (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

   (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 **(not Applicable to the Company during the Audit Period); and**

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 **(not Applicable to the Company during the Audit Period);**

(vi) We further report that, having regard to the Compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof the Company has complied with the following laws applicable specifically to the Company:

(a) Drugs and Cosmetics Act, 1940
(b) Drugs (Price Control) Order, 2013
(c) Narcotic Drugs and Psychotropic Substances Act, 1985
(d) Indian Boilers Act, 1923 and Regulations
(e) Explosives Act, 1884
(f) Petroleum Act, 1934
(g) Water (Prevention and Control of Pollution) Act, 1974
(h) Air (Prevention and Control of Pollution) Act, 1981
(i) Environment Protection Act, 1986

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

(i) Secretarial Standard-1 on Meetings of the Board of Directors (SS-1) issued by The Institute of Company Secretaries of India;

(ii) Secretarial Standard-2 on "General Meetings" (SS-2) issued by the Institute of Company Secretaries of India; and

(iii) The Listing Agreements entered by the Company with Bombay Stock Exchange and National Stock Exchange [Upto 30th November, 2015] and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [Effective from 1st December, 2015].

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc., as mentioned above.

We further report that:

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

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

All decisions at Board Meetings and Committee are carried out unanimously as recorded in the minutes of the meeting of the Board of Directors and Committee of the Board, as the case may be.

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

We further report that during the audit period there were no specific events/actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines and standards.

For SVVS & Associates
Company Secretaries LLP

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

Place: Hyderabad
Date: 10-08-2016

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

ANNEXURE

The Members
SMS Pharmaceuticals Limited
Hyderabad

(1) Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.

(2) We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on the random test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.

(3) We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

(4) Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

(5) The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the Management. Our examination was limited to the verification of procedures on random test basis.

(6) The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For SVVS & Associates
Company Secretaries LLP

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

Place: Hyderabad
Date: 10-08-2016

COMPLIANCE CERTIFICATE

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

A) We have reviewed Annual Audited financial statements and the cash flow statement for the year ended on 31st March, 2016 and that to the best of our knowledge and belief:

1) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

2) These statements together present a true and fair view of the listed entity's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

B) We are, to the best of their knowledge and belief, no transactions entered into by the Company during the financial year ended on 31st March, 2016 which are fraudulent, illegal or violative of the Company's code of conduct.

C) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps they have taken or propose to take to rectify these deficiencies.

D) We have indicated to the auditors and the Audit committee

1) significant changes in internal control over financial reporting during the said financial year;

2) significant changes in accounting policies during the said financial year and that the same have been disclosed in the notes to the financial statements; and

3) there are no instances of fraud of which we have become aware and the involvement thereof by the Management or an employee having a significant role in the Company's internal control system over financial reporting.

For SMS Pharmaceuticals Limited

N. Rajendra Prasad
Chief Financial Officer

For SMS Pharmaceuticals Limited

Ramesh Babu Potluri
Chairman and Managing Director

Place: Hyderabad
Date: 14.05.2016

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

The Members of
SMS Pharmaceuticals Limited

We have examined all the relevant records of SMS Pharmaceuticals Limited for the purpose of certifying compliance of the conditions of the Corporate Governance under Clause 49 of the Listing Agreement with the Stock Exchanges for the period from April 1, 2015 to November 30, 2015 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the period from December 1, 2015 to March 31, 2016. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of certification.

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

In our opinion and to the best of our information and according to the explanations and information furnished to us, we certify that the Company has complied with all the mandatory requirements of Corporate Governance as stipulated in the said Regulations/Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company. As regards Discretionary Requirements specified in Part E of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has complied with the item E.

for **CSB ASSOCIATES**
Company Secretaries

Place : Hyderabad
Date : 10.08.2016

C. Sudhir Babu
Proprietor
M. No. F2724
CP No. 7666

Declaration Regarding Compliance by Board Members and Senior Management Personnel with the Company's Code of Conduct.

To
The Members of
SMS Pharmaceuticals Limited

I, Ramesh Babu Potluri, Chairman and Managing Director, hereby declare that as provided under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Business Conduct and Ethics for Director(s) and Senior Management Personnel for the year ended 31st March, 2016.

for SMS Pharmaceuticals Limited

Place : Hyderabad
Date : 14.05.2016

Ramesh Babu Potluri
Chairman and Managing Director

Independent Auditors' Report

To
The Members of
SMS PHARMACEUTICALS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of SMS PHARMACEUTICALS LIMITED("the Company") which comprise the Balance Sheet as at March 31, 2016, 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.

Auditors' 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 Auditors' 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, 2016, 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 (Auditors' 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, 2016 taken on record by the Board of Directors, none of the director is disqualified as on March 31, 2016 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 Auditors' 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 2016 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.

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

RAVI RAMBABU
Partner
M. No. 018541

Place : Hyderabad
Date : 14-05-2016

"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, 2016:

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, 2016 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:

Sl. No.	Name of the Statute	Nature of the dues	Forum where dispute is pending	Year	Amount Involved ₹ in Lakhs	Amount Deposited ₹ in Lakhs	Amount not Deposited ₹ in Lakhss
1	Central Excise Act, 1944	Central Excise	AP High Court	1995-96 to 1997-98	38.91	38.91	--
2	Income Tax Act,1961	Income Tax	BIFR	1988-89	0.01	--	0.01
3	Income Tax Act,1961	Income Tax	BIFR	1991-92	0.09	--	0.09
4	Income Tax Act,1961	Income Tax	BIFR	1992-93	11.19	--	11.19
5	Income Tax Act,1961	Income Tax	BIFR	1993-94	2.47	--	2.47
6	Income Tax Act,1961	Income Tax	BIFR	1994-95	14.25	--	14.25
7	Income Tax Act,1961	Income Tax	BIFR	1994-95	1.02	--	1.02
8	Income Tax Act,1961	Income Tax	BIFR	2003-04	36.50	--	36.50
9	Income Tax Act,1961	Income Tax	BIFR	2005-06	9.54	--	9.54
10	Income Tax Act,1961	Interest on IT	BIFR	1992-2015	102.23	--	102.23
11	Central Excise Act, 1944	Interest on CEX	AP High Court	1992-2010	66.48	--	66.48
12	Central Excise Act, 1944	Interest on CEX	AP High Court	1995-2011	16.40	--	16.40
				Total	**299.09**	**38.91**	**260.18**

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

viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks. The Company has not issued any debentures.

ix) Based upon the audit procedures performed and the information and explanations given by the management, the Company has not raised moneys by way of initial public offer or further public offer including debt instruments and term Loans. Accordingly, the provisions of clause 3 (ix) of the Order are not applicable to the Company and hence not commented upon.

x) Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.

xi) Based upon the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act,2013.

xii) In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 4 (xii) of the Order are not applicable to the Company.

xiii) In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.

xiv) Based upon the audit procedures performed and the information and explanations given by the management, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company and hence not commented upon.

xv) Based upon the audit procedures performed and the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company and hence not commented upon.

xvi) In our opinion, the Company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the Order are not applicable to the Company and hence not commented upon.

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

RAVI RAMBABU
Partner
M. No. 018541

Place : Hyderabad
Date : 14-05-2016

"Annexure B" to the Independent Auditors' Report

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

We have audited the internal financial controls over financial reporting of SMS PHARMACEUTICALS LIMITED ("the Company") as of March 31, 2016 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 Auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls over Financial Reporting

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

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

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

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

In our opinion the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

RAVI RAMBABU
Partner
M. No. 018541

Place : Hyderabad
Date : 14-05-2016

Balance Sheet as at 31st March, 2016

(Amount: ₹ in Lakhs)

Sl. No.	Particulars	Note No.	As at 31.03.2016	As at 31.03.2014
I	**EQUITY AND LIABILITIES**			
	1 Shareholders' Funds			
	(a) Share Capital	1	**846.52**	846.52
	(b) Reserves & Surplus	2	**28,589.63**	24,629.48
			29,436.15	25,476.00
	2 Non-Current Liabilities			
	(a) Long Term Borrowings	3	**11,322.50**	8,185.41
	(b) Deferred Tax Liability	4	**4,490.03**	3,572.81
	(c) Long Term Provisions	5	**343.38**	288.95
			16,155.91	12,047.17
	3 Current Liabilities			
	(a) Short Term Borrowings	6	**7,274.74**	6,984.55
	(b) Trade Payables	7	**8,440.29**	6,100.08
	(c) Other Current Liabilities	8	**4,037.40**	2,222.23
	(d) Short Term Provisions	9	**290.11**	1,196.89
			20,042.54	16,503.75
	TOTAL		**65,634.60**	54,026.92
II	**ASSETS**			
	1 Non Current Assets			
	(a) Fixed Assets	10		
	(i) Tangible Assets		**36,994.95**	27,618.81
	(ii) Intangible Assets		**40.23**	35.12
	(iii) Capital Work-In-Progress		**1,279.89**	2,942.98
	(b) Non Current Investments	11	**2,126.90**	1,322.81
	(c) Long Term Loans & Advances	12	**437.40**	1,922.78
			40,879.37	33,842.50
	2 Current Assets			
	(a) Inventories	13	**11,268.37**	8,602.05
	(b) Trade Receivables	14	**6,108.77**	5,920.17
	(c) Cash and Bank Balances	15	**1,508.24**	636.37
	(d) Short Term Loans & Advances	16	**2,251.97**	1,062.41
	(e) Other Current Assets	17	**3,617.88**	3,963.42
			24,755.23	20,184.42
	TOTAL		**65,634.60**	54,026.92
	Significant Accounting Policies	29		

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

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

RAVI RAMBABU
Partner
M.No.18541
Place : Hyderabad
Date : 14-05-2016

for and on behalf of the Board

RAMESH BABU POTLURI
Chairman and
Managing Director

T V V S N MURTHY
Vice Chairman and
Joint Managing Director

SAURAV ROY
Company Secretary

N. RAJENDRA PRASAD
Chief Financial Officer

Statement of Profit and Loss for the year ended 31st March, 2016

(Amount: ₹ in Lakhs)

S.I No	Particulars	Note No.	Current Year 2015-16	Previous Year 2014-15
1	Revenue from operations	18	**60,319.34**	57,928.58
2	Other Income	19	**360.79**	1,632.00
3	**Total Revenue (1+2)**		**60,680.13**	59,560.58
4	**Expenses :**			
	Cost of Materials Consumed	20	**39,945.32**	38,841.06
	Purchase of Stock in Trade		**-**	21.78
	Changes in Inventories	21	**(963.93)**	(315.02)
	Employee Benefit Expenses	22	**3,811.31**	3,167.13
	Finance Cost	23	**1,709.81**	1,793.09
	Depreciation and Amortisation	10	**1,943.30**	1,716.61
	Other Expenses	24	**8,607.08**	7,587.58
	Total Expenses		**55,052.89**	52,812.23
5	**Profit / (Loss) Before Tax**		**5,627.24**	6,748.35
6	**Tax Expenses**			
	(a) Current Tax Expenses (MAT)		**1,225.00**	1,500.00
	(b) Tax Expenses for Earlier Years		**7.75**	271.71
	(c) Deferred Tax		**917.22**	1,643.89
	(d) MAT Credit Entitlement		**(686.65)**	(191.70)
	Sub Total		**1,463.32**	3,223.90
7	**Profit After Tax (5-6)**		**4,163.92**	3,524.45
8	**Earnings Per Share**			
	(1) Basic and Diluted (Amount in ₹)	25	**4.92**	4.16
	Significant Accounting Policies	29		

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

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

RAVI RAMBABU
Partner
M.No.18541

for and on behalf of the Board

RAMESH BABU POTLURI
Chairman and
Managing Director

T V V S N MURTHY
Vice Chairman and
Joint Managing Director

SAURAV ROY
Company Secretary

N. RAJENDRA PRASAD
Chief Financial Officer

Place : Hyderabad
Date : 14-05-2016

Cash Flow Statement for the Year ended 31st March, 2016

(Amount: ₹ in Lakhs)

Sl. No.	Particulars	Current Year 2015-16	Previous Year 2014-15
A	Cash Flows from operating activities :		
	Net Profit Before Tax	**5,627.24**	6,748.35
	Add: Loss from Sale of Assets	**4.94**	2.09
	Add : Depreciation	**1,943.30**	1,716.61
	Add : Interest on Term Loans	**810.04**	787.65
	Add: Bad Debts Written Off	**55.94**	174.85
	Operating Profit Before Working Capital Changes	**8,441.46**	9,429.55
	Adjustment for:		
	Trade Receivables	**(244.55)**	(536.02)
	Inventories	**(2,666.32)**	445.33
	Loans and Advances & Other Assets	**295.81**	(629.29)
	Trade Payables and Other Payables	**2,394.64**	(269.28)
	Other Current Liabilities	**827.14**	(194.97)
	Other Current Assets	**358.01**	(478.68)
	Short Term Provisions	**(1,081.80)**	(1,283.17)
		(117.07)	(2,946.08)
	Cash Generated From Operating Activities	**8,324.39**	6,483.47
	Income Tax Paid	**(2,202.40)**	(610.00)
	Net Cash from Operating Activities "A"	**6,121.99**	5,873.47
B	**Cash Flows from Investing Activities :**		
	Purchase of Fixed Assets	**(8,878.69)**	(4,855.90)
	Proceeds from Sale of Fixed Assets	**11.21**	94.24
	Investment in Equity Shares	**(804.09)**	(735.54)
	Net Cash Used in Investing Activities "B"	**(9,671.57)**	(5,497.20)

Cash Flow Statement (Contd...)

(Amount: ₹ in Lakhs)

Sl. No.	Particulars	Current Year 2015-16	Previous Year 2014-15
C	**Cash Flows from Financing activities :**		
	Proceeds from Long Term Borrowings	**4,956.03**	2,543.96
	Proceeds from Short Term Borrowings	**290.19**	(1,064.25)
	Repayment of Long Term Borrowings	**(1,495.21)**	(1,410.94)
	Repayment of Unsecured Loans	**(48.27)**	(60.32)
	Interest Paid	**(833.73)**	(770.71)
	Dividend paid	**(203.77)**	(198.08)
	Net Cash Used in Financing Activities "C"	**2,665.24**	(960.34)
	Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	**(884.34)**	(584.07)
	Cash and Cash Equivalents at the beginning of the year	**240.76**	824.83
	Cash and Cash Equivalents at the end of the year	**1,125.10**	240.76

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

as per our report of even date

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

RAVI RAMBABU
Partner
M.No.18541

Place : Hyderabad
Date : 14-05-2016

for and on behalf of the Board

RAMESH BABU POTLURI
Chairman and
Managing Director

T V V S N MURTHY
Vice Chairman and
Joint Managing Director

SAURAV ROY
Company Secretary

N. RAJENDRA PRASAD
Chief Financial Officer

Notes Forming Part of the Financial Statements

Note No. 1 Share Capital :

Particulars	As at 31.03.2016		As at 31.03.2015	
	No. of Shares	**Amount ₹ in Lakhs**	No. of Shares	Amount ₹ in Lakhs
Authorised Share Capital Equity Shares of ₹1/- (Previous year ₹10/-) each	**120,000,000**	**1,200.00**	12,000,000	1,200.00
	120,000,000	**1,200.00**	12,000,000	1,200.00
Issued, Subscribed & Paid up Equity Shares of ₹1/- (Previous year ₹10/-) each	**84,652,030**	**846.52**	8,465,203	846.52
TOTAL	**84,652,030**	**846.52**	8,465,203	846.52

The face valule of equity share of ₹ 10/- each of the Company was sub-divided into 10 equity shares of ₹ 1/- each w.e.f 05-12-2015 in terms of the approval of the shareholders of the Company through Postal Ballot.

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

Name of the share holder	As at 31.03.2016		As at 31.03.2015	
	No of Shares	**% held**	No of Shares	% held
Hima Bindu Potluri	**12,373,360**	**14.62**	1,237,336	14.62
Ramesh Babu Potluri	**11,356,960**	**13.42**	1,135,696	13.42
Gulf Pharmaceutical Industries	**5,239,473**	**6.19**	659,029	7.79
T V V S N Murthy	**8,227,000**	**9.72**	822,700	9.72
Potluri Infra Projects (P) Ltd (formally known as M/s. Potluri Hire Purchase and Finance (P) Ltd)	**5,860,000**	**6.92**	586,000	6.92
T. Annapurna	**4,390,340**	**5.19**	439,034	5.19

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

Particulars	No of shares	
	As at 31.03.2016	As at 31.03.2015
Equity Shares at the beginning of the year (₹10/- each)	**8,465,203**	8,465,203
Sub-Division (The face value of ₹10/- each in to face value of ₹1/- each)	**76,186,827**	-
Equity Shares at the end of the year (₹1/- (Previous year ₹10/-) each)	**84,652,030**	8,465,203

1.3 During the year 2013-14, Company has brought back 15,50,000 Equity shares of ₹ 10/- each.

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

	Particulars	As at 31.03.2016	As at 31.03.2015
2	**RESERVES AND SURPLUS**		
a.	**Securities Premium Account**	**6,981.84**	6,981.84
b.	**Capital Redemption Reserve**	**155.00**	155.00
c.	**General Reserve**		
	At the Commencement of the Year	**9,123.63**	8,123.63
	(-) Deletions during the year		
	(+) Transfer from Profit and Loss Statement	**1,000.00**	1,000.00
	At the end of the Year	**10,123.63**	9,123.63
d.	**Surplus Balance in Profit and Loss Statement**		
	At the Commencement of the Year	**8,369.01**	6,073.31
	Less :Net Block of Assets, the useful life of which is Nil as on 31.03.2015	**-**	48.96
	Add : Depriciation provided in earlier years on Assets in respect of which the investment subsiday received during the year	**-**	23.98
	Add : Profit for the Year	**4,163.92**	3,524.45
		12,532.93	9,572.78
	Less:		
	Privision for Proposed Dividend on Equity Shares	**169.30**	169.30
	Corporate Dividend Tax on above	**34.47**	34.47
	Transfer to General Reserve	**1,000.00**	1,000.00
	At the end of the Year	**11,329.16**	8,369.01
	TOTAL	**28,589.63**	24,629.48

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

	As at 31.03.2016		As at 31.03.2015	
	Current Maturities	**Non Current Portion**	**Current Maturities**	**Non Current Portion**
3 LONG TERM BORROWINGS				
3.1 Secured				
(Term Loans)				
a) State Bank of India				
Term loan - I	**-**	**-**	200.00	-
Term loan - II	**850.00**	**1,487.50**	850.00	2,337.50
b) Export Import Bank of India				
Term Loan - II	**600.00**	**2,100.00**	300.00	2,700.00
c) IDBI Bank Ltd	**200.00**	**7,300.00**	-	2,543.97
d) Hire Purchase Loans - Vehicles	**103.37**	**70.54**	96.84	174.00
	1,753.37	**10,958.04**	1,446.84	7,755.47
3.2 Unsecured				
Sales Tax Deferment Loan (Refer Note No.3.2.1)	**65.48**	**244.46**	48.27	309.94
D S I R Assistance (Refer Note No. 3.2.2)	**-**	**120.00**		120.00
	65.48	**364.46**	48.27	429.94
TOTAL	**1,818.85**	**11,322.50**	1,495.11	8,185.41

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

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

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

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

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

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

Notes Forming Part of the Financial Statements

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

3.1.4 Terms of Repayment

a) Term Loan-II availed from State Bank of India for an amount of ₹ 4,250.00 Lakhs is repayable in 20 Quarterly Installments of ₹ 212.50 Lakhs each, commenced from June, 2014. The loan carries interest rate of 12.5% p.a.

b) Term loan availed from Export Import Bank of India amounting to ₹ 3,000.00 Lakhs for funding the Expansion Project of Kazipally unit. The loan is repayable in 20 Quarterly Installments of ₹ 150.00 Lakhs each, commencing from December, 2015. The loan carries interest rate of 12.20% p.a.

c) Term loan availed from IDBI Bank amounting to ₹ 7,500.00 Lakhs for funding the Expansion Project of Kandivalasa unit. The loan carries interest rate of 12.75% p.a The loan is repayable in 24 Quarterly Installments commencing from December, 2016, as mentioned below.

First 4 Quarters	₹ 100.00 Lakhs each
Next 4 Quarters	₹ 200.00 Lakhs each
Next 4 Quarters	₹ 300.00 Lakhs each
Next 4 Quarters	₹ 400.00 Lakhs each
Next 4 Quarters	₹ 425.00 Lakhs each
Next 4 Quarters	₹ 450.00 Lakhs each

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

3.2.1 Un-Secured Loans

Sales Tax (Deferment) Loan liability is due for repayment as under:

Year	Amount ₹ in Lakhs	Year of Repayment
2004-05	74.18	2017-18
2005-06	65.64	2018-19
2006-07	69.63	2019-20
2007-08	35.01	2020-21
TOTAL	**244.46**	

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

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

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

	Particulars	As at 31.03.2016	As at 31.03.2015
4	**DEFERRED TAX LIABILITY**		
	Opening Deferred Tax Liability	**3,572.81**	1,928.92
	Add / Less : for the Year	**917.22**	1,643.89
	Closing Deferred Tax Liability	**4,490.03**	3,572.81
	Details for the deferred tax liability are as furnished bellow :		
	(A) Deferred Tax Liability:		
	on account of fiscal allowance on Fixed Assets	**4,608.87**	3,671.02
	Sub Total	**4,608.87**	3,671.02
	(B) Deferred Tax Asset:		
	on timing differences (Employee Retirement Benefits)	**118.84**	98.21
	Sub Total	**118.84**	98.21
	Net Deferred Tax Liability (A-B)	**4,490.03**	3,572.81
5	**LONG TERM PROVISIONS**		
	Provision for Employee Benefits		
	Provision for Gratuty to the extent of unfunded	**231.74**	192.90
	Provision for leave encashment - Unfunded (Refer Note No.35)	**111.64**	96.05
	TOTAL	**343.38**	288.95

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

		Particulars	As at 31.03.2016	As at 31.03.2015
6		**SHORT TERM BORROWINGS**		
6.1	**i)**	**Secured**		
		(Working Capital Facilities)		
	a)	**State Bank of Inida**		
		Cash Credit	**1,695.72**	4,567.23
		Stand by Loan	**1,799.39**	859.58
		Bills Discounting - Export	**540.83**	569.99
		Export Packing Credit	**2,445.01**	585.36
	b)	**IDBI Bank Ltd**		
		Cash Credit / EPC	**793.79**	-
	c)	**Export - Import Bank of India**		
		Packing Credit-INR	**-**	402.39
		TOTAL	**7,274.74**	6,984.55

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

6.1.3 Working Capital Facilities along with Term Loans extended by State Bank of India are having the following additional security apart from the details of security mentioned supra.

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

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

iii) Corporate Guarantee by M/s.Potluri Laboratories Pvt Ltd (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 Vice Chairman and Joint Managing Director of the Company.

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

	Particulars	As at 31.03.2016	As at 31.03.2015
7.	**TRADE PAYABLES**		
	Creditors for Purchases		
	Dues to Micro and Small Enterprises	**394.50**	307.12
	Others	**7,132.48**	4,823.12
	Creditors for expenses	**913.31**	969.84
	TOTAL	**8,440.29**	6,100.08
8.	**OTHER CURRENT LIABILITIES**		
	Current Maturities of Long Term Debt	**1,818.85**	1,495.11
	Statutory Dues	**138.81**	33.96
	Advance received from Customers	**804.51**	82.22
	Creditors for Capital Goods	**1,211.87**	511.42
	Interest Accrued but not due on Term Loans	**54.39**	78.08
	Unclaimed Dividend	**8.97**	21.44
	TOTAL	**4,037.40**	2,222.23
9.	**SHORT TERM PROVISIONS**		
(a)	**Provision for employee benefits**		
	Bonus Payable	**86.34**	18.01
(b)	**Others**		
	Provision for Income Tax (Net off of Prepaid Taxes)	**-**	975.11
	Provision for Equity Dividend	**169.30**	169.30
	Provision for Dividend Distribution Tax	**34.47**	34.47
	TOTAL	**290.11**	1,196.89

9.1 Bonus payable includes an amount of ₹ 41.97 Lakhs pertaining to financial year 2014-15 which was provided as per the payment of bonus (amendment) Act, 2015 which came into force w.e.f. 01-04-2014.

NOTE NO.10 : Fixed Assets & Depreciation statement for the Year ending 31.03.2016

	Name of the Asset	Gross Block				Depreciation				Net Block	
		As at 01.04.2015	Additions During the Year	Deletions During the Year	As at 31.03.2016	Up to 31.03.2015	For The Year	On Deletions	Total up to 31.03.2016	WDV as at 31.03.2016	WDV as at 31.03.2015
a	**Tangible Assets :**										
	Land & Land Development	630.38	91.57	-	**721.95**	-	-	-	**-**	721.95	630.38
	Buildings	8,097.98	2,375.66	-	**10,473.64**	1,447.75	264.52	-	**1,712.27**	8,761.37	6,650.23
	Plant & Machinery	27,787.08	8,774.15	38.26	**36,522.97**	8,475.99	1,520.33	27.72	**9,968.60**	26,554.37	19,311.10
	Pollution Control Equipment	962.83	7.01	-	**969.84**	552.52	36.34	-	**588.86**	380.98	410.31
	Data Processing Equipment	185.01	20.20	-	**205.21**	142.33	25.06	-	**167.39**	37.82	42.67
	Furnitures & Fixtures	219.74	30.00	-	**249.75**	112.09	14.95	-	**127.04**	122.70	107.65
	Office Equipment	104.90	8.41	-	**113.31**	89.86	4.40	-	**94.26**	19.06	15.04
	Vehicles	635.16	13.91	63.80	**585.27**	206.94	63.28	59.53	**210.69**	374.58	428.22
	Improvements on Leased Premises	65.52	-	-	**65.52**	65.52	-	-	**65.52**	-	-
	Land Scaping	35.22	2.25	-	**37.46**	12.01	3.33	-	**15.34**	22.12	23.21
	Sub total	**38,723.82**	**11,323.16**	**102.06**	**49,944.92**	**11,105.01**	**1,932.21**	**87.25**	**12,949.97**	**36,994.95**	**27,618.81**
	(Previous Year)	**(34,013.46)**	**(4,811.90)**	**(101.54)**	**(38,723.82)**	**(9,425.26)**	**(1,708.94)**	**(29.19)**	**(11,105.01)**	**(27,618.81)**	**(24,638.45)**
b	**Intangible Assets :**										
	Computer Software	112.72	13.86	-	**126.58**	79.52	10.39	-	**89.91**	36.67	33.20
	Patents	7.25	2.33	-	**9.58**	5.33	0.70	-	**6.03**	3.56	1.92
	Sub total	**119.97**	**16.19**	**-**	**136.16**	**84.85**	**11.09**	**-**	**95.94**	**40.23**	**35.12**
	(Previous Year)	(100.55)	(19.42)	-	**(119.97)**	(77.18)	(7.67)	-	**(84.85)**	(35.12)	(22.08)
	Total	**38,843.79**	**11,339.35**	**102.06**	**50,081.08**	**11,189.86**	**1,943.30**	**87.25**	**13,045.91**	**37,035.18**	**27,653.93**
	(Previous Year)	**(34,114.00)**	**(4,831.32)**	**(101.54)**	**(38,843.79)**	**(9,502.44)**	**(1,716.61)**	**(29.19)**	**(11,189.86)**	**(27,653.93)**	**(24,660.53)**
c	**Capital Work-in-Progress**	**2,942.98**	**9,289.89**	**10,952.98**	**1,279.89**	**-**	**-**	**-**	**-**	**1,279.89**	**2,942.98**
	(Previous Year)	(3,932.31)	(3,277.73)	(4,267.06)	**(2,942.98)**	-	-	-	**-**	(2,942.98)	(3,932.31)
	Total (a+b+c)	**41,786.77**	**20,629.24**	**11,055.04**	**51,360.97**	**11,189.86**	**1,943.30**	**87.25**	**13,045.91**	**38,315.07**	**30,596.91**
	(Previous Year)	(38,046.31)	(8,109.05)	(4,368.60)	**(41,786.77)**	(9,502.44)	(1,716.61)	(29.19)	**(11,189.86)**	(30,596.91)	(28,592.84)

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

	Particulars	As at 31.03.2016	As at 31.03.2015
11	**Non Current Investments**		
	At Cost - Non-Trade - Unquoted - Long Term Investments		
	17,538 Equity Shares of ₹ 10/- each in M/s Patancheru Enviro Tech Ltd.	**1.76**	1.76
	2,253 Equity Shares of ₹ 100/- in M/s Jeedimetla Effluent Treatment Ltd.	**2.25**	2.25
	1,000 Equity Shares of ₹ 10 each in M/s Sireen Drugs Private Limited	**0.10**	-
	27,09,400 (Previous Year 21,98,000) Equity Shares of ₹ 10/- each in M/s VKT Pharma (P) Ltd. (Associated Company)	**2,122.79**	1,318.80
	TOTAL	**2,126.90**	1,322.81

11.1 During the year 2015-16 the Company has invested an amount of ₹ 803.99 Lakhs towards 5,11,400 Equity Shares of ₹ 10/- each. (4,06,000 Equity Shares at a premium of ₹ 140/- and 1,05,400 Equity Shares at a premium of ₹ 175/-) in M/s. VKT Pharma Private Limited, an associated Company,as on 31.03.2016 the Company is holding 34.33 % of the total Paid up Capital of the said associated Company. Sri P Ramesh Babu, Chairman and Managing Director of the Company and his spouse & son are Directors in the said Company.

12	**Long Term Loans & Advances**		
	(Unsecured Considered Good)		
	(a) Deposits Recoverable	**312.49**	206.17
	(b) Adavance for Capital Goods	**124.91**	1,716.61
	TOTAL	**437.40**	1,922.78

12.1 Deposits recoverable consists of ₹ 259.64 Lakhs (Previous Year ₹ 160.85 Lakhs) with Electricity Department, ₹ 30.60 (Previous Year ₹ 24.00 Lakhs) Rent Deposit and ₹ 22.26 Lakhs (Previous Year ₹ 21.32 Lakhs) with Others.

13	**Inventories**		
	(as Valued and Certified by the Management)		
	Raw Materials (Valued at Cost)	**5,064.96**	3,372.40
	Stock in Process	**5,309.96**	4,220.10
	(at cost and an appropriate share of overheads)		
	Finished Goods	**836.57**	962.51
	(Valued at lower of cost or net realisable value)		
	Coal & Fuel (Valued at Cost)	**56.88**	47.04
	TOTAL	**11,268.37**	**8,602.05**

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

	Particulars	As at 31.03.2016	As at 31.03.2015
14	**Trade Receivables**		
	Unsecured		
	(a) Outstanding for a period exceeding six months		
	Considered Good	**203.28**	36.14
	Considered Doubtful	**55.94**	254.06
		259.22	290.20
	Less: Bad debts written off	**55.94**	174.85
		203.28	115.35
	(b) Others		
	Considered Good	**5,905.49**	5,804.82
	TOTAL	**6,108.77**	5,920.17

14.1 Trade Receivables includes an amount of ₹ 147.39 Lakhs (Previous Year ₹ 82.31 Lakhs) due from M/s. VKT Pharma Private Limited, a related party.

15	**Cash and Bank Balances**		
	(a) Cash and Cash Equivalents :		
	(i) Cash on Hand	**15.14**	15.61
	(ii) Balances with Scheduled Banks		
	- in Current Accounts	**109.96**	225.15
	- in short Term Deposit	**1,000.00**	-
	(b) Other Bank Balances :		
	(i) Deposit against Margin Money	**373.37**	373.37
	(ii) Fixed Deposits	**0.80**	0.80
	(iv) Unclaimed Dividend Accounts	**8.97**	21.44
	TOTAL	**1,508.24**	636.37

15.1 Out of the above amount, cash and cash equivalents was ₹ 1,125.10 Lakhs (Previous Year ₹ 240.76 Lakhs).

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

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

15.4 Special Term Deposits amount of ₹ 1,000.00 Lakhs (Previous Year ₹ nil) have maturity period of less than three months.

16	**Short Term Loans & Advances**		
	Advances for Raw Materials	**624.21**	133.51
	Advances to others	**78.29**	66.08
	MAT Credit	**1,549.47**	862.82
	TOTAL	**2,251.97**	1,062.41

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Particulars	As at 31.03.2016	As at 31.03.2015

16.1 Advances for Raw Materials includes ₹ 162.50 Lakhs (Previous Year ₹ Nil) given to M/s. VKT Pharma (P) Ltd, and ₹ 93.25 Lakhs (Prevous Year ₹ 127.64 Lakhs) to M/s. Rchem (Somanahalli) Pvt Ltd, related parties.

16.2 Advances to Others includes an amount of ₹ 44.31 Lakhs (Previous Year ₹ 44.54 Lakhs) towards Staff Advances.

16.3 Advance to Others includes an amount of ₹ 1.16 Lakhs (Previous Year ₹ 11.26 Lakhs) which is outstanding for more than 3 years. However the management is confident about the recovery of the said amount.

17	**Other Current Assets**		
	Prepaid Taxes (Net of Provision for Income Tax)	**96.82**	-
	Prepaid Expenses	**62.20**	71.79
	Interest Receivable	**89.71**	642.11
	Cenvat & Service Tax Credit Receivable	**2,505.53**	2,076.42
	VAT Credit Receivable	**803.32**	975.90
	Export Incentives Receivable	**60.30**	197.20
	TOTAL	**3,617.88**	3,963.42
18	**Revenue From Operations**		
	(a) Sale of Products		
	Gross Revenue From Sales		
	Sale of Products	**58,010.76**	55,559.12
	Export Incentives	**236.12**	205.54
		58,246.88	55,764.66
	Less : Excise Duty	**1,819.13**	1,437.72
	Sales Tax	**820.65**	722.82
	Total Taxes	**2,639.78**	2,160.54
	Net Revenue from Sales	**55,607.10**	53,604.12
	(b) Other Operating Income		
	1) Sale of Services (Gross)	**105.59**	92.63
	Less : Service Tax	**12.91**	1.85
	Net Revenue from Services	**92.68**	90.78
	2) Conversion Charges	**4,619.56**	4,233.68
	Net Other Operating Income	**4,712.24**	4,324.46
	Net Revenue from Operations and Services	**60,319.34**	57,928.58

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

	Particulars	Current Year 2015-16	Previous Year 2014-15
19	**Other Income**		
	(a) Interest Income	**212.07**	1,555.80
	(b) Exchange Fluctuation	**50.11**	76.20
	(c) Profit on sale of assets	**4.10**	-
	(d) Miscellaneous Income	**94.51**	-
	TOTAL	**360.79**	1,632.00

19.1 Interest Income includes an amount of ₹ 116.51 Lakhs (Previous Year ₹ 1,507.18 Lakhs) received on account of settlement of long pending leagal issue with M/s. Natco Pharma Limited.

20	**Materials Consumed**		
	(a) Raw Materials		
	Opening Stock	**3,343.40**	4,091.00
	Add : Purchases	**41,171.25**	37,671.50
		44,514.65	41,762.50
	Less: Closing Stock	**5,035.78**	3,343.40
	Sub-Total (a)	**39,478.87**	38,419.10
	(b) Packing Materials		
	Opening Stock	**29.00**	39.44
	Add : Purchases	**466.63**	433.30
		495.63	472.74
	Less : Closing Stock	**29.18**	29.00
	Sub-Total (b)	**466.45**	443.74
	Total Materials Consumed (a+b)	**39,945.32**	38,862.84

21	**Changes in Inventories of Finished Goods and Stock in Process**		
	(Increase) / Decrease in Stocks		
	(a) At the Commencement of the Year :		
	Stock in Process	**4,220.10**	4,335.30
	Finished Goods	**962.51**	532.29
	Sub-Total (a)	**5,182.61**	4,867.59
	(b) At the end of the Year :		
	Stock in Process	**5,309.97**	4,220.10
	Finished Goods	**836.57**	962.51
	Sub-Total (b)	**6,146.54**	5,182.61
	(Increase) / Decrease in Stocks (a)-(b)	**(963.93)**	(315.02)

22	**Employee Benefit Expenses**		
	Salaries, Wages and Bonus	**3,355.79**	2,757.16
	Contribution to PF & Other Funds	**205.05**	175.14
	Staff Welfare Expenses	**250.47**	234.83
	TOTAL	**3,811.31**	3,167.13

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

	Particulars	Current Year 2015-16	Previous Year 2014-15
23	**Finance Cost**		
	Interest on Term Loans	**810.04**	787.65
	Interest on Working Capital	**730.69**	836.18
	Interest on Direct Taxes	**4.41**	4.75
	Interest on Others	**10.81**	1.64
	Bank Charges	**153.86**	162.87
	TOTAL	**1,709.81**	1,793.09
24	**Other Expenses**		
	Power & Fuel	**3,285.35**	2,904.71
	Consumable Stores	**439.37**	367.94
	Testing Charges	**58.16**	57.76
	Water Charges	**95.62**	84.75
	Conversion Charges	**1,358.25**	913.37
	Effluent Treatment Charges	**190.92**	169.05
	Central Excise Duty	**30.95**	60.06
	Repairs & Maintenance - Plant & Machinery	**833.13**	600.12
	Repairs & Maintenance - Buildings	**205.06**	65.91
	Factory Maintenance	**158.70**	131.52
	Travelling Expenses - Directors	**17.57**	13.94
	Travelling Expenses	**59.31**	53.27
	Postage & Telephones	**31.94**	26.27
	Printing & Stationary	**74.65**	70.26
	Directors Remuneration	**395.77**	445.69
	Rent, Rates & Taxes	**142.15**	158.14
	Insurance	**119.50**	86.04
	CSR Expenditure	**19.22**	-
	Professional Charges	**42.56**	52.30
	General Expenses	**106.30**	137.02
	Loss on Sale of assets	**4.94**	2.09
	Cost Audit Fee	**0.75**	0.75
	Payment to Auditors	**17.10**	17.13
	Repairs to other assets	**37.91**	20.35
	Vehicle Maintenance	**45.97**	49.50
	Carriage Outward	**333.07**	476.43
	Sales Commission	**252.85**	308.21
	Business Promotion Expenses	**192.81**	139.93
	Interest on Indirect Taxes	**1.26**	0.22
	Bad Debts Written Off	**55.94**	174.85
	TOTAL	**8,607.08**	7,587.58

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

	Particulars	Current Year 2015-16	Previous Year 2014-15
25.	**Earnings Per Share (Basic and Diluted)**		
	Net profit for basic EPS	**4,163.92**	3,524.45
	Annualized Basic Earnings per share (Amount in ₹)	**4.92**	4.16

25.1 Equity shares having face value of ₹ 10/- each has been sub-divided into ₹ 1/- each, accordingly earnings per share has been restated for the previous year.

26 Note on CSR Liability

As per Section 135 (l) of the Companies Act, 2013 Corporate Social Responsibility provisions are applicable to the Company and the liability for the financial year 2015-16 was ₹ 18.47 Lakhs. During the year 2015-16 the Company has initiated the following activities at the surrounding of its manufacturing facilities and spent an amount of ₹ 19.22 Lakhs:

26.1.1 Organized School Benches to Government Primary School of Mandal Parishad Prathamika Patashala at Kazipally Village,Jinnaram Mandal, Medak District. The amount incurred for this activity was ₹ 0.78 Lakhs.

26.1.2 Construction of 600 Square Feet of RCC roof building for Public Health Center at Kovvada Village, Poosapatirega Mandal, Vizianagaram District with an estimated cost of ₹ 10.00 Lakhs excluding medical equipments. The Company has already incurred an amount of ₹ 9.22 Lakhs and the balance is mainly miscellaneous to be spent on completion of the building.

26.1.3 Construction of 600 Square Feet of RCC roof building for Public Health Center at Gumpam Village, Poosapatirega Mandal, Vizianagaram District with an estimated cost of ₹ 10.00 Lakhs excluding medical equipments. The Company has already incurred an amount of ₹ 9.22 Lakhs and the balance is mainly miscellaneous to be spent on completion of the building.

27. Corporate Information

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

28. 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.

29. Significant Accounting Policies

a. Use of Estimates

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

Notes Forming Part of the Financial Statements

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 life of respective assets as prescribed In Schedule – II of the Companies Act, 2013.

The carrying amount of the assets as on 01.04.2014 are depreciated over the remaining life of the assets, as per schedule-II of the companies Act, 2013.

In case of useful life of an asset is nil the book value of respective assets, after retaining the residual value, was recognized in the opening balance of retained earnings and simultaneously affected in Depreciation Fund A/c

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. Incase of assets costing less than ₹ 5,000/- purchased during the year also depreciation has been provided at normal rates on pro-rata basis from the date of purchase.

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

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

e. Investments:

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

f. Inventories:

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

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

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

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.

Notes Forming Part of the Financial Statements

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:

Contribution to Provident Fund is made at the prescribed rates to the Employees Provident Fund Scheme by the Central Government and is charged to statement of profit and loss.

ii. Defined Benefit Plans:

(1) **Gratuity:** Accounting liability towards gratuity is provided 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 immediately 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 valeur 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 Company records its un availed leave liability based on actuarial valuation using projected unit credit method. This liability was unfunded.

iii. State Plans:

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

l. 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.

Notes Forming Part of the Financial Statements

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.

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. 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.

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

Notes Forming Part of the Financial Statements

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.

30. Contingent Liabilities not provided for (Amount: ₹ in Lakhs)

	Particulars	**2015-16**	2014-15
(a)	Guarantees given by banks	**-**	65.89
(b)	Letter of credits opened in favor of suppliers for which goods are yet to be received	**570.30**	688.76
(c)	Disputed Income Tax demands against which Company is in Appeals.	**22.62**	22.62
(d)	Interest dues in respect of disputed demands of Income Tax and Central Excise.	**168.71**	159.70
(e)	Interest on disputed demand of Central Excise(Refer Note No.32. (iii))	**16.40**	16.40
(f)	Capital Commitments	**166.01**	3,172.19
	TOTAL	**944.04**	4,125.56

31. Capital work-in-progress includes an amount of ₹ 556.79 Lakhs (Previous year ₹ 556.79 Lakhs) paid for acquiring land to the extent of Ac. 42 in Jawaharlal Nehru Pharma City Parawada in Visakhapatnam Dist.

During the year 2007-08 M/s Ramkey Pharma City (India) Ltd, the developer, has sent a communication to cancel the allotment to the extent of Ac. 23 and proposed to sell the said land to others. Aggrieved by this, the Company filed a Writ Petition with Hon'ble High Court of A P in the year 2010 and obtained orders restraining the alienation of the said land till the pending of further orders. The case is pending before the High Court of Judicature at Hyderabad (for the State of Telangana and for Andhra Pradesh). The Company has not accepted for registration of balance Ac.19 due to the above said legal dispute. The management is confident to get the clear title for the total land.

32. (i) The Company has entered in to an agreement with M/s. Divya Enterprises Limited for purchase of 918 sqm industrial plot and buildings and structures situated at D-63, Phase – I, Jeedimetla, for a consideration of ₹ 60.00 Lakhs. Pending registration of the same, the Company has paid the entire amount to the vendor for the said property and has taken the possession during the year 2002-03. The said property was not yet registered in the name of the Company as on the Balance Sheet date.

(ii) The Company has constructed/modified buildings and structures to suit the requirement for carrying out its manufacturing activity in the said premises. The Company has incurred an amount

Notes Forming Part of the Financial Statements

of ₹ 169.68 Lakhs during the earlier yearsfor modification of buildings and also for acquiring required equipment and other assets. The said assets were capitalized and the Company is claiming depreciation.

(iii) Central excise department has issued a demand for an amount of ₹ 16.40 Lakhs towards interest for the period from 01-04-1995 to 18-03-2011 jointly in the name of Divya Enterprises Limited and SMS Pharmaceuticals Limited for which M/s Divya Enterprises Limited has obtained stay from the Honourable High court of Andhra Pradesh in the year 2013. Presently the Company is not carrying out any manufacturing activity at this location.

33. Remittance in Foreign Currency on Account of Dividend:

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

34. Research and Development Expenditure:

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

S.No.	Particulars	**2015-16**	2014-15
1	Lab Equipment	**126.42**	89.75
2	Patents	**2.33**	0.32
3	Computers	**3.56**	4.90
4	Electrical Equipment	**1.56**	-
5	Furniture & Fixtures	**-**	1.47
	TOTAL	**133.87**	96.44

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

S.No.	Particulars	2015-16	2014-15
1	Salaries & Wages	211.94	135.31
2	Materials Consumed	52.63	24.11
3	Power	21.53	15.86
4	Repairs & Maintenance	38.14	27.36
5	Rates & Taxes	5.86	11.01
6	Testing Charges	6.12	4.59
8	Other Expenses	11.71	11.33
	TOTAL	**347.93**	**229.57**

Notes Forming Part of the Financial Statements

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

(1) Defined Contribution Plans: **(Amount: ₹ in Lakhs)**

	2015-16	2014-15
Contribution to Provident Fund	180.05	155.29

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

ii. Leave Encashment (Un funded)

Disclosures (as per actuary certification) (Amount: ₹ in Lakhs)

	Particulars	**2015-16**		2014-15	
		Gratuity (Funded)	**Leave Encashment (Unfunded)**	Gratuity (Funded)	Leave Encashment (Unfunded)
(i)	**STATEMENT OF PROFIT AND LOSS :**				
	Current Service Cost	**28.86**	**28.24**	29.29	25.61
	Interest cost on benefit obligation	**18.16**	**3.67**	15.10	3.61
	Net Actuarial (Gain)/Loss recognized in the year	**16.87**	**(19.80)**	32.45	(17.72)
	Short Term compensated absence Liability	**-**	**9.02**	-	13.41
	Past service cost	**-**	**-**	-	-
	Contribution paid	**(20.58)**	**(5.54)**	(28.02)	(3.22)
	Expected return on planned Assets	**(4.47)**	**-**	(3.12)	-
	Net benefit expenses	**38.84**	**15.59**	45.70	21.69
(ii)	**BALANCE SHEET:**				
	Change in the present value of the defined benefit obligation are as follows:				
	Opening defined benefit obligation	**192.90**	**96.05**	147.20	74.35
	Interest cost	**18.16**	**3.67**	15.10	3.61
	Current services cost	**28.86**	**28.24**	29.29	25.61
	Actuarial (Gain)/Loss on obligation	**16.87**	**(19.80)**	32.45	(17.72)
	Expected return on planed Assets	**(4.47)**	**-**	(3.12)	-
	ShortTerm compensated absence liability	**-**	**9.02**	-	13.41
	Contribution paid	**(20.58)**	**(5.54)**	(28.02)	(3.22)
	Closing defined benefit obligation	**231.74**	**111.64**	192.90	96.05
	Past Service Cost	**-**	**-**	-	-

- Net benefit expenses of ₹ 38.84 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 ₹ 231.74 lakhs as on the balance sheet date.

Notes Forming Part of the Financial Statements

(iii) The Principal Assumptions Used in Determining Gratuity

Salary rise	3%	3%
Discount rate	7.46%	7.77%
Attrition rate	2%	2%

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

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

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

(Amount: ₹ In Lakhs)

Particulars	**2015-16**	2014-15
Principal amount remaining unpaid as at the end of the year	**394.50**	307.12
Interest due and payable for the period of delay	**2.92**	1.64
Interest paid on above	**Nil**	Nil

The above information regarding Micro Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

37. Related Party Disclosures:

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

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

S.No.	Name	Relationship
1.	Sri. P. RameshBabu	Chairman and Managing Director
2.	Sri.T.V.V.S.N. Murthy	Vice Chairman and Joint Managing Director
3.	Sri. T.V. Praveen	Relative of the Key Managerial personnel
4.	Sri. P. Vamsikrishna	Relative of the Key Managerial personnel
5.	Smt. P. HimaBindu	Relative of the Key Managerial personnel
6.	N. Rajendra Prasad	Chief Financial Officer
7.	P. Prabhakara Rao	Company Secretary (up to31.08.15)
8.	Saurav Roy	Company Secretary (04.08.15 onwards)

(ii) List of Related Parties

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

Notes Forming Part of the Financial Statements

(iii) Transactions: (Amount: ₹ In Lakhs)

Particulars	Associate Company & Companies in which KMP having significant influence	Key Management Personnel	Relatives of Key Management Personnel	Total
Remuneration & Commission		**401.47**	**46.25**	**447.72**
(Previous Year)		(448.43)	(46.28)	(494.71)
Purchases	**94.77**			**94.77**
(Previous Year)	(91.17)			(91.17)
Sales	**291.87**			**291.87**
(Previous Year)	(205.62)			(205.62)
Conversion Charges paid	**805.54**			**805.54**
(Previous Year)	(579.64)			(579.64)
Investments	**803.99**			**803.99**
(Previous Year)	(735.54)			(735.54)
Rent	**4.50**			**4.50**
(Previous Year)	(4.75)			(4.75)
Advances	**255.75**			**255.75**
(Previous Year)	(127.64)			(127.64)
Balance outstanding :				
Receivable	**403.13**			**403.13**
(Previous Year)	(209.95)			(209.95)
Payable	-	**266.81**	**2.19**	**269.00**
(Previous Year)	(3.51)	(326.85)	(2.26)	(332.62)

38. Segment Reporting:

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

(Amount: ₹ In Lakhs)

Particulars	**2015-16**		2014-15	
	Revenue	**%**	Revenue	%
Exports	**17,146.50**	**30.84**	18,415.10	34.36
Sales to EOU	**27,292.78**	**49.08**	28,186.31	52.58
Domestic	**10,931.70**	**19.66**	6,797.17	12.68
Export Incentives	**236.12**	**0.42**	205.54	0.38
TOTAL	**55,607.10**	**100.00**	53,604.12	100.00

Notes Forming Part of the Financial Statements

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

Particulars	2015-16		2014-15	
	Value	**%**	Value	%
Imported	**6,093.67**	**15.44**	5,755.23	14.99
Indigenous	**33,385.20**	**84.56**	32,642.09	85.01
TOTAL	**39,478.87**	**100.00**	38,397.32	100.00

40. Expenditure in Foreign Currency

40.1 CIF Value of Imports: (Amount: ₹ In Lakhs)

Particulars	2015-16	2014-15
Raw Materials	**6,391.78**	5,531.10
Capital Goods	**367.37**	271.25
TOTAL	**6,759.15**	5,802.35

40.2 Other Expenses : (Amount: ₹ In Lakhs)

Particulars	2015-16	2014-15
Sales Commission	**169.50**	228.89
Travelling Expenses	**2.32**	3.35
TOTAL	**171.82**	232.24

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

Particulars	2015-16	2014-15
FOB Value of Exports	**15,265.56**	16,651.13

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

43. Previous Year figures have been regrouped / reclassified wherever necessary to Corroborate with current year figures.

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

as per our report of even date

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

RAVI RAMBABU
Partner
M.No.18541
Place : Hyderabad
Date : 14-05-2016

for and on behalf of the Board

RAMESH BABU POTLURI
Chairman and
Managing Director

T V V S N MURTHY
Vice Chairman and
Joint Managing Director

SAURAV ROY
Company Secretary

N. RAJENDRA PRASAD
Chief Financial Officer

Consolidated Financial Statements
2015-16

Independent Auditors' Report

To
The Members of
SMS PHARMACEUTICALS LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of SMS PHARMACEUTICALS LIMITED ("the Company") and its associate Company VKT PHARMA PRIVATE LIMITED which is Audited by other Statutory Auditors (collectively referred to as "the Group") which comprise the consolidated Balance Sheet as at March 31, 2016, the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (here in referred as "the consolidated financial statements")

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2016, and its consolidated Profit and its consolidated Cash Flow for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by section 143 (3) of the Act, we report that:

   a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

   b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   c. The consolidated Balance Sheet, the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement dealt with by this Report are in agreement with the books of account.

   d. In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

   e. On the basis of written representations received from the directors of the Company and its associates as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.

   f. With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company, its associate Company and the operating effectiveness of such controls, refer to our separate Report in **"Annexure A"**.

   g. With respect to the other matters to be included in the Auditors' 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 2016 on its consolidated financial position in its financial statements as referred to in note 30, 31 and 32 to the financial statements.

      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

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

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

RAVI RAMBABU
Partner
M. No. 018541

Place : Hyderabad
Date : 14-05-2016

"Annexure A" to the Independent Auditors' Report

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

We have audited the internal financial controls over financial reporting of SMS PHARMACEUTICALS LIMITED ("the Holding Company") in respect of standalone Financial Statements as at March 31, 2016 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 Auditors' 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, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

RAVI RAMBABU
Partner
M. No. 018541

Place : Hyderabad
Date : 14-05-2016

Consolidated Balance Sheet as at 31st March, 2016

(Amount: ₹ in Lakhs)

S.l No	Particulars	Note No	As at 31.03.2016
I	**EQUITY AND LIABILITIES**		
	1 **Shareholders' Funds**		
	(a) Share Capital	1	**846.52**
	(b) Reserves & Surplus	2	**28,513.77**
			29,360.29
	2 **Non-Current Liabilities**		
	(a) Long Term Borrowings	3	**11,322.50**
	(b) Deferred Tax Liability	4	**4,490.03**
	(c) Long Term Provisions	5	**343.38**
			16,155.91
	3 **Current Liabilities**		
	(a) Short Term Borrowings	6	**7,274.74**
	(b) Trade Payables	7	**8,440.29**
	(c) Other Current Liabilities	8	**4,037.40**
	(d) Short Term Provisions	9	**290.11**
			20,042.54
	TOTAL		**65,558.74**
II	**ASSETS**		
	1 **Non Current Assets**		
	(a) Fixed Assets	10	
	(i) Tangible Assets		**36,994.95**
	(ii) Intangible Assets		**40.23**
	(iii) Capital Work-In-Progress		**1,279.89**
	(b) Non Current Investments	11	**2,051.04**
	(c) Long Term Loans & Advances	12	**437.40**
			40,803.51
	2 **Current Assets**		
	(a) Inventories	13	**11,268.37**
	(b) Trade Receivables	14	**6,108.77**
	(c) Cash and Bank Balances	15	**1,508.24**
	(d) Short Term Loans & Advances	16	**2,251.97**
	(e) Other Current Assets	17	**3,617.88**
			24,755.23
	TOTAL		**65,558.74**
	Significant Accounting Policies	29	

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

as per our report of even date

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

RAVI RAMBABU
Partner
M.No.18541
Place : Hyderabad
Date : 14-05-2016

for and on behalf of the Board

RAMESH BABU POTLURI
Chairman and
Managing Director

T V V S N MURTHY
Vice Chairman and
Joint Managing Director

SAURAV ROY
Company Secretary

N. RAJENDRA PRASAD
Chief Financial Officer

Consolidated Statement of Profit and Loss for the year ended 31st March, 2016

(Amount: ₹ in Lakhs)

S.I No	Particulars	Note No.	Current Year 2015-16
1	Revenue from operations	18	**60,319.34**
2	Other Income	19	**360.79**
3	**Total Revenue (1+2)**		**60,680.13**
4	**Expenses :**		
	Cost of Materials Consumed	20	**39,945.32**
	Changes in Inventories	21	**(963.93)**
	Employee Benefit Expenses	22	**3,811.31**
	Finance Cost	23	**1,709.81**
	Depreciation and Amortisation	10	**1,943.30**
	Other Expenses	24	**8,607.08**
	TOTAL EXPENSES		**55,052.89**
5	**Profit / (Loss) Before Tax**		**5,627.24**
6	**Tax Expenses**		
	(a) Current Tax Expenses (MAT)		**1,225.00**
	(b) Tax Expenses for Earlier Years		**7.75**
	(c) Deferred Tax		**917.22**
	(d) MAT Credit Entitlement		**(686.65)**
	Sub Total		**1,463.32**
7	**Profit After Tax (5-6)**		**4,163.92**
	Share of Profit/(Loss) in Associated Companies (Please refer Note No. 11.1)		**(74.71)**
	Net Profit		**4,089.21**
8	**Earnings Per Share**		
	(1) Basic and Diluted (Amount in ₹)	25	**4.83**
	Significant Accounting Policies	29	

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

as per our report of even date

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

RAVI RAMBABU
Partner
M.No.18541

for and on behalf of the Board

RAMESH BABU POTLURI
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T V V S N MURTHY
Vice Chairman and
Joint Managing Director

SAURAV ROY
Company Secretary

N. RAJENDRA PRASAD
Chief Financial Officer

Place : Hyderabad
Date : 14-05-2016

Consolidated Cash Flow Statement for the Year ended 31st March, 2016

(Amount: ₹ in Lakhs)

Sl. No.	Particulars	Current Year 2015-16
A	Cash Flows from operating activities :	
	Net Profit Before Tax	**5,627.24**
	Add: Loss from Sale of Assets	**4.94**
	Add : Depreciation	**1,943.30**
	Add : Interest on Term Loans	**810.04**
	Add: Bad Debts Written Off	**55.94**
	Operating Profit Before Working Capital Changes	**8,441.46**
	Adjustment for:	
	Trade Receivables	**(244.55)**
	Inventories	**(2,666.32)**
	Loans and Advances & Other Assets	**295.81**
	Trade Payables and Other Payables	**2,394.64**
	Other Current Liabilities	**827.14**
	Other Current Assets	**358.01**
	Short Term Provisions	**(1,081.80)**
		(117.07)
	Cash Generated From Operating Activities	**8,324.39**
	Income Tax Paid	**(2,202.40)**
	Net Cash from Operating Activities "A"	**6,121.99**
B	**Cash Flows from Investing Activities :**	
	Purchase of Fixed Assets	**(8,878.69)**
	Proceeds from Sale of Fixed Assets	**11.21**
	Investment in Equity Shares	**(804.09)**
	Net Cash Used in Investing Activities "B"	**(9,671.57)**

Consolidated Cash Flow Statement (Contd...)

(Amount: ₹ in Lakhs)

Sl. No.	Particulars	Current Year 2015-16
C	**Cash Flows from Financing activities :**	
	Proceeds from Long Term Borrowings	**4,956.03**
	Proceeds from Short Term Borrowings	**290.19**
	Repayment of Long Term Borrowings	**(1,495.21)**
	Repayment of Unsecured Loans	**(48.27)**
	Interest Paid	**(833.73)**
	Dividend paid	**(203.77)**
	Net Cash Used in Financing Activities "C"	**2,665.24**
	Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	**(884.34)**
	Cash and Cash Equivalents at the beginning of the year	**240.76**
	Cash and Cash Equivalents at the end of the year	**1,125.10**

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

as per our report of even date

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

RAVI RAMBABU
Partner
M.No.18541

for and on behalf of the Board

RAMESH BABU POTLURI
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Vice Chairman and
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SAURAV ROY
Company Secretary

N. RAJENDRA PRASAD
Chief Financial Officer

Place : Hyderabad
Date : 14-05-2016

Consolidated Notes Forming Part of the Financial Statements

Note No. 1 SHARE CAPITAL

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

The face valule of equity share of ₹10/- each of the Company was sub-divided into 10 equity shares of ₹1/- each w.e.f 05-12-2015 in terms of the approval of the shareholders of the Company through Postal Ballot.

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

Name of the share holder	As at 31.03.2016	
	No of Shares	% held
Hima Bindu Potluri	**12,373,360**	**14.62**
Ramesh Babu Potluri	**11,356,960**	**13.42**
Gulf Pharmaceutical Industries	**5,239,473**	**6.19**
T V V S N Murthy	**8,227,000**	**9.72**
Potluri Infra Projects (P) Ltd (formally known as M/s. Potluri Hire Purchase and Finance (P) Ltd)	**5,860,000**	**6.92**
T. Annapurna	**4,390,340**	**5.19**

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

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

Conosolidated Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

		Particulars	As at 31.03.2016
2		**RESERVES AND SURPLUS**	
	a.	**Securities Premium Account**	**6,981.84**
	b.	**Capital Redemption Reserve**	**155.00**
	c.	**General Reserve**	
		at the Commencement of the Year	**9,123.63**
		(-) Deletions during the year	**-**
		(+) Transfer from Profit and Loss Statement	**1,000.00**
		at the end of the Year	**10,123.63**
	d.	**Surplus Balance in Profit and Loss Statement**	
		at the Commencement of the Year	**8,367.86**
		Add : Profit for the Year	**4,089.21**
			12,457.07
		Less:	
		Privision for Proposed Dividend on Equity Shares	**169.30**
		Corporate Dividend Tax on above	**34.47**
		Transfer to General Reserve	**1,000.00**
		at the end of the Year	**11,253.30**
		TOTAL	**28,513.77**

Conosolidated Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

	As at 31.03.2016	
	Current Maturities	Non Current Portion
3 LONG TERM BORROWINGS		
3.1 Secured		
(Term loans)		
a) State Bank of India		
Term loan - II	**850.00**	**1,487.50**
b) Export Import Bank of India		
Term Loan - II	**600.00**	**2,100.00**
c) IDBI Bank Ltd	**200.00**	**7,300.00**
d) Hire Purchase Loans Vehicles	**103.37**	**70.54**
	1,753.37	**10,958.04**
3.2 Unsecured		
Sales Tax Deferment Loan (Refer Note No.3.2.1)	**65.48**	**244.46**
D S I R Assistance (Refer Note No. 3.2.2)	**-**	**120.00**
	65.48	**364.46**
TOTAL	**1,818.85**	**11,322.50**

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

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

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

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

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

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

Conosolidated Notes Forming Part of the Financial Statements

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

3.1.4 Terms of Repayment

a) Term Loan -II availed from State Bank of India for an amount of ₹ 4,250.00 Lakhs is repayable in 20 Quarterly Installments of ₹ 212.50 Lakhs each, commenced from June, 2014. The loan carries interest rate of 12.5% p.a.

b) Term loan availed from Export Import Bank of India amounting to ₹ 3,000.00 Lakhs for funding the Expansion Project of Kazipally unit. The loan is repayable in 20 Quarterly Installments of ₹ 150.00 Lakhs each, commencing from December,2015. The loan carries interest rate of 12.20% p.a.

c) Term loan availed from IDBI Bank amounting to ₹ 7,500.00 Lakhs for funding the Expansion Project of Kandivalasa unit. The loan carries interest rate of 12.75% p.a The loan is repayable in 24 Quarterly Installments commencing from December, 2016, as mentioned below.

First 4 Quarters	₹ 100.00 Lakhs each
Next 4 Quarters	₹ 200.00 Lakhs each
Next 4 Quarters	₹ 300.00 Lakhs each
Next 4 Quarters	₹ 400.00 Lakhs each
Next 4 Quarters	₹ 425.00 Lakhs each
Next 4 Quarters	₹ 450.00 Lakhs each

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

3.2.1 Un-Secured Loans

Sales Tax (Deferment) Loan liability is due for repayment as under:

Year	Amount ₹ in Lakhs	Year of Repayment
2004-05	74.18	2017-18
2005-06	65.64	2018-19
2006-07	69.63	2019-20
2007-08	35.01	2020-21
TOTAL	**244.46**	

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

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

Conosolidated Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

		Particulars	As at 31.03.2016
4		**DEFERRED TAX LIABILITY**	
		Opening Deferred Tax Liability	**3,572.81**
		Add / Less : for the Year	**917.22**
		Closing Deferred Tax Liability	**4,490.03**
		Details for the deferred tax liability are as furnished bellow :	
	(A)	**Deferred Tax Liability:**	
		on account of fiscal allowance on Fixed Assets	**4,608.87**
		Sub Total	**4,608.87**
	(B)	**Deferred Tax Asset:**	
		on timing differences (Employee Retirement Benefits)	**118.84**
		Sub Total	**118.84**
		Net Deferred Tax Liability (A-B)	**4,490.03**
5		**LONG TERM PROVISIONS**	
		Provision for Employee Benefits	
		Provision for Gratuty to the extent of unfunded	**231.74**
		Provision for leave encashment - Unfunded (Refer Note No.35)	**111.64**
		TOTAL	**343.38**
6		**SHORT TERM BORROWINGS**	
6.1	**i)**	**Secured**	
		(Working Capital Facilities)	
	a)	**State Bank of Inida**	
		Cash Credit	**1,695.72**
		Stand by Loan	**1,799.39**
		Bills Discounting - Export	**540.83**
		Export Packing Credit	**2,445.01**
	b)	**IDBI Bank Ltd**	
		Cash Credit / EPC	**793.79**
		TOTAL	**7,274.74**

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

Conosolidated Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

6.1.3 Working Capital Facilities along with Term Loans extended by State Bank of India are having the following additional security apart from the details of security mentioned supra.

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

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

iii) Corporate Guarantee by M/s. Potluri Laboratories Pvt Ltd (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 Vice Chairman and Joint Managing Director of the Company.

	Particulars	As at 31.03.2016
7.	**TRADE PAYABLES**	
	Creditors for Purchases	
	Dues to Micro and Small Enterprises	**394.50**
	Others	**7,132.48**
	Creditors for expenses	**913.31**
	TOTAL	**8,440.29**
8.	**OTHER CURRENT LIABILITIES**	
	Current Maturities of Long Term Debt	**1,818.85**
	Statutory Dues	**138.81**
	Advance received from Customers	**804.51**
	Creditors for Capital Goods	**1,211.87**
	Interest Accrued but not due on Term Loans	**54.39**
	Unclaimed Dividend	**8.97**
	TOTAL	**4,037.40**
9.	**SHORT TERM PROVISIONS**	
	(a) Provision for employee benefits	
	Bonus Payable	**86.34**
	(b) Others	
	Provision for Equity Dividend	**169.30**
	Provision for Dividend Distribution Tax	**34.47**
	TOTAL	**290.11**

9.1 Bonus payable includes an amount of ₹ 41.97 Lakhs pertaining to financial year 2014-15 which was provided as per the Payment of Bonus (amendment) Act, 2015 which came into force w.e.f. 01-04-2014.

Conosolidated Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

NOTE NO.10 : Fixed Assets & Depreciation statement for the Year ending 31.03.2016

	Name of the Asset	Gross Block				Depreciation				Net Block	
		As at 01.04.2015	Additions During the Year	Deletions During the Year	As at 31.03.2016	Up to 31.03.2015	For The Year	On Deletions	Total up to 31.03.2016	WDV as at 31.03.2016	WDV as at 31.03.2015
a	**Tangible Assets :**										
	Land & Land Development	630.38	91.57	-	**721.95**	-	-	-	**-**	721.95	630.38
	Buildings	8,097.98	2,375.66	-	**10,473.64**	1,447.75	264.52	-	**1,712.27**	8,761.37	6,650.23
	Plant & Machinery	27,787.08	8,774.15	38.26	**36,522.97**	8,475.99	1,520.33	27.72	**9,968.60**	26,554.37	19,311.10
	Pollution Control Equipment	962.83	7.01	-	**969.84**	552.52	36.34	-	**588.86**	380.98	410.31
	Data Processing Equipment	185.01	20.20	-	**205.21**	142.33	25.06	-	**167.39**	37.82	42.67
	Furnitures & Fixtures	219.74	30.00	-	**249.75**	112.09	14.95	-	**127.04**	122.70	107.65
	Office Equipment	104.90	8.41	-	**113.31**	89.86	4.40	-	**94.26**	19.06	15.04
	Vehicles	635.16	13.91	63.80	**585.27**	206.94	63.28	59.53	**210.69**	374.58	428.22
	Improvements on Leased Premises	65.52	-	-	**65.52**	65.52	-	-	**65.52**	-	-
	Land Scaping	35.22	2.25	-	37.46	12.01	3.33	-	15.34	22.12	23.21
	Sub total	**38,723.82**	**11,323.16**	**102.06**	**49,944.92**	**11,105.01**	**1,932.21**	**87.25**	**12,949.97**	**36,994.95**	**27,618.81**
	(Previous Year)	(34,013.46)	(4,811.90)	(101.54)	**(38,723.82)**	(9,425.26)	(1,708.94)	(29.19)	**(11,105.01)**	(27,618.81)	(24,638.45)
b	Intangible Assets :										
	Computer Software	112.72	13.86	-	**126.58**	79.52	10.39	-	**89.91**	36.67	33.20
	Patents	**7.25**	**2.33**	**-**	**9.58**	**5.33**	**0.70**	**-**	**6.03**	**3.56**	**1.92**
	Sub total	**119.97**	**16.19**	**-**	**136.16**	**84.85**	**11.09**	**-**	**95.94**	**40.23**	**35.12**
	(Previous Year)	(100.55)	(19.42)	-	(119.97)	(77.18)	(7.67)	-	(84.85)	(35.12)	(22.08)
	Total	**38,843.79**	**11,339.35**	**102.06**	**50,081.08**	**11,189.86**	**1,943.30**	**87.25**	**13,045.91**	**37,035.18**	**27,653.93**
	(Previous Year)	**(34,114.00)**	**(4,831.32)**	**(101.54)**	**(38,843.79)**	**(9,502.44)**	**(1,716.61)**	**(29.19)**	**(11,189.86)**	**(27,653.93)**	**(24,660.53)**
c	**Capital Work-in-Progress**	2,942.98	9,289.89	10,952.98	**1,279.89**	-	-	-	**-**	1,279.89	2,942.98
	(Previous Year)	(3,932.31)	(3,277.73)	(4,267.06)	(2,942.98)	-	-	-	-	(2,942.98)	(3,932.31)
	Total (a+b+c)	**41,786.77**	**20,629.24**	**11,055.04**	**51,360.97**	**11,189.86**	**1,943.30**	**87.25**	**13,045.91**	**38,315.07**	**30,596.91**
	(Previous Year)	(38,046.31)	(8,109.05)	(4,368.60)	(41,786.77)	(9,502.44)	(1,716.61)	(29.19)	(11,189.86)	(30,596.91)	(28,592.84)

Conosolidated Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

	Particulars	As at 31.03.2016
11	**Non Current Investments**	
	At Cost - Non-Trade - Unquoted - Long Term Investments	
	17,538 Equity Shares of ₹ 10/- each	**1.76**
	in M/s Patancheru Enviro Tech Ltd.	
	2,253 Equity Shares of ₹ 100/-	**2.25**
	in M/s Jeedimetla Effluent Treatment Ltd.	
	1,000 Equity Shares of ₹ 10 each	**0.10**
	in M/s Sireen Drugs Private Limited	
	27,09,400 Equity Shares of ₹ 10/- each	
	in M/s VKT Pharma (P) Ltd. (Associated Company)	
	Equity Value of Investments	**1,841.87**
	Add/(Less) : Adjustment for change in Net Assets	**280.92**
	TOTAL	**2,122.79**
	Share of (Loss)/profit in Associates	**(75.86)**
	TOTAL	**2,046.93**
		2,051.04

11.1 During the year 2015-16 the Company has invested an amount of ₹ 803.99 Lakhs towards 5,11,400 Equity Shares of ₹ 10/- each. (4,06,000 Equity Shares at a premium of ₹ 140/- and 1,05,400 Equity Shares at a premium of ₹ 175/-) in M/s. VKT Pharma Private Limited, an associated Company under the same management. As on 31.03.2016 the Company is holding 34.33 % of the total Paid up Capital of the said associated Company. Sri P Ramesh Babu, Chairman and Managing Director of the Company and his spouse & son are Directors in the said Company.

12	**Long Term Loans and Advances**	
	(Unsecured Considered Good)	
	(a) Deposits Recoverable	**312.49**
	(b) Adavance for Capital Goods	**124.91**
	TOTAL	**437.40**

12.1 Deposits recoverable consists of ₹ 259.64 Lakhs with Electricity Department, ₹ 30.60 Lakhs Rent Deposit and ₹ 22.26 Lakhs with Others.

13	**Inventories**	
	(as Valued and Certified by the Management)	
	Raw Materials (Valued at Cost)	**5,064.96**
	Stock in Process	**5,309.96**
	(at cost and an appropriate share of overheads)	
	Finished Goods	**836.57**
	(Valued at lower of cost or net realisable value)	
	Coal & Fuel (Valued at Cost)	**56.88**
	TOTAL	**11,268.37**

Conosolidated Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

	Particulars	As at 31.03.2016
14	**Trade Receivables**	
	Unsecured	
	(a) Outstanding for a period exceeding six months	
	Considered Good	**203.28**
	Considered Doubtful	**55.94**
		259.22
	Less: Bad debts written off	**55.94**
		203.28
	(b) Others	
	Considered Good	**5,905.49**
	TOTAL	**6,108.77**

14.1 Trade Receivables includes an amount of ₹ 1,47,38,800/- due from M/s VKT Pharma Private Limited, a related party.

15	**Cash and Bank Balances**	
	(a) Cash and Cash Equivalents :	
	(i) Cash on Hand	**15.14**
	(ii) Balances with Scheduled Banks	
	- in Current Accounts	**109.96**
	- in short Term Deposit	**1,000.00**
	(b) Other Bank Balances :	
	(i) Deposit against Margin Money	**373.37**
	(ii) Fixed Deposits	**0.80**
	(iv) Unclaimed Dividend Accounts	**8.97**
	TOTAL	**1,508.24**

15.1 Out of the above amount, cash and cash equivalents was ₹ 1,125.10 Lakhs.

15.2 Deposit against margin money amount of ₹ 373.37 Lakhs have maturity period of more than 12 months.

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

15.4 Special Term Deposits amount of ₹ 1,000.00 Lakhs have maturity period of less than three months.

16	**Short Term Loans & Advances**	
	Advances for Raw Materials	**624.21**
	Advances to others	**78.29**
	MAT Credit	**1,549.47**
	TOTAL	**2,251.97**

Conosolidated Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

	Particulars	As at 31.03.2016

16.1 Advances for Raw Materials includes ₹ 93.25 Lakhs given to M/s. Rchem (Somanhalli) Pvt. Ltd, and ₹ 162.50 Lakhs given to M/s. VKT Pharma Private Limited, related parties.

16.2 Advances to Others includes an amount of ₹ 44.31 Lakhs towards Staff Advances.

16.3 Advance to Others includes an amount of ₹ 1.16 Lakhs which is outstanding for more than 3 years. However the management is confident about the recovery of the said amount.

17	**Other Current Assets**	
	Prepaid Taxes (Net of Provision for Income Tax)	**96.82**
	Prepaid Expenses	**62.20**
	Interest Receivable	**89.71**
	Cenvat & Service Tax Credit Receivable	**2,505.53**
	VAT Credit Receivable	**803.32**
	Export Incentives Receivable	**60.30**
	TOTAL	**3,617.88**

	Particulars	Current Year 2015-16
18	**Revenue From Operations**	
	(a) Sale of Products	
	Gross Revenue From Sales	
	Sale of Products	**58,010.76**
	Export Incentives	**236.12**
		58,246.88
	Less : Excise Duty	**1,819.13**
	Sales Tax	**820.65**
	Total Taxes	**2,639.78**
	Net Revenue from Sales	**55,607.10**
	(b) Other Operating Income	
	1) Sale of Services (Gross)	**105.59**
	Less : Service Tax	**12.91**
	Net Revenue from Services	**92.68**
	2) Conversion Charges	**4,619.56**
	Net Other Operating Income	**4,712.24**
	Net Revenue from Operations and Services	**60,319.34**

Conosolidated Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

	Particulars	Current Year 2015-16
19	**Other Income**	
	(a) Interest Income	212.07
	(b) Exchange Fluctuation	50.11
	(c) Profit on sale of assets	4.10
	(d) Miscellaneous Income	94.51
	TOTAL	360.79
20	**Materials Consumed**	
	(a) Raw Materials	
	Opening Stock	3,343.40
	Add : Purchases	41,171.25
		44,514.65
	Less: Closing Stock	5,035.78
	Sub-Total (a)	39,478.87
	(b) Packing Materials	
	Opening Stock	29.00
	Add : Purchases	466.63
		495.63
	Less : Closing Stock	29.18
	Sub-Total (b)	466.45
	Total Materials Consumed (a+b)	39,945.32
21	**Changes in Inventories of Finished Goods and Stock in Process**	
	(Increase) / Decrease in Stocks	
	(a) At the Commencement of the Year :	
	Stock in Process	4,220.10
	Finished Goods	962.51
	Sub-Total (a)	5,182.61
	(b) At the end of the Year :	
	Stock in Process	5,309.97
	Finished Goods	836.57
	Sub-Total (b)	6,146.54
	(Increase) / Decrease in Stocks (a)-(b)	(963.93)
22	**Employee Benefit Expenses**	
	Salaries, Wages and Bonus	3,355.79
	Contribution to PF & Other Funds	205.05
	Staff Welfare Expenses	250.47
	TOTAL	3,811.31

Conosolidated Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

	Particulars	Current Year 2015-16
23	**Finance Cost**	
	Interest on Term Loans	**810.04**
	Interest on Working Capital	**730.69**
	Interest on Direct Taxes	**4.41**
	Interest on Others	**10.81**
	Bank Charges	**153.86**
	TOTAL	**1,709.81**
24	**Other Expenses**	
	Power & Fuel	**3,285.35**
	Consumable Stores	**439.37**
	Testing Charges	**58.16**
	Water Charges	**95.62**
	Conversion Charges	**1,358.25**
	Effluent Treatment Charges	**190.92**
	Central Excise Duty	**30.95**
	Repairs & Maintenance - Plant & Machinery	**833.13**
	Repairs & Maintenance - Buildings	**205.06**
	Factory Maintenance	**158.70**
	Travelling Expenses - Directors	**17.57**
	Travelling Expenses	**59.31**
	Postage & Telephones	**31.94**
	Printing & Stationary	**74.65**
	Directors Remuneration	**395.77**
	Rent, Rates & Taxes	**142.15**
	Insurance	**119.50**
	CSR Expenditure	**19.22**
	Professional Charges	**42.56**
	General Expenses	**106.30**
	Loss on Sale of assets	**4.94**
	Cost Audit Fee	**0.75**
	Payment to Auditors	**17.10**
	Repairs to Other Assets	**37.91**
	Vehicle Maintenance	**45.97**
	Carriage Outward	**333.07**
	Sales Commission	**252.85**
	Business Promotion Expenses	**192.81**
	Interest on Indirect Taxes	**1.26**
	Bad Debts Written Off	**55.94**
	TOTAL	**8,607.08**

Conosolidated Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

	Particulars	Current Year 2015-16
25.	**Earnings Per Share (Basic and Diluted)**	
	Net profit for basic EPS	**4,089.21**
	Annualized Basic Earnings per share (Amount in ₹)	**4.83**

25.1 During the year 2015-16 Equity shares having face value of ₹ 10/- each has been sub-divided into ₹ 1/- each.

26 Note on CSR Liability

As per the Section 135 (l) of the Companies Act, 2013 Corporate Social Responsibility provisions are applicable to the Company and the liability for the financial year 2015-16 was ₹ 18.47 Lakhs. During the year 2015-16 the Company has initiated the following activities at the surrounding of its facilities and spent an amount of ₹ 19.22 Lakhs:

26.1.1 Organized School Benches to Government Primary School of Mandal Parishad Prathamika Patashala at Kazipally Village, Jinnaram Mandal, Medak District. The amount incurred for this activity was ₹ 77,500/-.

26.1.2 Construction of 600 Square Feet of RCC roof building for Public Health Center at Kovvada Vllage, Poosapatirega Mandal, Vizianagaram District with an estimated cost of ₹ 10.00 Lakhs excluding medical equipments. The Company has already incurred an amount of ₹ 9.22 Lakhs and the balance is mainly miscellaneous to be spent on completion of the building.

26.1.3 Construction of 600 Square Feet of RCC roof building for Public Health Center at Gumpam Vllage, Poosapatirega Mandal, Vizianagaram District with an estimated cost of ₹ 10.00 Lakhs excluding medical equipments. The Company has already incurred an amount of ₹ 9.22 Lakhs and the balance is mainly miscellaneous to be spent on completion of the building.

27. Corporate Information

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

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

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

28.1 Principles of Consolidation

The financial statement of associate directly or indirectly holds 20% or more of equity, investment in associates are accounted under the equity method as per Accounting Standard (AS) 23 – "Accounting for Investment in Associates in Consolidated Financial Statements" specified under Section 133 of Companies Act, 2013.

28.2 Comparative figures:

The Company has availed exemption to prepare consolidated financial statements for the year 2014-15 as it has no subsidiaries as per the notification number G.S.R. 723 (E) dated 14th October, 2014 issued by Ministry of Corporate Affairs. Hence, comparative figures for previous year 2014-15 are not available.

29. Significant Accounting Policies

a. Use of Estimates

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

b. Fixed Assets:

i. Fixed Assets are stated at cost of acquisition as reduced by accumulated depreciation. All costs including financial costs up to the date of commissioning and attributable to the fixed assets are capitalized apart from taxes, freight and other incidental expenses related to the acquisition and installation of the respective assets as reduced by taxes to the extent of recoverable.

ii. Assets acquired on Hire Purchase arrangements, if any, are accounted for as assets in accordance with AS-19 issued by the Institute of Chartered Accountants of India.

c. Capital Work In progress:

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

d. Depreciation:

Depreciation on Fixed Assets is provided on Straight Line based on use full life of respective assets as prescribed In Schedule – II of the Companies Act, 2013.

The carrying amount of the assets as on 01.04.2014 are depreciated over the remaining life of the assets, as per schedule-II of the companies Act, 2013.

In case of useful life of an asset is nil the book value of respective assets, after retaining the residual value, was recognized in the opening balance of retained earnings and simultaneously affected in Depreciation Fund A/c

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. Incase of assets costing less than ₹ 5,000/- purchased during the year also depreciation has been provided at normal rates on pro-rata basis from the date of purchase.

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

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

e. Investments:

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

f. Inventories:

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

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

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

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:

Contribution to Provident Fund is made at the prescribed rates to the Employees Provident Fund Scheme by the Central Government and is charged to statement of profit and loss.

ii. Defined Benefit Plans:

(1) **Gratuity:** Accounting liability towards gratuity is provided 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 immediately 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 valeur 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 Company records its un availed leave liability based on actuarial valuation using projected unit credit method. This liability was unfunded.

iii. State Plans:

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

l. 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.

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. 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.

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.

Conosolidated Notes Forming Part of the Financial Statements

30. Contingent Liabilities not provided for (Amount: ₹ in Lakhs)

	Particulars	2015-16
(a)	Guarantees given by banks	-
(b)	Letter of credits opened in favor of suppliers for which goods are yet to be received	**570.30**
(c)	Disputed Income Tax demands against which Company is in Appeals.	**22.62**
(d)	Interest dues in respect of disputed demands of Income Tax and Central Excise.	**168.71**
(e)	Interest on disputed demand of Central Excise(Refer Note No.32. (iii))	**16.40**
(f)	Capital Commitments	**166.01**
	TOTAL	**944.04**

31. Capital work-in-progress includes an amount of ₹ 556.79 Lakhs paid for acquiring land to the extent of Ac. 42 in Jawaharlal Nehru Pharma City Parawada in Visakhapatnam Dist.

During the year 2007-08 M/s Ramkey Pharma City (India) Ltd, the developer, has sent a communication to cancel the allotment to the extent of Ac. 23 and proposed to sell the said land to others. Aggrieved by this, the Company filed a Writ Petition with Hon'ble High Court of A.P. in the year 2010 and obtained orders restraining the alienation of the said land till the pending of further orders. The case is pending before the High Court of Judicature at Hyderabad (for the State of Telangana and for Andhra Pradesh). The Company has not accepted for registration of balance Ac.19 due to the above said legal dispute. The management is confident to get the clear title for the total land.

32. (i) The Company has entered in to an agreement with M/s. Divya Enterprises Limited for purchase of 918 sqm industrial plot and buildings and structures situated at D-63,Phase – I, Jeedimetla, for a consideration of ₹ 60.00 Lakhs. Pending registration of the same, the Company has paid the entire amount to the vendor for the said property and has taken the possession during the year 2002-03. The said property was not yet registered in the name of the Company as on the Balance Sheet date.

(ii) The Company has constructed/modified buildings and structures to suit the requirement for carrying out its manufacturing activity in the said premises. The Company has incurred an amount of ₹ 169.68 Lakhs during the earlier years for modification of buildings and also for acquiring required equipment and other assets. The said assets were capitalized and the Company is claiming depreciation.

(iii) Central excise department has issued a demand for an amount of ₹ 16.40 Lakhs towards interest for the period from 01-04-1995 to 18-03-2011 jointly in the name of Divya Enterprises Limited and SMS Pharmaceuticals Limited for which M/s Divya Enterprises Limited has obtained stay from the Honourable High court of Andhra Pradesh in the year 2013. Presently the Company is not carrying out any manufacturing activity at this location.

Conosolidated Notes Forming Part of the Financial Statements

33. Remittance in Foreign Currency on Account of Dividend:

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

34. Research and Development Expenditure:

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

S.No.	Particulars	2015-16
1	Lab Equipment	**126.42**
2	Patents	**2.33**
3	Computers	**3.56**
4	Electrical Equipment	**1.56**
5	Furniture & Fixtures	**-**
	TOTAL	**133.87**

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

S.No.	Particulars	2015-16
1	Salaries & Wages	211.94
2	Materials Consumed	52.63
3	Power	21.53
4	Repairs & Maintenance	38.14
5	Rates & Taxes	5.86
6	Testing Charges	6.12
8	Other Expenses	11.71
	TOTAL	**347.93**

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

(1) Defined Contribution Plans: **(Amount: ₹ in Lakhs)**

	2015-16
Contribution to Provident Fund	180.05

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

ii. Leave Encashment (Un funded)

Conosolidated Notes Forming Part of the Financial Statements

Disclosures (as per actuary certification) (Amount: ₹ in Lakhs)

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

- Net benefit expenses of ₹ 38.84 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 ₹ 231.74 lakhs as on the balance sheet date.

(iii) The Principal Assumptions Used in Determining Gratuity

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

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

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

Conosolidated Notes Forming Part of the Financial Statements

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

(Amount: ₹ In Lakhs)

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

The above information regarding Micro Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

37. Related Party Disclosures:

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

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

S.No.	Name	Relationship
1.	Sri. P.RameshBabu	Chairman and Managing Director
2.	Sri.T.V.V.S.N.Murthy	Vice Chairman and Joint Managing Director
3.	Sri. T.V.Praveen	Relative of the Key Managerial personnel
4.	Sri. P. Vamsikrishna	Relative of the Key Managerial personnel
5.	Smt. P. HimaBindu	Relative of the Key Managerial personnel
6.	N. Rajendra Prasad	Chief Financial Officer
7.	P.Prabhakara Rao	Company Secretary (up to31.08.15)
8.	Saurav Roy	Company Secretary (04.08.15 onwards)

(ii) List of Related Parties

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

Conosolidated Notes Forming Part of the Financial Statements

(iii) Transactions: (Amount: ₹ In Lakhs)

Particulars	Associate Company & Companies in which KMP having significant influence	Key Management Personnel	Relatives of Key Management Personnel	Total
Remuneration & Commission		401.47	46.25	447.72
Purchases	94.77			94.77
Sales	291.87			291.87
Conversion Charges paid	805.54			805.54
Investments	803.99			803.99
Rent	4.50			4.50
Advances	255.75			255.75
Balance outstanding :				
Receivable	403.13			403.13
Payable	-	266.81	2.19	269.00

38. Segment Reporting:

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

(Amount: ₹ In Lakhs)

Particulars	2015-16	
	Revenue	%
Exports	**17,146.50**	**30.84**
Sales to EOU	**27,292.78**	**49.08**
Domestic	**10,931.70**	**19.66**
Export Incentives	**236.12**	**0.42**
TOTAL	**55,607.10**	**100.00**

Conosolidated Notes Forming Part of the Financial Statements

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

Particulars	2015-16	
	Value	%
Imported	**6,093.67**	**15.44**
Indigenous	**33,385.20**	**84.56**
TOTAL	**39,478.87**	**100.00**

40. Expenditure in Foreign Currency

40.1 CIF Value of Imports: (Amount: ₹ In Lakhs)

Particulars	2015-16
Raw Materials	**6,391.78**
Capital Goods	**367.37**
TOTAL	**6,759.15**

40.2 Other Expenses : (Amount: ₹ In Lakhs)

Particulars	2015-16
Sales Commission	**169.50**
Travelling Expenses	**2.32**
TOTAL	**171.82**

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

Particulars	2015-16
FOB Value of Exports	**15,265.56**

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

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

as per our report of even date

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

RAVI RAMBABU
Partner
M.No.18541

Place : Hyderabad
Date : 14-05-2016

for and on behalf of the Board

RAMESH BABU POTLURI
Chairman and
Managing Director

T V V S N MURTHY
Vice Chairman and
Joint Managing Director

SAURAV ROY
Company Secretary

N. RAJENDRA PRASAD
Chief Financial Officer

SMS PHARMACEUTICALS LIMITED

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

ATTENDANCE SLIP

Name of the Member(s)/ Proxy :
(In Block Letters)

Folio No. :

DP ID - Client ID :

No. of Shares Held :

I hereby record my presence at the 28th Annual General Meeting of the Company at Jubilee Hills International Centre (Jubilee Hills Club), Jubilee Hills, Hyderabad -500 033 on the 30th day of September, 2016 at 11.00 a.m.

Signature of the Member(s) / Proxy

Notes:

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

sms Pharmaceuticals ltd.

SMS PHARMACEUTICALS LIMITED

CIN : L24239AP1987PLC008066
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• E-mail : info@smspharma.com

PROXY FORM

Name of the Member (s) :

Registered Address :

Email-Id :

Folio No./Client ID : DP ID :

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

1. Name: …….....……....

   Address:…….....…….....

   …… E-mail Id :.....

   …….....

   Signature:……..... or failing him

2. Name: …….....……....

   Address:…….....…….....

   …… E-mail Id :.....

   …….....

   Signature:……..... or failing him

3. Name: …….....……....

   Address:…….....…….....

   …… E-mail Id :.....

   …….....

   Signature:……..... or failing him

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 28th Annual General Meeting, SMS Pharmaceuticals Limited to be held on the 30th day of September, 2016 at 11.00 a.m. at Jubilee Hills International Centre (Jubilee Hills Club), Jubilee Hills, Hyderabad -500 033 and at any adjournment thereof in respect of such resolutions as are indicated below:

Res. No.	Resolution	Vote for	Vote against
Ordinary Business			
1.	To receive, consider and adopt the Audited Standalone and Consolidated Financial Statements of the Company for the year ended 31st March, 2016 along with the Reports of the Board of Directors' and Auditors' thereon.		
2.	To declare Dividend on the equity shares for the financial year 2015-16.		
3.	To re-appoint Sri Ramesh Babu Potluri (DIN: 00166381) who retires by rotation, and being eligible, offers himself for re-appointment.		
4.	To re-appoint Sri TVVSN Murthy (DIN: 00465198) who retires by rotation, and being eligible, offers himself for re-appointment.		
5.	To appoint Statutory Auditors and fix their remunerations.		
Special Business			
6.	To Ratify / Approve The Related Party Contracts/Arrangements Transactions of the Company		
7.	Re-Appointment of Sri Ramesh Babu Potluri (Din: 00166381) as Chairman and Managing Director of the Company		
8.	Re-Appointment of Sri TVVSN Murthy (Din: 00465198) as Vice-Chairman and Joint Managing Director of the Company		
9.	Appointment of Sri P. S. Rao (Din: 00099066) as an Independent Director of the Company		
10.	Re-Appointment of Sri T.V. Praveen as Vice-President (Marketing) of the Company		
11.	Re-Appointment of Sri P. Vamsi Krishna as Vice-President (Operations) of the Company		
12.	Ratification of Remuneration payable to the Cost Auditor for the Financial Year ending on 31st March, 2017		
13.	Fixation of the amount to be deposited with the Company for service of documents to the shareholder/member via specified mode on specific request		

Please Affix ₹ 1/- Revenue Stamp

Signed this……..……. day of…….....… 2016.

Signature of shareholder(s)

Signature of Proxy holder(s)

Notes:

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

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

Notes:

Notes:

If undelivered, please return to:

sms Pharmaceuticals ltd.

Regd. Off: Plot No. 19-III,
Opp. Bharatiya Vidya Bhavan Public School,
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