



Pharmaceuticals Limited

Registered & Corporate Office :

Plot No. 72, H. No. 8-2-334/3 & 4, Road No. 5,
Opp. SBI Executive Enclave, Banjara Hills,
Hyderabad - 500 034, Telangana, INDIA.

Tel : +91-40-2525 9999, Fax : +91-40-2525 9889

CIN : L24239TG1987PLC008066

Email: info@smspharma.com, www.smspharma.com

Date: 07th September, 2023

To
The Manager,
Corporate Filings Department,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400 001.

The Manager,
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.

Security Code: 532815

Symbol: SMSPHARMA

Dear Sir/Madam,

Sub: Notice of 35th Annual General Meeting and Annual Report for the FY 2022-2023.

Pursuant to Regulation 34 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Annual Report of the Company for the financial year 2022-23 including the Notice of Annual General Meeting (AGM).

The Annual Report for Financial Year 2022-23 along with the Notice of the 35th AGM of the Company is being dispatched electronically (through e-mail) to all the Members whose email addresses are registered with the Company / Registrar and Share Transfer Agent /respective Depository Participant(s). The said documents are also available on the website of the Company at <https://smspharma.com/wp-content/uploads/2023/09/35th-Annual-Report-for-the-FY-2022-23.pdf>

The Company is pleased to provide to its members the facility to exercise their right to vote on the resolutions proposed to be passed at the AGM by electronic means.

Further the following details for the purpose of ensuing AGM:

Day and Date and Time of AGM	Saturday, 30 th September, 2023 at 10.00 a.m
Book Closure Dates	Saturday 23 rd September, 2023 to Saturday 30 th September, 2023 (both day inclusive)
Record Date for Dividend	Friday, 22 nd September, 2023

Cut-off Date for e-voting eligibility and attending AGM	Friday, 22 nd September, 2023
The Remote e-voting Start date and time	Tuesday, 26 th September, 2023 at 9.00 a.m. (IST)
The Remote e-voting end date and time	Friday, 29 th September, 2023 at 5.00 p.m. (IST)

Please take the above intimation on your records.

Thanking you

Yours faithfully

For SMS Pharmaceuticals Limited

**Thirumalesh Tumma
Company Secretary and Compliance Officer**

Encl: as above

Innovation | R&D | Manufacturing Excellence



**Focused on
value creation**

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Forward-looking statements

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

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Scan above QR code to know more about us.

Corporate Information

Board of Directors

Sri. Ramesh Babu Potluri
Chairman and Managing Director

Sri. Sarath Kumar Pakalapati
Independent Director

Sri. Vamsi Krishna Potluri
Executive Director

Sri. Shravan Kudaravalli
Independent Director
(Re-appointed w.e.f. 26.05.2023)

Sri. Sarvepalli Srinivas
Independent Director

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

Smt. Dr. Neelaveni Thummala
Independent Director

Key Managerial Persons

Sri. Lakshmi Narayana Tammineedi
Chief Financial Officer

Sri. Thirumalesh Tumma
Company Secretary & Compliance Officer

Statutory Auditors

M/s. Suryanarayana & Suresh
Chartered Accountants

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

Secretarial Auditors

M/s. SVVS & Associates Company Secretaries LLP

Company Secretaries
#307, Babukhan Estate, Basheerbagh
Hyderabad - 500001
Telangana

Registered Office

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

CIN: L24239TG1987PLC008066

Internal Auditors

M/s. Adusumilli and Associates

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

Cost Auditors

Sri. K S N Sarma

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

Contact Details

Tel: 040-35359999 / 2525 9999

Fax: 040-25259889

Email: info@smspharma.com

Web: www.smspharma.com

Registrar & Share Transfer Agent

M/s. Aarthi Consultants Private Limited
1-2-285, Domalguda, Hyderabad – 500029

Ph: 040-27638111

Email: info@aarthiconsultants.com

Manufacturing Facilities

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

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

Research and Development Centre

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

Bankers

State Bank of India


IDBI Bank Limited

RBL Bank Limited

Export Import Bank of India



**Focused on
value creation**



At SMS Pharma, we are committed to help patients and healthcare providers with quality, cost-effective drugs. Operating in a dynamic business sector, we have consistently focused on operational expansion and manufacturing excellence to stay ahead of the curve and serve patients better. Our efforts have helped us sustain our growth momentum, reflecting our focus on long-term value creation for all.

Throughout our journey, we have leveraged R&D to develop cost-effective processes for API manufacturing consistently. During the reporting year, we have also invested prudently in enhancing our manufacturing capabilities and developed a portfolio of niche products, comprising high-value, complex APIs. In addition, by employing best-in-class technologies, we have seamlessly supported every facet of the product lifecycle, further strengthening our leadership in crucial product domains.

To diversify our presence across several geographies, therapies, products and clients, we have expanded our reach across borders. This has helped us create new avenues for value creation, benefiting stakeholders across the spectrum.

Looking ahead, we will continue to prioritise R&D investments and cost optimisation, trying to backward integrate. We believe we are strategically positioned to capitalise on

emerging market opportunities and remain fully dedicated to creating enduring value for all our stakeholders. With a sustained focus on innovation and R&D, we remain optimistic about our outlook for the upcoming year and are on track towards accomplishing our objectives. Building on our strengths and bolstered by the trust and cooperation of all our stakeholders, we would remain focused on achieving sustainable growth and delivering value to all.

Delivering sustainable value for over thirty-five years

Founded in 1990, we have evolved significantly over the years; from being a single product manufacturing company to one of the leading pharmaceutical companies in India, our transformation down the years has been commendable.

Throughout our journey, we have consistently focused on developing quality products that meet the evolving needs of our clientele. Equipped with state-of-the-art facilities, best-in-class process equipment and strong capabilities in Active Pharmaceutical Ingredients (APIs) manufacturing, we have ensured the efficacy and reliability of our pharmaceuticals. By consistently investing in R&D, we have developed key APIs across different therapeutic segments.

35+ years

Legacy

800+

Customers

30+

Process Patents

40+

Products

80+

Regulatory Fillings



Vision

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



Mission

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





Value proposition

Global Presence

Established an expansive footprint in 75 countries across 5 continents. With a turnover of more than 80%, export revenue helps reduce reliance on any single country or region.

Strong Domain Expertise

Promoters and Senior Management with a solid background in business and knowledge of APIs and Intermediates ensure that there is alignment of interest among all internal stakeholders.

Cost Leadership

A strong foundation and sound setup from procurement to sales with backward integration facilitate cost-efficient manufacturing.

Long-standing Relationships

Enduring relationships with suppliers and customers help us serve the nation.

Economies of Scale

Our leadership position in key products, coupled with backward integration, helps us achieve economies of scale.

₹ **522** crore

Revenue

₹ **60** crore

EBIDTA

1000+

Employees

₹ **4** crore

PAT

₹ **336** crore

Exports



A look at our journey down the decades

Inception of the Company with a single unit product facility

1989

Recognised by the Government of India with a Jawaharlal Silver rolling trophy for the highest productivity during the year

1997

1995

Scaled up to be the largest manufacturer of Ranitidine API in the world

2000

Acquired a facility to manufacture niche and high-value products to diversify our portfolio

Concluded our first USFDA Audit; SMS API was a Part of a Para IV filing from an MCN company

2003

2007

Listed as a public company on the NSE and BSE (Indian stock exchanges)

Started a Green Field Project to build an API facility spread over more than 100 acres of land

2010

2015

Won the prestigious 'Indian pharma bulk drug of the year and 'Best bulk drug export Company of the year' award from the Government of India

2017

Demerged SMS Pharma into two entities, namely-

1. SMS Pharmaceuticals
2. SMS Lifesciences

2019

Central Laboratory Analytical Services (CLAS) established to cater analytical services using hyphenated analytical techniques.

2021

Dedicated Ibuprofen manufacturing block inaugurated.

2023

Ibuprofen USDMF approved against our prime customer's ANDAs.

Expanding our reach across borders

Our global presence reflects our commitment to providing high-quality pharmaceutical products to people worldwide.

Every year, we grow our reach while strengthening our domestic presence and reaching out to newer export markets. We currently operate in 75 countries across five continents. Our major customers are primarily from the United States, Europe, Japan, Indonesia, and Brazil, with a few from the MENA regions.

75+

Countries of market presence

83%

Revenue from overseas business

800+

Customers

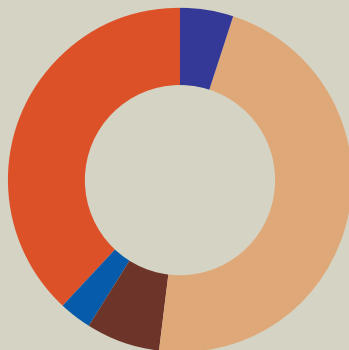
17%

Revenue from domestic business

Geography-wise revenue contribution

Revenue Contribution in FY 22-23 (%)

- US 5%
- Europe 47%
- Asia 7%
- Africa 3%
- Rest of the world 38%





Message from the Chairman



During the past year, we have made several well-informed decisions that have improved our performance.

Dear Shareholders,

As I pen down my thoughts for the year gone by, my mind is drawn to the obstacles we faced in the initial quarters of FY23. However, owing to our strategic actions and agility, we navigated the challenges and emerged stronger.

Our journey has been nothing short of exciting. What started off as a single product manufacturing company in 1990 has now evolved to become a multi-location entity with a portfolio spanning diverse therapeutic segments.

Going forward, our focus on innovation and manufacturing excellence will enable us to capitalise on new opportunities and expand our market presence. Also, backed by a robust product portfolio, we remain confident about our long-term growth prospects.

Reflecting on our performance

At the beginning of the reporting year, the demand for our antiretroviral (ARV) products declined, impacting our performance in Q1 FY23. Our performance during the early quarters was also affected by other hurdles, such as our foray into a new product line, modifications to our existing product mix and industry-specific structural challenges, including rising raw material costs and market volatility.

However, we took these challenges in our stride and maintained top-line figures during the year under review. This accomplishment is especially noteworthy considering the shift in our revenue composition. The contribution of our ARV segment to total revenue has contracted drastically from 40% in FY22 to a modest 3% in FY23. While our anti-diabetic product segment has emerged as a crucial growth driver, contributing roughly 38% of our total revenue in FY23, compared to less than 3% in the preceding year. This surge in the anti-diabetic segment resulted from the expiration of numerous gliptin patents. In addition, our revenue from anti-inflammatory products doubled to 14% in FY23, up from 7% in FY22. Our core therapeutic categories, including antimigraine and anti-ulcer drugs, also performed well.

Building on our strengths

During the past year, we have made several well-informed decisions that have improved our performance. Simultaneously, our nimble transition towards more promising product segments has bolstered our growth potential. When faced with the challenge of declining demand for ARV products, we responded swiftly by shifting our focus to non-ARV offerings. This strategic move not only reduced our reliance on the ARV segment, but also unlocked new avenues for future expansion. The strong demand for our non-ARV products also enabled us to record a better performance in the latter half of FY23.

Throughout the year under review, we continued to witness traction for the Ibuprofen product launched last year. Notably, We secured USDMF and CEP approval for Ibuprofen during this period, which enabled us to market Ibuprofen in European markets.

Making responsible choices

At SMS Pharma, we strive hard to translate Environmental, Social and Governance (ESG) principles into tangible actions. To create a meaningful impact on both the environment and society, we adhere to global sustainability standards and implement targeted initiatives to reduce our carbon footprint, conserve resources and foster social inclusivity.

Over the years, we have continued to support the underprivileged section of society by offering quality education to them, especially children. We have provided special education and rehabilitation to children with disabilities. Moreover, our dedication to empowering local communities led us to contribute to the Construction of Class Room in M. P. U. P. School located at Ayyannapeta, Vizianagaram District, Andhra Pradesh. These endeavours demonstrate our commitment to making quality education accessible to all.

We offered financial assistance to Campus Challenge- an organisation that works with impoverished children in Andhra Pradesh's coastal and tribal districts to promote disability-friendly practises and empower people with disabilities. We also supported to poor people crippled with heart, lung and vascular diseases during the year.

Paving our way forward

As we step into the new fiscal year, we remain optimistic about our long-term prospects. An encouraging development in this regard is the resurgence of our ARV business, which has emerged stronger amid challenges and is poised to contribute substantially to our revenue, profitability and growth in FY24. With strong demand for ARV products projected for the next two to three quarters, we are looking forward to the upcoming year with renewed

vigour. Raw material prices, which had been a major concern for the majority of FY23, are also showing signs of stabilisation. This is an outcome of the reopening of the Chinese economy following the shutdown due to their zero-COVID policy.

Looking ahead, we will continue to prioritise improving profitability across each product category. To this end, we are scaling our R&D efforts, aiming for cost optimisation of our existing products. During the reporting period, we have made focused efforts to expand our product pipeline across more therapeutic areas. However, our strategic initiatives extend beyond portfolio diversification. We have expanded both in terms of capacity as well as across key markets. With the demand for Ibuprofen witnessing steady growth, we are forging strong relationships with new customers across diverse geographies.

Further, to increase our overall margins, we have decided to vertically integrate certain high-volume products.

We believe that our strengths and strategic acumen will sharpen our competitive edge, enabling us to capitalise on the opportunities that lie ahead. The outlook for our company remains optimistic and we are well on track to achieve our operational targets.

Gratitude

Our people drive our success by living our purpose and upholding the values we hold dear. I would like to take this opportunity to appreciate them for their commitment to our organisation. Also, I extend my gratitude to our shareholders and look forward to their cooperation as we continue to create enduring value for all.

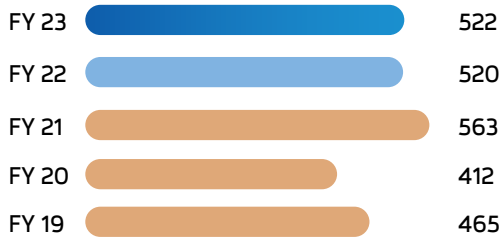
Warm regards,

Ramesh Babu Potluri

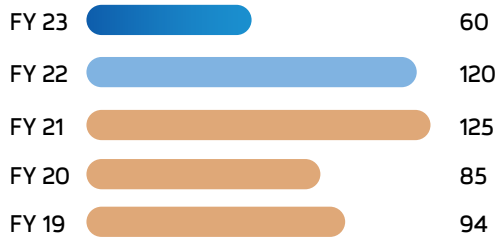
Chairman and Managing Director

Sustaining our financial strength amid adversity

Revenue (₹ in Crore)



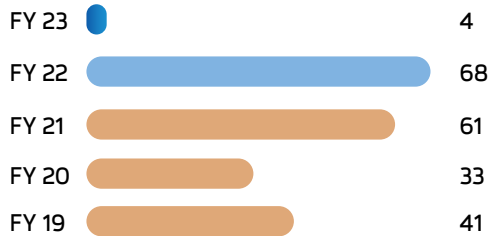
EBITDA (₹ in Crore)



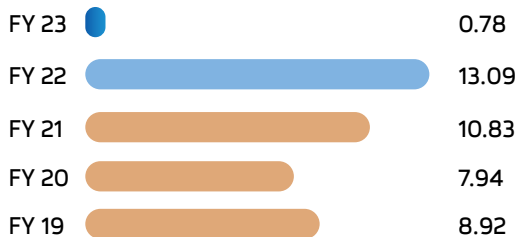
EBITDA Margin (in %)



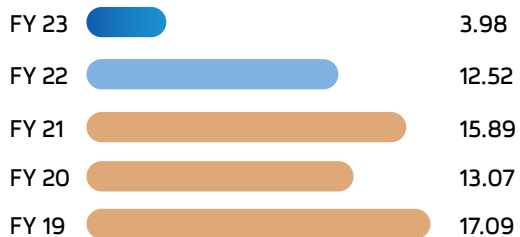
Profit After Tax (₹ in Crore)

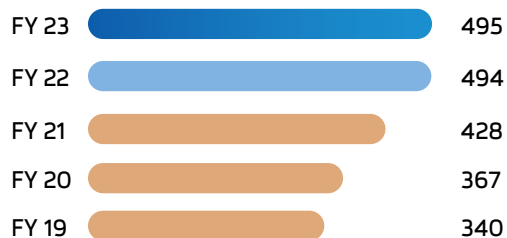
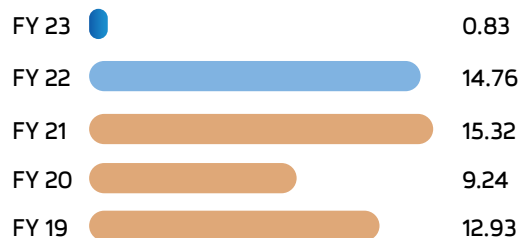
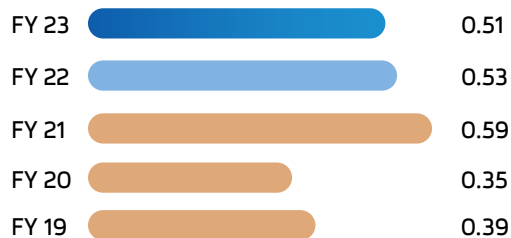
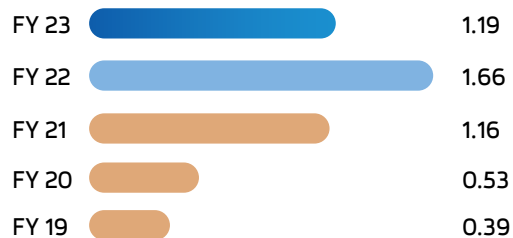
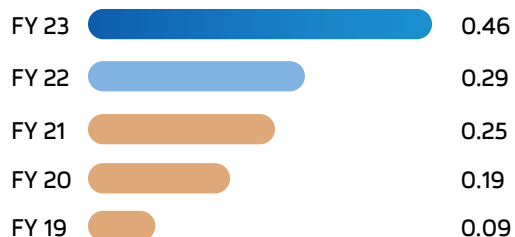


Profit After Tax Margin (in %)



ROCE (in %)



Net Worth (₹ in Crore)**ROE** (in %)**Leverage** (ratio)**CSR Spend** (₹ in Crore)**Employees training coverage** (₹ in Crore)

Fostering operational excellence for sustained value-creation

We are driven by an unwavering commitment to operational excellence that permeates every facet of our business.



With a strong focus on efficiency, innovation, and continuous improvement, we continually strive to elevate our processes and deliver unmatched quality to our customers. Our dedication to operational excellence is deeply embedded in our culture, guiding us to consistently exceed industry standards and provide exceptional value to all our stakeholders. Through strategic optimization, cutting-edge technologies, and a relentless pursuit of perfection, we embody a culture of excellence that propels us to the forefront of the pharmaceutical industry.



Amplifying value with a resilient business model

Input

Financial Capital

Equity capital: 8.47 Crore

Net Worth: 495.10 Crore

Operating cash flow: 22.45 Crore

Manufacturing Capital

Hyderabad

Installed capacity: 120 KL

Visakhapatnam

Installed capacity: 3000 KL

Intellectual Capital

Amount invested in R&D: 0.80 Crore

R&D team size: 88

Natural Capital

Energy consumed: 4.47 Lakh Joules

Water consumed: 57,072 KL

Human Capital

Number of employees: 1095

Investment in training and development: 0.46 Crore

Social and Relationship Capital

CSR expenditure: 1.19 Crore

CSR projects undertaken: 4

Employees volunteered: 150+

Value creation process



Output

Financial Capital

PAT: **4.08 Crore**
 EBIDTA: **59.59 Crore**
 Debt-Equity ratio: **0.51**
 ROE: **0.83%**

Manufacturing Capital

Throughput achieved by pipeline: **269.96 MMT**
 Product sales: **1238.36 MMT**

Intellectual Capital

Regulatory filings: **80+**
 Process patents: **30+**

Natural Capital

Energy saved: **40,556 units/p.m**
 Water recycled: **5190 KL/ p.m**

Human Capital

Hours in training and development: **32,421 hours**
 New recruitments: **193**
 Female participants: **39**

Social and Relationship Capital

Beneficiaries of CSR initiatives: **500+ people**
 Investors touchpoints: **5**

Outcome

Financial Capital

Increased revenue and profitability
 Ensured continuous cash flow

Manufacturing Capital

Maintained strong brand recall
 Ensured customer satisfaction

Intellectual Capital

Enhanced our products through consistent innovation

Natural Capital

Consistent value-creation for stakeholders
 Empowered our local communities

Human Capital

Developed an equal and inclusive work culture
 Maintained appropriate gender mix

Social and Relationship Capital

Reduction in carbon emissions
 Responsible use of water and electricity

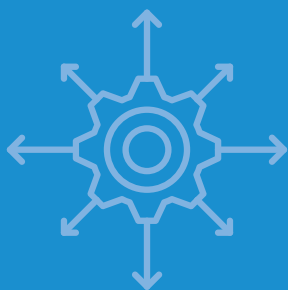
Research and development

Pre-clinical trials

Core strengths that set us apart

At SMS Pharma, we have an edge over our peers owing to a strong market leadership, backward integration and R&D capabilities.

Leveraging our robust R&D capabilities, we have to expand our product pipeline across more therapeutic areas. Mentioned below are some of the pillars which have helped us mitigate economic shocks to a large extent and deliver a resilient performance.



Expansion

Our growth journey, fuelled by an investment of over INR 200 crores in brownfield capex, has yielded a capacity surge of 1300 KL. This is primarily dedicated towards ibuprofen and we expect that this will help us become one of the largest Ibuprofen manufacturers globally. We have not only expanded in terms of capacity but also across geographies. Our footprint extends to 75 countries across 5 continents.

Niche product portfolio



We have now achieved leadership in several API compounds. Also, we have commenced the development of new complex products. Across 10+ niche therapeutic segments, we are forging ahead with the development of high-value as well as high-volume products. Our presence spans non-commoditise therapeutic sectors, including ARV, anti-epileptic, anti-migraine and anti-angina.

Integrated business model

The in-house API business consumes more than 80% of intermediaries. Meanwhile our associate company, VKT Pharma's formulations and semi-finished formulations business offers us a competitive advantage through vertical integration. We remain one of the few players in the sector with a backward integrated model, which leads to significant economies of scale. Our focus on quality helps us achieve faster regulatory approvals and increased market share.



Leadership expertise

At SMS Pharma, our promoters and senior management have extensive business and domain expertise. They play a pivotal role in steering our organisation towards success and enables us to create long-term value for all stakeholders.



~5%

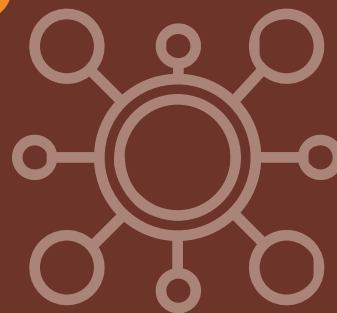
Contribution of the exports to the USA

17%:83%

Domestic - Export mix
(Including deemed Exports)

Financial robustness

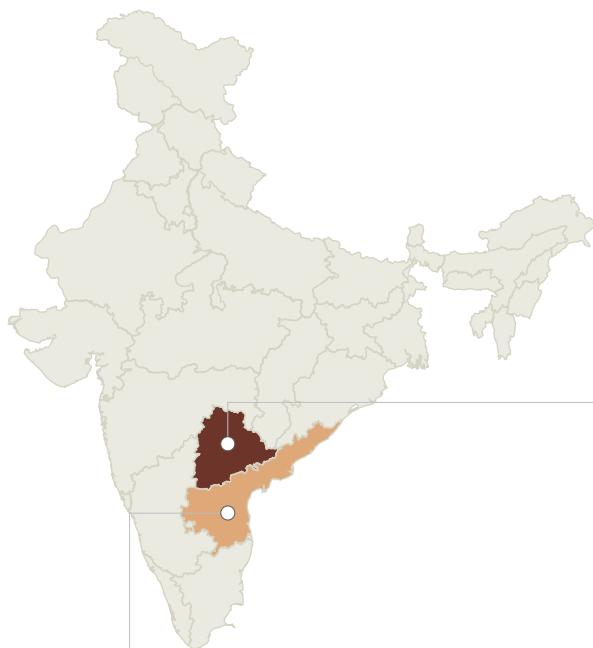
Our manufacturing capacities, enduring relationships with suppliers and customers and a diverse product portfolio have helped us sustain our revenue and profitability with minimum debt liability.



Diversification

Diversification in terms of markets, goods, therapies and consumers assists us mitigating risks and explore new growth opportunities. We focus on developing new formulations, foraying into new therapeutic segments and expanding our presence in emerging markets. This diversification strategy has enabled us to reduce our dependence on a single product. We have also prudently invested in R&D to develop new products and improve existing ones, ensuring an innovative product line for our customers.

Mapping our operational footprint



Visakhapatnam

Area	Plant Area: 3,45,007 Sq. M Built Up: 39,704 Sq. M
Capacity	3,000 KL
Key Products	Ibuprofen, Tenofavir, Ranolazine, Levetiracetam, Lamuvidine, Lamotrigine, Efavirenz, Sitagliptin etc.
Highlights	<ul style="list-style-type: none"> • Facility aligned for manufacturing niche, large-volume molecules. • 3 times approved by the USFDA. • Single largest production block in Asia dedicated for Ibuprofen



Hyderabad

Area	Plant Area: 19,685 Sq. M Built Up: 5,127 Sq. M
Capacity	120 KL
Key Products	Famotidine, Rizatriptan Benzoate, Tadalafil, Sumatriptan Succinate, Itraconazole, Eletriptan HBr etc.
Highlights	<ul style="list-style-type: none"> • Facility aligned for manufacturing niche, small-volume molecules. • 5 times approved by the USFDA • One of the largest exporter of Triptans

Innovating for a better future

With a sharp focus on R&D, we have invested in state-of-the-art facilities and hired skilled scientists to develop new Generic APIs and advance intermediates. Our R&D efforts are aimed at delivering high-quality, cost-effective products that meet the needs of patients and healthcare providers.

We have Developed an innovative process to recycle methyl mercaptan gas into DMSO in Ranitidine with the objective of protecting the environment.

100+ scientists and 8 PHDs

Long lasting relationships with our marque clients

Indo-US GCNC award

Received for innovation

250

Reactors

80+

DMFs

30

Process patents

20+

Products added from last few years



Making responsible choices every step of the way

As a responsible corporate citizen, we strive to translate ESG principles into tangible actions. We endeavour to align our business practices with global sustainability standards and create a positive impact on the planet and society while maintaining long-term value for our shareholders. We have been implementing several measures to reduce our carbon footprint, conserve resources and promote social inclusivity.

Putting our planet first

Safeguarding our ecosystem

We strive hard to reduce our carbon footprint and waste output by preserving natural resources and energy through initiatives including the installation of solar panels and energy-efficient equipment. We comply with environmental regulations and closely monitor emissions and our waste disposal practices. We collaborate with ESG-compliant suppliers and prioritise sustainable procurement practices. Along with efforts to optimise energy efficiency and minimise paper and plastic waste.

Water management

Recognising the necessity of water conservation, we have implemented various measures to minimise our water footprint. We also regularly track our water consumption and have undertaken initiatives to optimise it. Moreover, we are also in the process of installing Zero Liquid Discharge (ZLD) plants at all our facilities.

173 KL

Water recycled each day



Energy management

We have implemented energy-saving measures, including reducing energy consumption in production processes, using energy-efficient equipment, installing variable frequency drives (VFDs), replacing inefficient equipment, using agitators and moving detectors. We have also promoted the use of renewable energy sources like solar energy and have installed solar panels in our areas. Additionally, we regularly conduct energy audits to identify areas for improvement and implement measures accordingly.

4.86 lakh units/year

Energy saved



Empowering our communities

Creating an equal world for all

We at SMS Pharma endeavour to provide access to education, healthcare and economic opportunities so that we can ensure that everyone has the tools they need to succeed. Additionally, promoting inclusivity and diversity within our communities is crucial to creating an equal world for all. This means embracing different perspectives, challenging biases and working towards eliminating systemic barriers that perpetuate inequality.

Fulfilling our social responsibilities

At SMS Pharma, we have prioritised investing in community development projects that address the needs of local communities. We support initiatives such as providing access to clean water, improving healthcare facilities and promoting education for the underprivileged children. Our CSR focus areas include primary education, health care support to poor and deprived people, support to physical disability and mental disability children, and rural development.

₹ 1.19 crore

Amount spent on CSR activities



Promoting education

Education has an important and corrective function in balancing the country's socioeconomic fabric. We support the underprivileged section of society by offering quality education to them, especially children, who are shaping the nation's future. Special education and therapy were provided to children with special needs. To contribute to the betterment of our communities through education, we funded during the year for construction of Class Room in M. P. U. P. School located at Ayyannapeta, Vizianagaram District, Andhra Pradesh.

35

Children in class room

5

Underprivileged, differently-abled kids were supported

1

Class room constructed in FY 2023



Caring for differently-abled children

Our objective is to help people with all types of disabilities reach their highest level of independence so they can participate equally and responsibly in society. To accomplish this, we have financially supported Campus Challenge throughout the year. Campus Challenge works with impoverished children in Andhra Pradesh's coastal and tribal districts to promote disability-friendly practises and facilitate the process of empowerment for individuals with disabilities.

Fostering diversity and inclusion

At SMS Pharma, we value diversity and inclusion for all. We believe that fostering diversity in our workforce not only enhances our company culture, but also drives innovation and creativity. By creating an inclusive environment, we ensure that each of our team members feels valued and respected, regardless of their background or identity.



1095

Total employees

1048

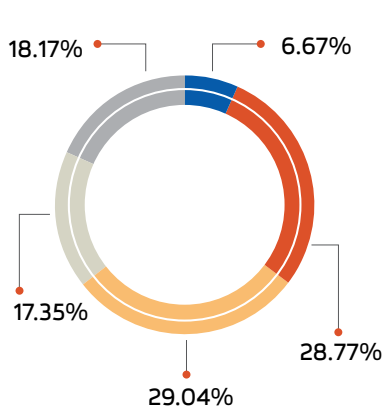
Male employees

47

Female employees

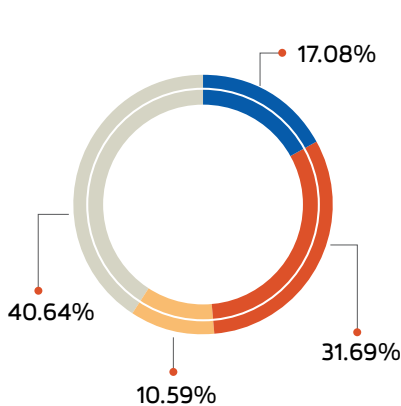
4.30 %

Female employees



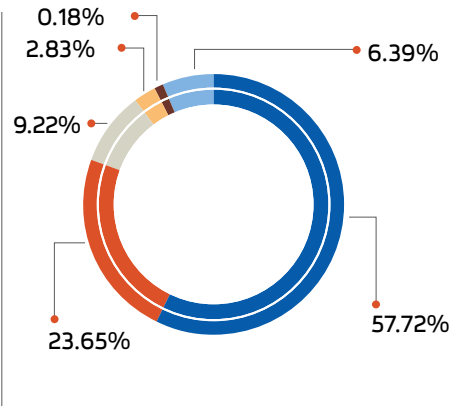
Age (years)

- <25
- 25-30
- 31-35
- 36-40
- >40



Tenure (years)

- <1
- 1-3
- 3-5
- >5



Educational qualification

- Graduate
- Masters
- Technical
- Professional (MBA)
- CA/CS
- Others

Training and development

Our people have made us what we are today. As part of our commitment to creating a formidable workforce, we invest substantially in the training and development of our personnel. We believe that continuous learning and development are key to unlocking their full potential and to improve overall productivity.

We have a robust training and development programme in place that covers various areas, including cGMP training, technical and non-technical skills, compliance on-the-job training, external training, motivational training, self-development training and leadership development. We conduct regular training sessions for our people to ensure that they are abreast of the latest industry trends and developments. We also provide them with opportunities for career growth and advancement through internal promotions and job rotations.

32,421

Training hours

157

Training initiatives



Health and safety

Ensuring employee health and safety continues to be our foremost priority. We adhere to strict guidelines that include safety protocols, emergency procedures and regular safety training programmes to ensure that our team members are aware of the potential hazards and risks associated with their work.

In addition, we regularly conduct thorough risk assessments to identify any potential areas of concern and implement appropriate preventive measures. Our commitment to employee health and safety extends beyond the workplace, as we also provide resources and support for maintaining a healthy work-life balance, promoting overall well-being among our team members.

2

Safety audits done

17

Safety trainings conducted

Our senior management has always prioritised the health and safety of our people. Some of the initiatives implemented by us to ensure employee well-being include:

- Trained safety teams at the facilities to ensure a safe working environment.
- Personal protective equipment and trained first aid teams are present at the facilities.
- Relevant firefighting equipment, like hydrant systems and extinguishers, is provided.
- We also encourage our team members to take care of their physical health by providing them with access to on-site medical facilities, regular health check-ups and fitness programmes.

Ensuring good governance

We have a robust organisational foundation in place and our commitment to responsible stewardship is backed by our leadership. We plan to make further efforts to incorporate sustainability into our governance frameworks and business procedures so that it informs our strategic and operational decisions.

Governance structure



Profile of the Board of Directors



Sri Ramesh Babu Potluri

Chairman & Managing Director

A compassionate humanitarian with a vision to bring drugs within the economic reach of millions of patients' best describes Mr. Ramesh Babu, Founder Chairman of SMS Pharmaceuticals Ltd.

He has provided strategic leadership with his never say die attitude to not just SMS but the entire Hyderabad Drug industry in general. Served on boards of organizations like Chemexcil and has been advisor to AP State Government for Pharma sector.

Mr. Ramesh Babu is widely travelled, an avid reader and an astute thinker in the Pharma industry with a rare insight into both upstream and downstream sectors.



Sri Vamsi Krishna Potluri

Executive Director

Mr. Vamsi Krishna is a graduate from Bits Pilani – Dubai and completed his masters in engineering management from Missouri University of science and technology in United States.

Before joining SMS, he worked for OHM laboratories in supply chain to better understand the international market. Joined the SMS group at a very young age to give the much needed impetus and youthful vigor in its quest to be one of the largest API manufacturers.

He is currently looking after operations in SMS Pharmaceuticals trying to mould it as per new generation requirements



Sri Sarath Kumar Pakalapati

Independent Director

Founder partner of the Sarath & Associates.

Chartered Accountant with about 26 years of standing in the Profession of Chartered Accountancy and Consulting.

Bachelor of Law and Certified Fraud Examiner & Certified Forensic Accounting Professional. Advisor to C.I.D. of AP Police and Central Bureau of Investigation in investigation of major Economic Offence cases and is a Member of Multi-Disciplinary Investigation team.



Sri Shravan Kudravalli

Independent Director

Commerce graduate from Osmania University and a fellow member of the Institute of Chartered Accountants of India.

He is a partner in a reputed Chartered Accountancy firm and has experience in the area of Auditing, Accountancy, Company Law matters, Income tax and finance. He is involved in handling Internal and Statutory Audits for various Public and Private Companies and ERP systems designing for clients.

He worked in various organizations both in India and abroad.



Dr. Smt. Neelaveni Thummala

Independent Director

Dr. Neelaveni was inducted into the board of SMS Pharmaceuticals Ltd. in August 2014.

Dr. Neelaveni graduated from Osmania University in 1986. She has been practicing medicine for over 35 years.

In addition to her practice, she has been deeply involved various philanthropic activities. She actively works with Aarohi blood bank, a non-profit organization that collects and donates blood for thalassemia and leukemia affected children.

In addition to serving on the board of SMS Pharmaceuticals, Dr. Neelaveni has served on the boards of several distinguished companies like Oakridge, SMS Lifesciences & Aarohi Blood Bank.



Sri Sarvepalli Srinivas

Independent Director

Holds a B.Com. Degree from the University of Delhi.

Accomplished Business leader with 3+ decades of proven leadership experience in leading Public / Private Sector enterprises with decisive and forward thinking with a strong vision and strategic capability.

He was a former Managing Director of National Handloom Development Corporation Ltd (NHDC) & former Chairman & Managing Director of National Textile Corporation Ltd (NTC).



Smt. Shilpa Waghmare

Nominee Director – Export-Import Bank of India

Smt. Shilpa Waghmare holds a Bachelor's degree in Commerce and is a Master's degree in Management Studies from the University of Mumbai with specialisation in Finance. She is a Certified Associate of the Indian Institute of Bankers and is currently associated with the Loan Administration Group at the Bank's Head Office. She has served across various functions in the Bank including Risk Analysis, Credit Management and Stressed Assets. Before joining the Bank, Ms. Waghmare worked with SICOM Ltd. for 12 years and its subsidiary SICOM ARC Ltd. for over 4 years.

She has over 23 years of experience in the areas of stressed assets, management / resolution of non-performing assets, sale and purchase of stressed assets, legal matters, project finance and compliance. Her areas of interest include music, dance, cooking and travel.

Sharing our wins



The first Indian pharmaceutical company to receive the Indo-US GCNC Award for adopting green chemistry practices.



Awarded the Pandit Jawaharlal Nehru Silver Rolling Trophy for the best productivity effort in Andhra Pradesh.



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

Board's Report

To
The Members of
SMS Pharmaceuticals Limited.

Your Directors are pleased to present the 35th Annual Report of SMS Pharmaceuticals Limited ("The Company") along with the Audited Financial Statements for the Financial Year ended 31st March, 2023. The Consolidated performance of the Company has been referred to wherever required.

FINANCIAL SUMMARY

Particulars	(INR in Lakhs)			
	Standalone		Consolidated	
	2022-23	2021-22	2022-23	2021-22
Gross Sales	53,139.29	54,124.25	53,139.29	54,124.25
Net Sales	50,075.85	50,718.67	50,075.85	50,718.67
Income from Services	1,898.83	782.91	1,898.83	782.91
Other Operating Income	230.46	485.85	230.46	485.85
Net Revenue from Operations	52,205.14	51,987.43	52,205.14	51,987.43
Other Income	488.56	519.77	488.56	519.77
EBIDTA	5959.00	11,968.26	5938.95	11,952.70
Finance Charges	2191.50	1,887.54	2191.50	18,87.54
Depreciation	3212.54	3,215.25	3212.54	3,215.25
Profit Before Tax	554.96	6,865.47	534.91	6,849.91
Taxation	146.50	61.82	146.50	61.82
Profit After Tax	408.46	6,803.65	(705.93)	6,221.99
Earnings per share - Basic/Diluted(Rs)	0.48	8.04	(0.83)	7.35

STATE OF COMPANY AFFAIRS

In Financial & Production terms

FY 2022-23 is another challenging year due to market conditions post Covid-19. During these difficult times, your Company had achieved production of 1147.53 M.T. of APIs and their Intermediates in comparison with 1141.09 M.T. for the FY 2021-22.

During the FY 2022-23, the Company has recorded the net sales of Rs. 50,075.84 Lakhs as against Rs. 50,718.67 Lakhs for the previous FY 2021-22. The Company has recorded EPS of Rs. 0.48 in the FY 2022-23 as against Rs. 8.04 for the previous FY 2021-22.

Subsidiaries and Associates

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

Financial Year ended and the share of loss for your Company for the Financial Year 2022-23 was Rs. 1094.34 lakhs.

Your Company has incorporated a Joint Venture (JV) in Spain in the year 2021 with nomenclature of "CHEMO SMS ENTERPRISES SL" in the capital ratio of 55:45 with a share of 45% contributed by your Company.

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

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

CHANGE IN NATURE OF BUSINESS

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

TRANSFER TO RESERVES

During the year your Company did not transfer any portion of profits to Reserves.

DIVIDEND

Your Directors have pleasure in recommending the dividend of Re. 0.30 (i.e. 30%) per equity share of Re. 1/- face value, aggregating to Rs.2,53,95,609/- (Rs. Two Crore Fifty Three Lakhs Ninety Five Thousand Six Hundred And Nine only) which shall be paid within 30 days after the conclusion of the Annual General Meeting, subject to the approval of the shareholders of the Company. Payment of dividend to members will be subject to tax deduction at source (TDS) as per statutory requirement.

Pursuant to Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors of the Company have adopted a Dividend Distribution Policy. The policy lays down a broad framework and factors which the Board considers for deciding the distribution of dividend to its shareholders. The said policy is available on the company's website <https://smspharma.com/wp-content/uploads/2022/08/Dividend-Distribution-policy.pdf>

DIRECTORS AND KEY MANAGERIAL PERSONNEL

(i) Appointment of Directors & Key Managerial Personnel:

The Board of Directors of the Company in its meeting held on 24th May, 2023 has re-appointed Mr. Shravan Kudaravalli (DIN: 06905851) as an Independent Director of the Company, for a further period of 5 (Five) consecutive years, with effect from 26th May, 2023 till 25th May, 2028 (both days inclusive), whose term was expired on 25th May, 2023. Pursuant Regulation 17(C) of SEBI (LODR) Regulations, the approval of the shareholders is being obtained via postal ballot. There is no change in Key Managerial Persons.

(ii) Withdrawal of Nominee Director:

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

(iii) Retirement by rotation:

In accordance with the provisions of section 152(6) of the Act and in terms of the Articles of Association of the Company, Mr. Ramesh Babu Potluri (DIN: 00166381), Chairman and Managing Director, will retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. The Board recommends his re-appointment.

(iv) Declaration of Independence:

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

MANAGEMENT DISCUSSION & ANALYSIS

Pursuant to Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), the Management Discussion and Analysis is presented in a separate section forming part of this Annual Report for the year ended 31st March, 2023, as required under the provisions of the Listing Regulations.

SHARE CAPITAL

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

Listing of shares: Equity shares of the Company are listed in National Stock Exchange of India (NSE) and BSE Limited (BSE) with effect from 28th February, 2007. [Listing fees has been paid for the year 2023-24 to both the Exchanges].

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

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

EVALUATION OF PERFORMANCE OF BOARD OF DIRECTORS:

The formal annual evaluation of the performance of the Board as well as non-independent directors was undertaken by the Nomination and Remuneration Committee. The performance of Board Committees and of individual independent directors was undertaken by the Board members.

The manner of the evaluation of the Board and other Committees has been determined by the Nomination and Remuneration Committee as per SEBI circular dated January 05, 2017.

Your Company had conducted a separate Meeting of Independent Directors during the year on 12th August, 2022 in which they had evaluated the performance of Executive directors and Non-Executive directors. Further, in the Board Meeting held on 09th February, 2023 the Board had evaluated the performance of Independent Directors and their contribution in the Board. The evaluation had been made based on specified standards.

FAMILIARIZATION PROGRAMMES FOR INDEPENDENT DIRECTORS:

The Company has put in place a system to familiarize its Independent Directors with the Company, their roles, rights & responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc.

The senior management personnel of the Company regularly make presentations to the Board members on the operations of the Company, its plans, strategy, risks involved, new initiatives etc., and seek their views and suggestions on the same.

The details of these familiarization programs have been placed on the Company's website at <https://smspharma.com/investor-relations/download/>

COMMITTEES OF THE BOARD:

The Board of Directors has the following Committees:

1. Audit Committee

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

The details of all the above Committees along with their composition, number of meetings and attendance at the meetings are provided in detail in the Corporate Governance Report annexed to this Board's Report.

RISK MANAGEMENT POLICY:

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

Mr. Ramesh Babu Potluri – **Chairman**

Mr. Vamsi Krishna Potluri – **Member**

Mr. Shravan Kudaravalli – **Member**.

The Committee had formulated a Risk Management Policy for dealing with different kinds of risks which it faces in day-to-day operations of the Company. Risk Management Policy of the Company outlines different kinds of risks and risk mitigating measures to be adopted by the Board. The Company has adequate internal control systems and procedures to combat risks. The Risk management procedures are reviewed by the Audit Committee and the Board of Directors on a quarterly basis at the time of review of the Quarterly Financial Results of the Company.

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

- managing and monitoring the implementation of action plans developed to address material business risks within the Company and its business units, and regularly reviewing the progress of action plans;
- setting up internal processes and systems to control the implementation of action plans;
- regularly monitoring and evaluating the performance of management in managing risk;
- providing management and employees with the necessary tools and resources to identify and manage risks;
- regularly reviewing and updating the current list of material business risks;

- regularly reporting to the Board on the status of material business risks;
- review and monitor cyber security; and
- Ensuring compliance with regulatory requirements and best practices with respect to risk management.

DIRECTORS' RESPONSIBILITY STATEMENT

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

1. In the preparation of the Financial Statements for the year ended 31st March, 2023 the applicable accounting standards had been followed along with proper explanation relating to material departures, if any.
2. They had selected such accounting policies as notified & modified by ICAI and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
3. They had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 as amended from time to time for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. The Annual Accounts had been prepared on going concern basis.
5. The Company has developed an effective mechanism for internal financial controls to be followed by the Company consistently and 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 are adequate and operating effectively.

THE CRITERIA FOR APPOINTMENT OF DIRECTORS, KMP AND SENIOR MANAGEMENT

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

appointment as Director, KMP or senior management level and recommends to the Board his/ her appointment.

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

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

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

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

COMPOSITION & NUMBER OF MEETINGS OF THE BOARD AND AUDIT COMMITTEE

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

EXTRACT OF ANNUAL RETURN

Pursuant to Section 92(3) and Section 134(3)(2) of the Companies Act, 2013, the Company has placed a copy of the Annual Return as at 31st March, 2023, on its website at <https://smspharma.com/annual-report/>

CORPORATE GOVERNANCE

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

BUSINESS RESPONSIBILITY AND SUSTAINABILITY REPORT (BRSR)

The 'Business Responsibility and Sustainability Report' (BRSR) of your Company for the year ended 31st March, 2023 forms part of this Annual Report as required under Regulation 34 (2) (f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is available as a separate section in this Annual Report.

VIGIL MECHANISM / WHISTLE BLOWER POLICY:

The Company has established a vigil mechanism and formulated a Whistle Blower Policy to provide mechanism for directors and employees of the Company to report their concerns about any unethical behavior, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. The Policy provides that the Company investigates such incidents, when reported, in an impartial manner and takes appropriate action to ensure that requisite standards of professional and ethical conduct are always upheld. This mechanism also provides for adequate safeguards against victimization of director(s)/ employee(s) who avail the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases. There were no allegations / disclosures / concerns received during the year under review in terms of the vigil mechanism established by the Company. The details of the vigil mechanism are displayed on the website of the Company <https://smspharma.com/company-announcements/downloads/>

DEPOSITS

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

LOANS, GUARANTEES AND INVESTMENTS

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

RELATED PARTY TRANSACTIONS

All related party transactions that were entered by the Company during the financial year 2022-23 with related parties were in the ordinary course of business and on an arm's length basis and are in compliance with the provisions of the Companies Act,

2013 and the SEBI (Listing Obligation & Disclosure Requirement) Regulation, 2015. There are no materially significant related party transactions made by the Company with Promoters, Directors and Key Managerial Personnel, etc., which may have potential conflict with the interest of the Company. All related party transactions are presented to the Audit Committee on quarterly basis and were also placed before the Board.

A statement of all Related Party Transactions is being presented before the Audit Committee on Quarterly basis specifying the nature, value and terms and conditions of the transactions. A Policy on Related Party Transactions approved by the Board is uploaded on the Company's website at the web link <https://smspharma.com/wp-content/uploads/2022/08/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 form part of the notes to the financial statements provided in the annual report. The Form AOC-2 is attached to the Report as **Annexure - 3**.

CORPORATE SOCIAL RESPONSIBILITY

Pursuant to Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, your Company has constituted the Corporate Social Responsibility (CSR) Committee.

The brief outline of the CSR policy of the Company, details regarding CSR Committee and the initiatives undertaken by the Company on CSR activities during the year are set out in **Annexure-4**, of this report in the format prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014. CSR Policy is available on the Company's website on <https://smspharma.com/wp-content/uploads/2022/08/corporate-social-responsibility-policy.pdf>

PARTICULARS OF EMPLOYEES

The information relating to remuneration and other details as required, pursuant to Section 197 (12) of the Companies Act, 2013 read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is mentioned under 'Employees Remuneration Report' which forms part of this report as **Annexure -5**

The statement containing particulars of employees as required under Section 197(12) of the Act read with Rule 5(2) and 5(3) of the Rules does not form part of this Report however the same shall be kept open for inspection in terms of Section 136 of the Act and any

member can obtain a copy of the said statement by writing an email to the Company Secretary at cs@smspharma.com

PREVENTION OF INSIDER TRADING

The Company has adopted an Insider trading Policy to regulate, monitor and report trading by insiders under the SEBI (Prohibition of Insider Trading) Regulations, 2015. This policy includes practices and procedures for fair disclosure of unpublished price-sensitive information, initial and continual disclosure. The Board reviews the policy on a need basis. The policy is available on our website: <https://smspharma.com/company-announcements/downloads/>

ENVIRONMENT, HEALTH AND SAFETY ENVIRONMENT

The Company continuously monitors its energy usage, regulates the emissions released and waste generated, and makes sure it follows responsible water consumption practices. Our focus on environmental protection and occupational health and safety is enshrined in our policies.

The Company conducts training programmes mock drills for and safety of the employees. To help protect our employees from injuries, identifies high risk areas and invest in technological solutions and awareness-raising initiatives. The Company conducts free health checkup programmes.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION

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

FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars	(₹ in Lakhs)	
	2022-23	2021-22
Earnings		
FOB Value of Exports	31,650.27	12,666.96
Outgo		
Sales Commission	43.92	55.13
Travelling Expenses	-	-
CIF Value of Imports		
Raw Materials	12,608.57	10,347.52
Capital Goods	51.59	17.97

AUDITORS APPOINTMENT AND THEIR REPORTS

Statutory Auditors

M/s. Suranarayana & Suresh, Chartered Accountants, (Firm Registration No. 006631S), Hyderabad were appointed as Statutory Auditors of the Company in the previous Annual General Meeting held on 30th September, 2022 for a second term of five (5) years i.e., from the conclusion 34th AGM till the conclusion of 39th Annual General Meeting to be held in the year 2027.

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

Internal Auditor

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

Secretarial Auditor

Pursuant to the provisions of 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 undertake Secretarial Audit of the Company for the Financial Year ended on 2022-2023. Secretarial Audit Report in Form MR-3 for the financial year 2022-2023 forms part of this report as **Annexure – 7**.

There has been no qualification, reservation, adverse remark or disclaimer given by the Auditors in their Report.

Annual Secretarial Compliance Report

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

Cost Auditor

As per Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, and the Companies (Cost Records & Audit) Amendment Rules, 2014, the Company maintains Cost Records. Your Board has, upon the

recommendations of the Audit Committee, appointed Mr. K.S.N. Sarma (Registration No.102145 and Membership No.6875) as Cost Auditor of the Company for the financial year 2023-2024.

As required under the Act and Rules made thereunder, the remuneration payable to the Cost Auditors is required to be placed before the Members at a general meeting for ratification. Accordingly, a resolution seeking ratification of the remuneration payable to Mr. K.S.N. Sarma, Cost Account, by the members is included in the Notice convening 35th Annual General Meeting.

FINANCIAL CONTROL SYSTEMS AND THEIR ADEQUACY

Internal Financial Controls are an integral part of the risk management process, addressing financial and financial reporting risks. Internal financial control systems of the Company are in commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable

financial and operational information, complying with applicable accounting standards and relevant statutes, safeguarding assets from unauthorised use, executing transactions with proper authorisation and ensuring compliance of corporate policies. The Company uses an established Tally to record day-to-day transactions for accounting and financial reporting.

Assurance on the effectiveness of internal financial controls is obtained through management reviews, continuous monitoring by functional owners as well as testing of the internal financial

control systems by the internal auditors during the course of their audits. We believe that these systems provide reasonable assurance that our internal financial controls are designed effectively and are operating as intended.

The Company has in place adequate internal financial controls with reference to financial statements. However, the Company recognises that no matter how the internal control framework is, it has inherent limitations and accordingly, periodic audits and reviews ensure that such systems are updated on regular intervals.

POLICIES

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

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

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

HUMAN RESOURCES / INDUSTRIAL RELATIONS

The Company believes that competent and committed human resources are vitally important to attain success in the organization. In line with this philosophy, utmost care is being exercised to attract quality resources and suitable training is imparted on various skill-sets and behavior. Employee knowledge enrichment is a core value of the organisation, and focus has been placed on training and development of the Company's human capital and also various initiatives were undertaken to enhance the competitive spirit and encourage

bonding teamwork among the employees and could achieve the targeted growth in the performance of the Company.

SHARE TRANSFER SYSTEM

Pursuant to Regulation 40(1) of SEBI (LODR) Regulations, 2015, as amended from time to time, transfer, transmission and transposition of securities shall be effected only in dematerialised form.

Pursuant to SEBI Circular dated January 25, 2022, the listed companies shall issue the securities in dematerialised form only,

for processing any service requests from shareholders vis., issue of duplicate share certificates, endorsement, transmission, transposition, etc. After processing the service request, a letter of confirmation will be issued to the shareholders and shall be valid for a period of 120 days, within which the shareholder shall make a request to the Depository Participant for dematerialising those shares. If the shareholders fail to submit the dematerialisation request within 120 days, then the Company shall credit those shares in the Suspense Escrow Demat account held by the Company. Shareholders can claim these shares transferred to Suspense Escrow Demat account on submission of necessary documentation.

The Stakeholders Relationship Committee meets as often as required to approve share transfers and to attend to any grievances or complaints received from the members.

GENERAL DISCLOSURE

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

- a) No material changes and commitments affecting the financial position of the Company between the financial year ended 31st March, 2023 and the date of this report.
- b) No fraud has been reported by the Auditors to the Audit Committee or to the Board.
- c) No material and significant orders passed by the regulators or courts or tribunals impacting the going concern status and the Company's operations in future
- d) Company has complied with the requirements of the Secretarial Standards issued by Institute of Company Secretaries of India.
- e) There are no instances where the Board has not accepted the recommendation of Audit Committee.
- f) Cost records are maintained as per the requirements of Section 148 of the Act.
- g) The extract of Annual Return is disclosed on the Company's website.

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

In order to comply with the provisions of the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal)

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

During the Financial Year ended on March 31, 2023, the Company has not received any complaint of sexual harassment.

COMPLIANCE WITH SECRETARIAL STANDARDS

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

INSURANCE:

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

RATING

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

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

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

DISCLOSURE OF CERTAIN TYPES OF AGREEMENTS BINDING ON THE COMPANY:

During the period under the review the Company does not entered any agreement(s) which were falling under clause 5A

of para A of part A of schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

APPLICATION MADE OR ANY PROCEEDING PENDING UNDER THE INSOLVENCY AND BANKRUPTCY CODE

As on the date of the Report no application is pending against the Company under the Insolvency and Bankruptcy Code, 2016 and the Company did not file any application under (IBC) during the Financial Year 2022-23.

ACKNOWLEDGEMENTS:

Your Directors place on record their sincere appreciation for the continued co-operation and support extended to the Company by the Banks. Board takes this opportunity to thank

all shareholders, analysts, business partners, government and regulatory authorities, distributors, suppliers, business associates, medical professionals and customers for their continued guidance, encouragement and splendid support.

The Board of Directors also wish to place on record its deep sense of appreciation for the dedicated and committed services by the Company's executives, staff and workers.

The Directors also wish to express their gratitude to the Investors for the confidence and faith that they continued to repose in the Company.

By the order of the Board

Place: Hyderabad
Date: 08.08.2023

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

Annexure- 1

FORM AOC - 1

Part "B": Associates and Joint Ventures

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

S. No	Name of associates/Joint Ventures	VKT Pharma Private Limited (Associate Company)	Chemo SMS Enterprises SL (Joint Venture Company)
1	Latest audited Balance Sheet Date	31.03.2023	31.03.2023
2	Shares of Associate/Joint Ventures held by the company on the year end		
	No. of Equity Shares	38,50,165 Equity Shares of Rs.10/- each.	Contribution is not yet made
	Amount of Investment in Associates/ Joint Venture	Rs.4,499.87 Lakhs	
	Extent of Holding%	36.55%	45.00 %
3	Description of how there is significant influence	Based on the percentage of holding in the investee Company.	Based on the percentage of holding in the investee Company
4	The associate is consolidated	Financial Statement Consolidated for FY 2022-23	There were no transactions during the reporting period
5	Net worth attributable to shareholding as per latest audited Balance Sheet	Rs. 17,996.85 Lakhs	NA
6	Profit/Loss for the year	(Rs.1094.34) lakhs	NA
	i. Considered in Consolidation		
	ii. Not Considered in Consolidation		

* The company does not have Subsidiaries, hence Part "A"- Not Applicable

By the order of the Board

Place: Hyderabad
Date: 08.08.2023Ramesh Babu Potluri
Chairman and Managing Director
(DIN:00166381)

Annexure-2

Equity Buildup Report

Reason of Allotment	Nature of payment of consideration	Date on which Equity Shares were allotted/ made fully paid-up	Number of Equity Shares allotted	Cumulative Equity Shares
Subscription to Memorandum of Association	Cash	14-Nov-87	40	40
Further Allotment	Cash	13-Dec-88	34,960	35,000
Allotted to relatives , friends of promoters	Cash	15-Dec-88	15,000	50,000
Allotted to promoters, relatives, friends	Cash	20-Mar-89	25,000	75,000
Allotted to relatives, friends of promoters	Cash	28-Sep-89	25,000	100,000
Allotted to relatives, friends of promoters	Cash	7-May-90	22,900	122,900
Allotted to relatives, friends of promoters	Cash	7-Jun-90	27,100	150,000
Allotted to Promoters, relatives and employees	Cash	26-Mar-92	150,000	300,000
Bonus @ 8:3	Bonus	1-Nov-94	800,000	1,100,000
Allotted to Promoters	Cash	21-Nov-94	150,000	1,250,000
Allotted to employees, friends and relatives of Promotes and Promoters	Cash	30-Nov-94	350,000	1,600,000
Allotted to Corporate Body.	Cash	18-Feb-95	450,000	2,050,000
Sub – Division into Rs. 5/- per share		22-Mar-04	-	4,100,000
Bonus shares @ 1: 1	Bonus	27-Mar-04	4,100,000	8,200,000
Re-Consolidation into Rs. 10/- per share		29-Sep-04	-	4,100,000
Allotted to Shareholders of Sreenivasa Pharma Pvt. Limited after Sreenivasa Pharma Pvt Ltd. became a subsidiary of SMS Pharma Limited.	Issued for consideration Other than cash	28-Apr-06	2,923,000	7,023,000
Pre - IPO placement to Gulf Pharmaceutical Industries*	Cash	8-Jan-07	400,000	7,423,000
Issue shares to Public via IPO	cash	22-Feb-07	2,579,225	10,002,225
Balance as on		31-Mar-07	-	10,002,225
Allotment of shares to erstwhile Plant Organics Limited (POL) Shareholder's [@ 1 share of SMS Pharmaceuticals Ltd. for every 50 shares of POL]	Issued as per exchange ratio Other than cash	29-Nov-08	12,978	10,015,203
Balance as on		31-Mar-08	-	10,015,203
Buy Back of Shares [on various dates from 28/05/2013 to 25/07/2013]	cash		(1,550,000)	8,465,203
Balance as on		31-Mar-14	-	8,465,203
Balance as on		31-Mar-15	-	8,465,203
Sub-Division into Rs. 1/- per share [Splitting of Rs. 10 face value]**	Split @ 10:1	17-Dec-15	-	84,652,030
Balance as on		31-Mar-23	-	84,652,030

Note: *Shares allotted as per MOU dated 24.12.2006.

**Record date 18.12.2015 whereas Ex-date 17.12.2015

By the order of the Board

Place: Hyderabad
Date: 08.08.2023

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

Annexure- 3

FORM NO. AOC-2

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

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

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

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

S. No.	Name (s) of the related party	Details			
		VKT Pharma Private Limited	SMS Life Sciences India Limited	Eshwar Coal Movers	Raghavendra Engineering Industries Private Limited
a)	Nature of relationship	Associate Company with 36.55% stake, Common Directors & the Company along with its Promoters holding majority equity shares in VKT Pharma	Promoters holding more than 10% of total Equity.	Mr. Harikishore Potluri is the Brother of Mr. Ramesh Babu Potluri	Mr.Suresh Babu Potluri, is the borther of Mr.Ramesh Babu Potluri
b)	Nature of contracts/ arrangements/ transaction	Sale of material in the ordinary course of business. Purchase of material in the ordinary course of business Receipt of Rent.	Sale & purchase of materials in the ordinary course of Business	Purchase of Coal in different grades in the ordinary course of Business	Procurement and sale of few tools, Capital equipment at plant and taking engineering services i.e. repair of equipment and fabrication of new pipelines as well as repair of existing pipelines and maintenance.
c)	Duration of the contracts / arrangements / transaction	Transactions made during FY 2022-23.	Transactions made during FY 2022-23.	Transactions made during FY 2022-23.	Transactions made during FY 2022-23.
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Total amount of Sales was Rs.1072.93 lakhs Total Amount of Purchases were: Rs.62.31 lakhs and Rent Rs. 25.56 lakhs	Total amount of purchase of Rs.1012.45 lakhs	Total amount of purchase of Rs.189.99 lakhs	Total Amount of Purchases were: Rs.73.54 lakhs Total amount of Sales was Rs.22.23 lakhs

S. No.	Name (s) of the related party	Details			Raghavendra Engineering Industries Private Limited
		VKT Pharma Private Limited	SMS Life Sciences India Limited	Eshwar Coal Movers	
e)	Justification for entering into such contracts or arrangements or transactions'	Transactions are made at prevailing market rate in the ordinary course of business.	Transactions are made at prevailing market rate in the ordinary course of business	Transactions are made at prevailing market rate in the ordinary course of business	Transactions are made at prevailing market rate in the ordinary course of business.
f)	Date of approval/ review by the Board	09.02.2022, 30.05.2022, 13.08.2022, 12.11.2022, 09.02.2023 & 24.05.2023	09.02.2022, 30.05.2022, 13.08.2022, 12.11.2022, 09.02.2023 & 24.05.2023	09.02.2022, 30.05.2022, 13.08.2022, 12.11.2022, 09.02.2023 & 24.05.2023	09.02.2022, 30.05.2022, 13.08.2022, 12.11.2022, 09.02.2023 & 24.05.2023
g)	Amount paid as advances, if any	Nil	Nil	Nil	Nil

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

By the order of the Board

Ramesh Babu Potluri

Chairman and Managing Director
(DIN:00166381)

Place: Hyderabad
Date: 08.08.2023

Annexure- 4

Annual Report on Corporate Social Responsibility (CSR) Activities for the financial year 2022-23

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

To promote social and economic inclusion by ensuring that marginalised communities having equal access health services and also to the educational opportunities. The main focus of the Company CSR is to provide Health & Education to the people who are in need of Health and Education. The Company is also creating infrastructure for school buildings year on year and contributing to health care development activities as well as establishing drinking water facilities in villages, rural development activities. The more details of the CSR Policy can be accessed on www.smspharma.com

2. Composition of the CSR Committee:

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

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

4. Executive summary of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach the report): Not Applicable during the year under review.

5. (a) Average net profit of the Company as per Section 135(5) for the last three financial years: **Rs.7016.10 Lakhs**
- (b) Two percent of average net profit of the Company as per Section 135(5) : **Rs.140.33 Lakhs**
- (c) Surplus arising out of the CSR Projects or programs or activities of the previous financial years: **Nil**
- (d) Amount required to be set off for the financial year if any: **Rs.30.83 Lakhs**
- (e) Total CSR obligation for the financial year [(b)+(c)-(d)]: **Rs.109.50 Lakhs**

6. (a) Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project): **Rs.119.40 Lakhs**

(b) Amount spent in Administrative Overheads: **NIL**

(c) Amount spent on Impact Assessment, if applicable: **NIL**

(d) Total amount spent for the Financial Year [(a)+(b)+(c)]: **Rs.119.40 Lakhs**

(e) **CSR amount spent or unspent for the Financial Year:**

Total amount spent for the financial year 2022-23	Amount unspent (Rs)				
	Total amount transferred to unspent CSR account as per Section 135(6) of the Act		Amount transferred to any fund specified under Schedule VII as per second proviso to Section 135 (5) of the Act		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
Rs.119.40 Lakhs	Nil	NA	NA	Nil	NA

f) **Excess amount for set off, if any**

Sl No.	Particulars	Amount (Rs.in Lakhs)
i	Two percent of average net profit of the Company as per section 135(5)	140.33
ii	Total amount spent for the financial year	119.40
iii	Excess/(Shortfall) amount spent for the financial year (i-ii)	(20.93)
iv	Surplus arising out of the CSR Projects or programs or activities of the previous financial years, if any	30.83
v	Amount available for set off in succeeding financial years (iii+iv)	9.90

7. Details of unspent CSR amount for the preceding three financial years:

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

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

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

Place: Hyderabad
Date: 08.08.2023

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

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

Annexure- 5

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

Name	Designation	Remuneration for the Financial Year (Rs In Lakhs)	% increase/ decrease in remuneration during Financial Year	Ratio of remuneration of each director to the median remuneration of employees
Mr. Ramesh Babu Potluri	Executive Director (Chairman & Managing Director)	300.00	(21.34)	1:81.71
Mr. Vamsi Krishna Potluri	Executive Director	66.00	(82.70)	1:17.98
Mr. Sarath Kumar Pakalapati	Non-Executive & Independent Director	-	-	-
Mrs. Dr. Neelaveni Thummala	Non-Executive & Independent Director	-	-	-
Mr. Shravan Kudaravalli	Non-Executive & Independent Director	-	-	-
Mr. Sarvepalli Srinivas	Non-Executive & Independent Director	-	-	-
Mrs. Shilpa R Waghmare#	Non-Executive & Nominee Director	-	-	-
Mr. Lakshmi Naryana Tammineedi	Chief Financial Officer	23.00	Nil	-
Mr. Thirumalesh Tumma	Company Secretary	14.92	3.47	-

withdrawal of nomination w.e.f 08.08.2022

- The percentage increase in the median remuneration of employees in the financial year: 14.15%
- The number of permanent employees on the rolls of company: 1095 employees as on 31st March, 2023.
- Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

The average increase in salaries of employees other than managerial personnel during the financial year was 16.91% and there is no increase in remuneration paid to managerial personnel during the financial year.

- It is hereby affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and other Employees.
- The Non-Executive Directors of the Company are entitled for sitting fees as per the statutory provisions. Hence, ratio of remuneration and percentage increase for Non- Executive Directors Remuneration is therefore not provided.
- The remuneration philosophy of the Company is to provide market competitive compensation which drives a high performance culture. Every year, the salary increases are based on benchmarking with similar profiled organizations and market competitiveness. The variable component is paid out to an employee on the basis of performance of the Company, the corresponding business unit or function and his/her own performance.

By the order of the Board

Place: Hyderabad
Date: 08.08.2023

Ramesh Babu Potluri
Chairman & Managing Director
DIN: 00166381

Annexure- 6

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

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

CONSERVATION OF ENERGY

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

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

- i. Facility created to purchase power through open access during the power holiday time to avoid the running of diesel generator sets and saving of HSD. Participating in the Open access bidding to get the power in the cheaper price as compared to the discom prices as per available slots to reduce the power cost /Year : 35Lakhs/Year.
- ii. Installed 173 KLD Rochem RO Plant, there are input of water taken from ETP & ME & Biological Treatment. Rochem RO Water Generations 138KL/Day, Total RO Water Demand 300KL/day at Site, but ground water using only 162KL/day. Total Saving Ground Water 138KL/Day.

2. Energy Conservation Measures taken:

Energy Conservation continues to receive priority within the Company. The continuous monitoring of the energy Consumptions across the Company's locations, has resulted in improvement in maintenance systems and reduction in Distribution losses

- i. Installed LED Lights instead of CFL lights in both areas like intermediate and pharm in all blocks and QC.
- ii. Implemented numerous energy conservation activities in utilities and block equipment through performance assessments, automation of equipment, standard procurement of energy efficient equipment ie, installation of energy efficient motors & Pump sets. power saving 1656 Units/Month.
- iii. VFDs are provided for Screw Chillers D61, savings of 200 units per day @ Each Chiller
- iv. Installed online tube cleaning systems (ECO MAX) for Chilling plants condensers tube cleaning purpose and improve the Condenser Heat Transfer Area and Reduce the discharge pressures and Maintain the Standard of KW/TR :0.75.
- v. Installed Common header for compressed air circuit for optimum utilization of air compressor, Saving in Power 30Units/Day
- vi. Installed Steam Condensate Recovery System so as to achieve increased efficiency of the boilers & reduce the fuel consumption.
- vii. Installed Steam Condensate Recovery Pumps (Pressure Powered Pump) Steam Condensate Water pumping purpose, so there are centrifugal pumps are replaced with Pressure Powered Pump. power Saving in 100 Units/day
- viii. Installed Steam Operated Pumping traps used for Solvent Recovery Systems so there are reduce in the process cycle time and steam & power consumption

TECHNOLOGY ABSORPTION

1. Efforts in brief, made towards technology absorption:

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

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

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

3. R&D Expenditure

For the details of expenditure incurred in R&D centre of the Company for the FY 2022-23 are furnished in the vide note number 41.

4. Foreign Exchange Earnings and Outgo

Particulars	(₹ in Lakhs)	
	2022-2023	2021-2022
Earnings		
FOB Value of Exports	31,650.27	12,666.96
Outgo		
Sales Commission	54.01	55.13
Travelling Expenses	-	-
CIF Value of Imports		
Raw Materials	12,608.57	10,347.52
Capital Goods	51.59	17.97

By the order of the Board

Place: Hyderabad
Date: 08.08.2023

Ramesh Babu Potluri
Chairman & Managing Director
DIN: 00166381

Annexure- 7

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2023

[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.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance of the applicable laws and maintenance of records based on audit. We have conducted the audit in accordance with the applicable Auditing Standards issued by the Institute of Company Secretaries of India. The Auditing Standards require that the Auditor shall comply with statutory and regulatory requirements and plan and perform the audit to obtain reasonable assurance about compliance with applicable laws and maintenance of records.

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 from 1st April, 2022 to 31st March, 2023 ("the audit period") 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, 2023 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made hereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'): -
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (SEBI ICDR Regulations) **(not Applicable to the Company during the Audit Period)**;
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefit) Regulations, 2014 **(not Applicable to the Company during the Audit Period)**;
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 **(not Applicable to the Company during the Audit Period)**;

- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with clients;
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 **(not Applicable to the Company during the Audit Period)**;
- (h) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

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

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

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

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

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

We further report that:

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

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

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

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

We further report that during the Audit Period, there were no events/ actions which are having major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines and standards **except** the following:

- i) The EXIM Bank has withdrawn the nomination of Ms. Shilpa Waghmare as their Nominee on the Board of the Company with effect from 8th August, 2022.

For SVVS & Associates
Company Secretaries LLP

C. SUDHIR BABU

Designated Partner

FCS: 2724; C P No.: 7666

UDIN: F002724E000366967

Peer Review No.: 716/2020

Place: Hyderabad

Date: 24-05-2023

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

FCS: 2724; C P No.: 7666
UDIN: F002724E000366967
Peer Review No.: 716/2020

Place: Hyderabad
Date: 24-05-2023

Management Discussion and Analysis

Global economic overview

Geopolitical uncertainty pushed inflation to an unprecedented level at the beginning of the year. In the last few quarters, inflation has been perceived to be stabilising, indicating a positive outlook.

The global economy appears poised for a gradual recovery from the powerful blows of the pandemic and Russia-Ukraine war. The global economic output is expected to witness steady growth, driven by stabilising inflationary pressures, reviving consumer sentiment and investor confidence. The employment scenario in the US and other advanced economies has recovered from pandemic levels and rising disposable income is also likely to support growth in the coming years.

Emerging and developing countries are also witnessing growth across multiple sectors, powered by government focus on infrastructure and manufacturing sectors. China has also recovered from the COVID impact on its economy and industries and is on the mend.

Central banks' monetary policies are expected to bear fruit, leading to a decline in global inflation from 8.7% in CY22 to 6.8% in CY23 to 5.2% in CY24.¹ It is anticipated that the pent-up demand in numerous economies, along with a significant reduction in inflation, will contribute to accelerated economic growth in CY23.

Outlook

Despite inflationary pressures, the global economy is supported by a robust labour market, increased domestic spending, an influx of foreign capital and a prudent response to the energy crisis in Europe.

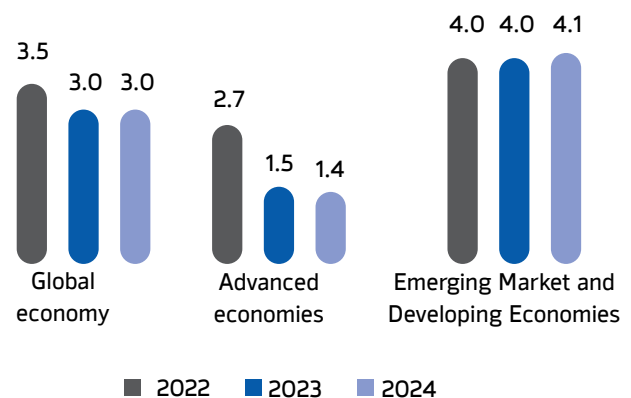
Many emerging markets and economies (EMDEs) have already recovered, which has bolstered real incomes. An optimistic global outlook would also be determined by the speed and effectiveness of fiscal and monetary policy actions implemented to boost economic expansion. The central banks have been tightening monetary policy, which is expected to curb sticky inflation and foster long-term growth.

A stronger boost from pent-up demand in numerous economies or a faster fall in inflation is likely in the course of 2023. The governments and central banks of the world are expected to play a major role in accelerating economic growth through targeted, need-based measures.



Faster economic growth in Asia this year will be driven by China's economic recovery and strong demand in India, according to the Asian Development Bank (ADB).²

Global GDP growth (%)



(Source- IMF World Economic Outlook, July 2023)

¹<https://www.imf.org/en/Publications/WEO/Issues/2023/07/10/world-economic-outlook-update-july-2023>

²<https://www.weforum.org/agenda/2023/04/imf-global-growth-weakest-in-30-years-top-economics-news-2023/>

Indian economic overview

The Indian government has managed to maintain a favorable domestic policy environment and prioritise structural reforms, allowing the country's economy to remain resilient amid global challenges. Projections indicate that India's economy will continue to progress and expand at a rate of 7.2% during the fiscal year 2022-23.³ Additionally, the country's stable inflation rates, higher disposable income and continued investment in infrastructure development are expected to contribute positively to economic growth in the future.

Various high-frequency indicators, such as GST collections, railway and air traffic, electronic toll collections and E- Way bill volume, suggest a robust economic recovery in India. This persistent growth momentum has positioned India as an attractive investment destination.

Moreover, India is expected to retain its status as the fastest-growing G-20 nation in the coming years. India's presidency of the G20 Summit in 2023 has also bolstered its international stature.

Despite the challenges, the Indian government's prudent initiatives, such as the PM Gati Shakti - National Master Plan, the National Monetisation Plan (NMP) and the Production-Linked Incentive (PLI), have been instrumental in fostering

economic growth. The Reserve Bank of India (RBI) has also taken prudent and proactive measures to ensure financial stability and address liquidity constraints. These factors have contributed to the Indian economy's resilience and stimulated substantial investments.

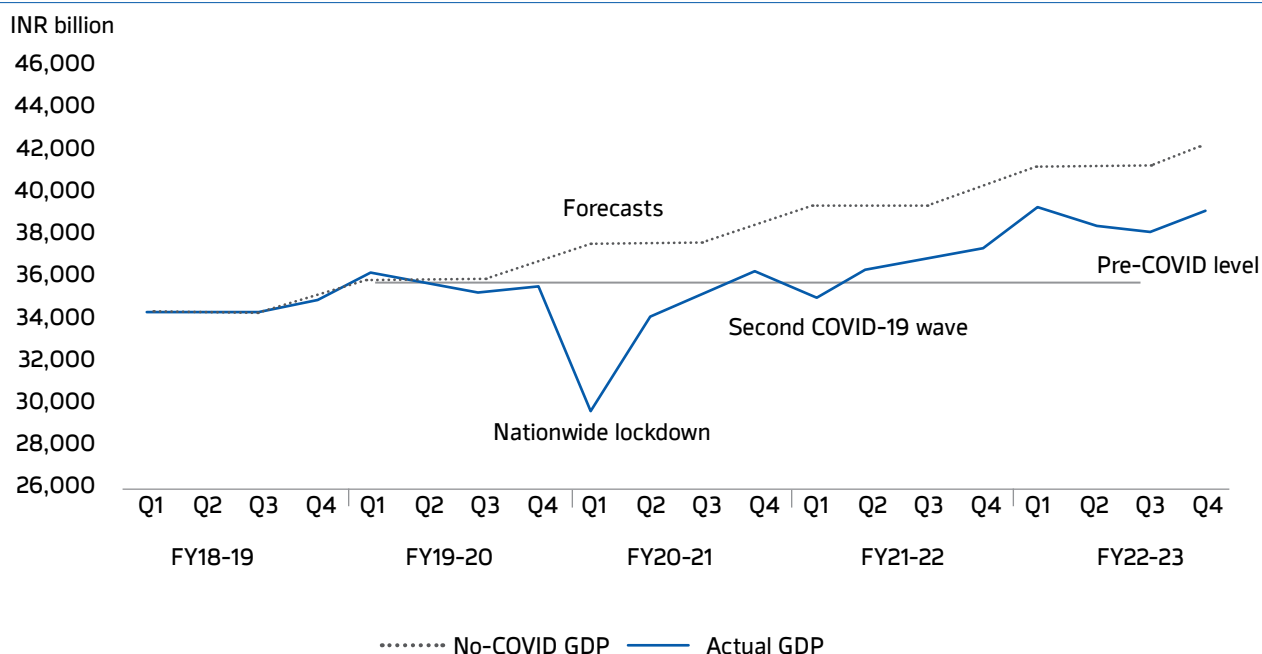
In response to monetary policy actions by the RBI, together with other supply side measures, headline CPI inflation has gradually declined from its peak of 7.8% in April 2022 to 5.7% in March 2023 and is projected to moderate further to 5.2% in Q4, 2023-24.

Outlook

Despite global challenges, India's economic activity has remained robust due to a favourable domestic policy environment and the Government's continued emphasis on structural reforms.

India is expected to be among the fastest growing major economies of the world in 2023- 24, accounting for 15% of global growth—the second largest contribution, and higher than that of the US and EU put together.

A combination of rising disposable income, easy access to credit and lowering interest rates in the wake of a stabilising inflation trajectory will bode well for economic growth of the country, going forward.⁴



ources: CMIE: Deloitte research,

³<https://pib.gov.in/PressReleasePage.aspx?PRID=1942795>

⁴<https://www2.deloitte.com/us/en/insights/economy/asia-pacific/india-economic-outlook.html>

Industry overview

Global Pharma Industry

Despite severe macroeconomic challenges and upheavals, the global pharmaceutical business remained robust and maintained consistent growth. At the same time, overall spending and demand for medications are expected to rise, resulting in a 3-6% annual growth rate over the next five years to around USD 1.9 trillion through 2027, in spite of fluctuating trends in the pharmaceutical business.

The usage of medications has increased by 36% over the last decade, with the biggest volume forecast in Latin America, Asia, and Africa, and a low growth in Northern America and Europe.⁵ In 2022, the healthcare system of the United States underwent significant expansion in both the utilisation of pharmaceuticals and the corresponding financial outlays. The pharmaceutical market within the U.S. observed a growth rate of 5%, resulting in a combined valuation of USD 429 billion. Substantial increases in expenses are expected in the domains

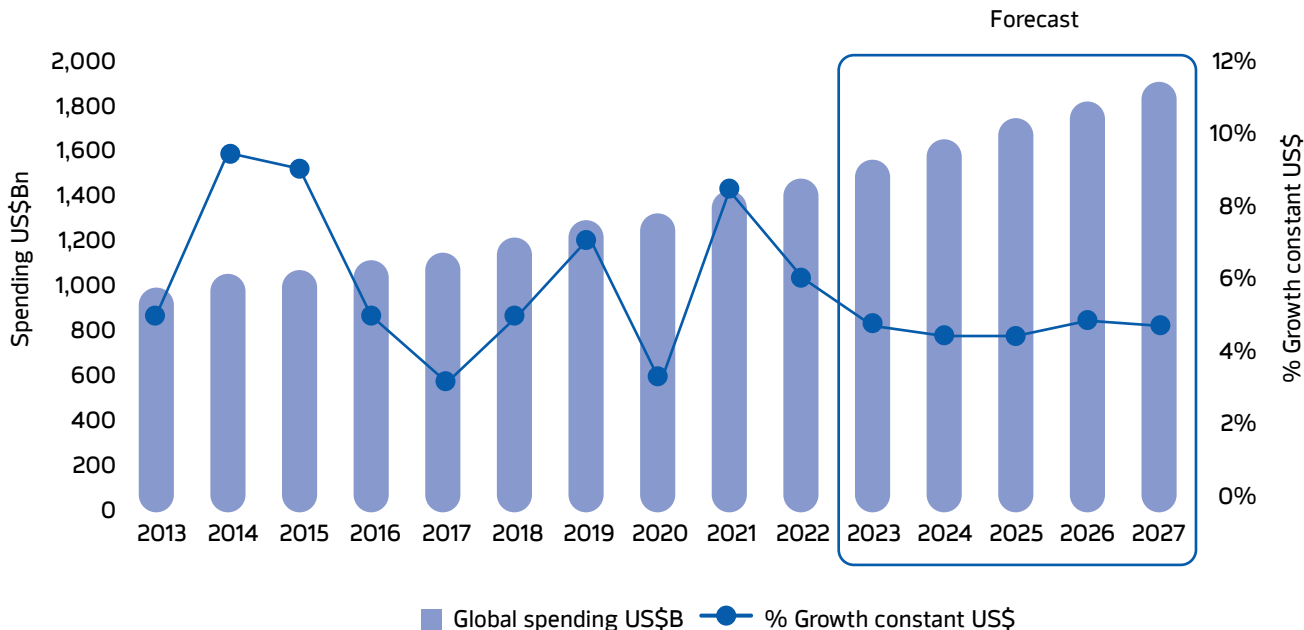
of oncology, obesity, and neuroscience over the ensuing five-year period.⁶

In Europe, an anticipated increase in spending amounting to \$59 billion is foreseen until 2027. This surge in expenditure will primarily concentrate on generics and biosimilars, while concurrently intensifying the scrutiny on the value and negotiated costs of innovative medications.

In China, the pace of spending growth is projected to decelerate. This trend is influenced positively by a higher acceptance and utilization of new original medicines, yet counterbalanced by the pressures exerted on pricing related to off-patent and generic products.

Developed economies continue to experience growth at relatively stable rates, characterised by the introduction of novel products to counteract patent expirations. In contrast, Latin America, Eastern Europe, and specific regions within Asia are poised for robust growth driven by increased consumption and adoption of innovative medications.⁷

Global pharma industry



(Source- The Global Use of Medicines 2023, IQVIA)

⁵<https://www.iqvia.com/newsroom/2023/01/global-market-for-medicines-to-rise-to-19-trillion-by-2027-says-report-from-iqvia-institute>

⁶<https://www.iqvia.com/insights/the-iqvia-institute/reports/the-use-of-medicines-in-the-us-2023>

⁷<https://www.iqvia.com/insights/the-iqvia-institute/reports/the-global-use-of-medicines-2023>

Outlook

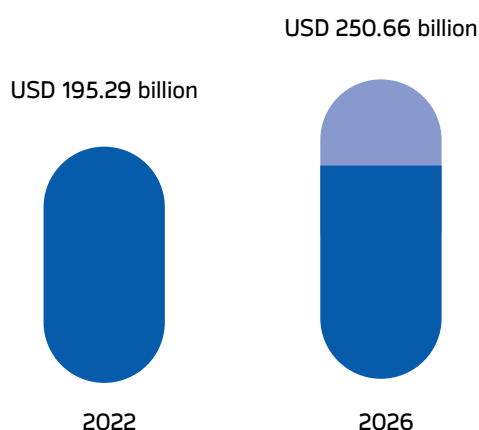
Following a substantial rebound in 2021 as global markets recovered from the effects of the pandemic, the utilisation of medications experienced a stabilisation in 2022. The overall usage volume is predicted to experience a growth of 1.6% in terms of days of therapy up until 2027. This growth is expected to be primarily driven by regions such as Asia-Pacific, India, Latin America, Africa/Middle East, and China, all of which are expected to surpass the global volume growth rate. Conversely, higher-income countries in Western Europe, North America, Japan, and Eastern Europe are projected to exhibit slower growth rates, ranging from 0.1% to 0.4% through 2027. This is partially attributed to their already elevated per capita medication usage.⁸

API market analysis

The global API manufacturing market is estimated to increase at a CAGR of 9.1% to \$195.29 billion by 2022. Although geopolitical issues and economic sanctions on many countries have distorted the supply chain and led to an increase in commodity prices, the API manufacturing market is expected to reach \$250.66 billion in 2026 at a CAGR of 6.4%, up from 6.08% previously.⁹

Global Pharmaceutical API Manufacturing Market

Market forecast to grow at CAGR of 6.4%



(Source- Research and Markets)

The ageing population accelerates the expansion of the API production market. As the population ages the demand for pharmaceutical treatments increases. API serves as a specialist drug in the production of medicines to treat such old age ailments.

Indian pharmaceuticals industry

The Indian pharmaceutical sector is critical to the Indian economy and also plays a significant part in the global medicines industry. In terms of the Indian economy, the Indian pharmaceutical market is predicted to increase to US\$ 65 billion by 2024 and to US\$ 130 billion by 2030.

India ranks third in terms of output volume and fifteenth in terms of output value. India's pharmaceutical exports increased by 103% in 2013-14, from INR 90,415 crores in 2013-14 to INR 1,83,422 crores in 2021-22. India is the world's pharmacy since it accounts for 20% of all generic pharmaceutical exports worldwide.¹⁰

Under the automatic route for greenfield pharmaceuticals, 100% Foreign Direct Investment (FDI) is permitted in the pharmaceutical industry.¹¹

In terms of Active Pharmaceutical Ingredients (APIs), 500 domestic API firms account for around 8% of the global API market and 57% of the APIs on the WHO's prequalified list.

The Indian API market is anticipated to grow at a CAGR of 13.7% in the first four years, which is roughly 8% faster than the generic API industry. India's enormous domestic market, complicated chemical industry, experienced labour force, stringent quality and production requirements, and low cost of starting up and operating a new facility (about 40% less than in the West) give it a competitive edge.

⁸<https://www.iqvia.com/-/media/iqvia/pdfs/institute-reports/the-global-use-of-medicines-2023/iqvia-institute-global-use-of-medicines-2023-report-01-23-forweb.pdf>

⁹<https://www.researchandmarkets.com/reports/5733918/pharmaceutical-api-manufacturing-global-market>

¹⁰<https://www.investindia.gov.in/team-india-blogs/harnessing-indias-api-potential>

¹¹<https://www.investindia.gov.in/sector/pharmaceuticals>

India is the primary source of generic drugs. It generates over 60,000 distinct generic brands across 60 therapeutic categories, or about 20% of the world's supply of generics.

Exports

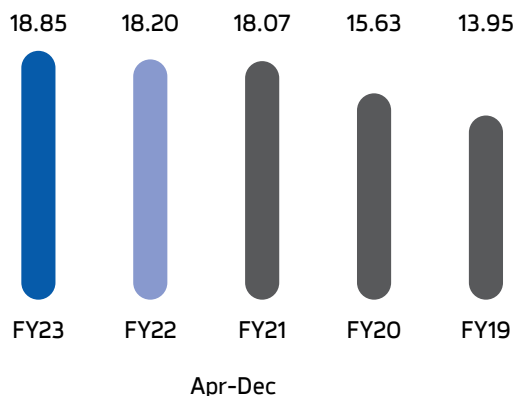
The pharmaceutical business has experienced remarkable expansion in recent decades, opening the door to export opportunities. India, being one of the largest providers of low-cost vaccinations, accounts for 60% of worldwide vaccine production, meeting WHO's need of 40-70% for Diphtheria, Tetanus, and Bacillus Calmette-Guerin vaccines and 90% for Bacillus Calmette-Guerin vaccines.

India accounts about 20% of world supply by volume. According to government data, India has approximately 3,000 pharmaceutical enterprises with a robust network of 10,500 well-equipped production facilities.¹³

Growth in Pharmaceutical Industry

Drugs, pharmaceuticals and fine chemicals

In US\$ billion



Source: DGCIS

Continuing the development trajectory of the Indian pharmaceutical business, exports in the pharmaceutical sector have been relatively robust, generating consistent growth despite trade disruptions. Drug and pharmaceutical exports have increased by more than 22% over the previous year. The growth of the local pharmaceutical industry, as well as the growing demand for medications, has drawn global investment to India.

The cumulative FDI have crossed US \$ 20 billion mark in September, 2022 and the FDI inflows has increased four times over five years aided by policies that attract investment and also aid the growth momentum of the industry.

¹³<https://www.investindia.gov.in/sector/pharmaceuticals>

¹⁴<https://www.indiabudget.gov.in/economicssurvey/doc/echapter.pdf>

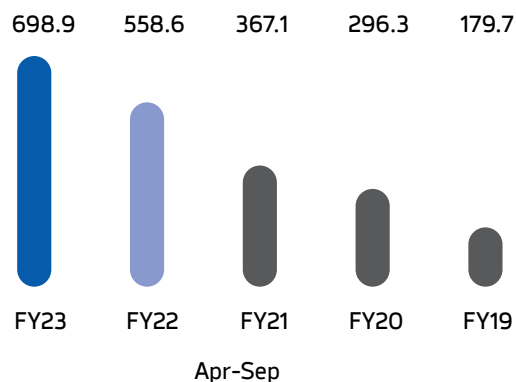
¹⁵<https://pib.gov.in/PressReleasePage.aspx?PRID=1894918>

¹⁶<https://www.fortunebusinessinsights.com/small-molecule-api-market-107457>

FDI Inflow in Pharma

FDI in Pharma

In US\$ billion



Source: DPIIT^{14,15}

Small molecule API market

The global market for small molecule active pharmaceutical ingredients (APIs) attained a valuation of USD 146.14 billion in 2022 and is anticipated to attain USD 246.22 billion by 2030, reflecting a Compound Annual Growth Rate (CAGR) of 6.8%.¹⁶ Small molecule APIs have conventionally served as a pivotal foundation within the pharmaceutical sector.

These products offer distinct therapeutic advantages, given their oral administration capability and the ability to permeate cellular membranes, thereby accessing intracellular targets. Approximately 58% of drugs in developmental stages are categorised as small molecules. This scenario is influenced by the escalating prevalence of chronic ailments on a global scale, prompting pharmaceutical manufacturers to focus on expanding therapeutic drug portfolios. Consequently, the demand for such products has observed a notable upsurge.

Moreover, manufacturers specialising in contract production have directed their efforts towards augmenting their production capacities for small molecules, which has resulted in substantial growth for this segment.

Emerging trends

The drug development portfolios of prominent pharmaceutical firms prominently feature Highly Potent Active Pharmaceutical Ingredients (HPAPIs). These molecules are notably associated with pioneering cancer treatments and demonstrate

effectiveness in addressing autoimmune disorders, diabetes, and various other medical conditions. At present, HPAPI molecules constitute more than 30% of the drug development pipeline. These HPAPI molecules introduce a novel approach to leveraging small molecules for advanced patient therapies, incorporating refined delivery mechanisms. The gradual transition towards embracing HPAPI has resulted in the emergence of a more efficient pipeline for impactful medications, characterised by reduced dosage requirements and mitigated side effects. This trend is stimulating the adoption of such products across diverse therapeutic applications.

The impetus behind the development of HPAPIs predominantly stems from the pursuit of targeted therapies for cancer treatment. This motivation is spurred by the escalating incidence of cancer, which has amplified the global demand for oncology medications. Consequently, the concerted endeavours of pharmaceutical enterprises to address this mounting requirement have significantly escalated the proliferation of HPAPI development, thereby propelling the market growth.

Government initiatives

The Indian Pharmaceutical Industry is expected to be worth \$130 billion by the end of 2030, based on an agreement to provide new and innovative medications to patients at a CAGR of 12.3% from 2020 to 2030.¹⁷

With a view towards strengthening the Pharmaceutical Industry, the Department of Pharmaceuticals and Ministry of Chemicals and Fertilizers have implemented a scheme of Strengthening of Pharmaceutical Industry (SPI) with a financial outlay of INR 500 crores in the tenure between FY 2021-22 and FY 2025-26. The scheme has three sub-schemes – Assistance to Pharmaceutical Industry for Common Facilities (APICF), Promotion of Technology Upgradation Assistance Scheme (PTUAS) and Pharmaceutical and Medical Device Promotion and Development Scheme (PMPDS).¹⁸

The Department of Pharmaceuticals also have implemented two PLI schemes namely PLI for bulk drugs and PLI for medical devices. The PLI for bulk drugs has a financial outlay of INR 6,940 crore which has the objective to boost domestic production of 41 selected bulk drugs in the country. Out of these 41 selected bulk drugs, 22 projects have been commissioned on

fermentation-based APIs. India has already started generating 35 active pharmaceutical ingredients (APIs) under the PLI scheme, or around 67% of the APIs for which it is 90% dependent on imports.¹⁹

Growth drivers of the pharma industry

- Government's efforts to boost domestic production of Critical APIs in the first year of production of PLI schemes where the financial outlay under this PLI scheme is Rs.15,000 crores allotted over a period of six years.²⁰
- Low- cost drug manufacturing with strong generic patented drugs is also one of the reasons for the growth of the pharmaceutical industry.
- Implementation of largest National Health Protection scheme also becomes a driving force for a strong domestic demand.
- Investment-friendly schemes of the Government and continuous innovation and development in the Indian pharmaceutical industry helps to attract foreign direct investments to India.

Growth drivers of API market

The rising prevalence of cardiovascular disorders and cancer has resulted in an increase in the manufacturing of Active Pharmaceutical Ingredients (API) in India. The increasing prevalence and increased awareness of these chronic illnesses will boost consumer interest in APIs for cardiology medications during the predicted period.

This sector is expanding due to supportive government policies that support API manufacturing. An increase in demand is projected for personalised pharmaceuticals and suggested treatments, which are employed by highly potent API chemicals such as HPAPI, which have unique handling issues.

Government incentives include a reimbursement of INR 21,940 for PLI versions 1.0 and 2.0. India's drug security should be ensured by three bulk drug parks in Gujarat, Himachal Pradesh, and Andhra Pradesh, which also provide a consistent supply of bulk drug active components.

¹⁷<https://ficci.in/sector.asp?sectorid=29>

¹⁸<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1906357>

¹⁹<https://pib.gov.in/PressReleasePage.aspx?PRID=1901121>

²⁰<https://pib.gov.in/PressReleasePage.aspx?PRID=1901121>

²¹<https://www.investindia.gov.in/sector/pharmaceuticals>

Company overview

Domestic API business

Established in 1987, SMS Pharmaceuticals, headquartered in Hyderabad is one of India's top API manufacturing companies, with superior world-class facilities geared for manufacturing specialty large-volume compounds and a wide range of equipment that complies with cGMP and WHO requirements.

The Company maintains robust research and production divisions that facilitate the development and commercial manufacturing of market relevant active pharmaceutical ingredients (API). The Company holds a prominent position as a prime exporter of full range of anti-migraine product triptans. Possessing essential capabilities and infrastructure, the Company ensures the seamless functioning of quality assurance processes, encompassing raw material scrutiny, production procedures, and final product analysis for quality assurance and regulatory compliance.

The Company has two facilities which are multiple times approved by international health authorities like USFDA and has been a major supplier into regulated markets. Based on customer requests looking at our experience of handling volume products and regulatory strength demonstrated through our niche molecules supply into regulatory markets, company has established one of Asia's biggest production blocks dedicated for manufacturing of Ibuprofen in 3 times USFDA approved facility at Vizianagaram. The production block has a manufacturing capacity of 1000 MT per month and a direct API batch size of 10 MT which is quite rare in API industry giving huge advantage of providing uniform material to customer and cutting down on analysis costs for the volume product.

In recognition of its commitment to sustainability, the Company has been awarded the EDQM sustainability certificate. The domestic market for Ibuprofen is substantial, with a majority of companies oriented towards formulation exports into regulated markets and ROW markets like Africa.

Regarding the domestic Ibuprofen market share, there is an anticipation of growth from 18% to a range of 25-30%, contingent upon the geographical area. The initial phase of ibuprofen production boasts a monthly capacity between 300 and 400 tonnes. The Company stands out with the industry's largest batch size for this product. With a relatively modest investment, the production capacity could be further increased to 700 tonnes per month. SMS Pharmaceuticals benefits from a strong cost position for this product, driven by a batch size of approximately 10,000 kg.

Significantly, Ibuprofen is poised to contribute significantly to the Company's endeavours. SMS Pharmaceuticals aims to secure a competitive stance in a dynamic market where the anticipated pricing split between domestic and export markets stands at around 30% domestic and approximately 70% for exports.

International business

SMS Pharmaceuticals specialises in manufacturing Niche molecules with excellent quality and robust regulatory compliance system and now a large volume commodity product

like Ibuprofen which is already approved for two customers by USFDA and many other customers focussed on USA market have initiated applications for adding SMS Pharmaceuticals as a supplier of the product. CEP is also approved and many European customers are initiating qualification process to enrol SMS Pharmaceuticals as their supplier. Many molecules which were developed as part of JV with a European partner have gone off patent now and are getting commercialised. This strategic approach has enabled the Company to foster strong global market relationships and obtain GMP certificates affirming authenticity.

The Company engages in sales to other enterprises operating in regions with a substantial number of manufacturers producing similar items. Notably, the Company has achieved moderate sales in Bangladesh, Indonesia, Brazil, and the MENA region. Particularly significant sales are concentrated in the US market, with the Company predominantly operating from US FDA-approved facilities.

The Company's comprehensive production processes are sufficiently robust to withstand regulatory inspections, bolstered by a highly experienced and skilled team with three decades of proficiency in GMP facilities, alongside well-established internal procedures. The Company has a portfolio of over 80 plus authorised drug master files, accredited by regulatory bodies such as the USFDA, PMDA, EU, and KFDA. Furthermore, the recent CEP certification for Ibuprofen has opened doors to new opportunities within the contemporary and well-regulated European market.

Strategy

The Company has strategically established a robust foothold within intricate and specialised API therapies, having global leadership in a variety of products. During FY21, the Company allocated a significant brownfield capital expenditure of ₹ 200 crores, aimed at enhancing the forthcoming phase of growth. The Company's strategic approach encompasses a global presence, substantial domain expertise, cost-effective practices, and longstanding partnerships, which, combined with economies of scale, contribute to its success.

Through strategic initiatives of backward and vertical integration, SMS Pharmaceuticals leverages synergies in costs and unlocks avenues for growth. It's focused approach on backward integration and intermediates has notably mitigated supply chain and forex risks, significantly reducing their dependence on imports from China (approximately 10%-15% reduction). This multi-faceted strategy underscores the Company's commitment to sustainable expansion and risk management, positioning it as a formidable player within the pharmaceutical sector.

40+

Product portfolio

75+

Countries associated to the business of the Company

Unique value proposition



Global Presence

~83% of total export revenue comes from more than 75 countries and five continents (including deemed exports) hence there is a less reliance on single country or region.



Long-standing Relationships

Established and enduring partnerships with suppliers and customers ensure cost-effective, reliable, and sustainable raw material supply as well as consistent revenue generation.



Strong Domain Expertise

The promoters and senior management possesses a strong business background and extensive expertise in APIs and intermediates, leading to a cohesive alignment of interests among all internal stakeholders.



Economies of Scale

By holding a leadership position in essential products and incorporating backward integration, the Company benefits from economies of scale, resulting in reduced competitive pressure and enhanced profit margins.



Cost Leadership

From procurement through production to sales, there exists a robust foundation and well-established framework. The implementation of backward integration guarantees cost-effective manufacturing, resulting in elevated profitability.

Product portfolio

The Company has presence in multiple margin-lucrative, non-commoditised therapeutic areas like ARV, Anti-Epileptic, Anti-Migraine, Anti-Fungal.

Comprehensive details about the product portfolio are shared below.

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

Financial highlights

Particulars	(₹ in crore)		
	FY 2022-23	FY2021-22	YoY Changes (in %)
Net Revenue from Operations (Net Excise) (₹ in Crore)	522.05	519.87	0.42%
EBITDA	59.59	119.68	(50.21%)
PAT	4.08	68.04	(94.00%)
EPS	0.48	8.04	(94.03%)
Net Worth	495.10	493.76	0.27%

Details of significant changes in key financial ratios, net worth along with detailed explanations therefore:

Particulars	As at 31st March, 2023	As at 31st March, 2022	% Change	Reasons
Debtors Turnover Ratio (Days)	104.18	34.39	69.79	Increase in Debtor turnover ratio(days) due to increase in trade receivables as against Previous year
Inventory Turnover Ratio (Days)	207.61	277.45	(69.84)	Decrease in inventory turnover ratio (days) is due to decrease in inventories
Interest Coverage Ratio (Times)	2.80	6.64	(3.84)	Decrease in interest coverage ratio due to decrease in revenues and increase in finance cost compared to previous year
Current Ratio	1.61	1.92	(0.31)	Decrease in ratio is on account of increase in Trade payables .
Debt Equity Ratio	0.51	0.53	(0.02)	Slight decrease in ratio on account of increase in Reserves.
Operating Profit Margin	11.12%	22.60%	(11.48%)	-
Net Profit Margin	0.78%	12.97%	(12.19%)	-
Return on Net worth	0.82%	13.79%	(12.96%)	-

Research and development

The R&D division stands as the cornerstone of SMS Pharmaceuticals' API operations, serving as a driving force behind its advancements. With an impressive track record, the Company has successfully integrated 20 new products into its product portfolio in recent years, reinforcing its commitment to innovation. Particularly noteworthy is the strategic optimisation of numerous Anti-Migraine APIs, positioning SMS Pharmaceuticals as a prominent leader within this therapeutic domain.

Equipped with cutting-edge technology and sophisticated equipment, the R&D division demonstrates its capacity to support the entire lifecycle of research and development. The Company's extensive accomplishments are evident through the filing of over 80 plus DMFs and more than 30 process patents. A pivotal aspect of this progress is the product scale-up infrastructure, which encompasses a kilo lab and a pilot plant. The latter, in particular, encompasses the ability for DMF filing and possesses a substantial scale-up capacity of 4,500 litres.

In a remarkable display of environmental responsibility and innovation, the Company devised an inventive approach to recycle methyl mercaptan gas into a valuable solvent, DMSO,

within ranitidine production. This accomplishment, driven by a commitment to environmental preservation, earned the Company the prestigious Indo-US Green Chemistry Network (GCNC) award.

100+

Scientists

8

PHDs

Quality and compliance

SMS Pharmaceuticals is dedicated to upholding and streamlining operational excellence by adopting state-of-the-art global quality management systems. The Company's ongoing endeavours are geared towards achieving sustainable growth while consistently upholding the highest quality standards for its manufactured products within its sector. Furthermore, the Company aspires to establish a global presence in accordance with relevant legal obligations.

Through the implementation of a premium-quality control system, the Company ensures that all products it conceives,

produces, and disseminates conform to the legal regulations of the target country. The Company's commitment to excellence is underlined by its continuous refinement of quality processes to align with evolving requirements. The Company actively seeks achievement and endeavours to remain at the forefront of its field, meticulously adhering to essential compliance benchmarks without compromising product quality in any capacity.

Human resource

The human resource management at the Company reflects a deep commitment to nurturing a skilled and motivated workforce. Recognising that employees are the cornerstone of the Company's success, SMS Pharmaceuticals places a strong emphasis on creating a conducive work environment that encourages growth, innovation, and collaboration. The Company's HR policies prioritise employee development through comprehensive training programs, continuous learning opportunities, and skill enhancement initiatives. By fostering a culture of diversity and inclusion, the Company ensures that all employees are valued and their contribution acknowledged.

Furthermore, the Company recognises the importance of work-life balance, offering flexible arrangements and benefits that support the well-being of its workforce. Regular performance assessments and feedback mechanisms help in recognising and rewarding excellence, while also identifying areas for improvement. The Company takes pride in providing a safe and secure workplace, adhering to stringent health and safety regulations.

In addition to focusing on individual growth, the Company fosters a sense of belonging by encouraging teamwork and open communication. The HR department plays a pivotal role in aligning the Company's goals with the aspirations of its employees.

1095

Total employee strength
(As at 31st March 2023)

Safety and health

The Company has established and maintains proficient safety teams within its facilities, demonstrating a strong dedication to ensuring the well-being of its workforce and stakeholders. SMS unit II is complying with ISO safety standards. The Company diligently conducts regular training sessions to

continuously enhance the knowledge and skills of its personnel, underscoring its commitment to staying updated with the latest safety practices. In line with its robust safety measures, the Company has thoughtfully equipped its premises with pertinent firefighting apparatus such as hydrant systems and extinguishers, effectively bolstering its emergency response capabilities. Moreover, the Company prioritises the safety of its staff by providing personal protective equipment and meticulously training dedicated first aid teams on-site. As part of its holistic approach to safety, the Company also employs a qualified medical professional and maintains an ambulance on location, ensuring immediate medical attention if required.

Environment

The Company demonstrates a steadfast dedication to sustainable development, as evident through its guiding principle of "Fostering the natural environment that sustains us." The Company gives constant attention to ensure that its operations have no adverse impact on the environment. By means of awareness initiatives, employee training, technological integration, and resource stewardship, a standard of excellence is achieved. Notably, the Company takes pride in having been honoured with the Indo-US GCNC award for its pioneering efforts in adopting green chemistry practices.

We comply with environmental regulations and closely monitor emissions and our waste disposal practices. We collaborate with ESG-compliant suppliers and prioritise sustainable procurement practices. Along with efforts to optimise energy efficiency, and minimise paper and plastic waste. This resolute commitment propels the Company's initiative to implement Zero Liquid Discharge plants throughout its facilities. The ethos of environmental safeguarding is deeply embedded within the Company's product development processes, influencing the selection of synthesis pathways and raw materials.

The Company has achieved accreditation for its integrated management system, encompassing both the environmental management system ISO 14001 and the occupational health and safety (OH&S) management system ISO 45001.

Corporate social responsibility (CSR)

The Company has taken meaningful strides to contribute positively to society and the environment. Through its CSR initiatives, SMS Pharmaceuticals focuses on various areas such as healthcare accessibility, education, environmental sustainability, and community development. By extending support to underprivileged communities, the Company helps enhance healthcare facilities and educational opportunities, thereby making a tangible impact on people's lives. To promote social and economic inclusion by ensuring that marginalised

communities having equal access health services and also to the educational opportunities. The main focus of the Company CSR to provide Health & Education to the people who really required. The company is also creating infrastructure for school buildings year on year and contributing to health care development activities as well as establishing drinking water facilities in villages, rural development activities. Some of the initiatives during the year provided below.

CSR initiatives during FY23

- Construction of class room at MPUP School situated in Ayyanapet, Vizianagaram Dist., Andhra Pradesh.
- Continuing Support to poor people crippled with heart, lung and vascular diseases, through Dr. Alla Gopala Krishna Gokhale, Sahrudaya Health, Medical and Educational Trust
- Continue Campus Challenge support for physical disability and mental disability children at Coastal and Tribal areas.
- Construction of Community hall for the usage of village people and nearby villages people for agricultural reforms, social and cultural gatherings at Kumili Village, Pusapatirega Mandal, Vizianagaram Distirict, Andhra Pradesh. -ongoing project

Outlook

The brownfield capital expenditure (capex) strategy pursued by the Company is focused on augmenting the capacities of multiple products and therapies. Notably, this capex endeavour is expected to add an incremental capacity of 1,300 KL, primarily aimed at expanding the Ibuprofen production capabilities. With this strategic move, the Company is poised to emerge as one of the largest global manufacturers of Ibuprofen.

Leveraging its established relationships, domain expertise, and robust R&D knowledge, the Company is also embarking on ventures into new therapies, products, and geographic markets. The majority of the capex is funded through internal accruals, supplemented by minimal debt, thus bolstering the Company's strong Balance Sheet position.

The implementation of this capex strategy is anticipated to yield higher margins and improved profitability ratios, driven by enhanced operating leverage and incremental revenue streams. This strategic direction underscores the Company's proactive stance in maximising growth opportunities, solidifying its position as a innovative player in the pharmaceutical industry.

Internal control systems and their adequacy

The Company maintains comprehensive internal control systems and procedures that encompass all financial and operational functions. The Company firmly asserts the necessity of a robust internal control framework to uphold principles of Corporate Governance. These measures have been

meticulously devised to furnish reasonable assurance in matters concerning the accurate recording and provision of dependable financial and operational information. Furthermore, they ensure adherence to relevant regulations, the safeguarding of assets against unauthorised use or losses, the proper authorisation of transactions, and the enforcement of corporate policies.

The Company has established a well-structured manual outlining the delegation of authority for the approval of revenue and expenditure. SMS Pharmaceuticals is dedicated to continually improving the responsiveness of its control systems in addressing unauthorised use or losses.

The audit committee diligently evaluates all internal facets and offers guidance on corrective measures as deemed necessary. Additionally, the committee apprises the Board of Directors of its significant observations periodically.

Cautionary statement

The management of SMS Pharmaceuticals Ltd. has meticulously prepared and assumes responsibility for the financial statements featured within this report. These financial statements align with Indian Accounting Standards and Other Applicable Standards, in accordance with directives issued by regulatory authorities. As a consequence, these statements incorporate figures derived from well-informed judgments and estimations.

Certain declarations in this report may take the form of forward-looking statements. The Company has provided such forward-looking information to furnish investors with an understanding of potential prospects, facilitating informed investment choices. It is essential to acknowledge that these forward-looking statements are subject to various risks and uncertainties, including but not limited to regulatory alterations, local, political, or economic developments, technological risks, and myriad other factors that could potentially lead to outcomes differing from those envisioned in the pertinent forward-looking statements.

While the Company exercises prudence in its assumptions, it is unable to guarantee the realisation of these forward-looking statements. The Company recognises that multiple variables could influence the achievement of such statements. Key factors that may impact the Company's operations encompass economic conditions that influence demand, supply, and pricing in both domestic and international markets where the Company operates, alterations in governmental regulations, tax legislation, statutes, and incidental factors. Readers are advised to take cognizance of these aspects.

The Company pledges no obligation to publicly revise or modify any forward-looking statement, regardless of whether it is prompted by new information, future events, or other circumstances.

Report on Corporate Governance

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

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

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

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

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

Good Governance Policies

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

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

Compliances with SEBI Regulations on Corporate Governance

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

Rights of shareholders

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

BOARD OF DIRECTORS:

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

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

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

GOVERNANCE STRUCTURE

The Corporate Governance structure of the Company is as follows:

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

the management adheres to ethics, transparency and disclosures.

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

A. Composition of Board

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

As on 31st March, 2023 the Company's Board consists of Six (6) members out of which majority are independent Directors, who are leading professionals in their respective fields. The Board comprises of Two (2) Executive Directors who are Promoter Directors. The composition of the Board is in conformity with Regulation 17 of the SEBI Listing Regulations read with Section 149 of the Companies Act, 2013. The Board consists of one women director.

In accordance with the provisions of the Sec. 165 of the Companies Act, 2013 none of the Directors on the Board hold directorships in more than ten (10) public companies. Further, as per Regulation 26(1) of the SEBI Listing Regulations none of them is a member of more than ten (10) Committees or Chairman of more than five (5) Committees across all the public companies in which they are Directors. Necessary disclosures regarding Committee positions in other public companies as on 31st March, 2023 have been made by the Directors.

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships / Memberships held by them in other public companies as on 31st March, 2023 are given herein below:

Name of Director & Designation	DIN.	Category (Designation)	No. of Board Meetings during the Year 2022-23		Attended Last AGM 30.09.2022	No. of Directorships in other Public Companies and category	No. of Committee Position held in Public Companies (including this company)	
			Held	Attended			Chairman	Member
Mr. Ramesh Babu Potluri, Chairman & Managing Director	00166381	Executive Director	4	4	yes	0	0	2
Mr. Sarath Kumar Pakalapati, Independent Director	01456746	Non-Executive and Independent Director	4	4	Yes	SMS Lifesciences India Limited – Independent Director	3	0
Dr. (Mrs). Neelaveni Thummala, Independent Director	00065571	Non-Executive and Independent Director	4	4	Yes	0	0	2
Mr. Sarvepalli Srinivas, Independent Director	02292051	Non-Executive and Independent Director	4	4	Yes	0	0	1
Mr. Shravan Kudravalli, Independent Director	06905851	Non-Executive and Independent Director	4	4	Yes	CMH Tools Limited – Promoter Director	1	0
Ms. Shilpa R Wagnare@Non-Executive Director	7009966	Non-Executive & Nominee Director	4	1	No	0	0	0
Mr. Vamsi Krishna Potluri, Executive Director	06956498	Executive Director	4	4	Yes	0	0	0

@ Withdrawal of nomination by EXIM Bank w.e.f .08th August, 2022

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

Board Procedure

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

In addition to the information required under Regulation 17(7) read with Part A of Schedule II of the Listing Regulations, which is required to be placed before the Board, the Board is also apprised of major events and approvals obtained from time to time, if necessary.

Disclosure of relationship between Directors inter-se

Mr. Ramesh Babu Potluri and Mr. Vamsi Krishna Potluri are related to each other in accordance with the provisions of Section 2(77) of the Companies Act, 2013 and none of the other Directors are in any way related to each other.

Appointment / Re-appointment of Directors

As required under Regulation 36(3) of the SEBI (LODR) Regulations, 2015 and Secretarial Standards - 2 on General Meetings issued by the Institute of Company Secretaries of India (ICSI), particulars of Directors seeking appointment / re-appointment at this AGM are given in the Notice of the AGM which forms part of this Annual Report.

Selection criteria of Board Members

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

Independent Directors

Your Company's Independent Directors are renowned people having expertise/ experience in their respective field/ profession. None of the Independent Directors are neither Promoters nor in any way related to Promoters. They do not have pecuniary relationship with the Company and further do not hold two percent or more of the total voting power of the Company. None of the Independent Directors of the Company is a Non-Independent Director of another company on the Board of which any Non-Independent Director of the Listed Entity is an Independent Director.

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

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

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

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

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

@ Withdrawal of nomination by EXIM Bank w.e.f. 08th August, 2022

Board Meetings:

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

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

30th May, 2022, 13th August, 2022, 12th November, 2022 and 9th February, 2023

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

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

During the year, one meeting of the Independent Directors was held on 12th August, 2022. The Independent Directors, inter-alia, reviewed the performance of Non-Independent Directors, Chairman of the Company and the Board as a whole.

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

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

The Company had not issued any convertible instruments. Details of equity shares of the Company held by the Directors as on 31st March, 2023 are given below:

Name of Director	No. of Equity Share held as on 31-03-2023
Mr. Ramesh Babu Potluri	1,56,53,060
Mr. Vamsi Krishna Potluri	1,33,28,370

Name of Director	No. of Equity Share held as on 31-03-2023
Mr. Shravan Kudaravalli	30,000
Mr. Sarath Kumar Pakalapati (HUF)	85,000

BOARD COMMITTEES

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

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

A. AUDIT COMMITTEE:

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

Brief description of terms of Reference:

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

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

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|--|--|
| <p>e) Review and monitor the auditor’s independence and performance and effectiveness of audit process.</p> <p>f) Reviewing with the management, performance of statutory and internal auditor’s adequacy of the internal control systems.</p> <p>g) Discussion with internal auditors of any significant findings and follow up there on.</p> | <p>h) Review the statement of significant related party transactions.</p> <p>During the financial year 2022-23, the Audit Committee met four (4) times on 28th May, 2022, 12th August, 2022, 11th November, 2022 and 8th February, 2023, at which proper quorum was present and the gap between two meetings did not exceed one hundred and twenty days.</p> |
|--|--|

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

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

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

The Minutes of the Audit Committee meetings were circulated to the Board, which are discussed and were taken note. The Audit Committee considered and reviewed the accounts for the year 2022-23, before it was placed to the Board. The Committee periodically interacts with the independent auditors, reviews the Company’s financial and risk management policies and adequacy of internal controls with the management and is responsible for effective supervision of the financial reporting process and compliance with financial policies. The Internal Auditor reports directly to the Audit Committee.

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

During the financial year 2022-23, the Nomination and Remuneration Committee met Three (3) times on 28th May, 2022, 12th August, 2022 and 8th February, 2023 at which proper quorum was present.

B NOMINATION AND REMUNERATION COMMITTEE

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

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

S. No	Name of the Director	Designation	Category	Committee Meetings	
				Held	Attended
1	Mrs. (Dr.) Neelaveni Thummala	Chairperson	Independent Director	3	3
2	Mr. Shravan Kudaravalli	Member	Independent Director	3	3
3	Mr. Sarath Kumar Pakalapati	Member	Independent Director	3	3

Performance Evaluation Criteria for Independent Directors:

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

The criteria for performance evaluation is as follows:

Role & Accountability:

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

Objectivity:

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

Leadership & Initiative:

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

Personal Attributes:

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

REMUNERATION OF DIRECTORS

The remuneration to the directors for the year ended on 31st March, 2023 forms part of Annual Return hosted on the website of the Company (www.smspharma.com).

The Company has Two (2) Promoter Executive Directors and rest of the Board Contains four (4) Independent and Non-Executive Directors and 1(one) Nominee Director (withdrawn her nomination w.e.f. 08.08.2022). Nominee Director and Independent Directors were paid only sitting fee. The Company does not have any Employee Stock Option Scheme. Payments made to Directors during the FY 2022-23 are mentioned hereunder:

Executive Directors

Name of the Director	Salary and Allowances	Remuneration based on profits	Perquisites	Bonus/Stock Options	₹ in lakhs
					Total
Mr Ramesh Babu Potluri (Chairman & Managing Director)	300.00	-	7.45	-	307.45
Mr. Vamsi Krishna Potluri	66.00	-	0.94	-	66.94

Independent & Nominee Directors:

The details of remuneration to the Independent/ Nominee / Executive Directors for the year ended on 31st March, 2023 as given below:

Name of the Independent Director	₹ in lakhs
	Sitting Fees
Mr. Sarath Kumar Pakalapati	1.00
Mrs.(Dr.) Neelaveni Thummala	3.10
Mr. Sarvepalli Srinivas	1.00
Mr. Shravan Kudaravalli	3.30
Ms.Shilpa R Waghmare (Exim Bank)	0.15

C. STAKEHOLDERS RELATIONSHIP COMMITTEE

The composition of Stakeholder Relationship Committee of the Company has been constituted in accordance with the provisions of Section 178(5) of the Companies Act, 2013. The Stakeholders Relationship Committee is empowered, inter alia, to review all matters connected with the Company's share transfers and transmissions and redressal of shareholders/ investors' complaints like non-transfer of shares, non-receipt of dividend, Annual Report, etc.

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

The Committee met on 30th May, 2022 and 9th February, 2023 at which proper quorum was present.

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

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

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

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

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

However, a shareholder filed a case on the Company in June, 2021 in the matter of transfer of her shares and the case is pending before the Junior Civil Court, Hyderabad. Another shareholder filed a case on the Company in June, 2023 in the matter of transfer of his shares and the case is pending before the District Consumer Forum, Ahmedabad.

D. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR COMMITTEE):

The composition of CSR Committee of the Company is constituted in accordance with the provisions of Section 135(2) of the Companies Act, 2013. The Company has formulated a "Corporate Social Responsibility Policy" in accordance to changing regulatory norms. The role of the Committee is as mentioned below:

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

The Committee met on 30th May, 2022 and 9th February, 2023 and all the members attended the meeting.

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

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

E. RISK MANAGEMENT COMMITTEE

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

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

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

The Committee met on 12th August, 2022 and 08th February, 2023 all the members attended the meetings.

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

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

Senior management:

There is no change in the senior management from the date of closure of Financial Year till the date of this report.

Meeting of Independent Directors

In terms of Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Majority of the Board of Directors as on 31st March, 2023 as well as on the date of approval of the report, consists of Independent Directors.

During the year under review, one meeting of the Independent Directors was held on 12th August, 2022 without the presence of the Management and non-executive directors. The Independent Directors, inter-alia, reviewed the performance of Non-Independent Directors, Board as a whole and Chairman of the Company, taking into account the views of Executive Directors and Non-Executive Directors.

Name, Designation and Address of Compliance Officer:

Mr. Thirumalesh Tumma

Company Secretary and Compliance Officer
SMS Pharmaceuticals Limited
Plot.No.72, H.No: 8-2-334/3&4,
Road No. 5, Opp. SBI Executive Enclave,
Banjara Hills, Hyderabad, Telanagana – 500034.

E-mail: complianceofficer@smspharma.com

Phone: + 91-40-3535 9999

Fax: + 91-40-2525 9889

Website: www.smspharma.com

Status of Investor Complaints as on 31st March, 2023 and Reported Under Regulation 13(3) of the Listing Regulations

Details of investor complaints received and redressed during the year 2022- 23 are as follows:

Opening Balance as on 1 st April, 2022	Received during the year	Resolved during the year	Closing Balance as on 31 st March, 2023
0	1	1	0

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

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

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

RECONCILIATION OF SHARE CAPITAL AUDIT REPORT:

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

COMPLIANCE WITH GOVERNANCE FRAMEWORK

The Company has complied with all the mandatory requirements specified in Regulations 17 to 27 and clauses (b) to (i) of sub – regulation (2) of Regulation 46 of the Listing Regulations. This Corporate Governance Report of the Company for the year 2022-23 is in compliance with the requirements of Corporate Governance under Regulation 27(2) of Listing Regulations.

CERTIFICATION FROM MANAGING DIRECTOR AND CFO

A certificate of the Managing Director and Chief Financial Officer of the Company on Financial Statements and applicable

internal controls as stipulated under Regulation 17(8) of the SEBI (LODR), Regulations, 2015, a copy of the same is attached to this Report as **Annexure-A**.

ANNUAL SECRETARIAL COMPLIANCE REPORT

Pursuant to Regulation 24A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has obtained Annual Secretarial Compliance Report for the Financial Year 2022-23 is attached this Report as **Annexure-B** from Mr. C. Sudhir Babu, Practicing Company Secretary (Proprietor, CSB Associates) and the same was also submitted to the Stock Exchanges where the shares of the Company are listed.

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

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

GENERAL BODY MEETINGS:

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

AGM for FY	Date	Time	Venue	No. of Special Resolutions passed
2019-20	30 th September, 2020	09.00 A.M.	Annual General Meeting held through Video Conferencing or other Audit-Visual means deemed venue at the registered office of the Company.	2
2020-21	30 th September, 2021	09.00 A.M.	Annual General Meeting held through Video Conferencing or other Audit-Visual means deemed venue at the registered office of the Company.	2
2021-22	30 th September, 2022	09.30 A.M.	Annual General Meeting held through Video Conferencing or other Audit-Visual means deemed venue at the registered office of the Company.	0

Extraordinary General Meetings

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

POSTAL BALLOT

No Postal Ballot has been conducted during the period under review.

The Board of Directors of the Company in its Meeting held on 24th May, 2023 has approved the Notice of Postal Ballot for Re-appointment of Mr. Shravan Kudaravalli, as an Independent Director of the Company, for a further period of 5 (Five) consecutive years. Pursuant to Regulation 17(C) of SEBI (LODR) Regulations, the approval of the shareholders is being obtained via postal ballot, the Last date of e-voting is 10th August, 2023.

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

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

MEANS OF COMMUNICATION

Publication of Results in Newspapers:

The Quarterly, half-yearly and annual financial results of the Company are published in leading English and vernacular (Telugu) language newspaper, viz., The Financial Express (All Editions) and Andhra Prabha (Hyderabad and Secunderabad Editions).

Website and News Papers:

In compliance with Regulation 46 of the Listing Regulations, a separate dedicated section under 'Investors' on the Company's website gives information on various announcements made by the Company, status of unclaimed dividend, stock quotes, Annual Report, Quarterly / Half yearly / Nine-months and Annual financial results along with the applicable policies of the Company are available on the Company's website "www.smspharma.com." No specific presentations made to the institutional investors and analysts after the declaration of the results.

Annual Results:

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

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

E-voting

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

Stock Exchange:

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

GENERAL SHAREHOLDERS INFORMATION

Financial calendar: 1st April 2022 to 31st March, 2023

35th Annual General Meeting

Day and Date	: Saturday, 30 th September, 2023
Financial Year	: 2022-23
Time	: 10.00 AM
Mode	: Video Conferencing and Other Audio Visual Means
Deemed Venue	: Registered Office situated at Plot.No.72, H.No. 8-2-334/3&4, Road No. 5, Opp. SBI Executive Enclave, Banjara hills, Hyderabad, Telangana, India 500034

As required under Regulation 36(3) of the SEBI Listing Regulations, particulars of Directors seeking re-appointment at the forthcoming AGM are given herein and in the Annexure to the Notice of the AGM to be held on 30th September, 2023.

Date of book closure: Saturday, 23rd September, 2023 to Saturday, 30th September, 2023 (both days inclusive) for the purpose of AGM.

Listing on Stock Exchange & Stock Code:

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

Listing Fees for the financial year 2023-24 has been paid to both the Stock Exchanges.

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

Market price data - monthly high and low price on the BSE Limited during the year 2022-23.

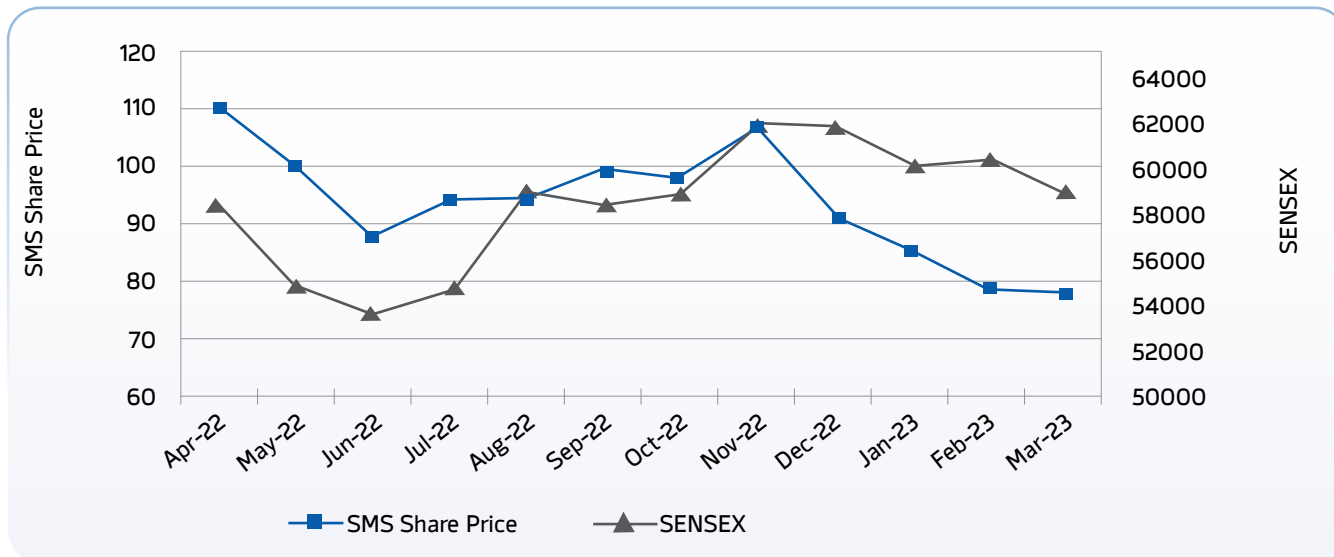
Month	BSE		
	High (₹)	Low (₹)	Volume
April, 2022	110.1	94.45	1,44,028
May, 2022	100.1	77.00	1,25,654
June, 2022	87.55	71.00	85,561
July, 2022	94.40	78.30	1,28,274
August, 2022	94.50	76.90	1,07,414
September, 2022	99.05	80.35	3,11,620
October, 2022	97.95	85.00	1,06,049
November, 2022	106.7	80.80	2,79,603
December, 2022	90.70	79.50	2,36,336
January, 2023	85.00	73.35	96,493
February, 2023	78.80	60.10	86,100
March, 2023	78.00	54.50	8,19,563

Market price data - the monthly high and low price on the NSE Limited during the year 2022-23.

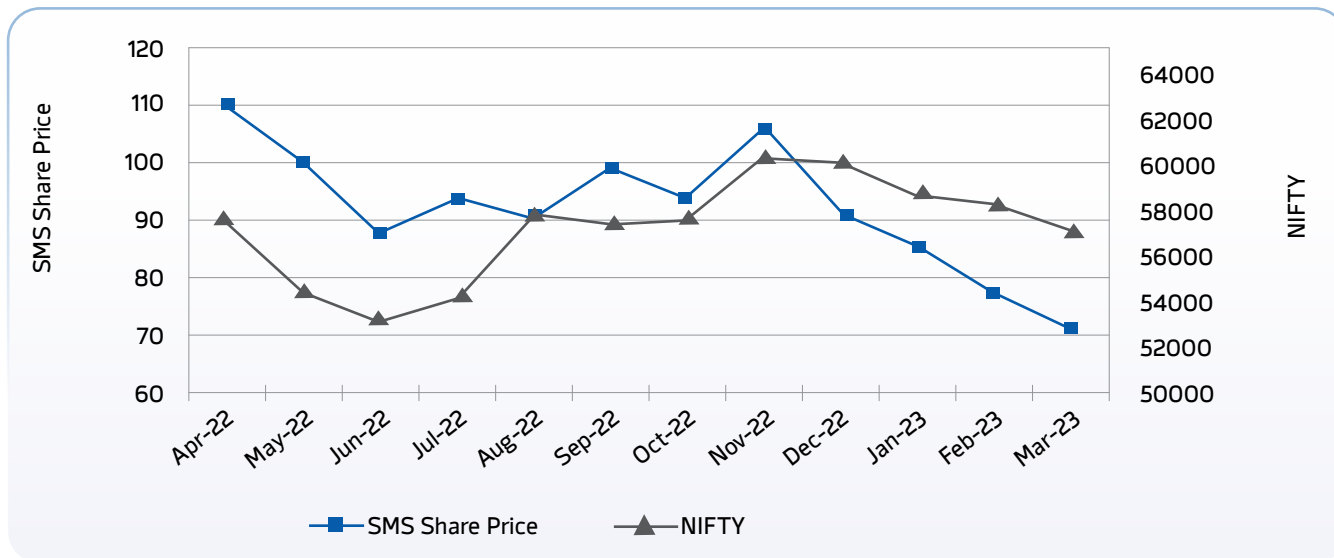
Month	NSE		
	High (₹)	Low (₹)	Volume
April, 2022	109.80	93.90	14,40,392
May, 2022	99.70	78.00	9,06,550
June, 2022	88.00	68.40	7,05,387
July, 2022	93.80	78.05	20,85,481
August, 2022	89.55	76.35	8,49,032
September, 2022	99.00	80.40	25,08,590
October, 2022	93.55	86.00	6,64,578
November, 2022	105.60	81.00	26,07,605
December, 2022	90.85	79.35	18,83,260
January, 2023	84.45	72.30	5,92,254
February, 2023	77.15	67.15	5,35,029
March, 2023	70.85	54.55	11,25,366

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

SMS Pharmaceuticals Limited Vs. BSE Sensex (FY 2022-23)



SMS Pharmaceuticals Limited Vs. NSE Nifty (FY 2022-23)



Share Transfer Agents:

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

Share Transfers System

Pursuant to Regulation 40(1) of SEBI Listing Regulations, as amended from time to time, transfer, transmission and transposition of securities shall be effected only in dematerialised form and a certificate required under Regulation 40(10) submitted with Stock Exchanges.

Pursuant to SEBI Circular dated January 25, 2022, the listed companies shall issue the securities in dematerialised form only, for processing any service requests from shareholders vis., issue of duplicate share certificates, endorsement, transmission, transposition, etc. After processing the service request, a letter of confirmation will be issued to the shareholders and shall be valid for a period of 120 days, within which the shareholder shall make a request to the Depository Participant for dematerialising those shares. If the shareholders fail to submit the dematerialisation request within 120 days, then the Company shall credit those shares in the Suspense Escrow Demat Account held by the Company. Shareholders can claim these shares transferred to Suspense Escrow Demat Account on submission of necessary documentation.

The Stakeholders Relationship Committee meets as often as required to approve share transfers and to attend to any grievances or complaints received from the members.

Distribution of Equity Shareholding

The table below shows the distribution of shareholding of various groups as on 31st March, 2023.

Total Nominal Value Rs. 8,46,52,030 (i.e. Re. 1/- Nominal and Paid-up value of each share comprising total Number of Shares = 8,46,52,030).

Slab of shareholdings	Shareholders	%	No. of Shares	%
1 - 5000	25,073	98.18	71,13,949	8.40
5001 - 10000	209	0.82	16,34,188	1.93
10001- 20000	101	0.40	14,53,721	1.72
20001 - 30000	34	0.13	8,40,940	0.99
30001 - 40000	21	0.08	7,45,634	0.88
40001 - 50000	19	0.07	9,13,136	1.08
50001 - 100000	26	0.10	18,60,928	2.20
100001 and above	54	0.21	7,00,89,534	82.80
Total	25,537	100.00	8,46,52,030	100.00

Pattern of shareholding as on 31st March, 2023

Category	No. of Shares	% of shareholding
Promoters	4,59,58,270	54.29
Other Entities of the Promoters Group	84,66,740	10.00
Mutual Funds and UTI	250	0.00
Banks and Financial Institutions	0	0.00
Insurance Companies	0	0.00
Foreign Institutional Investors Foreign Portfolio Investors-Corporate	5,00,000	0.59
Indian Public	2,51,35,637	29.69
NRI – Repatriable & Non Repatriable	22,61,413	2.67
Bodies Corporate	22,52,192	2.66
Clearing Members	15,227	0.02
Foreign Nationals	271	0.00
Unclaimed Suspense & Trust	500	0.00
IEPF	61,530	0.07
Total	8,46,52,030	100.00

Dematerialization of Shares and liquidity

The Company has made necessary arrangements with National Securities Depository Limited (NSDL) and Central Depository Services India Limited (CDSL) for dematerialization facility. **99.70 %** of equity shares representing **8,43,93,654** equity shares have been dematerialized as on 31st March, 2023.

The breakup as on 31st March, 2023 as follows:

Particulars	No. of Shares	Percentage of shares
NSDL	3,25,61,818	38.47
CDSL	5,18,31,836	61.23
Physical	2,58,376	0.30
Total	8,46,52,030	100.00

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, 2023 the Company does not have any outstanding GDRs/ ADRs/ Warrants or any convertible instruments.

OTHER DISCLOSURES:

Related party transactions

During the year under review, no materially significant transactions entered between the Company and related parties

as defined under Section 185 or 188 of the Companies Act, 2013 along with Regulation 23 of SEBI Listing Regulations, which might had/may have potential conflict with the interest of the Company at large. All the related party transaction for the year ended on 31st March, 2023 formed part of the Board's Report in AOC-2. Further the Company has presented the related party transactions before the Audit Committee on quarterly basis and also before the Board. The "Policy on Related Party Transactions" is hosted on the website of the Company at the following link: <https://smspharma.com/wp-content/uploads/2022/08/Policy-on-Related-Party-Transactions.pdf>

None of the transactions with Related Parties were in conflict with the interest of Company. All the transactions are in the ordinary course of business and have no potential conflict with

the interest of the Company at large and are carried out on an arm's length or fair value basis.

Auditors' Certificate on Corporate Governance

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

Prohibition of Insider Trading:

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

Managing Director and the Chief Financial Officer have certified to the Board in accordance with Regulation 17(8) of the SEBI (LODR) Regulations, 2015 pertaining to CEO/ CFO certification for the Financial Year ended 31st March, 2023 is forming part of this report.

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

Strictures and Penalties:

There were no instances of non-compliance or penalties/ strictures by the Stock Exchanges/SEBI/statutory authorities on any matter related to capital markets during the Financial Year 2022-23.

Vigil mechanism / Whistle Blower Policy:

Pursuant to the provision of the Companies Act, 2013 and Regulation 22 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time the Company has a Vigil Mechanism & Whistle Blower Policy under which the Employees & Directors are free to report violations of applicable laws, regulations and the Code of Conduct without fear of any retaliation. The reportable matters may be disclosed as per the procedure mentioned in the Whistle Blower Policy of the Company. During the year under review, no personnel of the Company was denied access to the Audit Committee.

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

Fees paid for the services of Auditors

Particulars	(₹ in Lakhs)	
	Current Year 2022-23	Previous Year 2021-22
Audit Fee	14.00	14.00
Tax Audit Fee	0.00	0.00
Certification Fee	2.00	2.00
Total Payments to Auditors	16.00	16.00

Details of Compliance with Mandatory Requirements

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

Policy for Determination of Materiality for Disclosures:

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

The Company had also adopted Policy for Determination of Materiality for Disclosures. The said policy has been also hosted on the website of the Company at the following link: <https://smspharma.com/investor-relations/download/>

Disclosure with Respect to Demat Suspense Account/ Unclaimed Suspense Account

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

Shareholders of the Company who have either not received or have not en-cashed their dividend warrants, for the financial years 2015-16, 2016-17, 2017-18, 2018-19, 2019-2020, 2020-2021 and 2021-2022 are requested to claim the unpaid/ unclaimed dividend from the Company before effecting transfer to the fund.

Details of shares held in demat suspense account with HSE Securities Ltd. (IN302734-10034023) for the period from 01/04/2022 to 31/03/2023.

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

Investors Correspondence : For institutional investors / analysts queries

Email : complianceofficer@smspharma.com

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

Address of the Manufacturing Plants		Research and Development Center
Plot.No.24 & 24B and 36 & 37 S.V. Co-Operative Industrial Estate, Buchupally, Medchal- Malkajgiri District, Hyderabad, Telangana – 500090, Ph.No. 9100072351/52/54 Email: admin_unit2@smspharma.com	Sy. No. 160, 161, 163 to 168, Kandivalasa Village, Poosaptirega Mandal, Vizianagaram District, Andhra Pradesh. 535204. Ph.No. 91- 08922 – 258051/ 53/54 Email: admin_unit7@smspharma.com	Sy. No. 186, 189 & 190, Gagillapur Village, Dundigal- Gandimaisamma Mandal, Medchal-Malkajgiri District Telangana – 500043, Ph.No. + 91 – 8418 – 257337 / 8 email: rnd@smspharma.com

By the order of the Board

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

Place: Hyderabad
Date: 08.08.2023

DECLARATION ON CODE OF CONDUCT

The
Members of
SMS Pharmaceuticals Limited
Hyderabad

This is to confirm that the Board has laid down a Code of Conduct for all Board Members and senior management personnel of the Company. The code of conduct has also been posted on the website of the Company. It is further confirmed that all Directors and Senior Management personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the financial year ended on 31st March, 2023 as envisaged in Listing Regulations.

By the order of the Board

Place: Hyderabad
Date: 24.05.2023

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

Annexure-A

COMPLIANCE CERTIFICATE

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

- A) We have reviewed annual audited financial statements and cash flow statement for the year ended 31st March, 2023 and that to the best of our knowledge and belief:
- 1) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - 2) These statements together present a true and fair view of the listed entity's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B) We are, to the best of our knowledge and belief, no transactions entered into by the Company during the financial year ended on 31st March, 2023 which are fraudulent, illegal or violate 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

T. Lakshmi Narayana Tammineedi
Chief Financial Officer

Place: Hyderabad
Date: 24.05.2023

For SMS Pharmaceuticals Limited

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

Annexure-B

SECRETARIAL COMPLIANCE REPORT OF SMS PHARMACEUTICALS LIMITED FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2023

We, CSB Associates, Practicing Company Secretaries, have conducted the review of the compliance of the applicable statutory provisions and the adherence to good corporate practices by M/s. SMS PHARMACEUTICALS LIMITED (hereinafter referred as 'the listed entity'), having its Registered Office at Plot No. 72, H. No. 8-2-334/3&4, Road No. 5, Opp. SBI Executive Enclave, Banjara Hills, Hyderabad. Secretarial Review was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and to provide our observations thereon.

Based on our verification of the listed entity's books, papers, minutes books, forms and returns filed and other records maintained by the listed entity and also the information provided by the listed entity, its officers, agents and authorized representatives during the conduct of Secretarial Review, we hereby report that in our opinion, the listed entity has, during the review period covering the financial year ended on March 31, 2023, complied with the statutory provisions listed hereunder and subject to the reporting made hereinafter:

We, CSB Associates have examined:

- (a) all the documents and records made available to us and explanation provided by M/s. SMS PHARMACEUTICALS LIMITED ("the listed entity"),
- (b) the filings/ submissions made by the listed entity to the stock exchanges,
- (c) website of the listed entity (website address: www.smspharma.com),
- (d) any other document/ filing, as may be relevant, which has been relied upon to make this report,

for the year ended 31st March, 2023 ("Review Period") in respect of compliance with the provisions of:

- (a) the Securities and Exchange Board of India Act, 1992 ("SEBI Act") and the Regulations, circulars, guidelines issued thereunder; and

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

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

- (a) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (b) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; (there were no events requiring compliance during the Review Period)
- (c) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (d) Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; (there were no events requiring compliance during the Review Period)
- (e) Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021; (there were no events requiring compliance during the Review Period)
- (f) Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021; (there were no events requiring compliance during the Review Period)
- (g) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (h) Securities and Exchange Board of India (Depositories and Participant) Regulations, 2018;
- (i) other regulations as applicable and circulars/ guidelines issued thereunder;

and based on the above examination, we hereby report that, during Review Period:

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

Sr. No.	Compliance Requirement (Regulations/ circulars/ guide-lines including specific clause)	Regulation/ Circular No.	Deviations	Action Taken by	Type of Action	Details of Violation	Fine Amount	Observations/ Remarks of the Practicing Company Secretary	Management Response	Remarks
NIL										

- b) The listed entity has taken the following actions to comply with the observations made in previous reports:

Sr. No.	Compliance Requirement (Regulations/ circulars/ guide-lines including specific clause)	Regulation/ Circular No.	Deviations	Action Taken by	Type of Action	Details of Violation	Fine Amount	Observations/ Remarks of the Practicing Company Secretary	Management Response	Remarks
	Prior intimations to Stock Exchanges about the Meeting of Board of Directors held on 28 th May, 2021 for recommendation of dividend at least two working days in advance as specified under Regulation 29 of SEBI(Listing Obligations and Disclosure Requirements), 2015 was not given.	Regulation 29 of SEBI(Listing Obligations and Disclosure Requirements), 2015.	Not complied	Fine was imposed by both BSE & NSE	Fine was imposed	No prior intimation to Stock Exchanges about the Meeting of Board of Directors held on 28 th May, 2021 for recommendation of Dividend at least two working days in advance	Rs. 10,000/- (Rupees Ten Thousand only) by both BSE and NSE.	The Company requested the Stock Exchanges for waiver of fine. BSE waived off the fine on 21 st October, 2022. NSE did not consider the request.	The lapse was not intentional and skipped the attention due to the dislocation of office functioning during COVID-19 Pandemic.	The Company has paid the fine imposed by NSE.

- II. Compliances related to resignation of statutory auditors from listed entities and their material subsidiaries as per SEBI Circular CIR/CFD/CMD1/114/2019 dated 18th October, 2019:

Sr. No.	Particulars	Compliance Status (Yes /No/ NA)	Observations/ Remarks by PCS*
1.	Compliances with the following conditions while appointing/re-appointing an auditor		
	i. If the auditor has resigned within 45 days from the end of a quarter of a financial year, the auditor before such resignation, has issued the limited review/ audit report for such quarter; or ii. If the auditor has resigned after 45 days from the end of a quarter of a financial year, the auditor before such resignation, has issued the limited review/ audit report for such quarter as well as the next quarter; or iii. If the auditor has signed the limited review/ audit report for the first three quarters of a financial year, the auditor before such resignation, has issued the limited review/ audit report for the last quarter of such financial year as well as the audit report for such financial year.	NA	The reporting of Clause 6(A) and 6(B) of the SEBI Circular No. CIR/CFD/CMD1/114/2019 dated 18 th October, 2019, regarding Resignation of Statutory Auditors from listed entities and their material Subsidiaries is not applicable as there is no Resignation of the Statutory Auditors in the Company during the period under review.

Sr. No.	Particulars	Compliance Status (Yes /No/ NA)	Observations/ Remarks by PCS*
2.	Other conditions relating to resignation of statutory auditor		
	<p>i. Reporting of concerns by Auditor with respect to the listed entity/its material subsidiary to the Audit Committee:</p> <p>a. In case of any concern with the management of the listed entity/material subsidiary such as non-availability of information / non-cooperation by the management which has hampered the audit process, the auditor has approached the Chairman of the Audit Committee of the listed entity and the Audit Committee shall receive such concern directly and immediately without specifically waiting for the quarterly Audit Committee meetings.</p> <p>b. In case the auditor proposes to resign, all concerns with respect to the proposed resignation, along with relevant documents has been brought to the notice of the Audit Committee. In cases where the proposed resignation is due to non-receipt of information / explanation from the Company, the Auditor has informed the Audit Committee the details of information/ explanation sought and not provided by the management, as applicable.</p> <p>c. The Audit Committee / Board of Directors, as the case may be, deliberated on the matter on receipt of such information from the Auditor relating to the proposal to resign as mentioned above and communicate its views to the management and the Auditor.</p> <p>ii. Disclaimer in case of non-receipt of information: The Auditor has provided an appropriate disclaimer in its Audit Report, which is in accordance with the Standards of Auditing as specified by ICAI / NFRA, in case where the listed entity/ its material subsidiary has not provided information as required by the Auditor.</p>	NA	The reporting of Clause 6(A) and 6(B) of the SEBI Circular No. CIR/CFD/ CMD1/114/2019 dated 18 th October, 2019, regarding Resignation of Statutory Auditors from listed entities and their material Subsidiaries is not applicable as there is no Resignation of the Statutory Auditors in the Company during the period under review.
03	The listed entity / its material subsidiary has obtained information from the Auditor upon resignation, in the format as specified in Annexure- A in SEBI Circular CIR/ CFD/ CMD1/114/2019 dated 18 th October, 2019.	NA	The reporting of Clause 6(A) and 6(B) of the SEBI Circular No. CIR/CFD/CMD1/114/2019 dated 18 th October, 2019, regarding Resignation of Statutory Auditors from listed entities and their material Subsidiaries is not applicable as there is no Resignation of the Statutory Auditors in the Company during the period under review.

III. We hereby report that, during the Review Period the compliance status of the listed entity is appended as below:

Sr. No.	Particulars	Compliance Status (Yes/ No/ NA)	Observations/ Remarks by PCS
1.	Secretarial Standards: The compliances of the listed entity are in accordance with the applicable Secretarial Standards (SS) issued by the Institute of Company Secretaries India (ICSI).	Yes	
2.	Adoption and timely updation of the Policies: <ul style="list-style-type: none"> • All applicable policies under SEBI Regulations are adopted with the approval of Board of Directors of the listed entities • All the policies are in conformity with SEBI Regulations and have been reviewed & updated on time, as per the regulations/ circulars/ guidelines issued by SEBI 	Yes	
3.	Maintenance and disclosures on Website: The Listed entity is maintaining a functional website <ul style="list-style-type: none"> • Timely dissemination of the documents/ information under a separate section on the website • Web-links provided in annual corporate governance reports under Regulation 27(2) are accurate and specific which re-directs to the relevant document(s)/ section of the website 	Yes	
4.	Disqualification of Director: None of the Director(s) of the Company is/ are disqualified under Section 164 of Companies Act, 2013 as confirmed by the listed entity.	Yes	
5.	Details related to Subsidiaries of listed entities have been examined w.r.t.: <ul style="list-style-type: none"> • Identification of material subsidiary companies • Disclosure requirement of material as well as other subsidiaries 	NA	
6.	Preservation of Documents: The listed entity is preserving and maintaining records as prescribed under SEBI Regulations and disposal of records as per Policy of Preservation of Documents and Archival policy prescribed under SEBI LODR Regulations, 2015.	Yes	
7.	Performance Evaluation: The listed entity has conducted performance evaluation of the Board, Independent Directors and the Committees at the start of every financial year/during the financial year as prescribed in SEBI Regulations.	Yes	
8.	Related Party Transactions: (a) The listed entity has obtained prior approval of Audit Committee for all related party transactions; or (b) The listed entity has provided detailed reasons along with confirmation whether the transactions were subsequently approved/ratified/rejected by the Audit Committee, in case no prior approval has been obtained.	a) Yes b) Not Applicable	
9.	Disclosure of events or information: The listed entity has provided all the required disclosure(s) under Regulation 30 along with Schedule III of SEBI LODR Regulations, 2015 within the time limits prescribed thereunder.	Yes	
10.	Prohibition of Insider Trading: The listed entity is in compliance with Regulation 3(5) & 3(6) SEBI (Prohibition of Insider Trading) Regulations, 2015.	Yes	

Sr. No.	Particulars	Compliance Status (Yes/ No/ NA)	Observations/ Remarks by PCS
11.	Actions taken by SEBI or Stock Exchange(s), if any: No action(s) has been taken against the listed entity/ its promoters/ directors/ subsidiaries either by SEBI or by Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under SEBI Regulations and circulars/ guidelines issued thereunder except as provided under separate paragraph herein.	NA	
12.	Additional Non-compliances, if any: No additional non-compliance observed for any SEBI regulation/ circular/ guidance note etc.	NA	

Assumptions & Limitation of scope and Review:

- 1) Compliance of the applicable laws and ensuring the authenticity of documents and information furnished, are the responsibilities of the management of the listed entity.
- 2) Our responsibility is to report based upon our examination of relevant documents and information. This is neither an audit nor an expression of opinion.
- 3) We have not verified the correctness and appropriateness of financial Records and Books of Accounts of the listed entity.
- 4) This Report is solely for the intended purpose of compliance in terms of Regulation 24A (2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and is neither an assurance as to the future viability of the listed entity nor of the efficacy or effectiveness with which the management has conducted the affairs of the listed entity.

For CSB Associates,

C. Sudhir Babu

FCS No.: 2724; CP No.: 7666

UDIN: F002724E000366945

Peer Review No.: 716/2020

Place: Hyderabad
Date: 24-05-2023

Annexure-C

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

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

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

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

In our opinion and to the best of my information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me by the Company and its officers, we hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ended on 31st March, 2023, have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority:

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

*Nomination of Ms. Shilpa R. Waghmare was withdrawn by Exim Bank with effect from, 8th August, 2022.

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

Place: Hyderabad
Date: 24-05-2023

C. Sudhir Babu,
Practicing Company Secretary,
Proprietor, CSB Associates,
Membership No.2724, CP. No. 7666
UDIN: FO02724E000367044

Annexure-D

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members
SMS Pharmaceuticals Limited.
Hyderabad

We have examined the compliance of conditions of Corporate Governance by SMS Pharmaceuticals Limited ('the Company') for the year ended 31st March 2023, as per the relevant provisions of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') as referred to in Regulation 15(2) of the Listing Regulations for the period 1st April, 2022 to 31st March, 2023.

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

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

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

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

V Nagendra Rao
Partner
M.No. 227679
UDIN: 23227679BGS6VI5482

Place: Hyderabad
Date: 24.05.2023

Business Responsibility & Sustainability Report (BRSR)-2022-23

SECTION A: GENERAL DISCLOSURES

I. Details of the listed entity

1.	Corporate Identity Number (CIN) of the Listed Entity	L24239TG1987PLC008066
2.	Name of the Listed Entity	SMS Pharmaceuticals Limited
3.	Year of incorporation	14.12.1987
4.	Registered office address	Plot. No. 72, H.No: 8-2-334/3&4, Road No: 5, Opp. SBI Executive Enclave, Banjara Hills, Hyderabad – 5000034, Telangana, India
5.	Corporate address	Plot. No. 72, H.No: 8-2-334/3&4, Road No: 5, Opp. SBI Executive Enclave, Banjara Hills, Hyderabad – 5000034, Telangana, India
6.	E-mail	info@smspharma.com
7.	Telephone	Tel: 040-35359999
8.	Website	www.smspharma.com
9.	Financial year for which reporting is being done	Financial year ended 31st March, 2023
10.	Name of the Stock Exchange(s) where shares are listed	BSE Limited (BSE), National Stock Exchange of India Limited (NSE)
11.	Paid-up Capital	Rs.846.52 lakhs
12.	Name and contact details telephone, email address) of the person who may be contacted in case of any queries on the BRSR report	Mr.Thirumalesh Tumma, Company Secretary and Compliance Officer Tel:040-35359999, Email:Complianceofficer@smspharma.com
13.	Reporting boundary - Are the disclosures under this report made on a standalone basis (i.e., only for the entity) or on a consolidated basis (i.e., for the entity and all the entities which form a part of its consolidated financial statements, taken together).	The disclosure under BRSR Standalone is on standalone basis unless otherwise stated.

II. Products/services

14. Details of business activities (accounting for 90% of the turnover):

S. No.	Description of Main Activity	Description of Business Activity	% of Turnover of the entity
1	Manufacturing	Manufacture of Active Pharmaceutical Ingredients (APIs)	99.07

15. Products/Services sold by the entity (accounting for 90% of the entity's Turnover)

S. No.	Product/Service	NIC Code	% of total Turnover Contributed
1	Manufacture of Active pharma ingredients (API), intermediates, custom pharmaceutical services and nutraceuticals	21001	100

III. Operations**16. Number of locations where plants and/or operations/offices of the entity are situated:**

Location	Number of plants	Number of offices	Total
National	3*	1	4
International	0	0	0

*The plants include the Company's manufacturing locations and R&D centres.

17. Markets served by the entity:**a. Number of locations**

Locations	Number
National (No. of States)	24
International (No. of Countries)	46

b. What is the contribution of exports as a percentage of the total turnover of the entity?

65%

c. A brief on types of customers

Our customers include various pharmaceutical and nutraceutical companies across the globe.

IV. Employees**18. Details as at the end of Financial Year:****a. Employees and workers (including differently abled):**

S. No.	Particulars	Total (A)	Male		Female	
			No. (B)	% (B/A)	No. (C)	% (C/A)
EMPLOYEES						
1.	Permanent (D)	954	907	95.07	47	4.93
2.	Other than Permanent (E)	0	0	0	0	0.00
3.	Total employees (D + E)	954	907	95.07	47	4.93
WORKERS						
4.	Permanent (F)	141	141	100.00	0	0
5.	Other than Permanent (G)	484	450	92.98	34	7.02
6.	Total workers (F + G)	625	591	94.56	34	5.44

b. Differently abled Employees and workers:

S. No.	Particulars	Total (A)	Male		Female	
			No. (B)	% (B/A)	No. (C)	% (C/A)
DIFFERENTLY ABLED EMPLOYEES						
1.	Permanent (D)	0	0	0	0	0
2.	Other than Permanent (E)	0	0	0	0	0
3.	Total employees (D + E)	0	0	0	0	0
DIFFERENTLY ABLED WORKERS						
4.	Permanent (F)	0	0	0	0	0
5.	Other than Permanent (G)	0	0	0	0	0
6.	Total workers (F + G)	0	0	0	0	0

19. Participation/ Inclusion/representation of Women

	Total (A)	No. and percentage of Females	
		No. (B)	% (B/A)
Board of Directors	7	1	14.29
Key Management Personnel	0	0	0

20. Turnover rate for permanent employees and workers

(Disclose trends for the past 3 years)

	FY 2022-23			FY 2021-22			FY 2020-21		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent Employees	23.3	23.4	46.7	25.5	16.67	42.1	24.97	10.81	35.78
Permanent Workers	1.42	0	1.42	1.46	0	1.46	2.7	0	2.7

V. Holding, subsidiary and Associate Companies (including Joint Ventures)**21. (a) Names of holding / subsidiary / associate companies / joint ventures**

S. No.	Name of the holding/ subsidiary/ associate companies/ joint ventures (A)	Indicate whether holding Subsidiary/ Associate/Joint Venture	% of shares held by listed entity	Does the entity indicated at column A, participate in the Business Responsibility initiatives of the listed entity? (Yes/No)
1	VKT Pharma Private Limited	Associate	36.55	No
2	CHEMO SMS ENTERPRISES SL (55% held by Chemo 45% held by SMS)	Joint Venture	45.00	No

VI. CSR Details**22. (i) Whether CSR is applicable as per section 135 of Companies Act, 2013: (Yes/No)**

(ii) Turnover (in Rs.) 522,05,13,500/-

(iii) Net worth (in Rs.) 495,09,99,359/-

VII. Transparency and Disclosures Compliances

23. Complaints/Grievance on any of the principles (Principles 1 to 9) under the National Guidelines on Responsible Business conduct

Stakeholder group from whom complaint is received	Grievance Redressal Mechanism in Place (Yes/No) (If Yes, then provide web-link for grievance redress policy)*	FY 2022-23			FY 2021-22		
		Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks	Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks
Communities	Y	-	-	-	-	-	-
Investors (other than shareholders)	Y	-	-	-	-	-	-
Shareholders	Y	1	-	-	-	-	-
Employees and workers	Y	-	-	-	-	-	-
Customers	Y	-	-	-	-	-	-
Value Chain Partners	Y	-	-	-	-	-	-
Other (please specify)	Y	-	-	-	-	-	-

* Various policies of the Company for redressing the grievances of its stakeholders are available at <https://smspharma.com/company-announcements/downloads/> In addition there are internal policies placed on intranet of the Company.

24. Overview of the entity's material responsible business conduct issues

Please indicate material responsible business conduct and sustainability issues pertaining to environmental and social matters that present a risk or an opportunity to your business, rationale for identifying the same, approach to adapt or mitigate the risk along with its financial implications, as per the following format

S. No.	Material issue identified	Indicate whether risk or opportunity (R/O)	Rationale for identifying the risk / opportunity	In case of risk, approach to adopt or mitigate	Financial implications of the risk or opportunity (Indicate positive or negative implications)
1	ESG compliance	Risk and Opportunity	ESG reporting assists businesses in identifying and managing risks, improving operations, and making better decisions. It also helps stakeholders make more informed decisions by providing data on a company's overall performance, including environmental and social impact	Company has always been in advocating and practicing sustainability and for the betterment of environment and social upliftment and strive to improve.	Positive: impacts financials by creating new opportunities in new geography and adding new clients

S. No.	Material issue identified	Indicate whether risk or opportunity (R/O)	Rationale for identifying the risk / opportunity	In case of risk, approach to adopt or mitigate	Financial implications of the risk or opportunity (Indicate positive or negative implications)
2	Regulatory compliance	Risk	As we have customer base located all over the world, we must comply with local regulations in the field of product research, manufacture, quality, and marketing. Strict adherence to these regulations comes at a cost in terms of time, cost, and other resources.	experienced regulatory staff, as well as regulatory checks and controls, in place to ensure effective compliance with laws and regulations. Meeting our Company's regulatory standards, as well as the laws and regulations, helps to ensure that our services are in conformity with the law	Negative: Cost of operation can increase due to change in laws and regulations
3	Changing global political and economic conditions	Risk	Presence of business in various countries increases the risk of your firm being vulnerable to global political and economic events. Natural disasters, provide an additional external risk to our operations due to their unpredictable incidence and extent of impact	Carefully planning business strategy in relation to the changes in geopolitical and changes in political regimes and polices with external elements helps in to minimize any performance instability caused by their uncertainties	Negative: Geopolitical events like wars, internal conflict can cause impact in distribution and client deliveries and increased cost in transport and receivables
4	Supply chain sustainability	Risk	It is extremely important to ensure a stable supply chain to ensure business continuity. Measures must be undertaken to prevent and mitigate that cause disruptions. Any disruptions in manufacturing facilities may impact the supply of our products in the market, resulting in lower sales and a negative impact on the Company's reputation	There has been a significant improvement in the sourcing of key raw materials through its integrated facility. Over the past 2 years, the procurement share of raw materials and intermediates from Indian suppliers is on a steady rise and the direct sourcing of raw materials from Indian vendors year on year. We continuously strive to build local alternate vendors for other materials	Negative: Disruption across value chain can adversely impact the operations by affecting supply raw material and increasing costs

S. No.	Material issue identified	Indicate whether risk or opportunity (R/O)	Rationale for identifying the risk / opportunity	In case of risk, approach to adopt or mitigate	Financial implications of the risk or opportunity (Indicate positive or negative implications)
5	Environment risk	Risk	protecting environment and conserving resources has been part of company's policy and work culture. Sustaining environmental policies and complying with regulatory requirements can have impact on performance and image of the Company	Our motto, "Nurture the nature in which we exist," serves as the impetus for our constant vigilance to ensure that our operations do not have a negative impact on the environment." SMS's drive for green chemistry is best exemplified by its status as the first Indian pharmaceutical business to obtain the Indo-US GCNC award for green chemistry practices	Negative: In the case of non-compliance with environmental norms and regulations, can face reputational damage as well as adverse financial repercussions
6	Product and quality risk	Risk	All pharmaceutical companies are constantly being evaluated on possible recalls, product safety concerns	While we leveraged our robust R&D capabilities, we also enhanced our capabilities to expand our product our R&D team is working diligently to develop generic versions that will further add to our topline. The team is working on two-three important niche products and Adherence to prescribed quality standards	Negative: In the case of poor product quality, can risk of reputational as well as operational damage.

SECTION B: MANAGEMENT AND PROCESS DISCLOSURES

This section is aimed at helping businesses demonstrate the structures, policies and processes put in place towards adopting the NGRBC Principles and Core Elements.

Disclosure Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
Policy and management processes									
1. a. Whether your entity's policy/policies cover each principle and its core elements of the NGRBCs. (Yes/No)	Y	Y	Y	Y	Y	Y	NA	Y	Y
b. Has the policy been approved by the Board? (Yes/No)	The policies have been approved by the Chairman and Managing Director and certain policies are approved by the Board								
c. Web Link of the Policies, if available	Many of the policies are available on the website of the Company https://smspharma.com/company-announcements/downloads/ and the policies which are internal to the Company are available on the Intranet of the Company								
2. Whether the entity has translated the policy into procedures. (Yes / No)	Y	Y	Y	Y	Y	Y	NA	Y	Y
3. Do the enlisted policies extend to your value chain partners? (Yes/No)	Y	Y	Y	Y	Y	Y	NA	NA	Y
4. Name of the national and international codes/certifications/labels/ standards (e.g., Forest Stewardship Council, Fairtrade, Rainforest Alliance, Trustee) standards (e.g. SA 8000, OHSAS, ISO, BIS) adopted by your entity and mapped to each principle.	P 2 = Y P3: The company has Environmental Management System Accreditation ISO 14001. P6: The company has Occupational Health and Safety Accreditation ISO 45001								
5. Specific commitments, goals and targets set by the entity with defined timelines if any.	P6 = the company has committed to reengineering the manufacturing process of various products including Ibuprofen, decreasing of wastage, reducing the production cycle time, increasing batch size by the end of march 2024								
6. Performance of the entity against the specific commitments, goals and targets along with reasons in case the same are not met.	The performance against specific commitments, goals and targets are provided in the respective capitals of the integrated annual report, wherever applicable.								
Governance, leadership, and oversight									
7. Statement by director responsible for the business responsibility report, highlighting ESG related challenges, targets and achievements (listed entity has flexibility regarding the placement of this disclosure)	<p>We try to evaluate how our operations affect the economy, our communities, and the environment. We continued to execute our sustainability commitments, which address the environmental, social, and governance (ESG) issues impacting our stakeholders and the community at large. Our ESG endeavors are rooted in our commitment to delivering relationship-focused financial services in a way that benefits our communities, instils a sense of purpose and responsibility in our employees, and benefits our stakeholders. Our motto, "Nurture the nature in which we exist," serves as the impetus for our constant vigilance to ensure that our operations do not have a negative impact on the environment. This is accomplished by increasing awareness, giving employees increased responsibility through training, equipping them with technology, and ensuring that there are adequate resources. SMS's drive for green chemistry is best exemplified by its status as the first Indian pharmaceutical business to obtain the Indo-US GCNC award for green chemistry practices. We track our energy consumption, manage the emissions and waste generated, and practice responsible water utilization. We have also invested in state-of-the-art pollution control equipment to minimize the impact of our activities on the environment. We organize tree-planting campaigns and efforts to preserve the ecosystem of the areas where we operate as part of our continued commitment to environmental protection.</p>								

Disclosure Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
8. Details of the highest authority responsible for implementation and oversight of the Business Responsibility policy (ies)	Name: Ramesh Babu Potluri Designation: Chairman and Managing Director DIN: 00166381								
9. Does the entity have a specified Committee of the Board/ Director responsible for decision making on sustainability related issues? (Yes / No). If yes, provide details.	No								

10. Details of Review of NGRBCs by the Company:

	Indicate whether review was undertaken by Director / Committee of the Board/									Frequency (Annually/ Half yearly/ Quarterly/ Any other – please specify)								
	P1	P2	P3	P4	P5	P6	P7	P8	P9	P1	P2	P3	P4	P5	P6	P7	P8	P9
Performance against above policies and follow up action	The policies of the Company are reviewed periodically / on a need basis by department heads									Periodically/need basis								
Compliance with statutory requirements of relevance to the principles, and, rectification of any non-compliances	The Company is in compliance with all applicable laws.									Ongoing basis								

	P1	P2	P3	P4	P5	P6	P7	P8	P9
11. Has the entity carried out independent assessment/ evaluation of the working of its policies by an external agency? (Yes/No). If yes, provide name of the agency.	No, the Company internally reviews the working of the above-mentioned policies. The working of the policy is also ensured by the various department heads / director / wherever applicable								

12. If answer to question (1) above is “No” i.e., not all Principles are covered by a policy, reasons to be stated:

Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
The entity does not consider the principles material to its business (Yes/No)	-	-	-	-	-	-	-	-	-
The entity is not at a stage where it is in a position to formulate and implement the policies on specified principles (Yes/No)	-	-	-	-	-	-	-	-	-
The entity does not have the financial or/human and technical resources available for the task (Yes/No)	-	-	-	-	-	-	-	-	-
It is planned to be done in the next financial year (Yes/No)	-	-	-	-	-	-	-	-	-
Any other reason (please specify)	-	-	-	-	-	-	-	-	-

SECTION C: PRINCIPLE WISE PERFORMANCE DISCLOSURE

This section is aimed at helping entities demonstrate their performance in integrating the Principles and Core Elements with key processes and decisions. The information sought is categorized as “Essential” and “Leadership.” While the essential indicators are expected to be disclosed by every entity that is mandated to file this report, the leadership indicators may be voluntarily disclosed by entities which aspire to progress to a higher level in their quest to be socially, environmentally, and ethically responsible.

PRINCIPLE 1

Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable.

Essential Indicators

1. Percentage coverage by training and awareness programmes on any of the principles during the financial year:

Segment	Total number of training and awareness programmes held	Topics / principles covered under the training and its impact	%age of persons in respective category covered by the awareness programmes
Board of Directors & Key Managerial Personnel	2	Familiarisation programs for the Board of Directors/ KMPs of the Company are done periodically. The topics of the programmes includes business and industry updates, risk management, important regulatory changes and compliances of various statutory requirements, updating on various Codes/Policies of the Company, environmental, social and governance parameters, legal cases, etc.	100
Employees other than BoD and KMPs Workers	157	Employees basis their role undergo various training programs throughout the year based on their role and responsibilities. This includes technical trainings, functional SOP trainings, Safety trainings, On the Job trainings, Health, Safety and Environmental trainings	100

2. Details of fines / penalties /punishment/ award/ compounding fees/ settlement amount paid in proceedings (by the entity or by directors / KMPs) with regulators/ law enforcement agencies/ judicial institutions, in the financial year, in the following format.

(Note: the entity shall make disclosures on the basis of materiality as specified in Regulation 30 of SEBI (Listing Obligations and Disclosure Obligations) Regulations, 2015 and as disclosed one entity's website):

	Monetary				
	NGRBC Principle	Name of the regulatory/ enforcement agencies/ judicial institutions	Amount (In INR)	Brief of the Case	Has an appeal been preferred? (Yes/No)
Penalty/ Fine	-	-	-	-	-
Settlement	-	-	-	-	-
Compounding fee	-	-	-	-	-

Non-Monetary				
	NGRBC Principle	Name of the regulatory/ enforcement agencies/ judicial institutions	Amount (In INR)	Has an appeal been preferred? (Yes/No)
Imprisonment	-	-	-	-
Punishment	-	-	-	-

3. Of the instances disclosed in Question 2 above, details of the Appeal/ Revision preferred in cases where monetary or non-monetary action has been appealed.

Case Details	Name of the regulatory/ enforcement agencies/ judicial institutions
NA	NA

4. Does the entity have an anti-corruption or anti-bribery policy? If yes, provide details in brief and if available provide a web-link to the policy.

No. The Company does not have an independent anti-bribery policy but Our employees and those representing us, including agents and intermediaries, shall not, directly, or indirectly, offer or receive any illegal or improper payments or comparable benefits that are intended or perceived to obtain undue favors for the conduct of our business. The Company has zero tolerance approach towards corruption and bribery. We have appropriate internal controls to ensure that the Company or its employees do not engage in unethical practices. We conduct proactive reviews, audits, and internal investigations to monitor compliance as a part of our training on the Code of Conduct, training is also imparted to employees on Anti-Corruption and Anti-bribery topics. Company is in the process of formulating anti-bribery policy

5. Number of Directors/KMPs/employees/workers against whom disciplinary action was taken by any law enforcement agency for the charges of bribery/ corruption:

	FY 2022-23	FY 2021-22
Directors	-	-
KMPs	-	-
Employees	-	-
Workers	-	-

6. Details of complaints with regard to conflict of interest:

	FY 2022-23		FY 2021-22	
	Number	Remarks	Number	Remarks
Number of complaints received in relation to issues of Conflict of Interest of the Directors	-	-	-	-
Number of complaints received in relation to issues of Conflict of Interest of the KMPs	-	-	-	-

7. Provide details of any corrective action taken or underway on issues related to fines / penalties / action taken by regulators/ law enforcement agencies/ judicial institutions, on cases of corruption and conflicts of interest.

Not Applicable

Leadership Indicators

1. Awareness programmes conducted for value chain partners on any of the principles during the financial year:

Total Number of awareness programmes held	Topics / principles covered under the training	%age of value chain partners covered (By value of Business done with such partners) under the awareness programmes
0	0	0

2. Does the entity have processes in place to avoid/ manage conflict of interests involving members of the Board? (Yes/No) If yes, provide details of the same.

Yes, the Company's Code of Conduct expects all its Personnel (Members of the Board) to refrain from engaging in any activity or having a personal interest that presents a conflict of interest. <https://smspharma.com/wp-content/uploads/2022/08/code-of-business-conduct-and-ethics-for-directors-sr-mgt-personnel.pdf>

PRINCIPLE 2

Businesses should provide goods and services in a manner that is sustainable and safe

Essential Indicators

1. Percentage of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of product and processes to total R&D and capex investments made by the entity, respectively.

	FY 2022-23	FY 2021-22	Details of improvements in environmental and social impacts
R&D	0	0	Reduce the number of process steps to reduce the carbon footprint and to reduce the production process life cycle
Capex	97	54.24	

- 2 a. Does the entity have procedures in place for sustainable sourcing? (Yes/No) b. If yes, what percentage of inputs were sourced sustainably?

No

- 3 Describe the processes in place to safely reclaim your products for reusing, recycling, and disposing at the end of life, for (a) Plastics (including packaging) (b) E-waste (c) Hazardous waste and (d) other waste.

Since the Company is engaged in pharmaceutical sector, we do not reclaim products for reusing, recycling, and

disposing them at the end of their life. However, we have waste management systems in place at all our facilities.

4. Whether Extended Producer Responsibility (EPR) is applicable to the entity's activities (Yes / No). If yes, whether the waste collection plan is in line with the Extended Producer Responsibility (EPR) plan submitted to Pollution Control Boards? If not, provide steps taken to address the same.

Given the nature of our business, the above is not applicable

Leadership Indicators

1. Has the entity conducted Life Cycle Perspective / Assessments (LCA) for any of its products (for manufacturing industry) or for its services (for service industry)? If yes, provide details in the following format?

No, the Company endeavors to conduct LCA for its select products in FY 2023-24.

2. If there are any significant social or environmental concerns and/or risks arising from production or disposal of your products / services, as identified in the Life Cycle Perspective / Assessments (LCA) or through any other means, briefly describe the same along-with action taken to mitigate the same

Not applicable, as we have not conducted LCA for any of our products

3. Percentage of recycled or reused input material to total material (by value) used in Products (for manufacturing industry) or providing services (for service industry).

Since the Company is engaged in pharmaceutical sector, we do not recycle or reuse input material

4. of the products and packaging reclaimed at end of life of products, amount (in metric tonnes) reused, recycled, and safely disposed, as per the following format:

Since the Company is engaged in pharmaceutical sector, we do not reclaim products for reusing, recycling, and disposing them at the end of their life.

5. Reclaimed products and their packaging materials (as percentage of products sold) for each product category

Since the Company is engaged in pharmaceutical sector, we do not reclaim products for reusing, recycling and disposing them at the end of their life.

PRINCIPLE 3

Businesses should respect and promote the well-being of all employees, including those in their value chains

Essential Indicators

1. a. Details of measures for the well-being of employees:

Category	Total (A)	% of employees covered by									
		Health insurance		Accident insurance		Maternity benefits		Paternity Benefits		Day Care facilities	
		No.(B)	% (B / A)	No. (C)	% (C / A)	No.(D)	% (D / A)	No. (E)	% (E / A)	No. (F)	% (F / A)
Permanent employees											
Male	907	314	34.62	907	100	0	0	0	0	0	0
Female	47	8	17.02	47	100	47	100	0	0	0	0
Total	954	322	33.75	954	100	47	4.93	0	0	0	0
Other than Permanent employees											
Male	0	0	0	0	0	0	0	0	0	0	0
Female	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0	0

b. Details of measures for the well-being of workers:

Category	Total (A)	% of workers covered by									
		Health insurance		Accident insurance		Maternity benefits		Paternity Benefits		Day Care facilities	
		No.(B)	% (B /A)	No. (C)	% (C /A)	No.(D)	% (D /A)	No. (E)	% (E / A)	No. (F)	% (F / A)
Permanent workers											
Male	141	107	75.89	141	100	0	0	0	0	0	0
Female	0	0	0	0	0	0	0	0	0	0	0
Total	141	107	75.89	141	100	0	0	0	0	0	0
Other than Permanent workers											
Male	450	450	100	0	0	0	0	0	0	0	0
Female	34	34	100	0	0	0	0	0	0	0	0
Total	484	484	100	0	0	0	0	0	0	0	0

2. Details of retirement benefits, for Current FY and Previous Financial Year.

	FY Current Financial Year			FY Previous Financial Year		
	No. of employees covered as a % of total employees	No. of workers covered as a % of total workers	Deducted and deposited with the authority (Y/N/N.A.)	No. of employees covered as a % of total employees	No. of workers covered as a % of total workers	Deducted and deposited with the authority (Y/N/N.A.)
PF	100.00%	100.00%	NA	100.00%	100.00%	NA
Gratuity	100.00%	100.00%	NA	100.00%	100.00%	NA
ESI	33.75%	97.63%	NA	45.53%	25.00%	NA

3. Accessibility of workplaces

Are the premises / offices of the entity accessible to differently abled employees and workers, as per the requirements of the Rights of Persons with Disabilities Act, 2016? If not, whether any steps are being taken by the entity in this regard.

As per the requirements of the Rights of Persons with Disabilities, the Company manufacturing premises and offices have ramps, elevators and infrastructure for differently abled individuals

4. Does the entity have an equal opportunity policy as per the Rights of Persons with Disabilities Act, 2016? If so, provide a web-link to the policy.

The Company does not have policy in place, but the Company believes in equal opportunity for all its employees, wherein the Company is committed to providing an inclusive work culture and an environment free from any discrimination. SMS pharma values and welcomes diversity and does not treat anybody differently based on their race, sex, religion/beliefs, disability, marital or civil partnership status, age, sexual orientation, gender identity, gender expression, caring responsibilities, or any other class of person protected by laws in the country The company intend to have a policy in place during the financial year 2023-24.

5. Return to work and Retention rates of permanent employees and workers that took parental leave.

Gender	Permanent employees		Permanent workers	
	Return to work rate	Retention rate	Return to work rate	Retention rate
Male	0	0	0	0
Female	0	0	0	0
Total	0	0	0	0

6. Is there a mechanism available to receive and redress grievances for the following categories of employees and worker? If yes, give details of the mechanism in brief.

	Yes/No (If yes, then give details of the mechanism in brief) Yes
Permanent Workers	The Company has always believed in open and transparent communication. Employees are encouraged to share their concerns with their business heads, HR or the members of the senior management as part of the Whistleblower Policy, the Company provides a grievance redressal mechanism and encourages its employees and workers to bring to attention any instances of unethical behavior, incidents, frauds or violation. The Company has a policy on prevention, prohibition, and redressal of sexual harassment of women at the workplace and has an Internal Complaints Committee (ICC) in compliance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Company's policy on the same is placed on the Company's website. The ICC comprises majority of women members. Members of the Company's ICC are responsible for conducting inquiries pertaining to such complaints. The Company on a regular basis sensitizes its employees on the prevention of sexual harassment at the workplace through workshops, group meetings and awareness programmes which are held on a regular basis.
Other than Permanent Workers	Yes, the non-permanent employees and workers communicate their grievances through their respective supervisors. The grievances are further communicated to the Company for necessary action and resolution of the grievances. Additionally, they can also report on any instances of unethical behavior, incident, or violations through the Company's Whistleblower mechanism
Permanent Employees	A Grievance Redressal Mechanism has been constituted to hear and redress individual grievances. The Company has formulated Whistle Blower Policy for redressing grievances. The Policy can be accessed from https://smspharma.com/wp-content/uploads/2022/08/Whistel-Blower-Protection-Policy.pdf
Other than Permanent Employees	A Grievance Redressal Mechanism has been constituted to hear and redress individual grievances. The Company has formulated Whistle Blower Policy for redressing grievances. The Policy can be accessed from https://smspharma.com/wp-content/uploads/2022/08/Whistel-Blower-Protection-Policy.pdf

7. Membership of employees and worker in association(s) or Unions recognized by the listed entity:

The Company does not have any employee associations. The Company, however, recognizes the right to freedom of association and does not discourage collective bargaining

8. Details of training given to employees and workers:

	FY 2022-23					FY 2021-22				
	Total (A)	On Health and safety measures		On Skill upgradation		Total (D)	On Health and safety measures		On Skill upgradation	
		No. (B)	% (B / A)	No.(C)	% (C / A)		No. (E)	% (E / D)	No. (F)	% (F / D)
Employees										
Male	907	620	68.36	470	51.82	852	764	89.67	400	46.95
Female	47	35	74.47	23	48.94	42	29	69.05	12	28.57
Total	954	655	68.66	493	51.68	894	793	88.70	412	46.09
Workers										
Male	141	141	100	141	100	137	137	100	137	100
Female	0	0	0	0	0	0	0	0	0	0
Total	141	141	100	141	100	137	137	100	137	100

9. Details of performance and career development reviews of employees and worker:

Category	FY 2022-23			FY 2021-22		
	Total (A)	No. (B)	% (B / A)	Total (C)	No. (D)	% (D / C)
Employees						
Male	907	881	97.13	852	835	98.00
Female	47	35	74.47	42	29	69.05
Total	954	916	96.02	894	864	96.64
Workers						
Male	141	141	100	137	137	100
Female	0	0	0	0	0	0
Total	141	141	100	137	137	100

10. Health and safety management system:

- a. Whether an occupational health and safety management system has been implemented by the entity? (Yes/ No). If yes, the coverage such system?

Yes, all manufacturing locations under the entity have an Occupational Health and Safety management system in place, in accordance with the guidelines provided by OHSAS IS 14489 & ISO45001 :2018 standards and the legal requirements such as Factories Act, Indian Boilers Act, Environment Protection Act, The Epidemic Disease Act among others.

- b. What are the processes used to identify work-related hazards and assess risks on a routine and non-routine basis by the entity?

The Company undertakes periodic internal and external audits to ensure the compliance of Occupational Health and Safety management system within the

manufacturing operation. The EHS trainings, audits and inspections are carried out as per the guidelines of OHSAS IS 14489 & ISO45001 :2018 standard. The Company's Process Safety Management system facilitates the implementation of best safety practices. Further, it enables the identification of work-related hazards through design checklists.

- c. Whether you have processes for workers to report the work-related hazards and to remove themselves from such risks. (Y/N)

Yes, The Company has well-established Standard Operating Procedures (SOP) for employees and workers to identify and report on work-related hazards and the subsequent steps to mitigate them. In addition, the Company trains all its employees and workers with occupational health and safety. The training cover aspects to identify work-related hazards, analyze the risks associated with it and

take subsequent steps to mitigate them. During the safety and emergency evacuation drills, employees are trained in dealing with emergency equipment such as fire hydrant, firefighting system, leak and spill control procedures, safety alarms among others. The practical trainings equip the employees with right procedure of reporting work-related hazards and the steps to remove themselves from such situations

d. Do the employees/ worker of the entity have access to non-occupational medical and healthcare services? (Yes/ No)

Yes, the Company provides non-occupational medical and healthcare services to its employees and workers. Further, the Company ensures the provision of medical insurance to all its employees and workers. In addition, personnel are being trained to respond appropriately to medical emergencies on-site

11. Details of safety related incidents, in the following format:

Safety Incident/Number	Category	FY 2022-23	FY 2021-22
Lost Time Injury Frequency Rate (LTIFR) (per one million-person hours worked)	Employees	0	0
	Workers	0	0
Total recordable work-related injuries	Employees	0	0
	Workers	0	0
No. of fatalities	Employees	0	0
	Workers	0	0
High consequence work-related injury or ill-health (excluding fatalities)	Employees	0	0
	Workers	0	0

12. Describe the measures taken by the entity to ensure a safe and healthy work place.

we emphasize strongly on the health, safety, and well-being of our people. We continuously strive to create a work environment that is free from any occupational hazards, whether it is at plants, Corporate Office or Research center or what type of work they carry out. We have implemented strong health and safety systems at all our plants. These systems are guided and driven by our established policies and procedures. Periodic assessments are conducted to evaluate the effectiveness of the systems implemented and appropriate measures are taken to further improve our H&S performance continually

13. Number of Complaints on the following made by employees and workers:

	FY 2022-23			FY 2021-22		
	Filed during the year	Pending resolution at the end of year	Remarks	Filed during the year	Pending resolution at the end of year	Remarks
Working Conditions	0	0	0	0	0	0
Health & Safety	0	0	0	0	0	0

14. Assessments for the year:

	% of your plants and offices that were assessed (By entity or statutory authorities or third parties)
Health and safety practices	50%
Working Conditions	50%

15. Provide details of any corrective action taken or underway to address safety-related incidents (if any) and on significant risks / concerns arising from assessments of health & safety practices and working conditions.

All safety related accidents are being investigated and learnings from investigation reports are shared across organization for deployment of corrective actions to stop recurrence of such incidents. Effectiveness of Corrective actions deployment being checked during safety Audits. ii. Significant risks/concerns arising from assessment of Health and Safety Practices are addressed through elimination of manual job by use of Technology, Safety Capability Building, Monitoring, and supervision, etc.

Leadership Indicators

1. Does the entity extend any life insurance or any compensatory package in the event of death of (A) Employees (Y/N) (B) Workers (Y/N).

No (the company has accidental death insurance PA)

2. Provide the measures undertaken by the entity to ensure that statutory dues have been deducted and deposited by the value chain partners.

The Company ensures that statutory dues as applicable to the transactions are deducted and deposited in accordance with extant regulations. This is also reviewed as part of the internal and statutory audit. The Company expects its value chain partners to uphold business responsibility principles and values of transparency and accountability The Company expects its value chain partners to behave ethically and with integrity in all its business transactions and uphold standards of fair business practices.

3. Provide the number of employees / workers having suffered high consequence work related injury / ill-health / fatalities (as reported in Q11 of Essential Indicators above), who have been are rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment:

	Total no. of affected employees/ workers		No. of employees/workers that are rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment	
	FY 2022 -23	FY 2021-22	FY 2022-23	FY 2021-22
Employees	0	0	0	0
Workers	0	0	0	0

4. Does the entity provide transition assistance programs to facilitate continued employability and the management of career endings resulting from retirement or termination of employment? (Yes/ No)

The Company periodically provides skill-upgradation training programs to all its employees during their employment. The training programs cater to the specific requirements of the cadre and relevant function areas which further enable the employees to pursue employment post-retirement or termination, based on the acquired skillset.

5. Details on assessment of value chain partners:

As per the Company's Code of Business Conduct and Ethics for other Stakeholders, the value chain partners are expected to adhere to the principles of Health and safety practices, working conditions as per extant regulations. However, no independent assessment is carried out.

6. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from assessments of health and safety practices and working conditions of value chain partners.

During the reporting period, no corrective action plan was necessitated.

If any such risks/concerns are noticed, the value chain partner will be asked to comply with requisite measures in a timebound manner. If not complied within the given time, procurement will be differed till the value chain partners improve the safety practices and working conditions to address the risk/concern.

PRINCIPLE 4

Businesses should respect the interests of and be responsive to all its stakeholders

Essential Indicators

1. Describe the processes for identifying key stakeholder groups of the entity.

The Company identified key stakeholder groups based on those groups who are impacted as well those who have a major influence on the business decisions. The key internal and external stakeholder groups identified by the Company as part of the engagement mechanism are Investors and shareholder, regulators, Governments, suppliers/vendors/, Value Chain Partners, Non-Governmental Organizations (NGO), Community, Customer B2B, Employees, Senior leadership, and the society. The company understands the impact of its policies, decisions, products and services and associated operations on the stakeholders. We consider individuals, groups, institutions, or entities that contribute to shaping our business that add value or constitute a core part of the business value chain as key stakeholders.

2. List stakeholder groups identified as key for your entity and the frequency of engagement with each stakeholder group.

Stakeholder Group	Whether identified as Vulnerable & Marginalized Group (Yes/ No)	Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Other	Frequency of engagement (Annually/ Half yearly/ Quarterly/ others – please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement
Investor/ Shareholder	No	Email, newspaper advertisement, website, Annual General Meetings, intimation to stock exchanges, annual/ quarterly financials and investor meetings/ conferences	Frequent and need based	To stay abreast of developments in the Company and its subsidiary companies
Regulator & Government	No	one-on-one meetings, conferences	Need Based	Our engagement with official authorities is multi-fold. With regulatory authorities, our engagement is aimed at discharging responsibilities and furthering our core business of product development, launch, manufacturing, etc. in keeping with the latest and highest standards of compliance. With policy-makers, our engagement aims to understand and discuss matters pertaining to the industry

Stakeholder Group	Whether identified as Vulnerable & Marginalized Group (Yes/ No)	Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Other	Frequency of engagement (Annually/ Half yearly/ Quarterly/ others – please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement
Supplier/ vendor/ third party manufacturer	No	Multiple channels – physical and digital	Frequent and need based	Helps to increase reach and enhance business
NGO / Community	No	Multiple channels – physical and digital	Frequent and need based	To promote social welfare activities for inclusive growth, fair and equitable development and wellbeing of society through our business functioning and Support socially projects, Community Development
Customer B2B	No	Multiple channels – physical and digital	Frequent	We engage with our customers to ensure regular supply of the products, keep them informed about new products, participate in the bids/ tenders and maximize the outreach of our products. Helps to increase reach and enhance business
Employees	No	Direct & other communication mechanisms	Quarterly	To create a thriving, safe and inclusive workplace for its employees and providing merit-based opportunities for professional development and growth. Aim to provide employees a safe, inclusive workplace. Our ongoing effort is to maintain two-way engagement with colleagues globally including those in corporate offices, manufacturing locations and in the field.

Leadership Indicators

- 1. Provide the processes for consultation between stakeholders and the Board on economic, environmental, and social topics or if consultation is delegated, how is feedback from such consultations provided to the Board.**

The Company to the extent considered necessary and permitted by regulations, ensure transparent communication and access to relevant information about

its decisions that impact relevant stakeholders, keeping in mind the need to protect confidential competitive plans and information. Engagement with stakeholders is a continuous process, as part of the Group's business activities. Such engagement is generally driven by the responsible business functions, with senior executives also participating based on the need of the engagement. The BoD are updated on various developments arising out of such engagement and they provide their guidance /inputs on such matters, the identified material issues

were presented to the highest governing member and the Board for their feedback and guidance on strategizing the sustainable growth model of the Company.

2. Whether stakeholder consultation is used to support the identification and management of environmental, and social topics (Yes / No). If so, provide details of instances as to how the inputs received from stakeholders on these topics were incorporated into policies and activities of the entity.

Continuous engagement with stakeholders helps in aligning expectations, thereby enabling the Group to better serve its stakeholders, The Company believes that our products help in promoting and creating a healthy world and help in combating disease and mitigate suffering of millions of people across the world. In addition, the Company has engaged a ESG consultant and expert in this

field, which helps to better understand expectations of stakeholders and benchmark against best practices. The Company recognizes that it is still in a 'learning phase' on various evolving aspects of ESG and hence stakeholder interactions are important. The Group believes that it is still learning the evolving aspects of ESG and lays significant importance to such interactions

3. Provide details of instances of engagement with, and actions taken to, address the concerns of vulnerable/ marginalized stakeholder groups.

SMS through their CSR policies have taken up various initiatives and activities for the benefit of different segments of the society, with focus on the marginalized, poor, needy, deprived, under-privileged and differently abled persons, for further details <https://smspharma.com/corporate-governance/corporate-social-responsibility/>

PRINCIPLE 5

Businesses should respect and promote human rights

Essential Indicators

1. Employees and workers who have been provided training on human rights issues and policy(ies) of the entity, in the following format:

Category	FY 2022-23			FY 2021-22		
	Total (A)	No. of employees workers covered (B)	% (B / A)	Total (C)	No. of employees workers covered (D)	% (D / C)
Employees						
Permanent	954	954	100	894	894	100
Other than permanent	0	0	0	0	0	0
Total Employees	954	954	100	894	894	100
Workers						
Permanent	141	141	100	137	137	100
Other than permanent	484	484	100	398	398	100
Total Workers	625	625	100	535	535	100

2. Details of minimum wages paid to employees and workers, in the following format:

Category	FY 2022-23					FY 2021-22				
	Total (A)	Equal to Minimum Wage		More than Minimum Wage		Total (D)	Equal to Minimum Wage		More than Minimum Wage	
		No. (B)	% (B / A)	No.(C)	% (C / A)		No. (E)	% (E / D)	No. (F)	% (F / D)
Employees										
Permanent	954	235	24.63	719	75.37	894	165	18.46	729	81.54
Male	907	225	24.81	682	75.09	852	152	17.84	700	82.16
Female	47	10	21.28	37	78.72	42	13	30.95	29	69.05
Other than Permanent	0	0	0	0	0	0	0	0	0	0
Male	0	0	0	0	0	0	0	0	0	0
Female	0	0	0	0	0	0	0	0	0	0
Workers										
Permanent	141	0	0	141	100.00	137	0	0	137	100.00
Male	141	0	0	141	100.00	137	0	0	137	100.00
Female	0	0	0	0	0	0	0	0	0	0
Other than Permanent	484	404	83.47	83.47	16.53	398	332	83.42	66	16.58
Male	450	370	82.22	80	17.78	391	325	83.12	66	16.88
Female	34	34	100.00	0.00	0.00	7	7	100.00	0	0.00

3. Details of remuneration/salary/wages, in the following format:

Gender	Male		Female	
	Number	Median remuneration/ salary/ wages of respective category	Number	Median remuneration salary/wages of respective category
Board of Directors (BoD)	5	3,30,000	1	3,10,000
Key Managerial Personnel	2	19,12,625	0	0
Employees other than BoD and KMP	903	3,81,500	47	4,20,000
Workers	141	2,18,000	0	0

4. Do you have a focal point (Individual/ Committee) responsible for addressing human rights impacts or issues caused or contributed to by the business? (Yes/No)

Yes. The Managing Director of the Company oversees the human resources function in the Company. In addition, the HR Head along with the other Sr.Executives are responsible for addressing any human rights issues caused or contributed by the business.

5. Describe the internal mechanisms in place to redress grievances related to human rights issues.

We see to conduct our business in a manner that respects the human rights and dignity of people. We play a role in the elimination of human rights abuses such as child labor, human trafficking and forced labor. SMS Pharmaceuticals Ltd. does not tolerate retaliation. We consider acts of retaliation to be misconduct. Retaliation can take many forms like threats, intimidation, exclusion, humiliation and raising issues maliciously or in bad faith. The Company regards respect for human rights as one of its fundamental and core values and strives to support, protect and promote human rights to ensure that fair and ethical business and employment practices are followed, we have a Grievance redressal mechanism for its employees in the form of Whistle blower policy and a formal grievance mechanism is available to all employees, to report or raise their concerns confidentially and anonymously, without fear of any retaliation.

Refer to <https://smspharma.com/wp-content/uploads/2022/08/Whistel-Blower-Protection-Policy.pdf>

6. Number of Complaints on the following made by employees and workers:

	FY 2022-23			FY 2021-22		
	Filed during the year	Pending resolution at the end of year	Remarks	Filed during the year	Pending resolution at the end of year	Remarks
Sexual Harassment	0	0	NA	0	0	NA
Discrimination at workplace	0	0	NA	0	0	NA
Child Labour	0	0	NA	0	0	NA
Forced Labour/ Involuntary Labour	0	0	NA	0	0	NA
Wages	0	0	NA	0	0	NA
Other human rights related issues	0	0	NA	0	0	NA

7. Mechanisms to prevent adverse consequences to the complainant in discrimination and harassment cases.

Refer to: <https://smspharma.com/wp-content/uploads/2022/08/code-of-business-conduct-and-ethics-for-others.pdf>

8. Do human rights requirements form part of your business agreements and contracts? (Yes/No)

YES

9. Assessments for the year:

	% of your plants and offices that were assessed (by entity or statutory authorities or third parties)
Child labour	100%
Forced/involuntary labour	100%
Sexual harassment	100%
Discrimination at workplace	100%
Wages	100%
Others – please specify	100%

10. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 9 above.

Not Applicable

Leadership Indicators

1. Details of a business process being modified / introduced as a result of addressing human rights grievances/complaints.

There have been no significant human rights grievances/complaints warranting modification/introduction of business processes

2. Details of the scope and coverage of any Human rights due-diligence conducted.

The Company undertook due diligence of human rights through internal protocols as per policies and procedures.

3. Is the premise/office of the entity accessible to differently abled visitors, as per the requirements of the Rights of Persons with Disabilities Act, 2016?

The premises/ offices of the Company, including the registered offices and plants have ramps or have elevators and relevant infrastructure for differently abled individuals.

4. Details on assessment of value chain partners:

	% of value chain partners (by value of business done with such partners) that were assessed
Sexual Harassment	The Company expects its value chain partners to adhere to the same values, principles and business ethics as upheld by the Group in all their dealings. No specific assessment in respect of value chain partners has been carried out other than certain elements covered in annual review of processes and controls.
Discrimination at workplace	
Child Labour	
Forced Labour/Involuntary Labour	
Wages	
Others – please specify	

5. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 4 above.

Not Applicable

PRINCIPLE 6

Businesses should respect and make efforts to protect and restore the environment

Essential Indicators

1. Details of total energy consumption (in Joules or multiples) and energy intensity, in the following format:

Parameter	FY 2022-23	FY 2021-22
Total electricity consumption (A)	107058	118137
Total fuel consumption (B)	340390.50	267697.10
Energy consumption through other sources (C)	0.00	0.00
Total energy consumption (A+B+C)	447448.46	385834.08
Energy intensity per rupee of turnover (Total energy consumption/ turnover in rupees)	0.000069775	0.000073482
Energy intensity (optional) – the relevant metric may be selected by the entity		

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

No

2. Does the entity have any sites / facilities identified as designated consumers (DCs) under the Performance, Achieve and Trade (PAT) Scheme of the Government of India? (Y/N) If yes, disclose whether targets set under the PAT scheme have been achieved. In case targets have not been achieved, provide the remedial action taken, if any.

No, the Company does not have any sites/facilities identified as designated consumer under the Performance Achieve and Trade (PAT) Scheme of the Government of India.

3. Provide details of the following disclosures related to water, in the following format:

Parameter	FY 2022-23	FY 2021-22
Water withdrawal by source (in kiloliters)		
(i) Surface water	Nil	Nil
(ii) Groundwater	40503	43177
(iii) Third party water	3145	3148
(iv) Seawater / desalinated water	Nil	Nil
(v) Others	13423.65	13448.60
Total volume of water withdrawal (in kiloliters) (i + ii + iii + iv + v)	57071.65	59773.60
Total volume of water consumption (in kiloliters)	57071.65	59773.6
Water intensity per rupee of turnover (Water consumed / turnover)	0.000010705	0.000011162

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency. – NO

4. Has the entity implemented a mechanism for Zero Liquid Discharge? If yes, provide details of its coverage and implementation.

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

5. Please provide details of air emissions (other than GHG emissions) by the entity, in the following format:

Parameter	unit	FY 2022-23	FY 2021-22
NOx	Tons	42.62	30.99
SOx	Tons	60.47	41.19
Particulate matter (PM)	Tons	82.36	52.92
Persistent organic pollutants (POP)	Tons	NA	NA
Volatile organic compounds (VOC)	PPM	20.95	9.81
Hazardous air pollutants (HAP)	Tons	NA	NA
Others- please specify	Tons	NA	NA

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

YES, it was carried out SV ENVIRO LABS & CONSULTANTS, Environmental Engineers & Consultants in Pollution Control

6. Provide details of greenhouse gas emissions (Scope 1 and Scope 2 emissions) & its intensity, in the following format:

Parameter	specify unit	FY 2022-23	FY 2021-22
Total Scope 1 emissions (Break-up of the GHG into CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, if available)	Metric tonnes of CO2 equivalent	32757.70	25759.67
Total Scope 2 emissions (Break-up of the GHG into CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, if available)	Metric tonnes of CO2 equivalent	28551.17	31505.80
Total Scope 1 and Scope 2 emissions per rupee of turnover	Metric tonnes of CO2 equivalent	0.00000994235	0.00000918524
Total Scope 1 and Scope 2 emission intensity (optional)- the relevant metric may be selected by the entity			

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency-**NO**

7. Does the entity have any project related to reducing Green House Gas emission? If yes, then provide details.

NO

8. Provide details related to waste management by the entity, in the following format:

Parameter	FY 2022-23	FY 2021-22
Total Waste generated (in metric tonnes)		
Plastic waste (A)	9.66	10.06
E-waste (B)	0.02	0.01
Bio-medical waste (C)	0.46	0.45
Construction and demolition waste (D)	0.13	0.21
Battery waste (E)	3.73	0.45
Radioactive waste (F)	0.00	0.00
Other Hazardous waste. Please specify, if any. (G)	301.47	412.85

Parameter	FY 2022-23	FY 2021-22
Other Non-hazardous waste generated (H). Please specify, if any. (Break-up by composition i.e., by materials relevant to the sector)	24.48	36.30
Total (A+B + C + D + E + F + G+ H)	339.98	460.35
For each category of waste generated, total waste recovered through recycling, re-using or other recovery operations (in metric tonnes)		
Category of waste		
(i) Recycled	13423.65	13448.60
(ii) Re-used	31.18	24.14
(iii) Other recovery operations	0.00	0.00
Total	13454.83	13472.74
For each category of waste generated, total waste disposed by nature of disposal method (in metric tonnes)		
Category of waste		
(i) Incineration	83.22	137.58
(ii) Landfilling	227.68	239.90
(iii) Other disposal operations	0.00	0.00
Total	310.90	377.48

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency

NO

9. Briefly describe the waste management practices adopted in your establishments. Describe the strategy adopted by your company to reduce usage of hazardous and toxic chemicals in your products and processes and the practices adopted to manage such wastes.

The potential for environmental pollution prevention is one of the guiding factors in developing the route of synthesis and converting by products to useful raw materials for the process. SMS has developed a commercial process to get Neopentyl glycol (from waste generated in the process as residue), which is one of the key raw materials in Ibuprofen process. By developing the Neopentyl glycol synthesis from waste stream, not only commercial benefit but also environmental protection is also addressed.

- 10 If the entity has operations/offices in/around ecologically sensitive areas (such as national parks, wildlife sanctuaries, biosphere reserves, wetlands, biodiversity hotspots, forests, coastal regulation zones etc.) where environmental approvals / clearances are required, please specify details in the following format:

S. No.	Location of operations /offices	Type of operations	Whether the conditions of environmental approval / clearance are being complied with? (Y/N) If no, the reasons thereof and corrective action taken, if any.
	Kandivalasa Village, Vizianagaram (D), Andhra Pradesh	Bulk Drug Manufacturing (API)	Yes

- 11 Details of environmental impact assessments of projects undertaken by the entity based on applicable laws, in the current financial year:

No environmental impact assessments were undertaken in FY 2022-23

- 12 Is the entity compliant with the applicable environmental law/ regulations/ guidelines in India; such as the Water (Prevention and Control of Pollution) Act, Air (Prevention and Control of Pollution) Act, Environment protection act and rules thereunder (Y/N). If not, provide details of all such non-compliances, in the following format:

All the manufacturing operations and R&D centers under the entity are in compliance with the applicable environmental laws/ regulations and guidelines as per the national and state level mandates

Leadership Indicators

1. Provide break-up of the total energy consumed (in Joules or multiples) from renewable and non-renewable sources, in the following format:

Parameter	FY 2022-23	FY 2021-22
From renewable sources		
Total electricity consumption (A)	-	-
Total fuel consumption (B)	-	-
Energy consumption through other sources (C)	-	-
Total energy consumed from renewable sources (A+B+C)	-	-
From non-renewable sources: nil		
total electricity consumption (D)	107058	1118137
Total fuel consumption (E)	5293.46	4268.88
Energy consumption through other sources (F)	-	-
Total energy consumed from non-renewable sources (D+E+F)	112351.55	122405.90

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency. NO

2. Provide the following details related to water discharged:

Parameter	FY 2022-23	FY 2021-22
Water discharge by destination and level of treatment (in kilolitres)		
(i) To Surface water		
- No treatment	Nil	Nil
- With treatment – please specify level of treatment	Nil	Nil
(ii) To Ground water	-	-
- No treatment	Nil	Nil
- With treatment – please specify level of treatment	Nil	Nil
(iii) To Seawater	-	-
- No treatment	Nil	Nil
- With treatment – please specify level of treatment	3584.98 KL	3066.39 KL
(iv) Sent to third-parties	-	-
- No treatment	Nil	Nil
- With treatment – please specify level of treatment	Nil	Nil
(v) Others	-	-
- No treatment	Nil	Nil
- With treatment – please specify level of treatment	Nil	Nil
Total water discharged (in kilolitres)	3584.98 KL	3066.39 KL

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency - NO

3. Water withdrawal, consumption, and discharge in areas of water stress (in kiloliters):

Not Applicable. Our facilities are not located in areas of water stress.

4. Please provide details of total Scope 3 emissions & its intensity, in the following format.

Parameter	Unit	FY 2022-23	FY 2021-22
Total Scope 3 emissions (Break-up of the GHG into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)	Metric tonnes of CO ₂ equivalent	31.87	32.5
Total Scope 3 emissions per rupee of turnover		0.00000006105	0.00000006190
Total Scope 3 emission intensity (optional) – the relevant metric may be selected by the entity			

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency. NO

5 With respect to the ecologically sensitive areas reported at Question 10 of Essential Indicators above, provide details of significant direct & indirect impact of the entity on biodiversity in such areas along-with prevention and remediation activities.

- a) **Solvent Distillation System (SDS):** The company has adopted and implemented the SDS to recover the solvents from mother liquor and SDS well connected to scrubbers to arrest any evolved gases arise during distillation by doing so to protect environment
- b) **Multiple Effect Evaporator (MEE):** to separate the solids from the liquid effluents by which the company become a Zero Liquid Discharge Unit (ZLD) and established reverse osmosis system and followed by biological treatment, after treatment, we are reusing the evolved water from MEE after condensation.
- c) **Material Handling:** The Company has implemented various material handlings systems to protect the environment through automation of process and auto transfer of input materials.

6 If the entity has undertaken any specific initiatives or used innovative technology or solutions to improve resource efficiency, or reduce impact due to emissions / effluent discharge / waste generated, please provide details of the same as well as outcome of such initiatives, as per the following format:

S. No.	Initiative undertaken	Details of the initiative (Web-link, if any, may be provided along-with summary)	Outcome of the initiative
1	<p>Water Conservation Measures taken: At SMS Pharma, we view water through the interconnected lenses of effective usage and conservation. We have endeavored to improve water conservation by recycling / condensate water and streamlining processes. Installed 200 KLD RO Plant for waste water treatment. Currently we are getting 138KLD of water after treatment. Further SMS has been planned to recover the water as condensate from atmosphere through while using Air handling Units.</p>		<ul style="list-style-type: none"> 1. Enabled to conserve our water consumption from 300KLD to 162 KLD. Total Saving Ground Water 138KL/Day 2. Expected water condensate per day will be 15KL per day.
2	<p>Enhanced the condensate recovery through controls in the steam condensate System and increased the condensate collection from 45 % to 65%, By improving the steam condensate recovery, not only reducing water consumption also benefited with coal savings by 35 Tonnes/Year. Apart from water conservation through utilities we are reusing 16000 Lts of water in stage -2 of Ibuprofen process which is being used in Ibuprofen Stage-5 for every batch of of Ibuprofen .The total quantity of water reused by this recycling process tuned to 535KL per month</p>		<p>Resulted in savings of makeup water by 20 KL/day, contributes 20% with respect to total feed water consumption/day.</p>

S. No.	Initiative undertaken	Details of the initiative (Web-link, if any, may be provided along-with summary)	Outcome of the initiative
	<p>Energy Conservation Measures taken:</p> <p>Energy Conservation continues to receive priority within the Company. The continuous monitoring of the energy Consumptions across the Company's locations, has resulted in improvement in maintenance systems and reduction in Distribution losses.</p> <p>Steps taken by the Company for utilizing the alternate sources of energy:</p> <p>a. Facility created to purchase power through open access during the power holiday time to avoid the running of diesel generator sets and saving of HSD. Participating in the Open access bidding to get the power in the cheaper price as compared to the discom prices as per available slots</p> <p>Energy Conservation Measures taken:</p> <p>01. Installed LED Lights instead of CFL lights in both areas like intermediate and pharm in all blocks and QC.</p> <p>02. Implemented numerous energy conservation activities in utilities and block equipment through performance assessments, automation of equipment, standard procurement of energy efficient equipment ie, installation of energy efficient motors & Pump sets.</p> <p>03. VFDs are provided for Screw Chillers D61</p>		<p>a. reduced the power cost. / Year: 35Lakhs/Year.</p> <p>01. power saving 1656 Units/ Month.</p> <p>03. Resulting in a daily energy savings of 200 units per day @ Each Chiller</p>
	<p>04. Replacement of existing +5degC water-cooled reciprocating type chillers with new energy efficient water-cooled screw type refrigeration systems installed.</p> <p>05. Replaced manually operated valves of utilities with automated control valves to reduce the utility Consumption at the Production Blocks.</p> <p>06. Installed online tube cleaning systems (ECO MAX) for Chilling plants condensers tube cleaning purpose and improve the Condenser Heat Transfer Area and Reduce the discharge pressures and Maintain the Standard of KW/TR :0.75</p> <p>07. Installed Common header for compressed air circuit for optimum utilization of air compressor</p> <p>08. Installed Steam Condensate Recovery System so as to achieve increased efficiency of the boilers & reduce the fuel consumption</p> <p>09. Installed Steam Condensate Recovery Pumps (Pressure Powered Pump) Steam Condensate Water pumping purpose so there are centrifugal pumps are replaced with Pressure Powered Pump ,</p> <p>10. Installed Steam Operated Pumping traps used for Solvent Recovery Systems so there are reduce in the process cycle time and steam & power consumption</p>		<p>4. saving of 60,000Units Year</p> <p>7. Saving in Power Units/Day :30Units/Day</p> <p>9. power Saving in Units/ day: 100 Units/day</p>

7 Does the entity have a business continuity and disaster management plan? Give details in 100 words/ web link.

Yes, the company has BCP and Disaster Management Plan in place. The Business Continuity Team comprises a group of managers or their delegates that can assess the impact of the failure on the business and implement contingency measures appropriate to the local situation with focus on the Critical Business Processes. Members of Plant Management would be normally the members of BCP team also.

SMS Pharmaceuticals Limited believes that it is very much necessary to be aware of the potential hazards involved in the production process before implementation and understand the safety system and emergency procedures to combat any untoward incident.

8 Disclose any significant adverse impact to the environment, arising from the value chain of the entity. What mitigation or adaptation measures have been taken by the entity in this regard.

Not applicable

9 Percentage of value chain partners (by value of business done with such partners) that were assessed for environmental impacts.

In the reporting period, the Company did not evaluate any of its value chain partners on the basis of environmental impact

PRINCIPLE 7

Businesses when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent

Essential Indicators

1. a. Number of affiliations with trade and industry chambers/ associations.

4

b. List the top 10 trade and industry chambers/ associations (determined based on the total members of such body) the entity is a member of/ affiliated to.

S. No.	Name of the trade and industry chambers/ associations	Reach of trade and industry chambers/ associations (State/National)
1	Confederation of Indian Industry	National
2	Bulk Drug Manufacturers Association	State
3	Federation of Telangana Chambers of Commerce and Industry	State
4	Pharmaceuticals Export Promotion Council of India	National

2. Provide details of corrective action taken or underway on any issues related to anti- competitive conduct by the entity, based on adverse orders from regulatory authorities.

For the reporting year, there were no cases issued against the Company for issues pertaining to anticompetitive conduct

Leadership Indicators

1. Details of public policy positions advocated by the entity:

SMS is member of various trade and industry chambers, associations, councils. We proactively contribute to the discussions and resolutions within the scope of these forum. The Company works closely with various trade and industry associations. This includes industry representations to the government and/ or regulators. SMS maintains regular engagement with the Government agencies and regulators and stands committed to providing timely and accurate information, suggestions and recommendations, feedback on draft policies, etc., as and when required.

PRINCIPLE 8

Businesses should promote inclusive growth and equitable development

Essential Indicators

1. Details of Social Impact Assessments (SIA) of projects undertaken by the entity based on applicable laws, in the current financial year.

In the reporting year, the Company did not undertake any Social Impact Assessment

2. Provide information on project(s) for which ongoing Rehabilitation and Resettlement (R&R) is being undertaken by your entity, in the following format:

In the reporting year, the Company did not undertake any ongoing Rehabilitation and Resettlement (R&R) project.

3. Describe the mechanisms to receive and redress grievances of the community.

The communities can raise their grievances as per the mechanism provided in our Code of Conduct available on our website of the Company

4. Percentage of input material (inputs to total inputs by value) sourced from suppliers:

	FY 2022-23	FY 2021-22
Directly sourced from MSMEs/ small producers	5	5
Sourced directly from within the district and neighboring districts	20	16

Leadership Indicators

1. Provide details of actions taken to mitigate any negative social impacts identified in the Social Impact Assessments (Reference: Question 1 of Essential Indicators above):

In FY2022-23, there were no Social Impact Assessments conducted

2. Provide the following information on CSR projects undertaken by your entity in designated aspirational districts as identified by government bodies:

S. No.	State	Aspirational District	Amount spent Lakhs (In INR)
1	Andhra Pradesh, Vizianagaram	1. Continuous support to Campus Challenge, Konada Junction (On NH- 16), Kotha Kopperla (PO), Singavaram (SO), Vizianagaram Dist-5352 13. Campus Challenge is works for deprived children in Coastal and Tribal Andhra Pradesh. Their main goal is to create ability and facilitate the process of empowerment for the persons with disabilities.	5.40
2	Telangana, Hyderabad	Continuing Support to poor people crippled with heart, lung and vascular diseases, through Dr. Alla Gopala Krishna Gokhale, Sahrudaya Health, Medical and Educational Trust	10.00
3	Andhra Pradesh, Vizianagaram	Construction of class room at M. P. U. P. School located at Ayyannapeta, Vizianagaram, Andhra Pradesh 535003. The existing school building was demolished due to old age as well as poor condition.	5.00
4	Andhra Pradesh, Vizianagaram	Construction of Community Hall in Kumili Village, Pusapatirega Mandal Vizianagaram District Andhra Pradesh for the usage of village people and nearby villages people for agricultural reforms, social and cultural gatherings. This village is located surrounding area of Company's Unit VII facility.- Ongoing Project	99.00

3. (a) Do you have a preferential procurement policy where you give preference to purchase from suppliers comprising marginalized /vulnerable groups? (Yes/ No)

Small scale industries form a crucial part of Company's business partner base. We always encourage as to procure required raw materials from local and small-scale units, because it approachable easily and frequent monitoring can be done in respect of quality and supplies. Majority of daily services are executed through engaging neighborhood communities. We continuously strive to build local alternate vendors for other materials

(b) From which marginalized /vulnerable groups do you procure?

NA

(c) What percentage of total procurement (by value) does it constitute?

NA

4. Details of the benefits derived and shared from the intellectual properties owned or acquired by your entity (in the current financial year), based on traditional knowledge:

The Company does not derive any benefits from intellectual properties owned or acquired based on traditional knowledge

5. Details of corrective actions taken or underway, based on any adverse order in intellectual property related disputes wherein usage of traditional knowledge is involved.

Not applicable.

6. Details of beneficiaries of CSR Projects:

S. No.	CSR Project	No. of persons benefitted from CSR Projects	% of beneficiaries from vulnerable and marginalized groups
1	Continuous support to Campus Challenge, Konada Junction (On NH- 16), Kotha Kopperla (PO), Singavaram (SO), Vizianagaram Dist-5352 13. Campus Challenge is works for deprived children in Coastal and Tribal Andhra Pradesh. Their main goal is to create ability and facilitate the process of empowerment for the persons with disabilities.	5	100
2	Continuing Support to poor people crippled with heart, lung and vascular diseases, through Dr. Alla Gopala Krishna Gokhale, Sahrudaya Health, Medical and Educational Trust	5	100
3	Construction of class room at M. P. U. P. School located at Ayyannapeta, Vizianagaram, Andhra Pradesh 535003. The existing school building was demolished due to old age as well as poor condition.	35	80
4	Construction of Community hall in Kumili Village, Pusapatirega Mandal Vizianagaram Distirict Andhra Pradesh for the usage of village people and nearby villages people for agricultural reforms, social and cultural gatherings. This village is located surrounding area of Company's Unit VII facility.- Ongoing Project	500	70

PRINCIPLE 9

Businesses should engage with and provide value to their consumers in a responsible manner

Essential Indicators

1. Describe the mechanisms in place to receive and respond to consumer complaints and feedback.

Communication received through Mail and same escalated concern team to solve the issue and proper CAPA

2. Turnover of products and/ services as a percentage of turnover from all products /service that carry information about:

S. No.	Name of the trade and industry chambers/ associations	As a percentage to total turnover
1	Environmental and social parameters relevant to the product	-
3	Safe and responsible usage	12.5
4	Recycling and/or safe disposal	7.5

3. Number of consumer complaints in respect of the following:

Benefits	FY 2022-23			FY 2021-22		
	Received during the year	Pending resolution at end of year	Remarks	Received during the year	Pending resolution at end of year	Remarks
Data privacy	-	-	NA	-	-	NA
Advertising	-	-	NA	-	-	NA
Cyber-security	-	-	NA	-	-	NA
Delivery of essential services	-	-	NA	-	-	NA
Restrictive Trade Practices	-	-	NA	-	-	NA
Unfair Trade Practices	-	-	NA	-	-	NA
Other	-	-	NA	-	-	NA

4 Details of instances of product recalls on account of safety issues:

S. No.	Number	Reasons for recall
Voluntary recalls	0	NA
Forced recalls	0	NA

5. Does the entity have a framework/ policy on cyber security and risks related to data privacy? (Yes/No) If available, provide a web-link of the policy.

The Company is in process of finalizing the Policy.

6. Provide details of any corrective actions taken or underway on issues relating to advertising, and delivery of essential services; cyber security and data \privacy of customers; re-occurrence of instances of product recalls; penalty / action taken by regulatory authorities on safety of products / services.

There are no complaints received for issues pertaining to delivery of essential services, advertising, cyber security and data privacy of customers; re-occurrence of instances of product recalls; penalty / action taken by regulatory authorities on safety of products/services For FY 2022-23

Leadership Indicators**1. Channels / platforms where information on products and services of the entity can be accessed (Provide web link, if available).**

<https://smspharma.com/api/>

<https://smspharma.com/central-laboratory-analytical-services/>

<https://smspharma.com/crams/>

2. Steps taken to inform and educate consumers about safe and responsible usage of products and/or services

Product information of Safety Data Sheet and Certificate of Analysis is enclosed during Transit

3. Mechanisms in place to inform consumers of any risk of disruption/discontinuation of essential services.

Not applicable

4. Does the entity display product information on the product over and above what is mandated as per local laws? (Yes/No/Not Applicable) If yes, provide details in brief. Did your entity carry out any survey regarding consumer satisfaction relating to the major products / services of the entity, significant locations of operation of the entity or the entity as a whole? (Yes/No)

No

5. Provide the following information relating to data breaches:**a. Number of instances of data breaches along-with impact**

- NIL

b. Percentage of data breaches involving personally identifiable information of customers -

NIL

Independent Auditor's Report

To the members of **SMS Pharmaceuticals Limited**

Report on the Audit of the Ind AS Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of SMS Pharmaceuticals Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2023, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date and a summary of significant accounting policies and other explanatory information (hereinafter referred to as the "standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2023 and its profit, total comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

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

Sr. No.	Key Audit Matter	Auditor's Response
1	Accuracy of recognition, measurement, presentation and disclosures of revenues and other related balances in view of adoption of Ind AS 115 "Revenue from Contracts with Customers" (new revenue accounting standard)	<p>Principal Audit Procedures</p> <p>We assessed the Company's process to identify the impact of adoption of the new revenue accounting standard. Our audit approach consisted testing of the design and operating effectiveness of the internal controls and substantive testing as follows:</p> <ul style="list-style-type: none"> Evaluated the design of internal controls relating to implementation of the new revenue accounting standard. Selected a sample of continuing and new contracts, and tested the operating effectiveness of the internal control, relating to identification of the distinct performance obligations and determination of transaction price. We carried out a combination of procedures involving enquiry and observation, reperformance and inspection of evidence in respect of operation of these controls.

Sr. No.	Key Audit Matter	Auditor's Response
		<ul style="list-style-type: none"> • Selected a sample of continuing and new contracts and performed the following procedures: <ol style="list-style-type: none"> 1. Read, analysed and identified the distinct performance obligations in these contracts. 2. Considered the terms of the contracts to determine the transaction price including any variable consideration to verify the transaction price used to compute revenue and to test the basis of estimation of the variable consideration.

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

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

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

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

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

Management's Responsibilities for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, including other comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS and other accounting principles generally accepted in

India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 (the "Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, based on our audit we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act.

- e) On the basis of the written representations received from the directors as on March 31, 2023 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2023 from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

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

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

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

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

V Nagendra Rao
Partner
M.No.227679

UDIN: 23227679BGSQVF7133

Place: Hyderabad
Date: 24.05.2023

Annexure 'A' to the Independent Auditor's Report

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

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

- i. In respect of the Company's Property, Plant and Equipment and Intangible Assets:
 - (a) (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment.
 - (B) The Company has maintained proper records showing full particulars of intangible assets.
 - (b) The Company has a program of physical verification of Property, Plant and Equipment and right-of-use assets so to cover all the assets once every three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain Property, Plant and Equipment were due for verification during the year and were physically verified by the Management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - (c) The title deeds of all the immovable properties (other than properties where the Company is the lessee and the lease agreements are duly executed in favor of the lessee) disclosed in the financial statements are held in the name of the Company.
 - (d) The Company has not revalued any of its Property, Plant and Equipment and intangible assets during the year.
 - (e) According to information and explanations given to us and on the basis of our examination of the records of the Company, there are no proceedings initiated or pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 and rules made thereunder.
- ii. (a) The physical verification of inventory has been conducted at reasonable intervals by the Management during the year and no discrepancies of 10% or more in aggregate for each class of inventory were noticed on such physical verification.

In our opinion and based on the information and explanation given to us, the coverage and procedure of such verification by the management is appropriate having regard to the size of the Company and the nature of its operations.

 - (b) According to the information and explanation given to us and on the basis of examination of the records of the Company, the Company has been sanctioned working capital limits in excess of ₹ 5 crore, in aggregate during the year, from banks or financial institutions on the basis of security of current assets. The returns or statements filed by the Company with such banks or financial institutions are in agreement with the unaudited/audited books of account of the Company of the respective quarters and no material discrepancies have been observed.
- iii. During the year, company has made an investment of ₹ 9.80 lakhs in Provenio Astral International LLP towards 4.90% of the total capital contribution of the LLP. In our opinion, the investment made in the LLP is not prima facie prejudicial to the interest of the Company.

During the year Company has not provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties. Hence, other sub clauses under this clause are not applicable.
- iv. According to the information and explanations given to us and on the basis of our examination of records of the Company, during the year, the Company has neither made any investments nor has it given loans or provided guarantee or security and therefore the relevant provisions of Sections 185 and 186 of the Act ("the Act") are not applicable to the Company. Accordingly, clause 3(iv) of the Order is not applicable.
- v. The Company has not accepted any deposit or amounts which are deemed to be deposits. Hence, reporting under clause 3(v) of the Order is not applicable.
- vi. We have broadly reviewed the cost records maintained by the Company pursuant to the rules prescribed by the Central Government of India under section 148(1) of the Companies Act, 2013 and are of the opinion that prima facie the prescribed cost records have been made

and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

vii. In respect of statutory dues:

- (a) In our opinion, the Company has generally been regular in depositing undisputed statutory dues, including Goods and Services tax, Provident Fund, Employees' State Insurance, Income Tax, duty of Custom, Duty of Excise, Cess and other material statutory dues applicable to it with the appropriate authorities. There were no undisputed amounts payable in respect of Goods and Service tax, Provident Fund, Employees' State Insurance, Income Tax, duty of Custom, Duty of Excise, Cess and other material statutory dues in arrears as at March 31, 2023 for a period of more than six months from the date they became payable.
- (b) There were no statutory dues which have not been deposited as on March 31, 2023 on account of disputes.

viii. There were no transactions relating to previously unrecorded income that have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961).

- ix. (a) In our opinion, the Company has not defaulted in repayment of any loans or other borrowings or in the payment of interest thereon to any lender.
- (b) The Company has not been declared willful defaulter by any bank or financial institution or government or any government authority.
- (c) In our opinion and according to the information and explanation given to us by the management term loans were applied for the same purpose for which the loans were obtained.
- (d) On an overall examination of the financial statements of the Company, funds raised on short-term basis have, prima facie, not been used during the year for long-term purposes by the Company.
- (e) According to the information and explanation given to us by the management and examination of the records of the Company, the Company is having investment in associate company. However, the Company has not raised any funds from any entity or person or to meet the obligations of its associate. Accordingly, provisions of the clause 3(ix)(e) of the Order is not applicable to the Company.

(f) According to the information and explanation given to us by the management and examination of the records of the Company, the Company is having investment in associate company. However, the Company has not raised any loan on pledge of securities held in associate Company. Accordingly, provisions of the clause 3(ix)(f) of the Order is not applicable to the Company.

- x. (a) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) during the year and hence reporting under clause 3(x)(a) of the Order is not applicable.
- (b) During the year, the Company has not made any preferential allotment or private placement of shares or convertible debentures (fully or partly or optionally) and hence reporting under clause 3(x)(b) of the Order is not applicable.
- xi. (a) No fraud by the Company and no material fraud on the Company has been noticed or reported during the year.
- (b) No report under sub-section (12) of section 143 of the Companies Act has been filed in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government, during the year and up to the date of this report.
- (c) During the year the company has not received any whistle blower complaints (and up to the date of this report), while determining the nature, timing and extent of our audit procedures.
- xii. The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.
- xiii. In our opinion, the Company is in compliance with Section 177 and 188 of the Companies Act, 2013 with respect to applicable transactions with the related parties and the details of related party transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards.
- xiv. (a) In our opinion the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- (b) We have considered the internal audit reports for the year under audit, issued to the Company during the year and till date, in determining the nature, timing and extent of our audit procedures.
- xv. In our opinion during the year the Company has not entered into any non-cash transactions with its Directors or persons connected with its directors, and hence

provisions of section 192 of the Companies Act, 2013 are not applicable to the Company.

- xvi. (a) In our opinion, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Hence, reporting under clause 3(xvi) (a), (b) and (c) of the Order is not applicable.
- (b) In our opinion, there is no core investment company within the Group (as defined in the Core Investment Companies (Reserve Bank) Directions, 2016) and accordingly reporting under clause 3(xvi)(d) of the Order is not applicable.
- xvii. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- xviii. There has been no resignation of the statutory auditors of the Company during the year.
- xix. On the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the

financial statements and our knowledge of the Board of Directors and Management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report indicating that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.

- xx. In our opinion and according to the information and explanations given to us, there is no unspent amount under sub-section (5) of Section 135 of the Companies Act, 2013 pursuant to any project. Accordingly, clauses 3(xx)(a) and 3(xx)(b) of the Order are not applicable.

Place: Hyderabad
Date: 24.05.2023

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

V Nagendra Rao
Partner

M.No.227679

UDIN: 23227679BGSGVF7133

Annexure “B” to the Independent Auditor’s Report

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

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013 (the “Act”)

We have audited the internal financial controls over financial reporting of SMS Pharmaceuticals Limited (the “Company”) as of March 31, 2023 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

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

Auditor’s Responsibility

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

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

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

Meaning of Internal Financial Controls over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Place: Hyderabad
Date: 24.05.2023

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2023, based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

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

V Nagendra Rao
Partner
M.No.227679

UDIN: 23227679BGSQVF7133

Standalone Balance Sheet

as at 31st March, 2023 (All amounts in Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	Note	As at March 31, 2023	As at March 31, 2022
I	ASSETS			
1	Non-Current Assets			
	(a) Property, Plant and Equipment	4	40,949.96	43,407.10
	(b) Capital Work-in-Progress	4	3,319.05	1,100.40
	(c) Right-of-use Assets	5A	105.23	255.03
	(d) Intangible Assets	6	146.56	137.01
	(e) Financial Assets:			
	(i) Investments	7	4,509.67	4,499.87
	(ii) Bank Balances	8	253.61	260.51
	(iii) Other Financial Assets	9	508.50	502.25
	(f) Other Non-Current Assets	10	561.04	430.05
	Total Non-Current Assets		50,353.62	50,592.22
2	Current Assets			
	(a) Inventories	11	22,349.94	25,109.75
	(b) Financial Assets			
	(i) Trade Receivables	12	14,834.62	4,851.93
	(ii) Cash and Cash Equivalents	13	737.78	4,658.28
	(iii) Bank Balances (Other than (ii) above)	14	9.18	7.73
	(iv) Other Financial Assets	15	660.12	281.66
	(c) Other Current Assets	16	1,896.97	2,350.86
	(d) Current Tax Asset (Net)	17	576.25	444.90
	Total Current Assets		41,064.86	37,705.11
	TOTAL ASSETS		91,418.48	88,297.33
II	EQUITY AND LIABILITIES			
1	Equity:			
	(a) Equity Share Capital	18	846.52	846.52
	(b) Other Equity	19	48,663.47	48,529.50
	Total Equity		49,509.99	49,376.02
2	Liabilities			
A	Non-Current Liabilities			
	(a) Financial Liabilities			
	(i) Borrowings	20	12,113.33	14,950.15
	(ii) Lease Liabilities	5B	61.36	211.44
	(b) Provisions	21	140.45	156.62
	(c) Deferred Tax Liabilities (Net)	22	4,102.00	3,955.07
	Total Non-Current Liabilities		16,417.14	19,273.28
B	Current Liabilities			
	(a) Financial Liabilities			
	(i) Borrowings	23	13,138.01	11,061.22
	(ii) Lease Liabilities	5B	93.99	104.04
	(iii) Trade Payables:	24		
	(a) Trade Payables - MSME		68.93	17.67
	(b) Trade Payables Other than MSME		11,245.87	7,268.11
	(iv) Other Financial Liabilities	25	550.49	675.53
	(b) Provisions	21	104.20	101.64
	(c) Other Current Liabilities	26	289.86	419.82
	Total Current Liabilities		25,491.35	19,648.03
	Total Liabilities		41,908.49	38,921.31
	TOTAL EQUITY AND LIABILITIES		91,418.48	88,297.33
	Summary of Significant Accounting Policies	3		

The accompanying notes are integral part of the Standalone Financial Statements

As per our report of even date

for **SURYANARAYANA & SURESH**

Chartered Accountants

FRN 006631S

V. NAGENDRA RAO

Partner

M.No. 227679

Place: Hyderabad

Date : May 24, 2023

For and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

RAMESH BABU POTLURI

Chairman and Managing Director

DIN No : 00166381

T. LAKSHMI NARAYANA

Chief Financial Officer

VAMSI KRISHNA POTLURI

Executive Director

DIN No : 06956498

T. THIRUMALESH

Company Secretary

M.No.A35824

Standalone Statement of Profit and Loss

for the Year ended 31st March, 2023 (All amounts in Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	Note	For the year ended March 31, 2023	For the year ended March 31, 2022
1	Income			
	Revenue from Operations	27	52,205.14	51,987.43
	Other Income	28	488.56	519.77
	Total Income		52,693.70	52,507.20
2	Expenses			
	Cost of Materials Consumed	29	29,953.20	38,779.78
	Changes in Inventories of finished goods, work-in-progress and stock-in-trade	30	3,608.44	(11,250.47)
	Manufacturing Expenses	31	5,731.47	5,504.14
	Employee Benefits Expense	32	5,504.36	5,102.19
	Finance Cost	33	2,191.50	1,887.54
	Depreciation and Amortization Expense	34	3,212.54	3,215.25
	Other Expenses	35	1,937.23	2,403.30
	Total Expenses		52,138.74	45,641.73
3	Profit Before Tax (1-2)		554.96	6,865.47
4	Tax Expense			
	(a) Current Tax			
	(i) relating to Current Year	36	5.50	1,500.00
	(ii) relating to Earlier Year		(5.92)	(7.96)
	(b) Deferred Tax Liability/(Asset)		146.92	(1,430.22)
	Total Tax Expense		146.50	61.82
5	Profit for the year (3-4)		408.46	6,803.65
6	Other Comprehensive Income / (Loss)			
	Items that will not be reclassified to Profit/Loss			
	(a) Remeasurement gain/(loss) of the defined benefit plans		(27.43)	5.25
	(b) Tax on Remeasurement gain/(loss) of the defined benefit plans	37	6.90	(1.32)
	Other Comprehensive Income/(Loss), After Tax for the year		(20.53)	3.93
7	Total Comprehensive Income for the Year(5+6)		387.93	6,807.58
8	Earnings Per Share (Face Value of Re.1 each)	38		
	- Basic and Diluted		0.48	8.04
	Summary of Significant Accounting Policies	3		

The accompanying notes are integral part of the Standalone Financial Statements

As per our report of even date

for **SURYANARAYANA & SURESH**

Chartered Accountants

FRN 006631S

V. NAGENDRA RAO

Partner

M.No. 227679

Place: Hyderabad

Date : May 24, 2023

For and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

RAMESH BABU POTLURI

Chairman and Managing Director

DIN No : 00166381

T. LAKSHMI NARAYANA

Chief Financial Officer

VAMSI KRISHNA POTLURI

Executive Director

DIN No : 06956498

T. THIRUMALES

Company Secretary

M.No.A35824

Standalone Statement of Changes in Equity

for the Year ended 31st March, 2023 (All amounts in Indian Rupees in Lakhs, unless otherwise stated)

a. Equity Share Capital

Particulars	As at March 31, 2023		As at March 31, 2022	
	Number of Shares	Amount	Number of Shares	Amount
As at the Beginning of the Year	8,46,52,030	846.52	8,46,52,030	846.52
Changes in Equity Share Capital	-	-	-	-
As at the End of the Year	8,46,52,030	846.52	8,46,52,030	846.52

b. Other Equity

Particulars	Reserves & Surplus				
	Securities Premium	Capital Redemption Reserve	General Reserve	Retained Earnings	Total Other Equity
Balance as at April 01, 2021	6,981.84	155.00	8,304.28	26,534.75	41,975.87
Profit for the Year				6,803.65	6,803.65
Other Comprehensive Income/(Loss), After Tax for the year				3.93	3.93
Total Comprehensive Income for the Year	-	-	-	6,807.58	6,807.58
Transfer to General Reserve			1,000.00	(1,000.00)	-
Payment of dividends				(253.95)	(253.95)
Balance as at March 31, 2022	6,981.84	155.00	9,304.28	32,088.38	48,529.50
Balance as at April 01, 2022	6,981.84	155.00	9,304.28	32,088.38	48,529.50
Profit for the Year				408.46	408.46
Other Comprehensive Income/(Loss), After Tax for the year				(20.53)	(20.53)
Total Comprehensive Income for the Year	-	-	-	387.93	387.93
Transfer to General Reserve				-	-
Payment of dividends				(253.96)	(253.96)
Balance as at March 31, 2023	6,981.84	155.00	9,304.28	32,222.35	48,663.47

The accompanying notes are integral part of the Standalone Financial Statements

As per our report of even date

for **SURYANARAYANA & SURESH**

Chartered Accountants

FRN 006631S

V. NAGENDRA RAO

Partner

M.No. 227679

Place: Hyderabad

Date : May 24, 2023

For and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

RAMESH BABU POTLURI

Chairman and Managing Director

DIN No : 00166381

T. LAKSHMI NARAYANA

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VAMSI KRISHNA POTLURI

Executive Director

DIN No : 06956498

T. THIRUMALESH

Company Secretary

M.No.A35824

Standalone Statement of Cash Flow

for the Year ended 31st March, 2023 (All amounts in Indian Rupees in Lakhs, unless otherwise stated)

S No	Particulars	For the Year ended March 31, 2023	For the Year ended March 31, 2022
A	Cash Flow from Operating Activities		
	Profit Before Tax	554.96	6,865.47
	Adjustments for:		
	Depreciation and Amortisation Expense	3,212.54	3,215.25
	Interest Income	(14.31)	(30.52)
	Interest on lease liability	22.30	41.72
	Interest on Borrowings	2,070.46	1,728.90
	Provision for Employee Benefits	(34.14)	(4.15)
	Amortisation of Transaction Cost on Borrowings	16.69	19.08
	Profit on Sale of Assets	(1.75)	(0.57)
	Loss on Sale of Assets	7.19	0.37
		5,833.94	11,835.55
	Change in Operating Assets and Liabilities		
	(Increase)/Decrease in Trade Receivables	(9,982.69)	5,716.05
	(Increase)/Decrease in Inventories	2,759.81	(11,331.02)
	(Increase)/Decrease in Other Non Current Financial Assets	(6.25)	(155.81)
	(Increase)/Decrease in Other Non Current Asset	(130.98)	133.23
	(Increase)/Decrease in Other Current Financial Assets	(378.46)	953.63
	(Increase)/Decrease in Other Current Assets	468.17	(1,350.02)
	(Increase)/Decrease in Prepaid Taxes	329.07	(145.84)
	Increase/(Decrease) in Trade Payables	4,029.02	741.76
	Increase/(Decrease) in Other Current Liabilities	(216.63)	(399.52)
		(3,128.94)	(5,837.54)
	Cash generated from Operations	2,705.00	5,998.01
	Income Taxes Paid	(460.00)	(1,492.04)
	Net Cash Inflow from Operating Activities "A"	2,245.00	4,505.97
B	Cash flow from Investing Activities		
	Purchase of Property, Plant and Equipment	(2,992.07)	(2,724.74)
	Sale of Property, Plant and Equipment	26.33	1.71
	Investment in LLP	(9.80)	-
	Margin Money Deposits	(8.88)	(19.83)
	Interest Received on Margin Money Deposit	15.81	27.56
	Net Cash Inflow (Outflow) from Investing Activities "B"	(2,968.61)	(2,715.30)

Standalone Statement of Cash Flow

for the Year ended 31st March, 2023 (All amounts in Indian Rupees in Lakhs, unless otherwise stated)

S No	Particulars	For the Year ended March 31, 2023	For the Year ended March 31, 2022
C	Cash Flow from Financing Activities		
	Proceeds from Long Term Borrowings	941.37	4,518.99
	Repayment of Long Term Borrowings	(4,305.79)	(3,283.60)
	Proceeds from Short Term Borrowings	2,587.71	88.89
	Repayment of Short Term Borrowings	-	(383.53)
	Interest paid on Borrowings	(2,092.76)	(1,770.62)
	Repayment of Lease Liability	(73.46)	(90.88)
	Dividend Paid to Company's Shareholders	(253.96)	(253.95)
	Net Cash Inflow (Outflow) from Financing Activities "C"	(3,196.89)	(1,174.70)
	Net Increase (Decrease) in Cash and Cash Equivalents (A+B+C)	(3,920.50)	615.97
	Cash and Cash Equivalents at the beginning of the Financial Year	4,658.28	4,042.31
	Cash and Cash Equivalents at end of the Year	737.78	4,658.28

The accompanying notes are integral part of the Standalone Financial Statements

1. The Cash Flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) Statement of Cash Flows.
2. Previous year figures have been regrouped/reclassified to confirm to current year classification.

As per our report of even date
for SURYANARAYANA & SURESH
 Chartered Accountants
 FRN 006631S

For and on behalf of the Board of the Directors of
SMS Pharmaceuticals Limited

V. NAGENDRA RAO
 Partner
 M.No. 227679

RAMESH BABU POTLURI
 Chairman and Managing Director
 DIN No : 00166381

VAMSI KRISHNA POTLURI
 Executive Director
 DIN No : 06956498

Place: Hyderabad
 Date : May 24, 2023

T. LAKSHMI NARAYANA
 Chief Financial Officer

T. THIRUMALESH
 Company Secretary
 M.No.A35824

Notes to the Standalone Financial Statements

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

1. Corporate Information:

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

2. Basis of preparation of Standalone Financial Statements

2.1 Statement of Compliance

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

These standalone financial statements have been prepared by the Company as a going concern on the basis of relevant Ind AS that are effective at the Company's annual reporting date, March 31, 2023. These Standalone Financial Statements for the year ended t March 31, 2023 were authorized and approved for issue by the Board of Directors on May 24, 2023.

3. Summary of Significant Accounting Policies:

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

3.1 Basis of Measurement

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

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

3.2 Current and Non- Current Classification:

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

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

Notes to the Standalone Financial Statements

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

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

3.3 Revenue Recognition:

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

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

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

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

(i) Revenue from Sale of Goods:

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

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

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

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

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

(ii) Revenue from Sale of Services:

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

(iii) Export incentives:

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

(iv) Dividend Income:

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

Notes to the Standalone Financial Statements

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

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

(v) Interest Income:

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

3.4 Foreign Currency Transactions:

i. Functional and Presentation Currency:

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

ii. Initial Recognition:

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

iii. Conversion on Reporting Date:

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

iv. Exchange Differences:

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

3.5 Property, Plant and Equipment:

(a) Recognition and Initial Measurement

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

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

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

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

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

(b) Subsequent Measurement (Depreciation and Useful Lives)

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

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

Cost of the leasehold land is amortized on a straight-line basis over the term of the lease. Depreciation on

Notes to the Standalone Financial Statements

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

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

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

(c) De-recognition

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

(d) Capital advances

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

(e) Capital work-in-progress

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

3.6 Intangible Assets:

(a) Recognition and Initial Measurement

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

(b) Subsequent measurement (amortization):

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

3.7 Leases:

The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset

for a period of time in exchange for consideration. Effective April 1, 2019, the Company adopted Ind AS 116 "Leases", applied to all lease contracts existing on April 1, 2019 using the modified retrospective method.

Company as a lessee

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

i) Right-of-use assets

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

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

ii) Lease Liabilities

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

Notes to the Standalone Financial Statements

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

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

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

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

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

3.8 Inventories:

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

Finished goods and work in progress are valued at the lower of cost and net realizable value. Cost of work in progress and manufactured finished goods is determined on weighted average basis and comprises cost of direct

material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition. Cost of traded goods is determined on weighted average basis.

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

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

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

3.9 Cash and Cash Equivalents:

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

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

3.10 Trade Receivables:

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance.

Notes to the Standalone Financial Statements

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

3.11 FINANCIAL INSTRUMENTS

(a) Financial Assets

(i) Initial recognition and measurement

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

(ii) Subsequent measurement

a. Debt instruments –

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

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

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

b. Equity investments –

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

Investment in Associates, Subsidiaries and Joint Venture:

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

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

(iii) De-recognition of financial assets

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

(b) Financial liabilities

(i) Initial Recognition and Measurement

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

(ii) Subsequent Measurement

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

(iii) De-recognition of Financial Liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the

Notes to the Standalone Financial Statements

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

terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(c) Financial Guarantee Contracts

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

(d) Offsetting of Financial Instruments

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

(e) Impairment of Financial Assets

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

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

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

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

(f) Trade Receivables

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

(g) Other Financial Assets

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

3.12 Impairment of Non-Financial Assets

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

3.13 Income Taxes:

Current Income Tax

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

Deferred Income Tax

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

Notes to the Standalone Financial Statements

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

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

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

3.14 Segment Reporting:

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

3.15 Government Grants:

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

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

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

Government grants relating to loans or similar assistance with an interest rate below the current applicable market rate are initially recognized and measured at fair value. The effect of this favorable interest is regarded as a

government grant and is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

3.16 Borrowings:

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

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

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

3.17 Borrowing Cost

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

3.18 Provisions

Provisions are recognized when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow

Notes to the Standalone Financial Statements

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

of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

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

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

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

3.19 Trade and other Payables:

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

3.20 Dividends

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

3.21 Equity:

Ordinary Shares are classified as Equity share Capital. Incremental costs directly attributable to the issue of new ordinary shares or share options and buy back are

recognized as a deduction from equity, net of tax effects, if any.

3.22 Research and Development:

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

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

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

3.23 Post Employee Benefits:

(a) Defined Contribution Plan:

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

(b) Defined Benefit Plan:

The Company has gratuity as defined benefit plan where the amount that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The liability recognized in the balance sheet for defined benefit plans as the present value of the defined benefit obligation (DBO) at the reporting date. Management estimates the DBO annually with the assistance of independent actuaries as per the requirements of

Notes to the Standalone Financial Statements

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

IND AS 19 "Employee Benefits". Actuarial gains and losses resulting from re-measurement of the liability are included in other comprehensive income.

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

(c) Other Long-Term Employee Benefits

The Company also provides benefit of compensated absences to its employees which are in the nature of long-term benefit plan. Liability in respect of compensated absences becoming due and expected to be availed more than one year after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method as on the reporting date as per the requirements of IND AS "Employee Benefits". Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded in the statement of profit and loss in the year in which such gains or losses arise..

(d) Short-Term Employee Benefits

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

3.24 Earnings per Share:

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

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity

shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

3.25 Contingent Liabilities and Commitments:

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

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

Contingent Assets are neither recognized nor disclosed. However, when realization of Income is virtually certain, related asset is recognized.

3.26 Exceptional Items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Company. These are material items of income or expense that have to be shown separately due to the significance of their nature or amount.

3.27 Fair Value Measurement

The Company measures Financial Instruments at fair value at each Balance Sheet Date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for such asset or liability, or in the absence of a principal market, in the most advantageous market which is accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Notes to the Standalone Financial Statements

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the standalone financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted market prices) in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurements is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

3.28 Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the standalone financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company.

(i) Recognition of Deferred Tax Assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

(ii) Recognition of Deferred Tax Liability on Undistributed Profits:

The extent to which the Company can control the timing of reversal of deferred tax calculation on undistributed profits of its subsidiaries requires judgment.

(iii) Evaluation of Indicators for Impairment of Assets:

The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

(iv) Recoverability of Advances/Receivables:

At each balance sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding receivables and advances.

(v) Useful lives of Depreciable/Amortizable Assets:

Management reviews its estimate of the useful lives of depreciable/amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain software, customer relationships, IT equipment and other plant and equipment.

(vi) Defined Benefit Obligation (DBO):

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, medical cost trends, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

(vii) Fair Value Measurements:

Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

(viii) Provisions:

At each balance sheet date the management judgment, changes in facts and legal aspects, the Company assesses the requirement of provisions against the outstanding warranties and guarantees. However, the actual future outcome may be different from this judgment.

Notes to the Standalone Financial Statements

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

3.29 Recent Accounting Pronouncements:

The Ministry of Corporate Affairs (MCA) notifies new standard or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On March 31, 2023, MCA amended the Companies (Indian Accounting Standards) Rules, 2015, by issuing the companies (Indian Accounting Standards) Amendment Rules, 2023, applicable from April 1, 2023, as below:

Ind AS 1 – Presentation of Financial Statements

The amendments require companies to disclose their material accounting policies rather than their significant accounting policies. Accounting policy information, together with other information, is material when it can reasonably be expected to influence decisions of primary users of general purpose financial statements. The Company does not expect this amendment to have any significant impact in its financial statements.

Ind AS 12 – Income Taxes

The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of Ind AS 12 (recognition exemption) so that it no longer

applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The Company has evaluated the amendment and there is no impact on its financial statements.

Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

The amendments will help entities to distinguish between accounting policies and accounting estimates. The definition of a change in accounting estimates has been replaced with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The Company does not expect this amendment to have any significant impact in its financial statements.

3.30 Rounding of Amounts:

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs as per the requirement of Schedule III of the Companies Act, 2013 unless otherwise stated.

Notes to the Standalone Financial Statements

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

4 Property, Plant and Equipment

Particulars	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
		Land	Buildings	Plant & Machinery	Pollution Control Equipment	Data Processing Equipment	Furniture & Fixtures	Office Equipment	Vehicles	Others	Total	Capital Work-in-Progress
I Year Ended March 31, 2022												
a Gross Carrying Amount												
1 Opening Gross Carrying Amount		421.30	12,328.32	40,624.48	715.11	184.14	226.93	119.05	373.71	149.16	55,142.20	674.37
2 Additions		-	676.39	507.24	-	11.80	11.80	6.27	14.74	3.59	1,231.83	1,626.07
3 Disposals/Transfers		-	-	(6.00)	-	-	-	-	-	-	(6.00)	(1,200.04)
4 Closing Gross Carrying Amount as at March 31, 2022 (1+2+3)		421.30	13,004.71	41,125.72	715.11	195.94	238.73	125.32	388.45	152.75	56,368.03	1,100.40
b Accumulated Depreciation and Impairment												
5 Opening Accumulated Depreciation		-	1,386.01	7,917.32	94.91	108.05	72.17	50.46	232.18	55.70	9,916.80	-
6 Depreciation Charge during the Year		-	431.28	2,422.63	39.25	38.33	20.67	20.90	49.89	25.66	3,048.61	-
7 Disposals		-	-	(4.48)	-	-	-	-	-	-	(4.48)	-
8 Closing Accumulated Depreciation and Impairment as at March 31, 2022 (5+6+7)		-	1,817.29	10,335.47	134.16	146.38	92.84	71.36	282.07	81.36	12,960.93	-
c Net Carrying Amount as at March 31, 2022 (4-8)		421.30	11,187.42	30,790.25	580.95	49.56	145.89	53.96	106.38	71.39	43,407.10	1,100.40
II Year Ended March 31, 2023												
a Gross Carrying Amount												
1 Opening Gross Carrying Amount		421.30	13,004.71	41,125.72	715.11	195.94	238.73	125.32	388.45	152.75	56,368.03	1,100.40
2 Additions		-	73.40	508.24	5.77	17.81	5.73	1.50	40.71	-	653.16	2,632.64
3 Disposals/Transfers		-	-	(46.63)	-	-	-	-	(7.90)	-	(54.53)	(413.99)
4 Closing Gross Carrying Amount as at March 31, 2023 (1+2+3)		421.30	13,078.11	41,587.33	720.88	213.75	244.46	126.82	421.26	152.75	56,966.66	3,319.05
b Accumulated Depreciation and Impairment												
5 Opening Accumulated Depreciation		-	1,817.29	10,335.47	134.16	146.38	92.84	71.36	282.07	81.36	12,960.93	-
6 Depreciation Charge during the Year		-	448.81	2,456.31	39.38	28.21	22.00	18.96	38.87	26.00	3,078.54	-
7 Disposals		-	-	(15.38)	-	-	-	-	(7.39)	-	(22.77)	-
8 Closing Accumulated Depreciation and Impairment as at March 31, 2023 (5+6+7)		-	2,266.10	12,776.40	173.54	174.59	114.84	90.32	313.55	107.36	16,016.70	-
c Net Carrying Amount as at March 31, 2023 (4-8)		421.30	10,812.01	28,810.93	547.34	39.16	129.62	36.50	107.71	45.39	40,949.96	3,319.05

Notes to the Standalone Financial Statements

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

4 Property, Plant and Equipment (Contd..)

4.1 Property, Plant and Equipment includes relating to Research and Development activities (Refer Note. 41).

4.2 Pledge on Property, Plant and Equipment :

- (i) Refer Note 50 for disclosure of contractual commitments for the acquisition of property, plant and equipment for an amount of ₹ 1401.95 lakhs (31st March 2022 ₹ 898.51 lakhs)
- (ii) The company has participated in the e-auction conducted by State Bank of India (Bank) and become successful bidder for the property situated at Jubilee Hills, Hyderabad for a sum of ₹ 1055.00 Lakhs. The owner of the property has litigated with the Bank and filed case with Debt Recovery Tribunal (DRT), Hyderabad wherein the Company also impleaded and subsequently DRT has cancelled e-auction due to technical issue. Aggrieved by the order of DRT, the company has filed an appeal before the Hon'ble Debt Recovery Appellate Tribunal (DRAT), Kolkatta and dismissed the appeal on the grounds which DRT observed. Aggrieved by the DRAT order, the company has filed a Writ Petition before the Hon'ble High Court of Telangana. The Hon'ble High Court of Telangana has allowed our Writ Petition vide order dated 10th January 2023. The Company has paid Sale Consideration along with interest of ₹ 342.60 Lakhs to Bank as per the Court order. The bank has registered the Sale of Certificate in the name of our Company in the sub-registrar office, Banjara Hills, Hyderabad. Subsequently, the owner of the property has filled Special Leave Petition before the Hon'ble Supreme Court of India and same has been dismissed. The total consideration along with interest has been shown in capital work in progress.

4.3 Refer Note 40 for information on Property, Plant and Equipment pledged as security by the Company

4.4 Capital work-in-progress (CWIP) ageing Schedule :

Particulars	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
For the year ended March 31, 2023					
Projects in progress	2,218.65	1,065.40	-	35.00	3,319.05
Projects temporarily suspended	-	-	-	-	-

The amount of ₹ 35.00 Lakhs shown above under 'more than 3 years' category is the cost incurred towards purchase of software and the same was not yet installed.

Particulars	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
For the year ended March 31, 2022					
Projects in progress	1,065.40	-	-	35.00	1,100.40
Projects temporarily suspended	-	-	-	-	-

The amount of ₹ 35.00 Lakhs shown above under 'more than 3 years' category is the cost incurred towards purchase of software and the same was not yet installed.

Notes to the Standalone Financial Statements

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

5 Right of Use Assets and Lease Liability

The Company has adopted Ind AS 116 - Leases with effect from 01.04.2019 using modified restrospective method . This has resulted in recognizing right of use assets and lease liability as on 01.04.2019.

5A Right of Use Assets

Following are the changes in the carrying value of right of use assets for the year ended March 31, 2023 and March 31,2022 :

Particulars	As at March 31, 2023	As at March 31, 2022
On account of adoption of Ind AS	541.95	541.95
Opening Balance	255.03	350.67
Reclassification on change in Lease liability	86.67	-
Depreciation	63.13	95.64
Closing Balance	105.23	255.03

The aggregate depreciation expense on ROU assets is included under depreciation and amortization expense in the statement of Profit and Loss.

5B Lease Liability

The following is the movement in lease liabilities during the year ended March 31,2023 and March 31,2022 :

Particulars	As at March 31, 2023	As at March 31, 2022
On account of adoption of Ind AS 116	541.95	-
Opening Balance	315.48	406.35
Reclassification on change in Lease liability	86.67	-
Finance cost accrued during the year	22.30	41.72
Payment of lease liabilities	95.76	132.60
Closing Balance	155.35	315.48

The following is the breakup of current and non-current lease liabilities as at March 31,2023 and March 31,2022 :

Particulars	As at March 31, 2023	As at March 31, 2022
Non-current lease liabilities	61.36	211.44
Current lease liabilities	93.99	104.04
Total	155.35	315.48

The table below provides details regarding the contractual maturities of lease liabilities as at 31st March, 2023 on an undiscounted basis

Particulars	As at March 31, 2023	As at March 31, 2022
Less than one year	106.98	134.64
One to five years	63.71	232.25
More than five years	-	-
Total	170.69	366.89

Notes to the Standalone Financial Statements

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

5 Right of Use Assets and Lease Liability (Contd..)

The Company do not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

The Company has also taken lease for office premises in Vishakapatnam and the said lease is revocable by either of the parties with three months prior intimation. During the year, the company has paid lease rental of ₹ 3.06 lakhs (Previous Year ₹ 4.45 lakhs).

Hence, disclosure requirement under Ind AS 17 "Leases" is not required.

5.1 Operating Lease Commitments - Company as Lessor :

The Company has given on Lease of its part premises in R & D Gagilapur for an amount of ₹ 0.61 lakhs per month on lease to an associate company . The company has also given for sub lease of part of its corporate office building to associate company. The Company has recognized income for total amount of ₹ 21.66 lakhs (Previous Year ₹ 60.43 lakhs) under the head of other income.

6 Intangible Assets

Particulars	Computer Software	Patents	Total
(1)	(2)	(3)	(4)
I Year Ended March 31, 2022			
a Gross Carrying Amount			
1 Opening Gross Carrying Amount as at April 01, 2021	68.38	223.02	291.40
2 Additions	4.60	43.17	47.77
3 Closing Gross Carrying Amount as at March 31, 2022 (1+2)	72.98	266.19	339.17
b Accumulated Amortisation and Impairment			
4 Opening Accumulated Amortisation as at April 01, 2021	56.67	74.49	131.16
5 Amortisation Charge during the year	5.97	65.03	71.00
6 Closing Accumulated Amortisation and Impairment as at March 31, 2022 (4+5)	62.64	139.52	202.16
c Closing Net Carrying Amount as at March 31, 2022 (3-6)	10.34	126.67	137.01
II Year Ended March 31, 2023			
a Gross Carrying Amount			
1 Opening Gross Carrying Amount as at April 01, 2022	72.98	266.19	339.17
2 Additions	-	80.42	80.42
3 Closing Gross Carrying Amount as at March 31, 2023 (1+2)	72.98	346.61	419.59
b Accumulated Amortisation and Impairment			
4 Opening Accumulated Amortisation as at April 01, 2022	62.64	139.52	202.16
5 Amortisation Charge during the year	4.46	66.41	70.87
6 Closing Accumulated Amortisation and Impairment as at March 31, 2023 (4+5)	67.10	205.93	273.03
c Closing Net Carrying Amount as at March 31, 2023 (3-6)	5.88	140.68	146.56

Notes to the Standalone Financial Statements

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

Non Current Financial Assets - Unsecured, Considered good

7 Non-Current Investments

Particulars	As at March 31, 2023		As at March 31, 2022	
	No. of Shares	Amount	No. of Shares	Amount
(Unquoted, carried at cost)				
(i) Investment in Associates (fully paid up)				
Equity Shares of ₹ 10/- each in M/s. VKT Pharma Pvt. Ltd.	38,50,165	4,499.87	38,50,165	4,499.87
(ii) Investment in LLP				
Provenio Astral International LLP	4.90%	9.80	-	-
Total		4,509.67		4,499.87
Aggregate amount of unquoted investments		4,509.67		4,499.87
Aggregate amount of quoted investments and market value thereof		-		-
Aggregate amount of impairment in the value of investment		-		-

7.1 As on March 31, 2023, the Company is holding 36.55 % (March 31, 2022 36.55%) of the total Paid up Equity Capital of the said Associate Company.

7.2 The Company has invested for an amount of ₹ 9.80 lakhs in “Provenio Astral International LLP” which consist of 4.90%(March 31,2022 NIL) of total capital.

8 Bank Balances

Particulars	As at March 31, 2023	As at March 31, 2022
Margin Money Deposits	253.61	260.51
Total	253.61	260.51

8.1 Margin Money Deposits are subject to the first charge against Bank guarantees and /are Letters of Credit.

9 Other Non-Current Financial Assets

Particulars	As at March 31, 2023	As at March 31, 2022
Security Deposits	508.50	502.25
Total	508.50	502.25

10 Other Non-Current Assets

Particulars	As at March 31, 2023	As at March 31, 2022
Capital Advances	561.04	430.05
Total	561.04	430.05

Notes to the Standalone Financial Statements

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

10 Other Non-Current Assets (Contd..)

10.1 An amount of ₹ 304.91 lakhs was included in the Capital Advances paid on account of land admeasuring AC 23.00 in JNPC, Parwada, Visakhapatnam District, and the amount so paid is equivalent to 100% land cost to APIIC and about 80% of development cost to Ramky Pharmacy respectively. Due to the cancellation of part of land allotted to the company in earlier, the company has filed a Writ Petition before the Hon'ble High Court and the Court has granted stay which is pending.

11 Inventories

Particulars	As at March 31, 2023	As at March 31, 2022
(Cost or Net Realisable Value, whichever is lower and as valued and certified by the management)		
Raw Materials	7,865.76	6,998.15
Stock-in-Process	10,590.22	11,894.55
Finished Goods	3,838.26	6,142.38
Coal & Fuel	55.70	74.67
Total	22,349.94	25,109.75

11.1 Raw material includes stock in transit of ₹ 155.68 lakhs (March 31, 2022 ₹ 916.06 lakhs).

11.2 Finished Goods includes stock in transit of ₹ 628.19 lakhs (March 31, 2022 ₹ 248.25 lakhs).

12 Trade Receivables

Particulars	As at March 31, 2023	As at March 31, 2022
Current - Unsecured		
(i) Considered Good	14,834.62	4,851.93
(ii) Credit Impaired	10.49	10.49
	14,845.11	4,862.42
Less: Allowance for Credit Impaired	10.49	10.49
Total	14,834.62	4,851.93

- No trade or other receivables are due from directors or other officers of the Company either severally or jointly with any other person.
- Trade receivables are non-interest bearing and are generally on terms of 30 - 120 days.
- Of the trade receivables balance, ₹ 5,168.18 in aggregate (as at March 31, 2022 ₹ 2,275.77) is due from the Company's customers individually representing more than 5 % of the total trade receivables balance.
- During the reporting period the company has not provided doubtful debts by considering the track record of receivables and continued the existing provision on doubtful debts.
- Trade Receivables includes an amount of ₹ 1085.97 lakhs (March 31, 2022 ₹ 395.09 lakh) receivable from VKT Pharma Pvt Ltd who is related party (Refer Note.48).

Notes to the Standalone Financial Statements

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

12 Trade Receivables (Contd..)

Movement in the expected credit loss allowance

Particulars	As at March 31, 2023	As at March 31, 2022
Balance at the beginning of the year	10.49	10.49
Movement in expected credit loss allowance on trade receivables	-	-
Balance at the end of the year	10.49	10.49

Trade Receivables ageing schedule for the year ended March 31, 2023:

Particulars	Outstanding from due date of payment						Total
	Not Due	Less than 6 months	6 months - 1 year	1- 2 years	2-3 years	More than 3 years	
i) Undisputed Trade receivables - considered good	11,255.01	3,421.07	150.82	7.72	-	-	14,834.62
ii) Undisputed Trade receivables - which have significant increase in credit risk	-	-	-	-	-	-	-
iii) Undisputed Trade receivables - credit impaired	-	-	9.98	0.51	-	-	10.49
iv) Disputed Trade receivables	-	-	-	-	-	-	-
Total	11,255.01	3,421.07	160.80	8.23	-	-	14,845.11

Trade Receivables ageing schedule for the year ended March 31, 2022:

Particulars	Outstanding from due date of payment						Total
	Not Due	Less than 6 months	6 months - 1 year	1- 2 years	2-3 years	More than 3 years	
i) Undisputed Trade receivables - considered good	3,183.27	1,594.37	53.85	20.44	-	-	4,851.93
ii) Undisputed Trade receivables - which have significant increase in credit risk	-	-	-	-	-	-	-
iii) Undisputed Trade receivables - credit impaired	-	-	7.60	2.89	-	-	10.49
iv) Disputed Trade receivables	-	-	-	-	-	-	-
Total	3,183.27	1,594.37	61.45	23.33	-	-	4,862.42

13 Cash and Cash Equivalents

Particulars	As at March 31, 2023	As at March 31, 2022
(i) Balances with Banks		
- in Current Accounts	716.42	3,381.81
- in Deposit Accounts	7.00	1,200.00
- in EEFC account	6.76	69.63
(ii) Cash on Hand	7.60	6.84
Total	737.78	4,658.28

Notes to the Standalone Financial Statements

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

14 Bank Balances Other than Cash and Cash Equivalents

Particulars	As at March 31, 2023	As at March 31, 2022
Balances in Unclaimed Dividend Accounts	9.18	7.73
Total	9.18	7.73

15 Other Current Financial Assets

Particulars	As at March 31, 2023	As at March 31, 2022
(unsecured, considered good)		
Export Incentive Receivable	20.86	27.57
GST Refund Receivable	601.76	252.61
Interest Receivable	37.50	1.48
Total	660.12	281.66

16 Other Current Assets

Particulars	As at March 31, 2023	As at March 31, 2022
(unsecured, considered good)		
GST Credit Receivable	1,002.76	1,261.96
Prepaid Expenses	493.25	330.74
Advances to Suppliers	325.31	433.99
Export Incentives Receivable against RODTEP/MEIS	48.55	279.09
Other Advances and Receivables	27.10	45.08
Total	1,896.97	2,350.86

17 Current Tax Assets (Net)

576.25

444.90

17.1 Current Tax Assets/(Liabilities)

Particulars	As at March 31, 2023	As at March 31, 2022
Advance Income Tax	534.11	1,872.02
TDS Receivable	47.28	60.80
TCS Receivable	0.36	12.08
Less: Provision for Income Tax	5.50	1,500.00
Total	576.25	444.90

Notes to the Standalone Financial Statements

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

18 Equity Share Capital

Particulars	As at March 31, 2023		As at March 31, 2022	
	No. of Shares	Amount	No. of Shares	Amount
Authorised Share Capital				
Equity Shares of Re. 1/- each	12,00,00,000	1,200.00	12,00,00,000	1,200.00
Issued, Subscribed and Fully Paid Up				
Equity Shares of Re. 1/- each	8,46,52,030	846.52	8,46,52,030	846.52
Total	8,46,52,030	846.52	8,46,52,030	846.52

18.1 Reconciliation of Number of Equity Shares outstanding at the Beginning and at the End of the Year

Particulars	As at March 31, 2023		As at March 31, 2022	
	No. of Shares	Amount	No. of Shares	Amount
Equity Shares				
At the Beginning of the Year	8,46,52,030	846.52	8,46,52,030	846.52
Add: Issued/(Reduced) during the Year	-	-	-	-
At the End of the Year	8,46,52,030	846.52	8,46,52,030	846.52

18.2 Rights attached to Equity Shares

The Company has only one class of equity shares having face value of Re. 1 per share. The Company declares and pays dividends in Indian rupees. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. Every holder of equity shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

18.3 Details of Shareholders holding more than 5% shares in the Company

Particulars	As at March 31, 2023		As at March 31, 2022	
	No. of Shares	% holding	No. of Shares	% holding
Ramesh Babu Potluri	1,56,53,060	18.49%	1,55,53,060	18.37%
Hima Bindu Potluri	1,47,88,840	17.47%	1,47,88,840	17.47%
Vamsi Krishna Potluri	1,33,28,370	15.74%	1,33,28,370	15.74%
Potluri Infra Projects LLP	73,46,420	8.68%	73,46,420	8.68%

Notes to the Standalone Financial Statements

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

18 Equity Share Capital (Contd.)

18.4 Details of shares held by the promoters of the Company:

Equity Shares held by promoters as at March 31, 2023 and March 31, 2022

Promoter Name	March 31, 2023			March 31, 2022		
	No. of shares	% of total shares	% Change during the year	No. of shares	% of total shares	% Change during the year
Ramesh Babu Potluri	1,56,53,060	18.49%	0.64%	1,55,53,060	18.37%	-
Hima Bindu Potluri	1,47,88,840	17.47%	-	1,47,88,840	17.47%	-
Vamsi Krishna Potluri	1,33,28,370	15.74%	-	1,33,28,370	15.74%	-
Potluri Infra Projects LLP	73,46,420	8.68%	-	73,46,420	8.68%	-
Trilok Potluri	21,88,000	2.58%	-	21,88,000	2.58%	52.86%
Sudeepthi Gopineedi *	13,45,000	1.59%	-	13,45,000	1.59%	-
Venkata Praveen Talluri *	12,95,340	1.53%	-	12,95,340	1.53%	-
Potluri Laboratories Private Limited	11,20,320	1.32%	-	11,20,320	1.32%	-

* Reclassified from Promoter Category to Public Category with effect from May 05, 2022.

18.5 Distributions made and proposed

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Cash dividends on equity shares declared and paid:		
Interim/final dividend for the financial year 2021-22 and 2020-21 : Re.0.30 per Share	253.96	253.95
Dividend distribution tax on interim/final dividend	-	-
Total	253.96	253.95
Proposed dividends on equity shares:		
Dividend for the FY 2022-23*and FY 2021-22 : Re.0.30 per Share	253.96	253.96
Dividend Distribution Tax on Proposed Dividend	-	-
Total	253.96	253.96

*The Board of Directors of the Company in their meeting held on May 24, 2023 has recommended the dividend for distribution to equity shareholders of Re. 0.30 per each equity share (face value Re.1/-) for the financial year 2022-23.

Proposed dividend on equity shares are subject to approval at the Annual General Meeting, hence, the company has not recognised it as a liability as at March 31, 2023.

Notes to the Standalone Financial Statements

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

19 Other Equity

Particulars	As at March 31, 2023	As at March 31, 2022
Reserves and Surplus		
Securities Premium	6,981.84	6,981.84
Capital Redemption Reserve	155.00	155.00
General Reserve	9,304.28	9,304.28
Retained Earnings	32,222.35	32,088.38
Total	48,663.47	48,529.50

19.1 Securities Premium Reserve

Particulars	As at March 31, 2023	As at March 31, 2022
Opening Balance	6,981.84	6,981.84
Adjustments	-	-
Closing Balance	6,981.84	6,981.84

19.2 Capital Redemption Reserve

Particulars	As at March 31, 2023	As at March 31, 2022
Opening Balance	155.00	155.00
Adjustments	-	-
Closing Balance	155.00	155.00

19.3 General Reserve

Particulars	As at March 31, 2023	As at March 31, 2022
Opening Balance	9,304.28	8,304.28
Transferred from Statement of Profit & Loss	-	1,000.00
Closing Balance	9,304.28	9,304.28

19.4 Retained Earnings

Particulars	As at March 31, 2023	As at March 31, 2022
(a) Opening Balance	32,088.38	26,534.75
(b) Net Profit for the Year	408.46	6,803.65
(c) Transferred to General Reserve	-	(1,000.00)
(d) Dividends (Including Tax)	(253.96)	(253.95)

Notes to the Standalone Financial Statements

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

19 Other Equity (Contd..)

Particulars	As at March 31, 2023	As at March 31, 2022
(e) Items of Other Comprehensive Income		
Remeasurement Gain/(Loss) of the defined benefit plans	(20.53)	3.93
Closing Balance	32,222.35	32,088.38

19.5 Nature and Purpose of Reserves

(a) Securities Premium Reserve:

Securities Premium Reserve is to record the premium on issue of shares. The reserve will be utilised in accordance with the provisions of the Companies Act, 2013.

(b) Capital Redemption Reserve:

The Company has recognized Capital Redemption reserve on buy back of equity shares. The amount in capital redemption reserve is equal to nominal amount of the equity shares bought back. This reserve will be utilized in accordance with Section 69 of the Companies Act, 2013.

(c) General Reserve:

General Reserves represent amounts transferred from retained earnings in earlier years under the provisions of the erstwhile Companies Act, 1956. Mandatory transfer to general reserve is not required under the Companies Act, 2013.

(d) Retained Earnings:

These are the accumulated earnings after appropriation of total comprehensive income and related transfers. The company uses retained earnings in accordance with the provisions of the Companies Act.

(e) Analysis of items of OCI, net of tax

Re-measurements of defined benefit plans (Refer Note 39).

Re-measurements of defined plans comprises actuarial gains and losses and return on plan assets.

Financial Liabilities

20 Non Current Borrowings

20.1 Secured (Refer Note.20.1.1)

Particulars	As at March 31, 2023	As at March 31, 2022
Term Loans from Banks		
(a) IDBI Bank Ltd Loan-2	772.62	-
(b) Export Import Bank Loan WCTL	148.58	722.18
(c) Export Import Bank Loan RTL	3,176.92	4,459.73
(d) State Bank of India	2,440.18	3,421.52
(e) RBL (WCTL GECL)Bank	565.02	847.52

Notes to the Standalone Financial Statements

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

20 Non Current Borrowings (Contd..)

Particulars	As at March 31, 2023	As at March 31, 2022
(f) IDBI WCTL GECL -1	565.00	860.20
(g) IDBI WCTL GECL -2	540.80	590.00
(h) EXIM BANK GECL	1,575.48	1,609.00
(i) SBI WCTL GECL	2,208.73	2,320.00
Sub Total	11,993.33	14,830.15

20.2 Unsecured(Refer Note.20.2.1)

Particulars	As at March 31, 2023	As at March 31, 2022
DSIR Assistance	120.00	120.00
Total	12,113.33	14,950.15

20.3 Current Maturities of Non Current Borrowings

Particulars	As at March 31, 2023	As at March 31, 2022
Secured		
Term Loans from Banks		
(i) IDBI Bank Ltd - Loan-1	-	1,697.57
(ii) IDBI Bank Ltd - Loan-2	150.00	-
(iii) Export Import Bank Loan WCTL	575.00	425.00
(iv) Export Import Bank Loan RTL	1,287.00	887.25
(v) State Bank of India	990.00	682.50
(vi) RBL (WCTL GECL)Bank	282.48	282.48
(vii) IDBI WCTL GECL - 1	295.20	295.20
(viii) IDBI WCTL GECL -2	49.20	-
(ix) EXIM BANK GECL	33.52	-
(x) SBI WCTL GECL	96.68	-
Total	3,759.08	4,270.00
Amount disclosed under the head "Current Borrowings"	(3,759.08)	(4,270.00)
Total	-	-

20.1.1 Security Terms

- Term Loans availed from IDBI Bank Limited (IDBI Bank), State Bank of India (SBI) and Export-Import Bank of India (Exim Bank) are secured by first charge on all movable and immovable fixed assets of the company both present and future on pari-passu basis. They are further secured by second charge on current assets both present and future on pari-passu basis. These facilities are guaranteed by Sri Ramesh Babu Potluri, Chairman & Managing Director and Sri Vamsi Krishna Potluri, Executive Director of the Company in their personal capacities.
- Long Term Working Capital Term Loans (LTWCTL) availed from Exim Bank are secured by first charge on all movable and immovable fixed assets of the company both present and future on pari-passu basis. Further secured by second charge on current assets of the Company both present and future on pari-passu basis. These facilities are guaranteed by Sri Ramesh Babu Potluri, Chairman & Managing Director of the Company in his personal capacity.

Notes to the Standalone Financial Statements

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

20 Non Current Borrowings (Contd..)

(c) Working Capital Term Loans (WCTL) under Guaranteed Emergency Credit Line (GECL) availed from IDBI Bank, RBL Bank Limited (RBL Bank), Exim Bank and SBI are secured by second charge on all movable and immovable fixed assets of the company both present and future on pari-passu basis . Further secured by second charge on current assets of the Company both present and future on pari-passu basis. These facilities are covered under GECL operated by National Credit Guarantee Trustee Company Limited (NCTC).

(d) The carrying amounts of financial and non-financial assets pledged as security for current and non - current borrowings are disclosed in Note 40.

20.1.2 Rate of Interest :

Name of the Bank	Rate of Interest
Term Loans	
Exim Bank (Exim MCLR (Y)+ 1.10% p.a)	7.85%
SBI (Converted FCNB with fully hedged)	8.36%
IDBI Bank (MCLR (Q)+ 0.75% p.a)	8.85%
Long Term Working Capital Loan	
Exim Bank (Exim MCLR (Y) +50 basis points)	8.85%
RBL Bank Ltd (GECL) (1M MCLR)	9.10%
IDBI Bank Limited (GECL1) (MCLR+0.15% p.a. effective 7.95%)	7.95%
IDBI Bank Limited (GECL2) (MCLR+0.15% p.a. effective 7.75%)	7.75%
SBI GECL (MCLR (6M)+0.70% p.a.	8.80%
Exim Bank GECL (LTMLR Minus 40 basis points p.a.)	7.80%

20.1.3 Terms of Repayment

(a) The loan availed from IDBI Bank amounting to ₹ 2,500 lakhs for funding the Expansion Project of Kandivalasa unit. The loan is repayable in 20 Structured Quarterly Installments commencing from July, 2023, as mentioned below.

First 4 Quarters	₹ 50 Lakhs each
Next 4 Quarters	₹ 75 Lakhs each
Next 4 Quarters	₹ 125 Lakhs each
Next 4 Quarters	₹ 175 Lakhs each
Next 4 Quarters	₹ 200 Lakhs each

(b) The loan availed from Exim Bank amounting to ₹ 6,500 lakhs for funding the Expansion Project of Kandivalasa unit. The loan is repayable in 24 Structured Quarterly Installments commencing from January, 2021, as mentioned below.

First 9 Quarters	₹ 188.50 Lakhs each
Next 14 Quarters	₹ 321.75 Lakhs each
Last 1 Quarter	₹ 299.00 Lakhs each

(c) The loan availed from State Bank of India amounting to ₹ 5,000 lakhs for funding the Expansion Project of Kandivalasa unit. The loan is repayable in 24 Structured Quarterly Installments commencing from January, 2021, as mentioned below.

First 9 Quarters	₹ 145.00 Lakhs each
Next 14 Quarters	₹ 247.50 Lakhs each
Last 1 Quarter	₹ 230.00 Lakhs each

Notes to the Standalone Financial Statements

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

20 Non Current Borrowings (Contd..)

- (d) The Long Term Working Capital Loan availed from Exim Bank amounting ₹ 1,500 lakhs is to be repaid in 20 structured quarterly installments commencing from 1st october,2019, as mentioned below:

First 4 Quarters	₹ 25 Lakhs each
Next 4 Quarters	₹ 25 Lakhs each
Next 4 Quarters	₹ 50 Lakhs each
Next 4 Quarters	₹ 125 Lakhs each
Next 4 Quarters	₹ 150 Lakhs each

- (e) The WCTL under GECL availed from IDBI Bank amounting ₹ 1,180 lakhs is to be repaid in 47 monthly equal principal repayment of ₹ 24.60 Lakhs and 48th monthly instalment of ₹ 23.80 lakhs after moratorium period of one year i.e. March 2022 onwards.
- (f) The WCTL under GECL2 availed from IDBI Bank amounting ₹ 590 lakhs is to be repaid in 47 monthly equal principal repayment of ₹ 12.30 Lakhs and 48th monthly instalment of ₹ 11.90 lakhs after moratorium period of two years i.e. December 2023 onwards.
- (g) The WCTL under GECL availed from RBL Bank amounting ₹ 1,130 lakhs is to be repaid in 47 monthly equal principal repayment of ₹ 23.54 Lakhs and 48th monthly instalment of ₹ 23.62 lakhs after moratorium period of one year i.e. April 2022 onwards.
- (h) The WCTL under GECL availed from SBI amounting ₹ 2,320 lakhs is to be repaid in 48 equal monthly installments commencing after a moratorium of 2 years from the date of first disbursement i.e. March 2024.
- (i) The WCTL under GECL availed from Exim Bank amounting ₹ 1,609 lakhs is to be repaid in 48 equal monthly installments commencing after a moratorium of 2 years from the date of first disbursement i.e. April 2024.

20.1.4 The Company has used the borrowings for the purposes for which it was taken.

20.1.5 The quarterly returns of current assets filed by the Company with banks are in agreement with books of account.

20.2.1 Financial Assistance received from Department of Scientific and Industrial Research (DSIR) of ₹ 120.00 Lakhs (previous year ₹ 120.00 Lakhs) sanctioned under PATSER Scheme of Technology Promotion Development and Utilization (TPDU) Programme for development of catalysts or Fine Chemicals apart from Active Pharmaceutical Ingredients (API's), and their intermediates viz. Metal Acetylacetonates, Diltiazem Hydrochloride and Taxol C-13 Side Chain. The Company has executed agreements with DSIR, NRDC, IICT Hyderabad, IICT Guwahati under the said programme.

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

However, NRDC has filed an application before the Honourable High Court of Delhi at New Delhi for appointment of an Arbitral Tribunal and the Court referred the disputes to the Delhi International Arbitration Centre (DIAC), which would appoint an arbitrator to resolve the disputes. The Company has not yet received any communication from DIAC.

Notes to the Standalone Financial Statements

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

20 Non Current Borrowings (Contd..)

20.4 Debt Reconciliation as required by Ind AS -7 Statement of Cash Flows

Particulars	March 31, 2023	March 31, 2022
Opening Borrowings	14,950.15	14,740.78
Add: Opening Current Maturities	4,270.00	3,224.89
Add: Amortisation of Transaction Cost	16.69	19.08
Add: Received during the year	941.37	4,518.99
Less: Paid during the year	(4,305.79)	(3,283.60)
Closing Borrowings	15,872.41	19,220.15
Less: Closing Current Maturities	3,759.08	4,270.00
Non Current Borrowings as per Balance Sheet	12,113.33	14,950.15

21 Provisions

Particulars	As at March 31, 2023	As at March 31, 2022
Provision for Employee Benefit Obligations		
Non Current		
Gratuity	80.36	99.37
Leave Encashment	60.09	57.25
Sub Total	140.45	156.62
Current		
Gratuity	64.65	61.83
Leave Encashment	39.55	39.81
Sub Total	104.20	101.64
Total		
Gratuity	145.01	161.20
Leave Encashment	99.64	97.06
Grand Total	244.65	258.26

21.1 For details of Post Employment Benefits. Refer Note 39.

22 Deferred Tax Liabilities (net)

The Balance Comprises Temporary Differences Attributable to:

Particulars	As at March 31, 2023	As at March 31, 2022
(a) Deferred Tax Liability		
(i) Property, Plant and Equipment	4,348.58	4,215.91
(ii) Others	40.41	77.59
Total	4,388.99	4,293.50
(b) Deferred Tax Asset		
(i) Expenses allowable on Payment basis	67.14	71.63
(ii) Other items giving raise to temporary differences	219.85	266.80
Total	286.99	338.43
Net Deferred Tax Liabilities (a) - (b)	4,102.00	3,955.07

Notes to the Standalone Financial Statements

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

22 Deferred Tax Liabilities (Contd..)

(c) Movement in Deferred Tax Liabilities

Particulars	Property, Plant and Equipment	Other Items	Total
As at March 31, 2021	5,897.26	25.29	5,922.55
Charged/(Credited)	(1,681.35)	52.30	(1,629.05)
As at March 31, 2022	4,215.91	77.59	4,293.50
Charged/(Credited)	132.67	(37.18)	95.49
As at March 31, 2023	4,348.58	40.41	4,388.99

(d) Movement in Deferred Tax Assets

Particulars	Expenses allowable on payment basis	MAT Credit	Other Items	Total
As at March 31, 2021	99.41	295.36	142.47	537.24
Charged/(Credited)	(27.78)	(295.36)	124.33	(198.81)
As at March 31, 2022	71.63	-	266.80	338.43
Charged/(Credited)	(4.49)	-	(46.95)	(51.44)
As at March 31, 2023	67.14	-	219.85	286.99

23 Current Borrowings

Particulars	As at March 31, 2023	As at March 31, 2022
Secured		
Working Capital Loans from Banks		
- State Bank of India	4,529.64	4,011.68
- RBL Bank Ltd	1,200.00	1,200.00
- IDBI Bank Ltd	3,649.29	1,579.54
Total	9,378.93	6,791.22
Current Maturities of Long-Term Debt	3,759.08	4,270.00
Total	13,138.01	11,061.22

23.1 Security Terms

- (a) Working Capital Facilities sanctioned by State Bank of India, IDBI Bank Limited and RBL Bank Limited are secured by first charge on all current assets of the Company both present and future on pari-passu basis. These facilities are further secured by second charge on all movable and immovable fixed assets of the Company both present and future on pari-passu basis and also guaranteed by Sri Ramesh Babu Potluri, Chairman and Managing Director and Sri Vamsi Krishna Potluri, Executive Director of the Company, in their personal capacities
- (b) The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 40.

Notes to the Standalone Financial Statements

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

23 Current Borrowings (Contd..)

23.2 Rate of Interest is as follows:

Name of the Bank	Rate of Interest
State Bank of India	
Cash Credit	9.05%
Export Packing Credit	8.60%
Stand by Loan	8.60%
IDBI Bank Limited - WCDL	8.25%
RBL Bank - WCDL	9.15%

23.3 Terms of Repayment: The above working capital facilities are available for one year and renew thereafter. Repayment on demand.

23.4 The outstandings of all working capital facilities are well within the sanctioned limits.

23.5 The Company has used the borrowings for the purposes for which it was taken.

23.6 The quarterly returns of current assets filed by the Company with banks are in agreement with books of account

23.7 Debt Reconciliation as required by Ind AS -7, Statement of Cash Flows

Particulars	March 31, 2023	March 31, 2022
Opening Borrowings	6,791.22	7,085.86
Add: Received during the year	2,587.71	88.89
Less: Paid during the year	-	(383.53)
Closing Borrowings	9,378.93	6,791.22

24 Trade Payables

Particulars	As at March 31, 2023	As at March 31, 2022
(a) Creditor for Supply of Materials		
(i) Due to Micro and Small Enterprises	68.93	17.67
(ii) Due to Related Parties	618.54	64.67
(iii) Others	10,055.49	6,416.89
(b) Creditors for Expenses	571.83	786.55
Total	11,314.80	7,285.78

Details of Trade Payables

Particulars	March 31, 2023	March 31, 2022
Valued at amortised cost		
Total Outstanding dues to creditors other than micro enterprises and small enterprises	10,055.49	6,416.89
Outstanding dues to related parties	618.54	64.67
Total	10,674.03	6,481.56

Notes to the Standalone Financial Statements

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

24 Trade Payables (Contd..)

Particulars	March 31, 2023	March 31, 2022
Total outstanding dues to micro enterprises and small enterprises	68.93	17.67
Total outstanding dues to Creditors	10,742.97	6,499.23
Creditors for Expenses	571.83	786.55
Total	11,314.80	7,285.78

Terms and conditions of the above financial liabilities:

Trade Payables are non-interest bearing and normally settled on 30-120 day terms.

For explanations on the company's credit risk management processes, (refer note no.44)

24.1 Trade Payables includes an amount of ₹ 540.99 lakhs (March 31, 2022 ₹ 46.02 lakhs) payable to SMS Lifesciences India Limited, ₹ 64.80 lakhs (March 31, 2022 ₹ 9.19 lakhs) payable to Eshwar Coal Movers, ₹ 12.76 lakhs (March 31, 2022 ₹ 38.53 Lakhs) payable to Raghavendra Engineering Industries India Pvt Ltd and ₹ NIL (March 31, 2022 ₹ 9.46 lakhs) payable to VKT Pharma Pvt Ltd who are related parties (Refer Note 48).

24.2 Trade Payables ageing schedule for the year ended March 31, 2023

Particulars	Not Due	Outstanding from due date of payment				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
i) MSME	68.93	-	-	-	-	68.93
ii) Others	4,818.89	5,774.93	67.70	4.17	8.35	10,674.04
iii) Disputed dues - MSME & others	-	-	-	-	-	-
Total	4,887.82	5,774.93	67.70	4.17	8.35	10,742.97

Trade Payables ageing schedule for the year ended March 31, 2022

Particulars	Not due	Outstanding from due date of payment				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
i) MSME	17.67	-	-	-	-	17.67
ii) Others	3,902.09	2,560.80	1.92	2.13	14.62	6,481.56
iii) Disputed dues - MSME & others	-	-	-	-	-	-
Total	3,919.76	2,560.80	1.92	2.13	14.62	6,499.23

25 Other Financial Liabilities

Particulars	As at March 31, 2023	As at March 31, 2022
Current		
Capital Creditors	541.31	667.80
Unclaimed Dividend	9.18	7.73
Total	550.49	675.53

Notes to the Standalone Financial Statements

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

26 Other Current Liabilities

Particulars	As at March 31, 2023	As at March 31, 2022
Statutory Liabilities	152.48	268.09
Advance from Customers	115.28	125.40
Employee Benefits Payable	22.10	26.33
Total	289.86	419.82

27 Revenue from Operations

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
(a) Sale of Products		
Gross Sales (including GST)	53,139.29	54,124.25
Less: Goods and Service Tax	3,063.44	3,405.58
Net Revenue from Sales	50,075.85	50,718.67
(b) Income from Services		
(i) Conversion Charges	1,017.89	923.83
Less: Goods and Service Tax	155.27	140.92
Net Conversion Charges	862.62	782.91
(ii) Sale of Services	1,068.49	-
Less: Goods and Service Tax	32.28	-
Net Sale of Services	1,036.21	-
Net Revenue from Services	1,898.83	782.91
(c) Other Operating Income		
Export Incentives	230.46	485.85
Total Net Revenue from Operations (a+b+c)	52,205.14	51,987.43

28 Other Income

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
(i) Interest Income	77.48	55.96
(ii) Net Gain on Foreign Exchange	387.67	257.95
(iii) Miscellaneous Income (Net of GST)	23.41	205.86
Total	488.56	519.77

28.1 Miscellaneous Income includes Rent received from related parties of ₹ 21.66 lakhs (Previous year ₹ 60.43 lakhs)

29 Cost of Materials Consumed

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Raw Material & Packing Material		
Stock at the Beginning of the Year	6,998.15	6,966.81
Add: Purchases	30,820.81	38,811.12
Less: Stock at the End of the Year	7,865.76	6,998.15
Total Materials Consumed	29,953.20	38,779.78

Notes to the Standalone Financial Statements

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

30 Changes in Inventories of finished goods, work-in-progress and stock-in-trade

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
(a) Opening Stock of Inventories:		
Finished Goods	6,142.37	4,445.03
Stock in Process	11,894.55	2,341.42
Sub Total (a)	18,036.92	6,786.45
(b) Closing Stock of Inventories:		
Finished Goods	3,838.26	6,142.37
Stock in Process	10,590.22	11,894.55
Sub Total (b)	14,428.48	18,036.92
(Increase)/Decrease in Stock (a-b)	3,608.44	(11,250.47)

31 Manufacturing Expenses

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Power and Fuel	3,656.82	3,243.65
Consumable Stores	576.18	680.96
Testing Charges	29.99	45.87
Water Charges	16.05	14.10
Conversion Charges	57.57	-
Repairs & Maintenance to Buildings	172.92	130.40
Repairs & Maintenance to Plant & Machinery	1,015.85	1,172.11
Factory Maintenance	146.06	147.22
Effluent Treatment Charges	60.03	69.83
Total	5,731.47	5,504.14

32 Employee Benefit Expense

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Salaries, Wages and Bonus	4,859.24	4,462.06
Contribution to Provident Fund	332.87	291.42
Contribution to ESI	23.00	22.36
Staff Welfare Expenses	289.25	326.35
Total	5,504.36	5,102.19

33 Finance Cost

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Interest on Non Current Borrowings	1,414.29	1,378.90
Interest on Current Borrowings	656.17	350.00
Interest on Others	0.59	16.19
Interest on Lease Liability	22.30	41.72
Bank Charges	98.15	100.73
Total	2,191.50	1,887.54

Notes to the Standalone Financial Statements

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

34 Depreciation and Amortisation Expenses

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Depreciation of Property, Plant and Equipment	3,078.54	3,048.61
Amortisation of Right-of-use Assets	63.13	95.64
Amortisation of Intangible Assets	70.87	71.00
Total	3,212.54	3,215.25

35 Other Expenses

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Rent	8.04	9.39
Rates and Taxes	57.80	73.71
Insurance	264.32	248.73
Directors Remuneration	374.39	763.27
Travelling and Conveyance	100.31	16.60
Communication Expenses	15.77	13.83
Printing and Stationery	77.99	71.59
Repairs & Maintenance to Other Assets	15.40	16.29
Vehicle Maintenance	33.93	24.16
Payments to Auditors (Note No.35.1)	16.00	16.00
Cost Audit Fee	1.00	0.75
Professional & Consultancy	134.40	135.64
General Expenses	127.25	79.81
Corporate Social Responsibility (Note No.35.2)	119.40	166.20
Interest on Indirect Taxes	6.10	28.85
Loss on Sale of Assets	7.19	0.37
Business Promotion Expenses	85.85	39.98
Royalty Paid	110.80	309.59
Regulatory Fee	84.83	86.43
Carriage Outward	198.53	183.86
Sales Commission	97.93	118.25
Total	1,937.23	2,403.30

35.1 Details of Payments to Auditors

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Audit Fee	14.00	14.00
Certification Fee	2.00	2.00
Total Payments to Auditors	16.00	16.00

Notes to the Standalone Financial Statements

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

35 Other Expenses (Contd.)

35.2 Corporate Social Responsibility Expenditure

As per requirement of the Companies Act, 2013, gross amount required to be spent by the Company during the year is ₹ 140.33 Lakhs (March 31, 2022 ₹ 136.12 Lakhs). The nature of CSR activities undertaken by the company includes promoting education, health care and environmental sustainability. The details of CSR expenditure is given below.

CSR Activities	for the year ended 31st March, 2023		
	In Cash	Yet to be paid in Cash	Total
(i) Construction/Acquisition of any Asset	104.00	-	104.00
(ii) On Purposes other than (i) above	15.40	-	15.40
	(166.20)	-	(166.20)

Amounts in bracket indicate previous year numbers

There is no shortfall at the end of March 31, 2023 and March 31, 2022 in terms of amount required to be spent by the company.

36 Income Tax Expense

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Current Tax		
Current tax on profits for the year	5.50	1,500.00
Adjustments for current tax of prior periods	(5.92)	(7.96)
Total Current Tax	(0.42)	1,492.04
Deferred Tax		
Increase/(Decrease) in Deferred Tax Liabilities	95.49	(1,629.03)
Decrease/(Increase) in Deferred Tax Assets	51.44	198.81
Total Deferred Tax Expense/(Benefit)	146.92	(1,430.22)
Total	146.50	61.82

36.1 Reconciliation of Tax Expense with Tax on Accounting Profits at normal rate is as follows:

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
(a) Profit before Tax	554.96	6,865.47
(b) Enacted Tax Rate in India	25.168%	25.168%
(c) Expected Tax Expenses (a)x(b)	139.67	1,727.90
(d) Tax Effect on Permanent Difference:		
Re-measurement of deferred tax assets and liabilities due to change in tax rate	-	(1,681.35)
Expenses not deductible under Income Tax Act	32.22	(217.84)
Other Adjustments	(19.47)	(54.29)
MAT Credit reversal	-	295.36
Tax pertaining to earlier years	(5.92)	(7.96)
Total Adjustments	6.83	(1,666.08)
Current Tax Expense as per P & L	146.50	61.82

During the Financial Years 2021-22, the Company has elected to exercise the option permitted under section 115BAA of the Income-tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Company has recognised provision for income tax for the year ended March 31, 2022 and accordingly remeasured its deferred tax liabilities based on the rates prescribed in the said section.

Notes to the Standalone Financial Statements

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

37 Other Comprehensive Income

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Actuarial Gain/(Loss) on Post Employment Benefit Expenses	(17.32)	3.61
Return on Plan Assets excluding net interest	(10.11)	1.64
	(27.43)	5.25
Deferred Taxes on above	6.90	(1.32)
Net Comprehensive Income	(20.53)	3.93

38 Earning Per Share (Basic and Diluted)

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
(a) Net profit for Basic & Diluted EPS	408.46	6,803.65
(b) Weighted average number of equity shares of Re.1/- each (Basic & Diluted)	846.52	846.52
(c) Earnings per share of par value Re 1/- per share -(Basic & diluted)	0.48	8.04

39 Post Employment Benefits

39.1 Defined Contribution plans

39.1.1 Employer's Contribution to Provident Fund:

Contributions are made to provident fund in India for employees at the rate of 12% of basic salary as per regulations. The contributions are made to registered provident fund administered by the Government of India. The obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the year towards PF contribution is ₹ 332.87 lakhs (Previous Year- ₹ 291.42 lakhs).

39.1.2 Employer's Contribution to State Insurance Scheme:

Contributions are made to State Insurance Scheme in India for employees at the rate of 3.25%. The Contributions are made to Employees State Insurance Corporation(ESI) to the respective State Governments of the Company's location. This Corporation is administered by the Government and the obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards ESI contribution is ₹ 23.00 lakhs(Previous Year- ₹ 22.36 lakhs).

39.2 Defined Benefit Plans

The Company has a defined benefit gratuity plan governed by Payment of Gratuity Act, 1972. Every Employee who has completed five years or more of service is entitled to a gratuity on departure at 15 days salary for each completed year of Service. The Scheme is funded through a policy with Life Insurance Corporation of India (LIC).

The Company has a defined benefit Compensated Absence Plan governed by The Factories Act, 1948. Every Employee who has worked for a period of 240 days or more during a calendar year shall be allowed during the subsequent calendar year, leave with wages for a number of days calculated as per Act.

The following table summarise net benefit expenses recognised in the statement of profit and loss, the status of funding and the amount recognised in the Balance Sheet for both the plans:

Notes to the Standalone Financial Statements

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

39 Post Employment Benefits (Contd..)

39.2.1 Net Employee Benefit Expense

Particulars	March 31, 2023		March 31, 2022	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
(Recognised in Employee Benefit Expenses)				
Current Service Cost	54.41	36.64	50.72	27.88
Interest Cost	7.04	5.66	10.71	4.98
Contribution paid	(105.05)	(4.02)	(77.85)	-
	(43.60)	38.28	(16.42)	32.86

39.2.2 Other Comprehensive Income

Particulars	March 31, 2023		March 31, 2022	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Actuarial Gain/(Loss) recognized for the period	17.32	(35.70)	(3.61)	(24.04)
Return on Plan Assets excluding net interest	10.11	-	(1.64)	-
Total Actuarial (Gain)/Loss recognized in OCI	27.43	(35.70)	(5.25)	(24.04)

39.2.3 Amount recognised in the Balance Sheet

Particulars	March 31, 2023		March 31, 2022	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Defined Benefit Obligation	554.42	99.64	484.70	97.06
Fair Value of Plan Assets	(409.41)	-	(323.50)	-
	145.01	99.64	161.20	97.06

39.2.4 Other Comprehensive Income in case of Employees Compensated Absence Scheme not considered as it was not funded.

39.2.5 Change in the Present Value of the Defined Benefit Obligation

Particulars	March 31, 2023		March 31, 2022	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Opening Defined Benefit Obligation	484.70	97.06	411.48	88.25
Current Service Cost	54.41	36.64	50.72	27.88
Interest Cost	33.44	5.66	26.21	4.98

Notes to the Standalone Financial Statements

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

39 Employment Benefits (Contd..)

Particulars	March 31, 2023		March 31, 2022	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Contribution Paid	-	-	-	-
Benefits Paid	(35.45)	(4.02)	(0.10)	-
Net Actuarial (gain)/ losses on Obligation for the year recognised under OCI	17.32	(35.70)	(3.61)	(24.05)
Closing Defined Benefit Obligation	554.42	99.64	484.70	97.06

39.2.6 Change in the Fair Value of Plan Assets

Particulars	March 31, 2023		March 31, 2022	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Opening Fair Value of Plan Assets	323.50	-	233.39	-
Adjustment to Opening Fair Value of Plan Asset	0.01	-	(4.77)	-
Return on Plan Assets Excluding Intererst Income	(10.11)	-	1.64	-
Interest Income	26.41	-	15.49	-
Contribution paid	105.05	4.02	77.85	-
Benefits Paid	(35.45)	(4.02)	(0.10)	-
Closing Fair Value of Plan Assets	409.41	-	323.50	-

39.2.7 Actuarial (Gain)/Loss on Obligation

Particulars	March 31, 2023		March 31, 2022	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Due to Financial Assumption	(39.59)	-	(25.68)	-
Due to Experience	56.91	-	22.07	-
Total Actuarial (Gain)/Loss	17.32	-	(3.61)	-

39.2.8 The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	March 31, 2023	March 31, 2022
State Govt Security	203.52	160.81
Central Govt Securities	76.89	60.75
NCD/Bonds	92.77	73.31
Others	36.23	28.63
Total	409.41	323.50

Expected Return on Assets is based on rate of return declared by fund managers.

Notes to the Standalone Financial Statements

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

39 Employment Benefits (Contd..)

39.2.9 Actuarial Assumptions for estimating Company's Defined Benefit Obligation:

Particulars	March 31, 2023	March 31, 2022
Discount rate	7.24%	7.37%
Attrition Rate	PS : 0 to 40 : 2%	PS : 0 to 40 : 2%
Expected rate of increase in Salary	2.00%	3.00%
Mortality Table	IALM (2012-14)	IALM (2012-14)
Expected average remaining working lives of Employees	18.15	18.60

- (a) Assumptions regarding future mortality experience are set in accordance with the published statistics by the Life Insurance Corporation of India.
- (b) Plan assets does not comprise any of the Company's own financial instruments or any assets used by the Company. The Company has the plan covered under a policy with the Life Insurance Corporation of India.
- (c) The Significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the salary growth rate and the average life expectancy. The calculation of the net defined benefit liability is sensitive to these assumptions. However, the impact of these changes is not ascertained to be material by the management.

39.2.10 Sensitivity Analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Particulars	March 31, 2023	March 31, 2022
Defined Benefit Obligation	145.01	161.20
Effect of 1% change in assumed discount rate on defined benefit obligation		
Increase : +1%	510.85	444.58
Decrease: -1%	604.71	531.27
Effect of 1% change in assumed salary escalation rate on defined benefit obligation		
Increase : +1%	600.89	527.19
Decrease: -1%	512.47	447.04

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (Projected Unit Credit Method) has been applied while calculating the defined benefit liability recognised within the Balance Sheet.

39.2.11 Other Information

(i) Expected rate of return basis

Since the scheme funds are invested with LIC of India EROA is based on rate of return declared by fund managers.

(ii) Description of Plan Assets and Reimbursement Conditions

100% of the Plan Asset is entrusted to LIC of India under their Group Gratuity Scheme. The reimbursement is subject to LIC's Surrender Policy

Notes to the Standalone Financial Statements

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

39 Employment Benefits (Contd..)

(iii) Discount Rate

The discount rate has decreased from 7.37% to 7.24% and hence there is a increase in liability leading to actuarial gain due to change in discount rate.

(iv) Present Value of Defined Benefit Obligation:

Present value of the deined benefit obligation is calculated by using Projected Unit Credit Method (PUC Method). Under the PUC Method, a “projected accrued benefit” is calculated at the beginning of the year and again at the end of the year for each benefit that will accrue for all active members of the Plan. The “Projected accrued benefit” is based on the Plan’s accrual formula and upon service as of the beginning or end of the year, but using a member’s final compensation, projected to the age at which the employee is assumed to leave active service. The Plan Liability is the actuarial present value of the “ Projected accrued benefits” as of the beginning of the year for active members.

(v) Expected Average remaining service vs. Average remaining future service:

The average remaining service can be arithmetically arrived by deducting current age from normal retirement age whereas the expected average remaining service is arrived actuarially by applying multiple decrements to the average remaining future service namely mortality and withdrawals. Thus, the expected average remaining service is always less than the average remaining future service.

(vi) Current and Non Current Liability:

The total of current and non-current liability must be equal with the total of PVO (Present value obligation) at the end of the period plus short term compensated liability if any. It has been classified in terms of “ Schedule III” of the Companies Act, 2013.

(vii) Defined Benefit Liability and Employer Contributions

The Company has purchased insurance policy to provide for payment of gratuity to the employees. Every year, the insurance company carries out a funding valuation based on the latest employee data provided by the Company. Any deficit in the assets arising as a result of such valuation is funded by the Company. The company considers that the contribution rate set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs will not increase significantly.

The Weighted Average duration of the defined benefit obligation is 10.39 years(2020-21 : 10.96 years). The expected cash flows over the subsequent years is as follows:

Expected Payout Gratuity	March 31, 2023	March 31, 2022
1st Year	64.65	61.84
2nd Year	31.43	17.66
3rd Year	19.77	27.92
4th Year	34.93	16.80
5th Year	53.44	29.31
beyond 5th Year	285.23	265.73

Notes to the Standalone Financial Statements

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

39 Employment Benefits (Contd.)

39.2.12 Risk Exposure

Through its defined benefit plans, the company is exposed to a number of risks, the most significant of which are detailed below:

- (a) **Investment/Interest Rate Risk:** The Company is exposed to Investment / Interest risk if the return on the invested fund falls below the discount rate used to arrive at present value of the benefit.
- (b) **Longevity Risk:** The Company is not exposed to risk of the employees living longer as the benefit under the scheme ceases on the employee separating from the employer for any reason.
- (c) **Risk of Salary Increase:** The Company is exposed to higher liability if the future salaries rise more than assumption of salary escalation.

40 Assets Pledged as Security

For Non Current Borrowings

Secured by First Charge on Property, Plant and Equipment and Second Charge on Current Assets.

For Current Borrowings

Secured by First Charge on Current Assets and Second Charge on PPE (Property, Plant and Equipment).

The carrying amounts of Company's assets pledged as security for Non Current and Current Borrowings of ₹ 25,131.34 Lakhs (Previous year ₹ 25,891.37 Lakhs) are as follows:

Particulars	March 31, 2023	March 31, 2022
Property, Plant and Equipment	40,949.96	43,407.10
Current Assets	41,064.86	37,705.11
Total Assets Pledged as Security	82,014.82	81,112.21

41 Research and Development

41.1 Details of Revenue Expenditure (expensed as and when incurred):

Particulars	March 31, 2023	March 31, 2022
Cost of materials consumed		
Raw Materials Consumed	85.41	100.49
Employee benefits expenses		
Salaries & Wages	458.12	407.86
Staff Welfare Expenses	38.27	34.40
Other expenses		
Repairs and Maintenance	172.64	172.03
Power and Fuel	75.56	67.23
Testing and analysis charges	8.88	6.72
Rates and Taxes	10.18	6.80
Insurance	6.14	5.89
General Expenses	36.72	37.92
Total	891.92	839.34

Notes to the Standalone Financial Statements

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

41 Research and Development (Contd..)

41.2 Details of Property, Plant and Equipment:

Particulars	Buildings	Plant and Equipment	Furniture and Fixtures	Computers	Vehicles	Patents Filing Fee	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Gross Carrying Value							
1 As at March 31, 2021	943.46	2,324.49	23.97	52.84	9.10	10.18	3,364.04
2 Additions	3.71	14.79	1.81	1.96	-	0.04	22.31
3 As at March 31, 2022 (1+2)	947.17	2,339.28	25.78	54.80	9.10	10.22	3,386.35
4 Additions	-	126.29	0.86	1.72	-	-	128.87
5 As at March 31, 2023 (3+4)	947.17	2,465.57	26.64	56.52	9.10	10.22	3,515.22
Depreciation							
6 As at March 31, 2021	188.99	669.78	6.58	31.28	5.24	5.90	907.77
7 Charge for the Year	39.44	195.08	1.93	11.56	1.08	1.62	250.71
8 As at March 31, 2022 (6+7)	228.43	864.86	8.51	42.84	6.32	7.52	1,158.48
9 Charge for the Year	39.55	202.85	2.14	7.85	1.08	1.43	254.90
10 As at March 31, 2023 (8+9)	267.98	1,067.71	10.65	50.69	7.40	8.95	1,413.38
Net Carrying Value							
11 As at March 31, 2021(1-6)	754.47	1,654.71	17.39	21.56	3.86	4.28	2,456.27
12 As at March 31, 2022 (3-8)	718.74	1,474.42	17.27	11.96	2.78	2.70	2,227.87
13 As at March 31, 2023 (5-10)	679.19	1,397.86	15.99	5.83	1.70	1.27	2,101.84

Financial Instruments and Risk Management

42 Categories of Financial Instruments

Particulars	Note	Level	As at March 31, 2023		As at March 31, 2022	
			Carrying Value	Fair Value	Carrying Value	Fair Value
A. Financial Assets						
(a) Measured at Amortised Cost						
(i) Non Current						
(a) Bank Balances	8	3	253.61	253.61	260.51	260.51
(b) Other Financial Assets	9	3	508.50	508.50	502.25	502.25
Sub - Total			762.11	762.11	762.76	762.76
(ii) Current						
(a) Trade Receivables	12	Refer	14,834.62	14,834.62	4,851.93	4,851.93
(b) Cash and Cash Equivalents	13	Note	737.78	737.78	4,658.28	4,658.28
(c) Other Bank Balances	14	42.2	9.18	9.18	7.73	7.73
(d) Other Financial Assets	15		660.12	660.12	281.66	281.66
Sub - Total			16,241.70	16,241.70	9,799.60	9,799.60
Total Financial Assets			17,003.81	17,003.81	10,562.36	10,562.36

Notes to the Standalone Financial Statements

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

42 Categories of Financial Instruments (Contd..)

Particulars	Note	Level	As at March 31, 2023		As at March 31, 2022	
			Carrying Value	Fair Value	Carrying Value	Fair Value
B. Financial Liabilities						
(a) Measured at Amortised Cost						
(i) Non Current						
(a) Borrowings	20	3	12,113.33	12,113.33	14,950.15	14,950.15
(ii) Current						
(a) Borrowings	23	Refer	13,138.01	13,138.01	11,061.22	11,061.22
(b) Trade Payables	24	Note	11,314.80	11,314.80	7,285.78	7,285.78
(c) Other Financial Liabilities	25	42.2	550.49	550.49	675.53	675.53
Sub - Total			25,003.30	25,003.30	19,022.53	19,022.53
Total Financial Liabilities			37,116.63	37,116.63	33,972.68	33,972.68

42.1 The Company's principal financial liabilities, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations.

42.2 The carrying amounts of trade payables, other financial liabilities, cash and cash equivalents, other bank balances, trade receivables and other financial assets are considered to be the same as their fair values due to their short term nature.

42.3 The management has assessed that fair value of borrowings approximate to their carrying amounts largely since they are carried at floating rate of interest.

42.4 Other non current financial assets consists of deposits with Government authorities where the fair value is considered to be the carrying value.

43 Fair Value Measurements

43.1 Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data rely as little as possible on entry specific estimates.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

43.2 Valuation Techniques used to determine fair value:

Specific Valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of remaining financial instruments is determined using discounted cashflow analysis.

Notes to the Standalone Financial Statements

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

43 Fair Value Measurements (Contd..)

43.3 Valuation Process:

The Finance and accounts department of the Company performs the valuation of financial assets and liabilities required for financial reporting purposes, and report to the Board of Directors. The main Level 3 inputs are derived using the Discounted Cash Flow Analysis, Market Approach, Net Assets Value Method as applicable..

44 Financial Risk Management Objectives and Policies

Financial Risk Management Framework

The Company is exposed primarily to credit risk, liquidity risk and market risk (fluctuations in foreign currency exchange rates and interest rate), which may adversely impact the fair value of its financial instruments. The Company assesses the unpredictability of the financial environment and seeks to mitigate potential adverse effects on the financial performance of the Company.

44.1 Credit Risk:

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk encompasses of both, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration of risks. Credit risk is controlled by analysing credit limits and creditworthiness of customers on a continuous basis to whom the credit has been granted after obtaining necessary approvals for credit. Financial instruments that are subject to concentrations of credit risk principally consist of trade receivables, cash and cash equivalents, bank deposits and other financial assets. None of the financial instruments of the Company result in Material Concentration of credit risk, except for Trade Receivables.

Financial Instruments and Cash Deposits

For banks and financial institutions, only high rated banks/ institutions are accepted. Other Financial Assets (excluding Bank Deposits) majorly constitute deposits given to State Electricity Departments for supply of power, which the company considers to have negligible credit exposure. Counterparty credit limits are reviewed by the Management on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

Expected Credit Loss for Trade Receivables under simplified approach

For Trade Receivables, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Credit risk is the risk of financial loss to the Company if a customer to a financial instrument fails to meet its contractual obligations and arises primarily from trade receivables, treasury operations etc. The credit risk related to trade receivables is influenced mainly by the individual characteristics of each customer.

The credit risk is managed by the company by establishing credit limits and continuously monitoring the credit worthiness of the customer. The Company also provides for expected credit losses based on the past experience where it believes that there is high probability of default. In general, all trade receivables greater than 180 days are reviewed and provided for by analysing individual receivables. The Company has considered possible effect from the pandemic relating to Covid-19 on Credit risks including forward looking information to develop expected credit losses.

Notes to the Standalone Financial Statements

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

44 Financial Risk Management Objectives and Policies (Contd..)

Following are the Expected Credit Loss for Trade Receivables under simplified approach:

Particulars	March 31, 2023	March 31, 2022
Gross Carrying Amount	14,845.11	4,862.42
Expected Credit Losses (Loss allowance Provision)	10.49	10.49
Net Carrying Amount of Trade Receivables	14,834.62	4,851.93

Expected Credit Loss for Trade Receivables under simplified approach:

Particulars	Outstanding		Total
	for < 180 days	for > 180 days	
Gross Carrying Amount of Trade Receivables	14,676.08	169.03	14,845.11
Expected Credit Losses (Loss allowance provision)	-	10.49	10.49
Net Carrying Amount of Trade Receivables	14,676.08	158.54	14,834.62

44.2 Liquidity Risk:

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

Particulars	Upto 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	Total
March 31, 2023					
Non Current Borrowings (including Current Maturities)	3,759.08	8,817.28	3,176.05	120.00	15,872.41
Current Borrowings	9,378.93				9,378.93
Trade Payables	11,314.80				11,314.80
Capital Creditors	541.31				541.31
Total	24,994.12	8,817.28	3,176.05	120.00	37,107.45

Particulars	Upto 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	Total
March 31, 2022					
Non Current Borrowings (including Current Maturities)	4,270.00	7,598.28	6,139.29	1,212.58	19,220.15
Current Borrowings	6,791.22				6,791.22
Trade Payables	7,285.78				7,285.78
Capital Creditors	667.80				667.80
Total	19,014.80	7,598.28	6,139.29	1,212.58	33,964.95

Notes to the Standalone Financial Statements

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

44 Financial Risk Management Objectives and Policies (Contd..)

44.3 Market Risk:

Market risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market prices. Market prices comprise three types of risk, currency rate risk, interest rate risk and other price risks such as equity risk. Financial instruments affected by market risk include loans and advances deposits investments in debt securities mutual funds and other equity funds.

44.3.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of change in market interest rates. In order to optimize the Company's position with regards to interest income and interest expenses and to manage the interest rate risk, treasury performs a comprehensive corporate interest risk management by balancing the proportion of fixed rate and floating rate financial instruments in its portfolio.

Particulars	Change in basis points		Effect on Profit before Tax	
	Increase	Decrease	Decrease	Increase
March 31, 2023	0.50%	0.50%	(126.26)	126.26
March 31, 2022	0.50%	0.50%	(130.06)	130.06

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

44.3.2 Foreign Currency Exchange Rate Risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Company has transactional currency exposures arising from services provided or availed that are denominated in a currency other than the functional currency. The foreign currencies in which these transactions are denominated are mainly in US Dollars (\$). The Company's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

(a) Details of Unhedged Foreign Currency Exposure:

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under:

Particulars	Currency	Amount in Foreign Currency	Amount in ₹ In Lakhs	Conversion Rate
March 31, 2023				
Trade Receivables	USD	75.15	6,158.14	81.95
	EURO	0.017	1.43	86.20
Trade Payables	USD	17.31	1,448.80	83.70
Advance from Customers	USD	1.52	124.51	81.95
Advance to Suppliers	USD	0.31	25.95	83.70
March 31, 2022				
Trade Receivables	USD	21.43	1,611.59	75.20
	EURO	0.192	15.79	82.40
Trade Payables	USD	21.03	1,617.24	76.90
Advance from Customers	USD	1.62	121.99	75.20
Advance to Suppliers	USD	3.04	233.93	76.90

Notes to the Standalone Financial Statements

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

44 Financial Risk Management Objectives and Policies (Contd..)

(b) Foreign Currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rate, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including foreign currency derivatives. The Company's exposure to foreign currency changes for all other currencies is not material.

Particulars	Effect on Profit before Tax	
	March 31, 2023	March 31, 2022
USD Sensitivity		
₹/USD - Increases by 1%	46.12	1.06
₹/USD - Decreases by 1%	(46.12)	(1.06)

44.3.3 Other Price Risk:

Other price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

45 Capital Management

For the purposes of the Company's Capital Management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure in consideration to the changes in economic conditions and the requirements of the financial covenants. The Company monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Company intends to keep the gearing ratio less than 1. The Company includes within net debt, borrowings including interest accrued on borrowings less cash and short term deposits.

Particulars	March 31, 2023	March 31, 2022
Borrowings including Interest Accrued (Note 20 & 23)	25,251.34	26,011.37
Less: Cash and Short Term Deposits (Note 13)	737.78	4,658.28
Net Debt	24,513.56	21,353.09
Equity	846.52	846.52
Other Equity	48,663.47	48,529.50
Total Equity	49,509.99	49,376.02
Total Capital	74,023.55	70,729.11
Gearing Ratio (Net Debt/(Net Debt +Total Equity))	0.33	0.30

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current year

Notes to the Standalone Financial Statements

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

46 Segment Information

A Basis for segmentation

The operations of the Company are limited to one segment viz. Pharmaceutical products including ingredients and intermediaries. The products being sold under this segment are of similar nature and comprises of pharmaceutical products only. The Chairman & Managing Director has been identified as Chief Operating Decision Maker(CODM). CODM reviews the internal management reports prepared based on aggregation of financial information of the Company on a periodic basis, for the purpose of allocation of resources and evaluation of performance. Accordingly, management has identified pharmaceutical segment as the only operating segment for the Company.

B Segment information for secondary segment reporting (by geographical segment)

The Company is engaged in the manufacture of Pharmaceuticals, which in the context of Ind AS 108 is considered only business segment.

The Company has reportable geographical segments based on location of its customers:

- (i) Revenue from customers within India – Domestic
- (ii) Revenue from customers outside India – Exports
- (iii) Revenue from customers - EOUs – Deemed Exports
- (iv) Revenue from Export Incentives

a) Revenues are attributed to geographical areas based on the location of the customers as detailed below:

Particulars	For the Year Ended March 31,2023		For the Year Ended March 31,2022	
	Revenue	%	Revenue	%
Exports	32,580.94	62.41%	32,683.94	62.87%
Deemed Exports	1,567.98	3.00%	4,663.41	8.97%
Domestic	17,825.75	34.15%	14,154.23	27.23%
Export Incentives	230.46	0.44%	485.85	0.93%
Total	52,205.14	100.00%	51,987.43	100.00%

b) Non Current Asset

Particulars	March 31, 2023	March 31, 2022
With in India	50,353.62	50,592.22
Outside India	-	-
Total	50,353.62	50,592.22

Note:

Non-current assets for this purpose consist of property, plant and equipment, capital work in progress, intangible assets, intangible assets under development and other non-current assets.

Notes to the Standalone Financial Statements

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

47 Interest in Other Entities:

Name of the entity	Place of Business/ Country of incorporation	Principal activity	Ownership Interest held by the Company		Ownership interest held by Non-Controlling interests	
			31 March 2023	31 March 2022	31 March 2023	31 March 2022
VKT Pharma Private Limited	India	Manufacture and sale of API and Formulations	36.55%	36.55%	63.45%	63.45%
Provenio Astral International LLP	India	Other Business activities	4.90%	NIL	NA	NA

48 Related Party Transactions

(a) Key Management Personnel(KMP)

Name	Relationship
Sri. Ramesh Babu Potluri	Chairman and Managing Director
Sri. Vamsi Krishna Potluri	Executive Director
Sri. T Lakshmi Narayana	Chief Financial Officer
Sri. T.Thirumalesh	Company Secretary

(b) List of Related Parties over which Control / Significant Influence exists with whom the company has transactions:

Relationship	Name of the Company
Associate Company	1. VKT Pharma Private Limited
Enterprises over which KMP are able to Exercise Significant Influence	1. SMS LifeSciences India Limited
	2. Raghavendra Engineering (India) Private Limited
	3. Eswar Coal Movers

(c) Transactions with Related Parties:

Particulars	March 31, 2023 Amount	March 31, 2022 Amount
Key Management Personnel		
Remuneration - Short Term Employee Benefits	413.56	794.13
Associate Company		
Purchase of Goods & Services	62.31	9.47
Sale of Goods	1,072.93	2,853.31
Rental Income	25.56	25.43

Notes to the Standalone Financial Statements

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

48 Related Party Transactions (Contd..)

Particulars	March 31, 2023 Amount	March 31, 2022 Amount
Enterprise with Significant Influence		
Purchase of Goods & Services	1,211.76	800.63
Purchase of Assets	64.23	-
Sale of Asset	22.23	-
Rental Income	-	45.88
Balance (Payable)/Receivable at the year end		
Key Management Personnel		
Remuneration Payable	13.34	274.51
Associate Company	1,085.97	395.09
Associate Company	-	(9.46)
Enterprise with Significant Influence		
SMS Lifesciences India Ltd	(540.99)	(46.02)
Eshwar Coal Movers	(64.80)	(9.19)
Raghavendra Engineering India Private Ltd	(12.76)	-

(d) Note:

- i) The above transactions are in the ordinary course of business and are at arm's length price.
- ii) As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the Key Management Personnel and their relatives is not ascertainable and, therefore, not included above. Contribution to Provident Fund was also not included.

49 Contingent Liabilities

Particulars	March 31, 2023	March 31, 2022
Letter of credits opened in favor of suppliers for which goods are yet to be received	-	334.40
Customs Duty against Advance Authorizations	223.34	429.45
NRDC claim against DSIR assistance (Refer No.20.2.1)	51.91	46.30
Entry Tax Liability	-	1.75

Note: Provident Fund

Pursuant to Supreme Court Judgement dated 28 February 2019, regarding the provident fund contribution wherein there has been a clarification provided of the inclusions of basic wages for the purpose of computation of contribution towards provident fund, the Company has been legally advised that there are interpretative challenges on the application of the judgement retrospectively. Based on the legal advice and in the absence of reliable measurement of the provision for earlier periods, the Company has assessed the impact of the judgement only from the year ended March 31, 2019 and concluded that there was no impact. Further, no contingent liability has been recognised based on retrospective application as amount cannot be reliably measured.

Notes to the Standalone Financial Statements

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

50 Commitments

Particulars	March 31, 2023	March 31, 2022
Capital Commitments	1,401.95	898.51
Export Obligations	11,552.43	12,110.25

51 Payables to Micro, Small & Medium Enterprises

The Company has certain dues to suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The disclosures pursuant to the said MSMED Act are as follows:

Particulars	March 31, 2023	March 31, 2022
(i) the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	68.93	17.67
(ii) Interest on payments beyond the appointed day paid to the suppliers during the year	-	-
(iii) Interest due and payable for the delay in making payment to suppliers during the year	-	-
(iv) Amount of interest accrued and remaining unpaid to suppliers at the end of the year	-	-
(v) Amount of further interest remaining due and payable to suppliers in succeeding years	-	-

The above information regarding Micro Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the companies. This has been relied upon by the auditors. The balance payable to MSME creditors are not due as on March 31, 2023 So interest has not been provided.

52 Ratios

The following are analytical ratios for the year ended March 31, 2023 and March 31, 2022

Particulars	March 31, 2023	March 31, 2022	Variance	Numerator	Denominator	Change in ratio in excess of 25% compared to preceeding year
Current Ratio	1.61	1.92	-16%	Total Current Assets	Total Current Liabilities	
Debt-Equity Ratio	0.51	0.53	-3%	Total Debt(1)	Shareholder's Equity	
Debt Service Coverage Ratio*	0.91	2.30	-61%	Earnings available for Debt Service (2)	Debt Service(3)	Reduction in operating margin resulted in adverse variances
Return on Equity(ROE)*	0.83%	14.76%	-94%	Net Profit after Taxes	Average Shareholder's Equity	Reduction in operating margin resulted in adverse variances
Inventory Turnover Ratio	2.20	2.67	-18%	Revenue From Operations	Average Inventory	

Notes to the Standalone Financial Statements

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

52 Ratios (Contd..)

Particulars	March 31, 2023	March 31, 2022	Variance	Numerator	Denominator	Change in ratio in excess of 25% compared to preceeding year
Trade Receivables Turnover Ratio	5.30	6.74	-21%	Revenue From Operations	Average Trade Receivables	
Trade Payables Turnover Ratio	3.31	5.61	-41%	Purchases	Average Trade Payables	Increase was on account of increase in average payables
Net Capital Turnover Ratio	3.35	2.88	16%	Revenue From Operations	Working Capital ⁽⁴⁾	
Net Profit Ratio*	0.78%	13.09%	-94%	Net Profit	Revenue From Operations	Reduction in operating margin resulted in adverse variances
Return on Capital Employed(ROCE)*	3.98%	12.52%	-68%	Earnings before Interest and Taxes(EBIT)	Capital Employed ⁽⁵⁾	Reduction in operating margin resulted in adverse variances
Return on Investment ⁽⁶⁾	N.A	N.A	0%	Income generated from Investments	Investment	

(1) Long-Term borrowings + Short-Term borrowings

(2) Profit After Tax + Non-operating cash exp like depreciation + Interest

(3) Interest on Borrowings + lease payments + Principal repayments

(4) Current assets - current liabilities

(5) Total Assets - Current Liabilities

(6) The Company is not having any market linked investments

53 Other statutory information

- i) The Company does not have any Benami property, where any proceeding has been initiated or pending against the Group for holding any Benami property.
- ii) The Company does not have any transactions with companies struck off.
- iii) The Company does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period.
- iv) The Company has not traded or invested in Crypto currency or Virtual Currency during the financial year.
- v) The Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority
- vi) The Company has not utilised short term funds for long term uses.

Notes to the Standalone Financial Statements

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

53 Other statutory information (Contd..)

- vii) The Company has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall
- (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company (Ultimate Beneficiaries) or
 - (b) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries
- viii) The Company has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Group shall:
- (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or
 - (b) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries
- ix) The Company has not any such transaction which is not recorded in the books of account that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961.

54 Previous year figure have been regrouped and reclassified wherever considered necessary to confirm to this year's classifications.

The accompanying notes are integral part of the Standalone Financial Statements

As per our report of even date

for SURYANARAYANA & SURESH

Chartered Accountants

FRN 006631S

V. NAGENDRA RAO

Partner

M.No. 227679

Place: Hyderabad

Date : May 24, 2023

For and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

RAMESH BABU POTLURI

Chairman and Managing Director

DIN No : 00166381

T. LAKSHMI NARAYANA

Chief Financial Officer

VAMSI KRISHNA POTLURI

Executive Director

DIN No : 06956498

T. THIRUMALESH

Company Secretary

M.No.A35824

Independent Auditors' Report

To the Board of Directors of **SMS Pharmaceuticals Limited**

Report on the Audit of the Ind AS Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of SMS Pharmaceuticals Limited (herein after referred to as "the holding Company") and its associate (Holding Company and its associate together referred to as "the Group") which comprise the consolidated balance sheet as at March 31, 2023, and the consolidated statement of profit and loss (including other comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2023, of its consolidated profit and other comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

Key audit matters ('KAM') are those matters that, in our professional judgment, were of most significance in our audit

of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

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

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

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

Management's Responsibilities for the Consolidated Financial Statements.

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation and presentation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated changes in equity and consolidated cash flows of the Group in accordance with the Ind AS and other accounting principles generally accepted in India. The respective Boards of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities;

selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Company, as aforesaid.

In preparing the consolidated financial statements, the respective Boards of Directors of the companies included in the Group are responsible for assessing the ability of the respective entities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Boards of Directors either intend to liquidate their respective entities or to cease operations, or have no realistic alternative but to do so.

The respective Boards of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

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

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

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

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

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

We communicate with those charged with governance of the Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Other Matter

(a) We did not audit the financial statements and other financial information, in respect of associate company, whose financial statements include total assets of ₹ 19,734.02 lakhs as at March 31, 2023, and total revenues of ₹ 3,193.41 lakhs and net cash inflows of ₹ 7.57 lakhs for the year ended on that date. These financial statements and other financial information have been audited by other auditors, which financial statements, other financial information and auditor's reports have been furnished to us by the management. Our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of the associate, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid associate is based solely on the report(s) of such other auditors.

Our opinion above on the Consolidated Financial Statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.

c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including Other Comprehensive Income, Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

d) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under section 133 of the Act.

e) On the basis of the written representations received from the directors of the Company as on March 31, 2023 taken on record by the Board of Directors of the Company and the reports of the statutory auditors of its associate company incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on March 31, 2023 from being appointed as a director in terms of Section 164 (2) of the Act.

f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls; refer to our separate Report in "Annexure A" which is based on the auditors' reports of the Company and its associate company incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting of those companies.

g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

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

h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

i) The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group.

- ii) Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;
- iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company and its associate company incorporated in India.
- iv) (a) The respective Managements of the Company and its associate which are companies incorporated in India, whose financial statements have been audited under the Act, have represented to us that, to the best of their knowledge and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company or any of such associate to or in any other person or entity, including foreign entity (“Intermediaries”), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company or any of such associate (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- (b) The respective Managements of the Company and its associate which are companies incorporated in India, whose financial statements have been audited under the Act, have represented to us that, to the best of their knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Company or any of such associate from any person or entity, including foreign entity (“Funding Parties”), with the understanding, whether recorded in writing or otherwise, that the Company or any of such associate shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- (c) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances performed by us on the Company and its associate which are companies incorporated in India whose financial statements have been audited under the Act, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.
- v) The dividend declared or paid during the year by the Company is in compliance with Section 123 of the Act.
2. With respect to the matters specified in paragraphs 3(xxi) and 4 of the Companies (Auditor’s Report) Order, 2020 (the “Order”/“CARO”) issued by the Central Government in terms of Section 143(11) of the Act, to be included in the Auditor’s report, according to the information and explanations given to us, and based on the CARO reports issued by us for the Company and its associate included in the consolidated financial statements of the Company, to which reporting under CARO is applicable, we report that there are no qualifications or adverse remarks in these CARO reports.

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

V Nagendra Rao
Partner

Place: Hyderabad
Date: 24.05.2023

M.No.227679
UDIN:23227679BGSGVG7287

Annexure “A” to the Independent Auditor’s Report

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

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013 (the “Act”)

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2023, we have audited the internal financial controls over financial reporting of **SMS Pharmaceuticals Limited** (hereinafter referred to as the “Company”) and its associate company, which are companies incorporated in India, as of that date.

Management’s Responsibility for Internal Financial Controls

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

Auditor’s Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Company and its associate company, which are companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India (“ICAI”) and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan

and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Company and its associate company, which are companies incorporated in India.

Meaning of Internal Financial Controls over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Place: Hyderabad
Date: 24.05.2023

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the Company and its associate company, which are companies incorporated in India, have in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2023 based on the criteria for internal financial control over financial reporting established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

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

V Nagendra Rao
Partner
M.No.227679
UDIN:23227679BGSVG7287

Consolidated Balance Sheet

as at 31st March, 2023 (All amounts : Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	Note	As at March 31, 2023	As at March 31, 2022
I	ASSETS			
1	Non-Current Assets			
	(a) Property, Plant and Equipment	4	40,949.96	43,407.10
	(b) Capital Work-in-Progress	4	3,319.05	1,100.40
	(c) Right-of-use Assets	5A	105.23	255.03
	(d) Intangible Assets	6	146.56	137.01
	(e) Financial Assets:			
	(i) Investments	7	1,052.20	2,152.71
	(ii) Bank Balances	8	253.61	260.51
	(iii) Other Financial Assets	9	508.50	502.25
	(f) Other Non-Current Assets	10	561.04	430.05
	Total Non-Current Assets		46,896.15	48,245.06
2	Current Assets			
	(a) Inventories	11	22,349.94	25,109.75
	(b) Financial Assets			
	(i) Trade Receivables	12	14,834.62	4,851.93
	(ii) Cash and Cash Equivalents	13	737.78	4,658.28
	(iii) Bank Balances (Other than (ii) above)	14	9.18	7.73
	(iv) Other Financial Assets	15	660.12	281.66
	(c) Other Current Assets	16	1,896.97	2,350.86
	(d) Current Tax Asset (Net)	17	576.25	444.90
	Total Current Assets		41,064.86	37,705.11
	TOTAL ASSETS		87,961.01	85,950.17
II	EQUITY AND LIABILITIES			
1	Equity:			
	(a) Equity Share Capital	18	846.52	846.52
	(b) Other Equity	19	45,206.00	46,182.34
	Total		46,052.52	47,028.86
2	Liabilities			
A	Non-Current Liabilities			
	(a) Financial Liabilities			
	(i) Borrowings	20	12,113.33	14,950.15
	(ii) Lease Liabilities	5B	61.36	211.44
	(b) Provisions	21	140.45	156.62
	(c) Deferred Tax Liabilities (Net)	22	4,102.00	3,955.07
	Total Non-Current Liabilities		16,417.14	19,273.28
B	Current Liabilities			
	(a) Financial Liabilities			
	(i) Borrowings	23	13,138.01	11,061.22
	(ii) Lease Liabilities	5B	93.99	104.04
	(iii) Trade Payables:	24		
	(a) Trade Payables - MSME		68.93	17.67
	(b) Trade Payables Other than MSME		11,245.87	7,268.11
	(iv) Other Financial Liabilities	25	550.49	675.53
	(b) Provisions	21	104.20	101.64
	(c) Other Current Liabilities	26	289.86	419.82
	Total Current Liabilities		25,491.35	19,648.03
	Total Liabilities		41,908.49	38,921.31
	TOTAL EQUITY AND LIABILITIES		87,961.01	85,950.17
	Summary of Significant Accounting Policies	3		

The accompanying notes are integral part of the Consolidated Financial Statements

As per our report of even date

for **SURYANARAYANA & SURESH**

Chartered Accountants

FRN 006631S

V. NAGENDRA RAO

Partner

M.No. 227679

Place: Hyderabad

Date : May 24, 2023

For and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

RAMESH BABU POTLURI

Chairman and Managing Director

DIN No : 00166381

T. LAKSHMI NARAYANA

Chief Financial Officer

VAMSI KRISHNA POTLURI

Executive Director

DIN No : 06956498

T. THIRUMALESH

Company Secretary

M.No.A35824

Consolidated Statement of Profit and Loss

for the Year ended 31st March, 2023 (All amounts : Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	Note	For the year ended March 31, 2023	For the year ended March 31, 2022
1	Income			
	Revenue from Operations	27	52,205.14	51,987.43
	Other Income	28	488.56	519.77
	Total Income		52,693.70	52,507.20
2	Expenses			
	Cost of Materials Consumed	29	29,973.25	38,795.34
	Changes in Inventories of finished goods, work-in-progress and stock-in-trade	30	3,608.44	(11,250.47)
	Manufacturing Expenses	31	5,731.47	5,504.14
	Employee Benefits Expense	32	5,504.36	5,102.19
	Finance Cost	33	2,191.50	1,887.54
	Depreciation and Amortization Expense	34	3,212.54	3,215.25
	Other Expenses	35	1,937.23	2,403.30
	Total Expenses		52,158.79	45,657.29
3	Profit Before Tax (1-2)		534.91	6,849.91
4	Tax Expense	36		
	(a) Current Tax			
	(i) relating to Current Year		5.50	1,500.00
	(ii) relating to Earlier Year		(5.92)	(7.96)
	(b) Deferred Tax Liability/(Asset)		146.92	(1,430.22)
	Total Tax Expense		146.50	61.82
5	Profit for the Year (3-4)		388.41	6,788.09
6	Share of Profit/(Loss) in associate companies		(1,094.34)	(566.10)
7	Net Profit/(loss) after taxes and share of loss from Associates (5+6)		(705.93)	6,221.99
8	Other Comprehensive Income / (Loss)			
	Items that will not be reclassified to Profit/Loss			
	(a) Remeasurement gain/(loss) of the defined benefit plans		(27.43)	5.25
	(b) Tax on Remeasurement gain/(loss) of the defined benefit plans	37	6.90	(1.32)
	(c) Share of Other Comprehensive Income in Associates		5.51	5.52
	(d) Share of Tax on Remeasurement gain/(loss) of the defined benefit plans in Associates		(1.43)	(1.44)
	Other Comprehensive Income/(Loss) after Tax for the Year		(16.45)	8.01
9	Total Comprehensive Income for the Year(7+8)		(722.38)	6,230.00
10	Earnings Per Share (Face Value of Re.1 each)	38		
	- Basic and Diluted		(0.83)	7.35
	Summary of Significant Accounting Policies	3		

The accompanying notes are integral part of the Consolidated Financial Statements

As per our report of even date

for **SURYANARAYANA & SURESH**

Chartered Accountants

FRN 006631S

V. NAGENDRA RAO

Partner

M.No. 227679

Place: Hyderabad

Date : May 24, 2023

For and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

RAMESH BABU POTLURI

Chairman and Managing Director

DIN No : 00166381

T. LAKSHMI NARAYANA

Chief Financial Officer

VAMSI KRISHNA POTLURI

Executive Director

DIN No : 06956498

T. THIRUMALESH

Company Secretary

M.No.A35824

Consolidated Statement of Changes in Equity

for the Year Ended 31st March, 2023 (All amounts : Indian Rupees in Lakhs, unless otherwise stated)

a. Equity Share Capital

Particulars	As at March 31, 2023		As at March 31, 2022	
	Number of Shares	Amount	Number of Shares	Amount
As at the Beginning of the Year	8,46,52,030	846.52	8,46,52,030	846.52
Changes in Equity Share Capital	-	-	-	-
As at the End of the Year	8,46,52,030	846.52	8,46,52,030	846.52

b. Other Equity

Particulars	Reserves & Surplus				
	Securities Premium	Capital Redemption Reserve	General Reserve	Retained Earnings	Total Other Equity
Balance as at April 01, 2021	6,981.84	155.00	8,304.28	24,765.17	40,206.28
Profit for the Year				6,788.09	6,788.09
Other Comprehensive Income/(Loss), After Tax for the year				8.01	8.01
Total Comprehensive Income for the Year	-	-	-	6,796.10	6,796.10
Others				(566.10)	(566.10)
Transfer to General Reserve			1,000.00	(1,000.00)	-
Payment of dividends				(253.95)	(253.95)
Balance as at March 31, 2022	6,981.84	155.00	9,304.28	29,741.22	46,182.34
Balance as at April 01, 2022	6,981.84	155.00	9,304.28	29,741.22	46,182.34
Profit for the Year				388.41	388.41
Other Comprehensive Income/(Loss), After Tax for the year				(16.45)	(16.45)
Total Comprehensive Income for the Year	-	-	-	371.96	371.96
Others				(1,094.34)	(1,094.34)
Transfer to General Reserve				-	-
Payment of dividends				(253.96)	(253.96)
Balance as at March 31, 2023	6,981.84	155.00	9,304.28	28,764.88	45,206.00

The accompanying notes are integral part of the Consolidated Financial Statements

As per our report of even date
for **SURYANARAYANA & SURESH**
Chartered Accountants
FRN 006631S

For and on behalf of the Board of the Directors of
SMS Pharmaceuticals Limited

V. NAGENDRA RAO
Partner
M.No. 227679

RAMESH BABU POTLURI
Chairman and Managing Director
DIN No : 00166381

VAMSI KRISHNA POTLURI
Executive Director
DIN No : 06956498

Place: Hyderabad
Date : May 24, 2023

T. LAKSHMI NARAYANA
Chief Financial Officer

T. THIRUMALESH
Company Secretary
M.No.A35824

Consolidated Statement of Cash Flow

for the Year Ended 31st March, 2023 (All amounts : Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
A	Cash Flow from Operating Activities		
	Profit Before Tax	534.91	6,849.91
	Adjustments for:		
	Depreciation and Amortisation Expense	3,212.54	3,215.25
	Interest Income	(14.31)	(30.52)
	Interest on lease liability	22.30	41.72
	Interest on Borrowings	2,070.46	1,728.90
	Provision for Employee Benefits	(34.14)	(4.15)
	Amortisation of Transaction Cost on Borrowings	16.69	19.08
	Profit on Sale of Assets	(1.75)	(0.57)
	Loss on Sale of Assets	7.19	0.37
	Unrealised Profit in Associate Company Sales	20.05	15.56
		5,833.94	11,835.55
	Change in Operating Assets and Liabilities		
	(Increase)/Decrease in Trade Receivables	(9,982.69)	5,716.05
	(Increase)/Decrease in Inventories	2,759.81	(11,331.02)
	(Increase)/Decrease in Other Non Current Financial Assets	(6.25)	(155.81)
	(Increase)/Decrease in Other Non Current Asset	(130.98)	133.23
	(Increase)/Decrease in Other Current Financial Assets	(378.46)	953.63
	(Increase)/Decrease in Other Current Assets	468.17	(1,350.02)
	(Increase)/Decrease in Prepaid Taxes	329.07	(145.84)
	Increase/(Decrease) in Trade Payables	4,029.02	741.76
	Increase/(Decrease) in Other Current Liabilities	(216.63)	(399.52)
		(3,128.94)	(5,837.54)
	Cash generated from Operations	2,705.00	5,998.01
	Income Taxes Paid	(460.00)	(1,492.04)
	Net Cash Inflow from Operating Activities "A"	2,245.00	4,505.97
B	Cash flows from Investing Activities		
	Purchase of Property, Plant and Equipment	(2,992.07)	(2,724.74)
	Sale of Property, Plant and Equipment	26.33	1.71
	Investment in LLP	(9.80)	-
	Margin Money Deposits	(8.88)	(19.83)
	Interest Received on Margin Money Deposit	15.81	27.56
	Net Cash Inflow (Outflow) from Investing Activities "B"	(2,968.61)	(2,715.30)

Consolidated Statement of Cash Flow

for the Year Ended 31st March, 2023 (All amounts : Indian Rupees in Lakhs, unless otherwise stated)

S. No	Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
C	Cash Flows from Financing Activities		
	Proceeds from Long Term Borrowings	941.37	4,518.99
	Repayment of Long Term Borrowings	(4,305.79)	(3,283.60)
	Proceeds from Short Term Borrowings	2,587.71	88.89
	Repayment of Short Term Borrowings	-	(383.53)
	Interest paid on Borrowings	(2,092.76)	(1,770.62)
	Repayment of Lease Liability	(73.46)	(90.88)
	Dividend Paid to Company's Shareholders	(253.96)	(253.95)
	Net Cash Inflow (Outflow) from Financing Activities "C"	(3,196.89)	(1,174.70)
	Net Increase (Decrease) in Cash and Cash Equivalents (A+B+C)	(3,920.50)	615.97
	Cash and Cash Equivalents at the beginning of the Financial Year	4,658.28	4,042.31
	Cash and Cash Equivalents at end of the Year	737.78	4,658.28

The accompanying notes are integral part of the Consolidated Financial Statements

1. The Cash Flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) Statement of Cash Flows.
2. Previous year figures have been regrouped/reclassified to confirm to current year classification.

As per our report of even date
for SURYANARAYANA & SURESH
 Chartered Accountants
 FRN 006631S

V. NAGENDRA RAO
 Partner
 M.No. 227679

Place: Hyderabad
 Date : May 24, 2023

For and on behalf of the Board of the Directors of
SMS Pharmaceuticals Limited

RAMESH BABU POTLURI
 Chairman and Managing Director
 DIN No : 00166381

T. LAKSHMI NARAYANA
 Chief Financial Officer

VAMSI KRISHNA POTLURI
 Executive Director
 DIN No : 06956498

T. THIRUMALESH
 Company Secretary
 M.No.A35824

Notes to Consolidated Financial Statements

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

1. Corporate Information:

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

2. Basis of preparation of Consolidated Financial Statements

2.1 Statement of Compliance

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

These Consolidated financial statements have been prepared by the Group as a going concern on the basis of relevant Ind AS that are effective at the Group's annual reporting date, March 31, 2023. These Consolidated Financial Statements for the year ended t March 31, 2023 were authorized and approved for issue by the Board of Directors on May 24, 2023.

3. Summary of Significant Accounting Policies:

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

3.1 Basis of Measurement

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

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

3.2 Current and Non- Current Classification:

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

- (a) An asset is treated as current when it satisfies the below mentioned criteria:
- Expected to be realized or intended to be sold or consumed in normal operating cycle;
 - Held primarily for the purpose of trading;
 - Expected to be realized within twelve months after the reporting period, or
 - Cash or Cash Equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
- (b) All Other Assets are classified as non-current.
- (c) A liability is classified as current when it satisfies the below mentioned criteria:
- Expected to settle the liability in normal operating cycle;
 - Held primarily for the purpose of trading;
 - Due to be settled within twelve months after the reporting period, or

Notes to Consolidated Financial Statements

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

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period
- (d) All Other liabilities are classified as non-current.
- (e) Deferred Tax Assets and Liabilities are classified as non-current assets and liabilities.
- (f) The Operating Cycle is the time between the acquisition of assets for processing and their realization in Cash and Cash Equivalents. The Group has identified Twelve months as its Operating Cycle.

3.3 Revenue Recognition:

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

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

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

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

(i) Revenue from Sale of Goods:

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

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

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

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

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

(ii) Revenue from Sale of Services:

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

(iii) Export incentives:

Export incentives are recognized as income when the right to receive credit as per the terms of the scheme

Notes to Consolidated Financial Statements

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

is established in respect of the export made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

(iv) Dividend Income:

Dividends are received from financial assets at fair value through profit or loss and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of the investment.

(v) Interest Income:

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

3.4 Foreign Currency Transactions:

i. Functional and Presentation Currency:

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

ii. Initial Recognition:

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

iii. Conversion on Reporting Date:

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

iv. Exchange Differences:

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

3.5 Property, Plant and Equipment:

(a) Recognition and Initial Measurement

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

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

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

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

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

(b) Subsequent Measurement (Depreciation and Useful Lives)

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

Notes to Consolidated Financial Statements

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

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

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

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

(c) De-recognition

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

(d) Capital advances

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

(e) Capital work-in-progress

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

3.6 Intangible Assets:

(a) Recognition and Initial Measurement

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

(b) Subsequent measurement (amortization):

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

3.7 Leases:

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

Group as a lessee

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

i) Right-of-use assets

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

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

Notes to Consolidated Financial Statements

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

ii) Lease Liabilities

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

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

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

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

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

3.8 Inventories:

Raw material, packaging material, are carried at cost. Stores and spares are being charged to revenue as and when purchased. Cost includes purchase price excluding taxes those are subsequently recoverable by the Group from the concerned authorities, freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. Cost of Raw Material, packaging material is determined using the weighted average cost method.

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

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

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

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

3.9 Cash and Cash Equivalents:

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

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

Notes to Consolidated Financial Statements

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

3.10 Trade Receivables:

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance.

3.11 FINANCIAL INSTRUMENTS

(a) Financial Assets

(i) Initial recognition and measurement

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

(ii) Subsequent measurement

a. Debt instruments –

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

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

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

b. Equity investments –

All equity investments in scope of Ind-AS 109 are measured at fair value. Equity instruments which are held for trading are generally classified as at fair value through profit and loss (FVTPL). For all other equity instruments, the Group decides to classify

the same either as at fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL). The Group makes such election on an instrument by instrument basis. The classification is made on initial recognition and is irrevocable.

Investment in Associates, Subsidiaries and Joint Venture:

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

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

(iii) De-recognition of financial assets

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

(b) Financial liabilities

(i) Initial Recognition and Measurement

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

(ii) Subsequent Measurement

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

Notes to Consolidated Financial Statements

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

(iii) De-recognition of Financial Liabilities

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

(c) Financial Guarantee Contracts

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

(d) Offsetting of Financial Instruments

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

(e) Impairment of Financial Assets

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

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

- All contractual terms of the financial assets (including Prepayment and extension) over the expected life of the assets.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

(f) Trade Receivables

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

(g) Other Financial Assets

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

3.12 Impairment of Non-Financial Assets

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

3.13 Income Taxes:

Current Income Tax

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

Notes to Consolidated Financial Statements

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

Deferred Income Tax

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

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

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

3.14 Segment Reporting:

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

3.15 Government Grants:

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

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

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities

as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and presented within other income.

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

3.16 Borrowings:

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

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

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

3.17 Borrowing Cost

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

Notes to Consolidated Financial Statements

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

with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

3.18 Provisions

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

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

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

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

3.19 Trade and other Payables:

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

3.20 Dividends

The Group recognises a liability to make cash distributions to equity holders when the distribution is authorized and the distribution is no longer at the discretion of the Group. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

Interim dividends are recorded as a liability on the date of declaration by the Group's Board of Directors.

3.21 Equity:

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

3.22 Research and Development:

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

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

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

3.23 Post Employee Benefits:

(a) Defined Contribution Plan:

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

(b) Defined Benefit Plan:

The Group has gratuity as defined benefit plan where the amount that an employee will receive on retirement

Notes to Consolidated Financial Statements

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

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

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

(c) Other Long-Term Employee Benefits

The Group also provides benefit of compensated absences to its employees which are in the nature of long-term benefit plan. Liability in respect of compensated absences becoming due and expected to be availed more than one year after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method as on the reporting date as per the requirements of IND AS "Employee Benefits". Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded in the statement of profit and loss in the year in which such gains or losses arise.

(d) Short-Term Employee Benefits

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

3.24 Earnings per Share:

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the

weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events including a bonus issue.

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

3.25 Contingent Liabilities and Commitments:

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

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

Contingent Assets are neither recognized nor disclosed. However, when realization of Income is virtually certain, related asset is recognized.

3.26 Exceptional Items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. These are material items of income or expense that have to be shown separately due to the significance of their nature or amount.

3.27 Fair Value Measurement

The Group measures Financial Instruments at fair value at each Balance Sheet Date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for such asset or liability, or in the absence of a principal market, in the most advantageous market which is accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use

Notes to Consolidated Financial Statements

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

when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted market prices) in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurements is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

3.28 Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the Consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group.

(i) Recognition of Deferred Tax Assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilized.

In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

(ii) Recognition of Deferred Tax Liability on Undistributed Profits:

The extent to which the Group can control the timing of reversal of deferred tax calculation on undistributed profits of its subsidiaries requires judgment.

(iii) Evaluation of Indicators for Impairment of Assets:

The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

(iv) Recoverability of Advances/Receivables:

At each balance sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding receivables and advances.

(v) Useful lives of Depreciable/Amortizable Assets:

Management reviews its estimate of the useful lives of depreciable/amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain software, customer relationships, IT equipment and other plant and equipment.

(vi) Defined Benefit Obligation (DBO):

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, medical cost trends, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses..

(vii) Fair Value Measurements:

Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument.

Notes to Consolidated Financial Statements

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

Management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

(viii) Provisions:

At each balance sheet date the management judgment, changes in facts and legal aspects, the Group assesses the requirement of provisions against the outstanding warranties and guarantees. However, the actual future outcome may be different from this judgment.

3.29 Recent Accounting Pronouncements:

The Ministry of Corporate Affairs (MCA) notifies new standard or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On March 31, 2023, MCA amended the Companies (Indian Accounting Standards) Rules, 2015, by issuing the companies (Indian Accounting Standards) Amendment Rules, 2023, applicable from April 1, 2023, as below:

Ind AS 1 – Presentation of Financial Statements

The amendments require companies to disclose their material accounting policies rather than their significant accounting policies. Accounting policy information, together with other information, is material when it can reasonably be expected to influence decisions of primary users of general purpose financial statements. The Group does not expect this amendment to have any significant impact in its financial statements.

Ind AS 12 – Income Taxes

The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of Ind AS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The Group has evaluated and the amendment and there is no impact on its financial statements.

Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

The amendments will help entities to distinguish between accounting policies and accounting estimates. The definition of a change in accounting estimates has been replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The Group does not expect this amendment to have any significant impact in its financial statements.

3.30 Rounding of Amounts:

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs as per the requirement of Schedule III of the Companies Act, 2013 unless otherwise stated.

Notes to Consolidated Financial Statements

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

4 Property, Plant and Equipment

Particulars	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
		Land	Buildings	Plant & Machinery	Pollution Control Equipment	Data Processing Equipment	Furniture & Fixtures	Office Equipment	Vehicles	Others	Total	Capital Work-in-Progress
I Year Ended March 31, 2022												
a Gross Carrying Amount												
1 Opening Gross Carrying Amount	421.30	12,328.32	40,624.48	715.11	184.14	226.93	119.05	373.71	149.16	55,142.20	674.37	
2 Additions	-	676.39	507.24	-	11.80	11.80	6.27	14.74	3.59	1,231.83	1,626.07	
3 Disposals/Transfers	-	-	(6.00)	-	-	-	-	-	-	(6.00)	(1,200.04)	
4 Closing Gross Carrying Amount as at March 31, 2022 (1+2+3)	421.30	13,004.71	41,125.72	715.11	195.94	238.73	125.32	388.45	152.75	56,368.03	1,100.40	
b Accumulated Depreciation and Impairment												
5 Opening Accumulated Depreciation	-	1,386.01	7,917.32	94.91	108.05	72.17	50.46	232.18	55.70	9,916.80	-	
6 Depreciation Charge during the Year	-	431.28	2,422.63	39.25	38.33	20.67	20.90	49.89	25.66	3,048.61	-	
7 Disposals	-	-	(4.48)	-	-	-	-	-	-	(4.48)	-	
8 Closing Accumulated Depreciation and Impairment as at March 31, 2022 (5+6+7)	-	1,817.29	10,335.47	134.16	146.38	92.84	71.36	282.07	81.36	12,960.93	-	
c Net Carrying Amount as at March 31, 2022 (4-8)	421.30	11,187.42	30,790.25	580.95	49.56	145.89	53.96	106.38	71.39	43,407.10	1,100.40	
II Year Ended March 31, 2023												
a Gross Carrying Amount												
1 Opening Gross Carrying Amount	421.30	13,004.71	41,125.72	715.11	195.94	238.73	125.32	388.45	152.75	56,368.03	1,100.40	
2 Additions	-	73.40	508.24	5.77	17.81	5.73	1.50	40.71	-	653.16	2,632.64	
3 Disposals/Transfers	-	-	(46.63)	-	-	-	-	(7.90)	-	(54.53)	(413.99)	
4 Closing Gross Carrying Amount as at March 31, 2023 (1+2+3)	421.30	13,078.11	41,587.33	720.88	213.75	244.46	126.82	421.26	152.75	56,966.66	3,319.05	
b Accumulated Depreciation and Impairment												
5 Opening Accumulated Depreciation	-	1,817.29	10,335.47	134.16	146.38	92.84	71.36	282.07	81.36	12,960.93	-	
6 Depreciation Charge during the Year	-	448.81	2,456.31	39.38	28.21	22.00	18.96	38.87	26.00	3,078.54	-	
7 Disposals	-	-	(15.38)	-	-	-	-	(7.39)	-	(22.77)	-	
8 Closing Accumulated Depreciation and Impairment as at March 31, 2023 (5+6+7)	-	2,266.10	12,776.40	173.54	174.59	114.84	90.32	313.55	107.36	16,016.70	-	
c Net Carrying Amount as at March 31, 2023 (4-8)	421.30	10,812.01	28,810.93	547.34	39.16	129.62	36.50	107.71	45.39	40,949.96	3,319.05	

Notes to Consolidated Financial Statements

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

4 Property, Plant and Equipment (Contd.)

4.1 Property, Plant and Equipment includes relating to Research and Development activities (Refer Note. 41).

4.2 Pledge on Property, Plant and Equipment :

- i) Refer Note 50 for disclosure of contractual commitments for the acquisition of property, plant and equipment for an amount of ₹ 1,401.95 lakhs (March 31, 2022 ₹ 898.51 lakhs)
- ii) The company has participated in the e-auction conducted by State Bank of India (Bank) and become successful bidder for the property situated at Jubilee Hills, Hyderabad for a sum of ₹ 1055.00 Lakhs. The owner of the property has litigated with the Bank and filed case with Debt Recovery Tribunal (DRT), Hyderabad wherein the Company also impleaded and subsequently DRT has cancelled e-auction due to technical issue. Aggrieved by the order of DRT, the company has filed an appeal before the Hon'ble Debt Recovery Appellate Tribunal (DRAT), Kolkatta and dismissed the appeal on the grounds which DRT observed. Aggrieved by the DRAT order, the company has filed a Writ Petition before the Hon'ble High Court of Telangana. The Hon'ble High Court of Telangana has allowed our Writ Petition vide order dated 10th January 2023. The Company has paid Sale Consideration along with interest of ₹ 342.60 Lakhs to Bank as per the Court order. The bank has registered the Sale of Certificate in the name of our Company in the sub-registrar office, Banjara Hills, Hyderabad. Subsequently, the owner of the property has filed Special Leave Petition before the Hon'ble Supreme Court of India and same has been dismissed. The total consideration along with interest has been shown in capital work in progress.

4.3 Refer Note 40 for information on Property, Plant and Equipment pledged as security by the Company

4.4 Capital work-in-progress (CWIP) ageing Schedule:

Particulars	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
For the year ended March 31, 2023					
Projects in progress	2,218.65	1,065.40	-	35.00	3,319.05
Projects temporarily suspended	-	-	-	-	-

The amount of ₹ 35.00 Lakhs shown above under 'more than 3 years' category is the cost incurred towards purchase of software and the same was not yet installed.

Particulars	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
For the year ended March 31, 2022					
Projects in progress	1,065.40	-	-	35.00	1,100.40
Projects temporarily suspended	-	-	-	-	-

The amount of ₹ 35.00 Lakhs shown above under 'more than 3 years' category is the cost incurred towards purchase of software and the same was not yet installed.

Notes to Consolidated Financial Statements

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

5 Right of Use Assets and Lease Liability

The Company has adopted Ind AS 116 - Leases with effect from 01.04.2019 using modified restrospective method . This has resulted in recognizing right of use assets and lease liability as on 01.04.2019.

5A Right of Use Assets

Following are the changes in the carrying value of right of use assets for the year ended March 31, 2023 and March 31,2022:

Particulars	As at March 31, 2023	As at March 31, 2022
On account of adoption of Ind AS	541.95	541.95
Opening Balance	255.03	350.67
Reclassification on change in Lease liability	86.67	-
Depreciation	63.13	95.64
Closing Balance	105.23	255.03

The aggregate depreciation expense on ROU assets is included under depreciation and amortization expense in the statement of Profit and Loss.

5B Lease Liability

The following is the movement in lease liabilities during the year ended March 31, 2023 and March 31, 2022:

Particulars	As at March 31, 2023	As at March 31, 2022
On account of adoption of Ind AS 116	541.95	-
Opening Balance	315.48	406.35
Reclassification on change in Lease liability	86.67	-
Finance cost accrued during the year	22.30	41.72
Payment of lease liabilities	95.76	132.60
Closing Balance	155.35	315.48

The following is the breakup of current and non-current lease liabilities as at March 31,2023 and March 31,2022:

Particulars	As at March 31, 2023	As at March 31, 2022
Non-current lease liabilities	61.36	211.44
Current lease liabilities	93.99	104.04
Total	155.35	315.48

Notes to Consolidated Financial Statements

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

5 Right of Use Assets and Lease Liability (Contd.)

The table below provides details regarding the contractual maturities of lease liabilities as at March 31, 2023 on an undiscounted basis

Particulars	As at March 31, 2023	As at March 31, 2022
Less than one year	106.98	134.64
One to five years	63.71	232.25
More than five years	-	-
Total	170.69	366.89

The Company do not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

The Company has also taken lease for office premises in Vishakapatnam and the said lease is revocable by either of the parties with three months prior intimation. During the year, the company has paid lease rental of ₹ 3.06 lakhs (Previous Year ₹ 4.45 lakhs).

Hence, disclosure requirement under Ind AS 17 "Leases" is not required.

5.1 Operating Lease Commitments - Company as Lessor:

The Company has given on Lease of its part premises in R & D Gagilapur for an amount of ₹ 0.61lakhs per month on lease to an associate company . The company has also given for sub lease of part of its corporate office building to associate company. The Company has recognized income for total amount of ₹ 21.66 lakhs (Previous Year ₹ 60.43 lakhs) under the head of other income.

6 Intangible Assets

Particulars	Computer Software	Patents	Total
(1)	(2)	(3)	(4)
I Year Ended March 31, 2022			
a Gross Carrying Amount			
1 Opening Gross Carrying Amount as at April 01, 2021	68.38	223.02	291.40
2 Additions	4.60	43.17	47.77
3 Closing Gross Carrying Amount as at March 31, 2022 (1+2)	72.98	266.19	339.17
b Accumulated Amortisation and Impairment			
4 Opening Accumulated Amortisation as at April 01, 2021	56.67	74.49	131.16
5 Amortisation Charge during the year	5.97	65.03	71.00
6 Closing Accumulated Amortisation and Impairment as at March 31, 2022 (4+5)	62.64	139.52	202.16
c Closing Net Carrying Amount as at March 31, 2022 (3-6)	10.34	126.67	137.01
II Year Ended March 31, 2023			
a Gross Carrying Amount			
1 Opening Gross Carrying Amount as at April 01, 2022	72.98	266.19	339.17
2 Additions	-	80.42	80.42
3 Closing Gross Carrying Amount as at March 31, 2023 (1+2)	72.98	346.61	419.59
b Accumulated Amortisation and Impairment			
4 Opening Accumulated Amortisation as at April 01, 2022	62.64	139.52	202.16
5 Amortisation Charge during the year	4.46	66.41	70.87
6 Closing Accumulated Amortisation and Impairment as at March 31, 2023 (4+5)	67.10	205.93	273.03
c Closing Net Carrying Amount as at March 31, 2023 (3-6)	5.88	140.68	146.56

Notes to Consolidated Financial Statements

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

Non Current Financial Assets - Unsecured, Considered good

7 Non-Current Investments

Particulars	As at March 31, 2023		As at March 31, 2022	
	No. of Shares	Amount	No. of Shares	Amount
(Unquoted, carried at cost)				
(i) Investment in Associates (fully paid up)				
Equity Shares of ₹ 10/- each in M/s. VKT Pharma Pvt. Ltd.	38,50,165	1,042.40	38,50,165	2,152.71
(ii) Investment in LLP Provenio Astral International LLP	4.90%	9.80	-	-
Total		1,052.20		2,152.71
Aggregate amount of unquoted investments		1,052.20		2,152.71
Aggregate amount of quoted investments and market value thereof		-		-
Aggregate amount of impairment in the value of investment		-		-

7.1 As on March 31, 2023, the Company is holding 36.55 % (March 31, 2022 36.55%) of the total Paid up Equity Capital of the said Associate Company.

7.2 The Company has invested for an amount of ₹ 9.80 lakhs in “Provenio Astral International LLP” which consist of 4.90% (March 31,2022 NIL) of total capital.

8 Bank Balances

Particulars	As at March 31, 2023	As at March 31, 2022
Margin Money Deposits	253.61	260.51
Total	253.61	260.51

8.1 Margin Money Deposits are subject to the first charge against Bank guarantees and /are Letters of Credit..

9 Other Non-Current Financial Assets

Particulars	As at March 31, 2023	As at March 31, 2022
Security Deposits	508.50	502.25
Total	508.50	502.25

10 Other Non-Current Assets

Particulars	As at March 31, 2023	As at March 31, 2022
Capital Advances	561.04	430.05
Total	561.04	430.05

Notes to Consolidated Financial Statements

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

10 Other Non-Current Assets (Contd.)

10.1 An amount of ₹ 304.91 lakhs was included in the Capital Advances paid on account of land admeasuring AC 23.00 in JNPC, Parwada, Visakhapatnam District, and the amount so paid is equivalent to 100% land cost to APIIC and about 80% of development cost to Ramky Pharmacy respectively. Due to the cancellation of part of land allotted to the company in earlier, the company has filed a Writ Petition before the Hon'ble High Court and the Court has granted stay which is pending.

11 Inventories

Particulars	As at March 31, 2023	As at March 31, 2022
(Cost or Net Realisable Value, whichever is lower and as valued and certified by the management)		
Raw Materials	7,865.76	6,998.15
Stock-in-Process	10,590.22	11,894.55
Finished Goods	3,838.26	6,142.38
Coal & Fuel	55.70	74.67
Total	22,349.94	25,109.75

11.1 Raw material includes stock in transit of ₹ 155.68 lakhs (March 31, 2022 ₹ 916.06 lakhs)

11.2 Finished Goods includes stock in transit of ₹ 628.19 lakhs (March 31, 2022 ₹ 248.25 lakhs)

12 Trade Receivables

Particulars	As at March 31, 2023	As at March 31, 2022
Current - Unsecured		
(i) Considered Good	14,834.62	4,851.93
(ii) Credit Impaired	10.49	10.49
	14,845.11	4,862.42
Less: Allowance for Credit Impaired	10.49	10.49
Total	14,834.62	4,851.93

- No trade or other receivables are due from directors or other officers of the Company either severally or jointly with any other person.
- Trade receivables are non-interest bearing and are generally on terms of 30 - 120 days.
- Of the trade receivables balance, ₹ 5,168.18 in aggregate (as at March 31, 2022 ₹ 2,275.77) is due from the Company's customers individually representing more than 5 % of the total trade receivables balance.
- During the reporting period the company has not provided doubtful debts by considering the track record of receivables and continued the existing provision on doubtful debts.
- Trade Receivables includes an amount of ₹ 1085.97 lakhs (March 31, 2022 ₹ 395.09 lakh) receivable from VKT Pharma Pvt Ltd who is related party (Refer Note.48).

Movement in the expected credit loss allowance

Particulars	As at March 31, 2023	As at March 31, 2022
Balance at the beginning of the year	10.49	10.49
Movement in expected credit loss allowance on trade receivables	-	-
Balance at the end of the year	10.49	10.49

Notes to Consolidated Financial Statements

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

12 Trade Receivables (Contd.)

Trade Receivables ageing schedule for the year ended March 31, 2023:

Particulars	Outstanding from due date of payment						Total
	Not Due	Less than 6 months	6 months - 1 year	1- 2 years	2-3 years	More than 3 years	
i) Undisputed Trade receivables -considered good	11,255.01	3,421.07	150.82	7.72	-	-	14,834.62
ii) Undisputed Trade receivables - which have significant increase in credit risk	-	-	-	-	-	-	-
iii) Undisputed Trade receivables - credit impaired	-	-	9.98	0.51	-	-	10.49
iv) Disputed Trade receivables	-	-	-	-	-	-	-
Total	11,255.01	3,421.07	160.80	8.23	-	-	14,845.11

Trade Receivables ageing schedule for the year ended March 31, 2022:

Particulars	Outstanding from due date of payment						Total
	Not Due	Less than 6 months	6 months - 1 year	1- 2 years	2-3 years	More than 3 years	
i) Undisputed Trade receivables -considered good	3,183.27	1,594.37	53.85	20.44	-	-	4,851.93
ii) Undisputed Trade receivables - which have significant increase in credit risk	-	-	-	-	-	-	-
iii) Undisputed Trade receivables - credit impaired	-	-	7.60	2.89	-	-	10.49
iv) Disputed Trade receivables	-	-	-	-	-	-	-
Total	3,183.27	1,594.37	61.45	23.33	-	-	4,862.42

13 Cash and Cash Equivalents

Particulars	As at March 31, 2023	As at March 31, 2022
(i) Balances with Banks		
- in Current Accounts	716.42	3,381.81
- in Deposit Accounts	7.00	1,200.00
- in EEFC account	6.76	69.63
(ii) Cash on Hand	7.60	6.84
Total	737.78	4,658.28

14 Bank Balances Other than Cash and Cash Equivalents

Particulars	As at March 31, 2023	As at March 31, 2022
Balances in Unclaimed Dividend Accounts	9.18	7.73
Total	9.18	7.73

Notes to Consolidated Financial Statements

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

15 Other Current Financial Assets

Particulars	As at March 31, 2023	As at March 31, 2022
(unsecured, considered good)		
Export Incentive Receivable	20.86	27.57
GST Refund Receivable	601.76	252.61
Interest Receivable	37.50	1.48
Total	660.12	281.66

16 Other Current Assets

Particulars	As at March 31, 2023	As at March 31, 2022
(unsecured, considered good)		
GST Credit Receivable	1,002.76	1,261.96
Prepaid Expenses	493.25	330.74
Advances to Suppliers	325.31	433.99
Export Incentives Receivable against RODTEP/MEIS	48.55	279.09
Other Advances and Receivables	27.10	45.08
Total	1,896.97	2,350.86

17 Current Tax Assets (Net)

	576.25	444.90
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17.1 Current Tax Assets/(Liabilities)

Particulars	As at March 31, 2023	As at March 31, 2022
Advance Income Tax	534.11	1,872.02
TDS Receivable	47.28	60.80
TCS Receivable	0.36	12.08
Less: Provision for Income Tax	5.50	1,500.00
Total	576.25	444.90

18 Equity Share Capital

Particulars	As at March 31, 2023		As at March 31, 2022	
	Number of Shares	Amount	Number of Shares	Amount
Authorised Share Capital				
Equity Shares of Re. 1/- each	12,00,00,000	1,200.00	12,00,00,000	1,200.00
Issued, Subscribed and Fully Paid Up				
Equity Shares of Re. 1/- each	8,46,52,030	846.52	8,46,52,030	846.52
Total	8,46,52,030	846.52	8,46,52,030	846.52

Notes to Consolidated Financial Statements

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

18 Equity Share Capital (Contd.)

18.1 Reconciliation of Number of Equity Shares outstanding at the Beginning and at the End of the Year

Particulars	As at March 31, 2023		As at March 31, 2022	
	Number of Shares	Amount	Number of Shares	Amount
Equity Shares				
At the Beginning of the Year	8,46,52,030	846.52	8,46,52,030	846.52
Add: Issued/(Reduced) during the Year	-	-	-	-
At the End of the Year	8,46,52,030	846.52	8,46,52,030	846.52

18.2 Rights attached to Equity Shares

The Company has only one class of equity shares having face value of Re. 1 per share. The Company declares and pays dividends in Indian rupees. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. Every holder of equity shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

18.3 Details of Shareholders holding more than 5% shares in the Company

Particulars	As at March 31, 2023		As at March 31, 2022	
	Number of Shares	% holding	Number of Shares	% holding
Ramesh Babu Potluri	1,56,53,060	18.49%	1,55,53,060	18.37%
Hima Bindu Potluri	1,47,88,840	17.47%	1,47,88,840	17.47%
Vamsi Krishna Potluri	1,33,28,370	15.74%	1,33,28,370	15.74%
Potluri Infra Projects LLP	73,46,420	8.68%	73,46,420	8.68%

18.4 Details of shares held by the promoters of the Company:

Equity Shares held by promoters as at March 31, 2023 and March 31, 2022

Promoter Name	March 31, 2023			March 31, 2022		
	No. of shares	% of total shares	% Change during the year	No. of shares	% of total shares	% Change during the year
Ramesh Babu Potluri	1,56,53,060	18.49%	0.64%	1,55,53,060	18.37%	-
Hima Bindu Potluri	1,47,88,840	17.47%	-	1,47,88,840	17.47%	-
Vamsi Krishna Potluri	1,33,28,370	15.74%	-	1,33,28,370	15.74%	-
Potluri Infra Projects LLP	73,46,420	8.68%	-	73,46,420	8.68%	-
Trilok Potluri	21,88,000	2.58%	-	21,88,000	2.58%	52.86%
Sudeepthi Gopineedi *	13,45,000	1.59%	-	13,45,000	1.59%	-
Venkata Praveen Talluri *	12,95,340	1.53%	-	12,95,340	1.53%	-
Potluri Laboratories Private Limited	11,20,320	1.32%	-	11,20,320	1.32%	-

* Reclassified from Promoter Category to Public Category with effect from May 05, 2022.

Notes to Consolidated Financial Statements

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

18 Equity Share Capital (Contd.)

18.5 Distributions made and proposed

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Cash dividends on equity shares declared and paid:		
Interim/final dividend for the financial year 2021-22 and 2020-21 : Re.0.30 per Share	253.96	253.95
Dividend distribution tax on interim/final dividend	-	-
Total	253.96	253.95
Proposed dividends on equity shares:		
Dividend for the FY 2022-23* and FY 2021-22 : Re.0.30 per Share	253.96	253.96
Dividend Distribution Tax on Proposed Dividend	-	-
Total	253.96	253.96

*The Board of Directors of the Company in their meeting held on May 24, 2023 has recommended the dividend for distribution to equity shareholders of Re. 0.30 per each equity share (face value Re.1/-) for the financial year 2022-23.

Proposed dividend on equity shares are subject to approval at the Annual General Meeting, hence, the company has not recognised it as a liability as at March 31, 2023.

19 Other Equity

Particulars	As at March 31, 2023	As at March 31, 2022
Reserves and Surplus		
Securities Premium	6,981.84	6,981.84
Capital Redemption Reserve	155.00	155.00
General Reserve	9,304.28	9,304.28
Retained Earnings	28,764.88	29,741.22
Total	45,206.00	46,182.34

19.1 Securities Premium Reserve

Particulars	As at March 31, 2023	As at March 31, 2022
Opening Balance	6,981.84	6,981.84
Adjustments	-	-
Closing Balance	6,981.84	6,981.84

Notes to Consolidated Financial Statements

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

19 Other Equity (Contd.)

19.2 Capital Redemption Reserve

Particulars	As at March 31, 2023	As at March 31, 2022
Opening Balance	155.00	155.00
Adjustments	-	-
Closing Balance	155.00	155.00

19.3 General Reserve

Particulars	As at March 31, 2023	As at March 31, 2022
Opening Balance	9,304.28	8,304.28
Transferred from Statement of Profit & Loss	-	1,000.00
Closing Balance	9,304.28	9,304.28

19.4 Retained Earnings

Particulars	As at March 31, 2023	As at March 31, 2022
(a) Opening Balance	29,741.22	24,765.16
(b) Net Profit for the Year	388.41	6,788.09
(c) Transferred to General Reserve	-	(1,000.00)
(d) Dividends (Including Tax)	(253.96)	(253.95)
(e) Accumulated Share of Profit/(Loss) in Associates	(1,094.34)	(566.10)
(f) Items of Other Comprehensive Income		
Remeasurement Gain/(Loss) of the defined benefit plans	(16.45)	8.01
Closing Balance	28,764.88	29,741.22

19.5 Nature and Purpose of Reserves

(a) Securities Premium Reserve:

Securities Premium Reserve is to record the premium on issue of shares. The reserve will be utilised in accordance with the provisions of the Companies Act, 2013.

(b) Capital Redemption Reserve:

The Company has recognized Capital Redemption reserve on buy back of equity shares. The amount in capital redemption reserve is equal to nominal amount of the equity shares bought back. This reserve will be utilized in accordance with Section 69 of the Companies Act, 2013.

(c) General Reserve:

General Reserves represent amounts transferred from retained earnings in earlier years under the provisions of the erstwhile Companies Act, 1956. Mandatory transfer to general reserve is not required under the Companies Act, 2013.

(d) Retained Earnings:

These are the accumulated earnings after appropriation of total comprehensive income and related transfers. The company uses retained earnings in accordance with the provisions of the Companies Act.

Notes to Consolidated Financial Statements

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

19 Other Equity (Contd.)

19.5 Nature and Purpose of Reserves

(e) Analysis of items of OCI, net of tax

Re-measurements of defined benefit plans (Refer Note 39).

Re-measurements of defined plans comprises actuarial gains and losses and return on plan assets.

Financial Liabilities

20 Non Current Borrowings

20.1 Secured (Refer Note.20.1.1)

Particulars	As at March 31, 2023	As at March 31, 2022
Term Loans from Banks		
(a) IDBI Bank Ltd Loan-2	772.62	-
(b) Export Import Bank Loan WCTL	148.58	722.18
(c) Export Import Bank Loan RTL	3,176.92	4,459.73
(d) State Bank of India	2,440.18	3,421.52
(e) RBL (WCTL GECL) Bank	565.02	847.52
(f) IDBI WCTL GECL -1	565.00	860.20
(g) IDBI WCTL GECL -2	540.80	590.00
(h) EXIM BANK GECL	1,575.48	1,609.00
(i) SBI WCTL GECL	2,208.73	2,320.00
Sub Total	11,993.33	14,830.15

20.2 Unsecured(Refer Note.20.2.1)

Particulars	As at March 31, 2023	As at March 31, 2022
DSIR Assistance	120.00	120.00
Total	12,113.33	14,950.15

20.3 Current Maturities of Non Current Borrowings

Particulars	As at March 31, 2023	As at March 31, 2022
Secured		
Term Loans from Banks		
(i) IDBI Bank Ltd - Loan-1	-	1,697.57
(ii) IDBI Bank Ltd - Loan-2	150.00	-
(iii) Export Import Bank Loan WCTL	575.00	425.00
(iv) Export Import Bank Loan RTL	1,287.00	887.25
(v) State Bank of India	990.00	682.50

Notes to Consolidated Financial Statements

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

20 Non Current Borrowings (Contd.)

Particulars	As at March 31, 2023	As at March 31, 2022
(vi) RBL (WCTL GECL)Bank	282.48	282.48
(vii) IDBI WCTL GECL - 1	295.20	295.20
(viii) IDBI WCTL GECL -2	49.20	-
(ix) EXIM BANK GECL	33.52	-
(x) SBI WCTL GECL	96.68	-
Total	3,759.08	4,270.00
Amount disclosed under the head "Current Borrowings"	(3,759.08)	(4,270.00)
Total	-	-

20.1.1 Security Terms

- Term Loans availed from IDBI Bank Limited (IDBI Bank), State Bank of India (SBI) and Export-Import Bank of India (Exim Bank) are secured by first charge on all movable and immovable fixed assets of the company both present and future on pari-passu basis. They are further secured by second charge on current assets both present and future on pari-passu basis. These facilities are guaranteed by Sri Ramesh Babu Potluri, Chairman & Managing Director and Sri Vamsi Krishna Potluri, Executive Director of the Company in their personal capacities.
- Long Term Working Capital Term Loans (LTWCTL) availed from Exim Bank are secured by first charge on all movable and immovable fixed assets of the company both present and future on pari-passu basis. Further secured by second charge on current assets of the Company both present and future on pari-passu basis. These facilities are guaranteed by Sri Ramesh Babu Potluri, Chairman & Managing Director of the Company in his personal capacity.
- Working Capital Term Loans (WCTL) under Guaranteed Emergency Credit Line (GECL) availed from IDBI Bank, RBL Bank Limited (RBL Bank), Exim Bank and SBI are secured by second charge on all movable and immovable fixed assets of the company both present and future on pari-passu basis. Further secured by second charge on current assets of the Company both present and future on pari-passu basis. These facilities are covered under GECL operated by National Credit Guarantee Trustee Company Limited (NCTC).
- The carrying amounts of financial and non-financial assets pledged as security for current and non - current borrowings are disclosed in Note 40.

20.1.2 Rate of Interest :

Name of the Bank	Rate of Interest
Term Loans	
Exim Bank (Exim MCLR (Y)+ 1.10% p.a)	7.85%
SBI (Converted FCNB with fully hedged)	8.36%
IDBI Bank (MCLR (Q)+ 0.75% p.a)	8.85%
Long Term Working Capital Loan	
Exim Bank (Exim MCLR (Y) +50 basis points)	8.85%
RBL Bank Ltd (GECL) (1M MCLR)	9.10%
IDBI Bank Limited (GECL1) (MCLR+0.15% p.a. effective 7.95%)	7.95%
IDBI Bank Limited (GECL2) (MCLR+0.15% p.a. effective 7.75%)	7.75%
SBI GECL (MCLR (6M)+0.70% p.a.	8.80%
Exim Bank GECL (LTMLR Minus 40 basis points p.a.)	7.80%

Notes to Consolidated Financial Statements

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

20 Non Current Borrowings (Contd.)

20.1.3 Terms of Repayment

- (a) The loan availed from IDBI Bank amounting to ₹ 2,500 lakhs for funding the Expansion Project of Kandivalasa unit. The loan is repayable in 20 Structured Quarterly Installments commencing from July, 2023, as mentioned below.

First 4 Quarters	₹ 50 Lakhs each
Next 4 Quarters	₹ 75 Lakhs each
Next 4 Quarters	₹ 125 Lakhs each
Next 4 Quarters	₹ 175 Lakhs each
Next 4 Quarters	₹ 200 Lakhs each

- (b) The loan availed from Exim Bank amounting to ₹ 6,500 lakhs for funding the Expansion Project of Kandivalasa unit. The loan is repayable in 24 Structured Quarterly Installments commencing from January, 2021, as mentioned below.

First 9 Quarters	₹ 188.50 Lakhs each
Next 14 Quarters	₹ 321.75 Lakhs each
Last 1 Quarter	₹ 299.00 Lakhs each

- (c) The loan availed from State Bank of India amounting to ₹ 5,000 lakhs for funding the Expansion Project of Kandivalasa unit. The loan is repayable in 24 Structured Quarterly Installments commencing from January, 2021, as mentioned below.

First 9 Quarters	₹ 145.00 Lakhs each
Next 14 Quarters	₹ 247.50 Lakhs each
Last 1 Quarter	₹ 230.00 Lakhs each

- (d) The Long Term Working Capital Loan availed from Exim Bank amounting ₹ 1,500 lakhs is to be repaid in 20 structured quarterly installments commencing from 1st october,2019, as mentioned below.

First 4 Quarters	₹ 25 Lakhs each
Next 4 Quarters	₹ 25 Lakhs each
Next 4 Quarters	₹ 50 Lakhs each
Next 4 Quarters	₹ 125 Lakhs each
Next 4 Quarters	₹ 150 Lakhs each

- (e) The WCTL under GECL availed from IDBI Bank amounting ₹ 1,180 lakhs is to be repaid in 47 monthly equal principal repayment of ₹ 24.60 Lakhs and 48th monthly instalment of ₹ 23.80 lakhs after moratorium period of one year i.e. March 2022 onwards.

- (f) The WCTL under GECL2 availed from IDBI Bank amounting ₹ 590 lakhs is to be repaid in 47 monthly equal principal repayment of ₹ 12.30 Lakhs and 48th monthly instalment of ₹ 11.90 lakhs after moratorium period of two years i.e. December 2023 onwards.

Notes to Consolidated Financial Statements

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

20 Non Current Borrowings (Contd.)

- (g) The WCTL under GECL availed from RBL Bank amounting ₹ 1,130 lakhs is to be repaid in 47 monthly equal principal repayment of ₹ 23.54 Lakhs and 48th monthly instalment of ₹ 23.62 lakhs after moratorium period of one year i.e. April 2022 onwards.
- (h) The WCTL under GECL availed from SBI amounting ₹ 2,320 lakhs is to be repaid in 48 equal monthly installments commencing after a moratorium of 2 years from the date of first disbursement i.e. March 2024.
- (i) The WCTL under GECL availed from Exim Bank amounting ₹ 1,609 lakhs is to be repaid in 48 equal monthly installments commencing after a moratorium of 2 years from the date of first disbursement i.e. April 2024.

20.1.4 The Company has used the borrowings for the purposes for which it was taken.

20.1.5 The quarterly returns of current assets filed by the Company with banks are in agreement with books of account.

20.2.1 Financial Assistance received from Department of Scientific and Industrial Research (DSIR) of ₹ 120.00 Lakhs (previous year ₹ 120.00 Lakhs) sanctioned under PATSER Scheme of Technology Promotion Development and Utilization (TPDU) Programme for development of catalysts or Fine Chemicals apart from Active Pharmaceutical Ingredients (API's), and their intermediates viz. Metal Acetylacetonates, Diltiazem Hydrochloride and Taxol C-13 Side Chain. The Company has executed agreements with DSIR, NRDC, IICT Hyderabad, IICT Guwahati under the said programme.

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

However, NRDC has filed an application before the Honourable High Court of Delhi at New Delhi for appointment of an Arbitral Tribunal and the Court referred the disputes to the Delhi International Arbitration Centre (DIAC), which would appoint an arbitrator to resolve the disputes. The Company has not yet received any communication from DIAC.

20.4 Debt Reconciliation as required by Ind AS -7 Statement of Cash Flows

Particulars	March 31, 2023	March 31, 2022
Opening Borrowings	14,950.15	14,740.78
Add: Opening Current Maturities	4,270.00	3,224.89
Add: Amortisation of Transaction Cost	16.69	19.08
Add: Received during the year	941.37	4,518.99
Less: Paid during the year	(4,305.79)	(3,283.60)
Closing Borrowings	15,872.41	19,220.15
Less: Closing Current Maturities	3,759.08	4,270.00
Non Current Borrowings as per Balance Sheet	12,113.33	14,950.15

Notes to Consolidated Financial Statements

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

21 Provisions

Particulars	As at March 31, 2023	As at March 31, 2022
Provision for Employee Benefit Obligations		
Non Current		
Gratuity	80.36	99.37
Leave Encashment	60.09	57.25
Sub Total	140.45	156.62
Current		
Gratuity	64.65	61.83
Leave Encashment	39.55	39.81
Sub Total	104.20	101.64
Total		
Gratuity	145.01	161.20
Leave Encashment	99.64	97.06
Grand Total	244.65	258.26

21.1 For details of Post Employment Benefits. Refer Note 39.

22 Deferred Tax Liabilities (net)

The Balance Comprises Temporary Differences Attributable to:

Particulars	As at March 31, 2023	As at March 31, 2022
(a) Deferred Tax Liability		
(i) Property, Plant and Equipment	4,348.58	4,215.91
(ii) Others	40.41	77.59
Total	4,388.99	4,293.50
(b) Deferred Tax Asset		
(i) Expenses allowable on Payment basis	67.14	71.63
(ii) Other items giving raise to temporary differences	219.85	266.80
Total	286.99	338.43
Net Deferred Tax Liabilities (a) - (b)	4,102.00	3,955.07

(c) Movement in Deferred Tax Liabilities

Particulars	Property, Plant and Equipment	Other Items	Total
As at March 31, 2021	5,897.26	25.29	5,922.55
Charged/(Credited)	(1,681.35)	52.30	(1,629.05)
As at March 31, 2022	4,215.91	77.59	4,293.50
Charged/(Credited)	132.67	(37.18)	95.49
As at March 31, 2023	4,348.58	40.41	4,388.99

Notes to Consolidated Financial Statements

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

22 Deferred Tax Liabilities (net) (Contd.)

(d) Movement in Deferred Tax Assets

Particulars	Expenses allowable on payment basis	MAT Credit	Other Items	Total
As at March 31, 2021	99.41	295.36	142.47	537.24
Charged/(Credited)	(27.78)	(295.36)	124.33	(198.81)
As at March 31, 2022	71.63	-	266.80	338.43
Charged/(Credited)	(4.49)	-	(46.95)	(51.44)
As at March 31, 2023	67.14	-	219.85	286.99

23 Current Borrowings

Particulars	As at March 31, 2023	As at March 31, 2022
Secured		
Working Capital Loans from Banks		
--- State Bank of India	4,529.64	4,011.68
--- RBL Bank Ltd	1,200.00	1,200.00
--- IDBI Bank Ltd	3,649.29	1,579.54
Total	9,378.93	6,791.22
Current Maturities of Long-Term Debt	3,759.08	4,270.00
Total	13,138.01	11,061.22

23.1 Security Terms

- (a) Working Capital Facilities sanctioned by State Bank of India, IDBI Bank Limited and RBL Bank Limited are secured by first charge on all current assets of the Company both present and future on pari-passu basis. These facilities are further secured by second charge on all movable and immovable fixed assets of the Company both present and future on pari-passu basis and also guaranteed by Sri Ramesh Babu Potluri, Chairman and Managing Director and Sri Vamsi Krishna Potluri, Executive Director of the Company, in their personal capacities.
- (b) The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 40.

23.2 Rate of Interest is as follows:

Particulars	Rate of Interest
State Bank of India	
Cash Credit	9.05%
Export Packing Credit	8.60%
Stand by Loan	8.60%
IDBI Bank Limited - WCDL	8.25%
RBL Bank - WCDL	9.15%

Notes to Consolidated Financial Statements

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

23 Current Borrowings (Contd.)

23.3 Terms of Repayment: The above working capital facilities are available for one year and renew thereafter. Repayment on demand.

23.4 The outstandings of all working capital facilities are well within the sanctioned limits.

23.5 The Company has used the borrowings for the purposes for which it was taken.

23.6 The quarterly returns of current assets filed by the Company with banks are in agreement with books of account

23.7 Debt Reconciliation as required by Ind AS -7, Statement of Cash Flows

Particulars	As at March 31, 2023	As at March 31, 2022
Opening Borrowings	6,791.22	7,085.86
Add: Received during the year	2,587.71	88.89
Less: Paid during the year	-	(383.53)
Closing Borrowings	9,378.93	6,791.22

24 Trade Payables

Particulars	As at March 31, 2023	As at March 31, 2022
(a) Creditor for Supply of Materials		
(i) Due to Micro and Small Enterprises	68.93	17.67
(ii) Due to Related Parties	618.54	64.67
(iii) Others	10,055.49	6,416.89
(b) Creditors for Expenses	571.83	786.55
Total	11,314.80	7,285.78

Details of Trade Payables

Particulars	As at March 31, 2023	As at March 31, 2022
Valued at amortised cost		
Total Outstanding dues to creditors other than micro enterprises and small enterprises	10,055.49	6,416.89
Outstanding dues to related parties	618.54	64.67
Total	10,674.03	6,481.56
Total outstanding dues to micro enterprises and small enterprises	68.93	17.67
Total outstanding dues to Creditors	10,742.97	6,499.23
Creditors for Expenses	571.83	786.55
Total	11,314.80	7,285.78

Terms and conditions of the above financial liabilities:

Trade Payables are non-interest bearing and normally settled on 30-120 day terms.

For explanations on the company's credit risk management processes, refer note no.44

Notes to Consolidated Financial Statements

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

24 Trade Payables (Contd.)

24.1 Trade Payables includes an amount of ₹ 540.99 lakhs (March 31, 2022 ₹ 46.02 lakhs) payable to SMS Lifesciences India Limited, ₹ 64.80 lakhs (March 31, 2022 ₹ 9.19 lakhs) payable to Eshwar Coal Movers, ₹ 12.76 lakhs (March 31, 2022 ₹ 38.53 Lakhs) payable to Raghavendra Engineering Industries India Pvt Ltd and ₹ NIL (March 31, 2022 ₹ 9.46 lakhs) payable to VKT Pharma Pvt Ltd who are related parties (Refer Note 48).

24.2 Trade Payables ageing schedule for the year ended March 31, 2023

Particulars	Outstanding from due date of payment					Total
	Not Due	Less than 1 year	1- 2 years	2-3 years	More than 3 years	
i) MSME	68.93	-	-	-	-	68.93
ii) Others	4,818.89	5,774.93	67.70	4.17	8.35	10,674.04
iii) Disputed dues - MSME & others	-	-	-	-	-	-
Total	4,887.82	5,774.93	67.70	4.17	8.35	10,742.97

Trade Payables ageing schedule for the year ended March 31, 2022

Particulars	Outstanding from due date of payment					Total
	Not Due	Less than 1 year	1- 2 years	2-3 years	More than 3 years	
i) MSME	17.67	-	-	-	-	17.67
ii) Others	3,902.09	2,560.80	1.92	2.13	14.62	6,481.56
iii) Disputed dues - MSME & others	-	-	-	-	-	-
Total	3,919.76	2,560.80	1.92	2.13	14.62	6,499.23

25 Other Financial Liabilities

Particulars	As at March 31, 2023	As at March 31, 2022
Current		
Capital Creditors	541.31	667.80
Unclaimed Dividend	9.18	7.73
Total	550.49	675.53

26 Other Current Liabilities

Particulars	As at March 31, 2023	As at March 31, 2022
Statutory Liabilities	152.48	268.09
Advance from Customers	115.28	125.40
Employee Benefits Payable	22.10	26.33
Total	289.86	419.82

Notes to Consolidated Financial Statements

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

27 Revenue from Operations

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
(a) Sale of Products		
Gross Sales (including GST)	53,139.29	54,124.25
Less: Goods and Service Tax	3,063.44	3,405.58
Net Revenue from Sales	50,075.85	50,718.67
(b) Income from Services		
(i) Conversion Charges	1,017.89	923.83
Less: Goods and Service Tax	155.27	140.92
Net Conversion Charges	862.62	782.91
(ii) Sale of Services	1,068.49	-
Less: Goods and Service Tax	32.28	-
Net Sale of Services	1,036.21	-
Net Revenue from Services	1,898.83	782.91
(c) Other Operating Income		
Export Incentives	230.46	485.85
Total Net Revenue from Operations (a+b+c)	52,205.14	51,987.43

28 Other Income

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
(i) Interest Income	77.48	55.96
(ii) Net Gain on Foreign Exchange	387.67	257.95
(iii) Miscellaneous Income (Net of GST)	23.41	205.86
Total	488.56	519.77

28.1 Miscellaneous Income includes Rent received from related parties of ₹ 21.66 lakhs (Previous year ₹ 60.43 lakhs).

29 Cost of Materials Consumed

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Raw Material & Packing Material		
Stock at the Beginning of the Year	6,998.15	6,966.81
Add: Purchases	30,820.81	38,811.12
Add: Unrealised Profit in Associate Company Sales	20.05	15.56
Less: Stock at the End of the Year	7,865.76	6,998.15
Total Materials Consumed	29,973.25	38,795.34

Notes to Consolidated Financial Statements

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

30 Changes in Inventory of finished goods, work-in-progress and stock-in-trade

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
(a) Opening Stock of Inventories:		
Finished Goods	6,142.37	4,445.03
Stock in Process	11,894.55	2,341.42
Sub Total (a)	18,036.92	6,786.45
(b) Closing Stock of Inventories:		
Finished Goods	3,838.26	6,142.37
Stock in Process	10,590.22	11,894.55
Sub Total (b)	14,428.48	18,036.92
(Increase)/Decrease in Stock (a-b)	3,608.44	(11,250.47)

31 Manufacturing Expenses

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Power and Fuel	3,656.82	3,243.65
Consumable Stores	576.18	680.96
Testing Charges	29.99	45.87
Water Charges	16.05	14.10
Conversion Charges	57.57	-
Repairs & Maintenance to Buildings	172.92	130.40
Repairs & Maintenance to Plant & Machinery	1,015.85	1,172.11
Factory Maintenance	146.06	147.22
Effluent Treatment Charges	60.03	69.83
Total	5,731.47	5,504.14

32 Employee Benefit Expense

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Salaries, Wages and Bonus	4,859.24	4,462.06
Contribution to Provident Fund	332.87	291.42
Contribution to ESI	23.00	22.36
Staff Welfare Expenses	289.25	326.35
Total	5,504.36	5,102.19

Notes to Consolidated Financial Statements

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

33 Finance Cost

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Interest on Non Current Borrowings	1,414.29	1,378.90
Interest on Current Borrowings	656.17	350.00
Interest on Others	0.59	16.19
Interest on Lease Liability	22.30	41.72
Bank Charges	98.15	100.73
Total	2,191.50	1,887.54

34 Depreciation and Amortisation Expenses

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Depreciation of Property, Plant and Equipment	3,078.54	3,048.61
Amortisation of Right-of-use Assets	63.13	95.64
Amortisation of Intangible Assets	70.87	71.00
Total	3,212.54	3,215.25

35 Other Expenses

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Rent	8.04	9.39
Rates and Taxes	57.80	73.71
Insurance	264.32	248.73
Directors Remuneration	374.39	763.27
Travelling and Conveyance	100.31	16.60
Communication Expenses	15.77	13.83
Printing and Stationery	77.99	71.59
Repairs & Maintenance to Other Assets	15.40	16.29
Vehicle Maintenance	33.93	24.16
Payments to Auditors (Note No.35.1)	16.00	16.00
Cost Audit Fee	1.00	0.75
Professional & Consultancy	134.40	135.64
General Expenses	127.25	79.81
Corporate Social Responsibility (Note No.35.2)	119.40	166.20
Interest on Indirect Taxes	6.10	28.85
Loss on Sale of Assets	7.19	0.37
Business Promotion Expenses	85.85	39.98
Royalty Paid	110.80	309.59
Regulatory Fee	84.83	86.43
Carriage Outward	198.53	183.86
Sales Commission	97.93	118.25
Total	1,937.23	2,403.30

Notes to Consolidated Financial Statements

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

35 Other Expenses (Contd.)

35.1 Details of Payments to Auditors

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Audit Fee	14.00	14.00
Certification Fee	2.00	2.00
Total Payments to Auditors	16.00	16.00

35.2 Corporate Social Responsibility Expenditure

As per requirement of the Companies Act, 2013, gross amount required to be spent by the Company during the year is ₹140.33 Lakhs (March 31, 2022 ₹136.12 Lakhs). The nature of CSR activities undertaken by the company includes promoting education, health care and environmental sustainability. The details of CSR expenditure is given below.

CSR Activities	for the year ended March 31, 2023		
	In Cash	Yet to be paid in Cash	Total
(i) Construction/Acquisition of any Asset	104.00	–	104.00
(ii) On Purposes other than (i) above	15.40	–	15.40
	(166.20)	–	(166.20)

Amounts in bracket indicate previous year numbers.

There is no shortfall at the end of March 31, 2023 and March 31, 2022 in terms of amount required to be spent by the company.

36 Income Tax Expense

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Current Tax		
Current tax on profits for the year	5.50	1,500.00
Adjustments for current tax of prior periods	(5.92)	(7.96)
Total Current Tax	(0.42)	1,492.04
Deferred Tax		
Increase/(Decrease) in Deferred Tax Liabilities	95.49	(1,629.03)
Decrease/(Increase) in Deferred Tax Assets	51.44	198.81
Total Deferred Tax Expense/(Benefit)	146.92	(1,430.22)
Total	146.50	61.82

Notes to Consolidated Financial Statements

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

36 Income Tax Expense (Contd.)

+36.1 Reconciliation of Tax Expense with Tax on Accounting Profits at normal rate is as follows:

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
(a) Profit before Tax	534.91	6,849.91
(b) Enacted Tax Rate in India	25.168%	25.168%
(c) Expected Tax Expenses (a)x(b)	134.63	1,723.99
(d) Tax Effect on Permanent Difference:		
Re-measurement of deferred tax assets and liabilities due to change in tax rate	-	(1,681.35)
Expenses not deductible under Income Tax Act	32.22	(217.84)
Other Adjustments	(19.47)	(54.29)
MAT Credit reversal	-	295.36
Tax pertaining to earlier years	(5.92)	(7.96)
Total Adjustments	6.83	(1,666.08)
Current Tax Expense as per P & L	141.46	57.90

During the Financial Years 2021-22, the Company has elected to exercise the option permitted under section 115BAA of the Income-tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Company has recognised provision for income tax for the year ended March 31, 2022 and accordingly remeasured its deferred tax liabilities based on the rates prescribed in the said section.

37 Other Comprehensive Income

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Actuarial Gain/(Loss) on Post Employment Benefit Expenses	(17.32)	3.61
Return on Plan Assets excluding net interest	(10.11)	1.64
	(27.43)	5.25
Deferred Taxes on above	6.90	(1.32)
Net Comprehensive Income	(20.53)	3.93

38 Earning Per Share (Basic and Diluted)

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
(a) Net profit for Basic & Diluted EPS	(705.93)	6,221.99
(b) Weighted average number of equity shares of Re.1/- each (Basic & Diluted)	846.52	846.52
(c) Earnings per share of par value Re 1/- per share -(Basic & diluted)	(0.83)	7.35

Notes to Consolidated Financial Statements

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

39 Post Employment Benefits

39.1 Defined Contribution plans

39.1.1 Employer's Contribution to Provident Fund:

Contributions are made to provident fund in India for employees at the rate of 12% of basic salary as per regulations. The contributions are made to registered provident fund administered by the Government of India. The obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the year towards PF contribution is ₹ 332.87 lakhs (Previous Year ₹ 291.42 lakhs).

39.1.2 Employer's Contribution to State Insurance Scheme:

Contributions are made to State Insurance Scheme in India for employees at the rate of 3.25%. The Contributions are made to Employees State Insurance Corporation(ESI) to the respective State Governments of the Company's location. This Corporation is administered by the Government and the obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards ESI contribution is ₹ 23.00 lakhs(Previous Year ₹ 22.36 lakhs).

39.2 Defined Benefit Plans

The Company has a defined benefit gratuity plan governed by Payment of Gratuity Act, 1972. Every Employee who has completed five years or more of service is entitled to a gratuity on departure at 15 days salary for each completed year of Service. The Scheme is funded through a policy with Life Insurance Corporation of India (LIC).

The Company has a defined benefit Compensated Absence Plan governed by The Factories Act, 1948. Every Employee who has worked for a period of 240 days or more during a calendar year shall be allowed during the subsequent calendar year, leave with wages for a number of days calculated as per Act.

The following table summarise net benefit expenses recognised in the statement of profit and loss, the status of funding and the amount recognised in the Balance Sheet for both the plans:

39.2.1 Net Employee Benefit Expense

Particulars	March 31, 2023		March 31, 2022	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
(Recognised in Employee Benefit Expenses)				
Current Service Cost	54.41	36.64	50.72	27.88
Interest Cost	7.04	5.66	10.71	4.98
Contribution paid	(105.05)	(4.02)	(77.85)	-
	(43.60)	38.28	(16.42)	32.86

Notes to Consolidated Financial Statements

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

39 Post Employment Benefits (Contd.)

39.2.2 Other Comprehensive Income

Particulars	March 31, 2023		March 31, 2022	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Actuarial Gain/(Loss) recognized for the period	17.32	(35.70)	(3.61)	(24.04)
Return on Plan Assets excluding net interest	10.11	-	(1.64)	-
Total Actuarial (Gain)/Loss recognized in OCI	27.43	(35.70)	(5.25)	(24.04)

39.2.3 Amount recognised in the Balance Sheet

Particulars	March 31, 2023		March 31, 2022	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Defined Benefit Obligation	554.42	99.64	484.70	97.06
Fair Value of Plan Assets	(409.41)	-	(323.50)	-
	145.01	99.64	161.20	97.06

39.2.4 Other Comprehensive Income in case of Employees Compensated Absence Scheme not considered as it was not funded.

39.2.5 Change in the Present Value of the Defined Benefit Obligation

Particulars	March 31, 2023		March 31, 2022	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Opening Defined Benefit Obligation	484.70	97.06	411.48	88.25
Current Service Cost	54.41	36.64	50.72	27.88
Interest Cost	33.44	5.66	26.21	4.98
Contribution Paid	-	-	-	-
Benefits Paid	(35.45)	(4.02)	(0.10)	-
Net Actuarial (gain)/ losses on Obligation for the year recognised under OCI	17.32	(35.70)	(3.61)	(24.05)
Closing Defined Benefit Obligation	554.42	99.64	484.70	97.06

Notes to Consolidated Financial Statements

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

39 Post Employment Benefits (Contd.)

39.2.6 Change in the Fair Value of Plan Assets

Particulars	March 31, 2023		March 31, 2022	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Opening Fair Value of Plan Assets	323.50	-	233.39	-
Adjustment to Opening Fair Value of Plan Asset	0.01	-	(4.77)	-
Return on Plan Assets Excluding Interest Income	(10.11)	-	1.64	-
Interest Income	26.41	-	15.49	-
Contribution paid	105.05	4.02	77.85	-
Benefits Paid	(35.45)	(4.02)	(0.10)	-
Closing Fair Value of Plan Assets	409.41	-	323.50	-

39.2.7 Actuarial (Gain)/Loss on Obligation

Particulars	March 31, 2023		March 31, 2023	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Due to Financial Assumption	(39.59)	-	(25.68)	-
Due to Experience	56.91	-	22.07	-
Total Actuarial (Gain)/Loss	17.32	-	(3.61)	-

39.2.8 The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	March 31, 2023	March 31, 2022
State Govt Security	203.52	160.81
Central Govt Securities	76.89	60.75
NCD/Bonds	92.77	73.31
Others	36.23	28.63
Total	409.41	323.50

Expected Return on Assets is based on rate of return declared by fund managers.

39.2.9 Actuarial Assumptions for estimating Company's Defined Benefit Obligation:

Particulars	March 31, 2023	March 31, 2022
Discount rate	7.24%	7.37%
Attrition Rate	PS : 0 to 40 : 2%	PS : 0 to 40 : 2%
Expected rate of increase in Salary	2.00%	3.00%
Mortality Table	IALM (2012-14)	IALM (2012-14)
Expected average remaining working lives of Employees	18.15	18.60

Notes to Consolidated Financial Statements

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

39 Post Employment Benefits (Contd.)

- (a) Assumptions regarding future mortality experience are set in accordance with the published statistics by the Life Insurance Corporation of India.
- (b) Plan assets does not comprise any of the Company's own financial instruments or any assets used by the Company. The Company has the plan covered under a policy with the Life Insurance Corporation of India.
- (c) The Significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the salary growth rate and the average life expectancy. The calculation of the net defined benefit liability is sensitive to these assumptions. However, the impact of these changes is not ascertained to be material by the management.

39.2.10 Sensitivity Analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Particulars	March 31, 2023	March 31, 2022
Defined Benefit Obligation	145.01	161.20
Effect of 1% change in assumed discount rate on defined benefit obligation		
Increase : +1%	510.85	444.58
Decrease: -1%	604.71	531.27
Effect of 1% change in assumed salary escalation rate on defined benefit obligation		
Increase : +1%	600.89	527.19
Decrease: -1%	512.47	447.04

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (Projected Unit Credit Method) has been applied while calculating the defined benefit liability recognised within the Balance Sheet.

39.2.11 Other Information

(i) Expected rate of return basis

Since the scheme funds are invested with LIC of India EROA is based on rate of return declared by fund managers.

(ii) Description of Plan Assets and Reimbursement Conditions

100% of the Plan Asset is entrusted to LIC of India under their Group Gratuity Scheme. The reimbursement is subject to LIC's Surrender Policy

(iii) Discount Rate

The discount rate has decreased from 7.37% to 7.24% and hence there is a increase in liability leading to actuarial gain due to change in discount rate.

(iv) Present Value of Defined Benefit Obligation:

Present value of the deined benefit obligation is calculated by using Projected Unit Credit Method (PUC Method). Under the PUC Method, a "projected accrued benefit" is calculated at the beginning of the year and again at the end of the year for each benefit that will accrue for all active members of the Plan. The "Projected accrued benefit" is based on the Plan's accrual formula and upon service as of the beginning or end of the year, but using a member's final compensation, projected to the age at which the employee is assumed to leave active service. The Plan Liability is the actuarial present value of the "Projected accrued benefits" as of the beginning of the year for active members.

Notes to Consolidated Financial Statements

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

39 Post Employment Benefits (Contd.)

39.2.11 Other Information (contd..)

(v) Expected Average remaining service vs. Average remaining future service:

The average remaining service can be arithmetically arrived by deducting current age from normal retirement age whereas the expected average remaining service is arrived actuarially by applying multiple decrements to the average remaining future service namely mortality and withdrawals. Thus, the expected average remaining service is always less than the average remaining future service.

(vi) Current and Non Current Liability:

The total of current and non-current liability must be equal with the total of PVO (Present value obligation) at the end of the period plus short term compensated liability if any. It has been classified in terms of " Schedule III" of the Companies Act, 2013.

(vii) Defined Benefit Liability and Employer Contributions

The Company has purchased insurance policy to provide for payment of gratuity to the employees. Every year, the insurance company carries out a funding valuation based on the latest employee data provided by the Company. Any deficit in the assets arising as a result of such valuation is funded by the Company. The company considers that the contribution rate set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs will not increase significantly.

The Weighted Average duration of the defined benefit obligation is 10.39 years(2020-21 : 10.96 years). The expected cash flows over the subsequent years is as follows:

Expected Payout Gratuity	March 31, 2023	March 31, 2022
1st Year	64.65	61.84
2nd Year	31.43	17.66
3rd Year	19.77	27.92
4th Year	34.93	16.80
5th Year	53.44	29.31
beyond 5th Year	285.23	265.73

39.2.12 Risk Exposure

Through it is defined benefit plans, the company is exposed to a number of risks, the most significant of which are detailed below:

- (a) Investment/Interest Rate Risk:** The Company is exposed to Investment / Interest risk if the return on the invested fund falls below the discount rate used to arrive at present value of the benefit.
- (b) Longevity Risk:** The Company is not exposed to risk of the employees living longer as the benefit under the scheme ceases on the employee separating from the employer for any reason.
- (c) Risk of Salary Increase:** The Company is exposed to higher liability if the future salaries rise more than assumption of salary escalation.

Notes to Consolidated Financial Statements

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

40 Assets Pledged as Security

For Non Current Borrowings

Secured by First Charge on Property, Plant and Equipment and Second Charge on current assets.

For Current Borrowings

Secured by First Charge on Current Assets and Second Charge on PPE (Property, Plant and Equipment).

The carrying amounts of Company's assets pledged as security for Non Current and Current Borrowings of ₹ 25,131.34 Lakhs (Previous year ₹ 25,891.37 Lakhs) are as follows:

Particulars	March 31, 2023	March 31, 2022
Property, Plant and Equipment	40,949.96	43,407.10
Current Assets	41,064.86	37,705.11
Total Assets Pledged as Security	82,014.82	81,112.21

41 Research and Development

41.1 Details of Revenue Expenditure (expensed as and when incurred):

Particulars	March 31, 2023	March 31, 2022
Cost of materials consumed		
Raw Materials Consumed	85.41	100.49
Employee benefits expenses		
Salaries & Wages	458.12	407.86
Staff Welfare Expenses	38.27	34.40
Other expenses		
Repairs and Maintenance	172.64	172.03
Power and Fuel	75.56	67.23
Testing and analysis charges	8.88	6.72
Rates and Taxes	10.18	6.80
Insurance	6.14	5.89
General Expenses	36.72	37.92
Total	891.92	839.34

Notes to Consolidated Financial Statements

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

41 Research and Development (Contd.)

41.2 Details of Property, Plant and Equipment:

Particulars	Buildings	Plant and Equipment	Furniture and Fixtures	Computers	Vehicles	Patents Filing Fee	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Gross Carrying Value							
1 As at March 31, 2021	943.46	2,324.49	23.97	52.84	9.10	10.18	3,364.04
2 Additions	3.71	14.79	1.81	1.96	-	0.04	22.31
3 As at March 31, 2022 (1+2)	947.17	2,339.28	25.78	54.80	9.10	10.22	3,386.35
4 Additions	-	126.29	0.86	1.72	-	-	128.87
5 As at March 31, 2023 (3+4)	947.17	2,465.57	26.64	56.52	9.10	10.22	3,515.22
Depreciation							
6 As at March 31, 2021	188.99	669.78	6.58	31.28	5.24	5.90	907.77
7 Charge for the Year	39.44	195.08	1.93	11.56	1.08	1.62	250.71
8 As at March 31, 2022 (6+7)	228.43	864.86	8.51	42.84	6.32	7.52	1,158.48
9 Charge for the Year	39.55	202.85	2.14	7.85	1.08	1.43	254.90
10 As at March 31, 2023 (8+9)	267.98	1,067.71	10.65	50.69	7.40	8.95	1,413.38
Net Carrying Value							
11 As at March 31, 2021(1-6)	754.47	1,654.71	17.39	21.56	3.86	4.28	2,456.27
12 As at March 31, 2022 (3-8)	718.74	1,474.42	17.27	11.96	2.78	2.70	2,227.87
13 As at March 31, 2023 (5-10)	679.19	1,397.86	15.99	5.83	1.70	1.27	2,101.84

Financial Instruments and Risk Management

42 Categories of Financial Instruments

Particulars	Note	Level	As at March 31, 2023		As at March 31, 2022		
			Carrying Value	Fair Value	Carrying Value	Fair Value	
A. Financial Assets							
(a) Measured at Amortised Cost							
(i) Non Current							
(a) Bank Balances	8	3	253.61	253.61	260.51	260.51	
(b) Other Financial Assets	9	3	508.50	508.50	502.25	502.25	
Sub - Total			762.11	762.11	762.76	762.76	
(ii) Current							
(a) Trade Receivables	12	Refer	14,834.62	14,834.62	4,851.93	4,851.93	
(b) Cash and Cash Equivalents	13	Note	737.78	737.78	4,658.28	4,658.28	
(c) Other Bank Balances	14	42.2	9.18	9.18	7.73	7.73	
(d) Other Financial Assets	15		660.12	660.12	281.66	281.66	
Sub - Total			16,241.70	16,241.70	9,799.60	9,799.60	
Total Financial Assets			17,003.81	17,003.81	10,562.36	10,562.36	

Notes to Consolidated Financial Statements

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

42 Categories of Financial Instruments (Contd.)

Particulars	Note	Level	As at March 31, 2023		As at March 31, 2022	
			Carrying Value	Fair Value	Carrying Value	Fair Value
B. Financial Liabilities						
(a) Measured at Amortised Cost						
(i) Non Current						
(a) Borrowings	20	3	12,113.33	12,113.33	14,950.15	14,950.15
(ii) Current						
(a) Borrowings	23	Refer	13,138.01	13,138.01	11,061.22	11,061.22
(b) Trade Payables	24	Note	11,314.80	11,314.80	7,285.78	7,285.78
(c) Other Financial Liabilities	25	42.2	550.49	550.49	675.53	675.53
Sub - Total			25,003.30	25,003.30	19,022.53	19,022.53
Total Financial Liabilities			37,116.63	37,116.63	33,972.68	33,972.68

42.1 The Company's principal financial liabilities, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations.

42.2 The carrying amounts of trade payables, other financial liabilities, cash and cash equivalents, other bank balances, trade receivables and other financial assets are considered to be the same as their fair values due to their short term nature.

42.3 The management has assessed that fair value of borrowings approximate to their carrying amounts largely since they are carried at floating rate of interest.

42.4 Other non current financial assets consists of deposits with Government authorities where the fair value is considered to be the carrying value.

43 Fair Value Measurements

43.1 Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data rely as little as possible on entry specific estimates.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

43.2 Valuation Techniques used to determine fair value:

Specific Valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of remaining financial instruments is determined using discounted cashflow analysis.

Notes to Consolidated Financial Statements

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

43 Fair Value Measurements (Contd.)

43.3 Valuation Process:

The Finance and accounts department of the Company performs the valuation of financial assets and liabilities required for financial reporting purposes, and report to the Board of Directors. The main Level 3 inputs are derived using the Discounted Cash Flow Analysis, Market Approach, Net Assets Value Method as applicable.

44 Financial Risk Management Objectives and Policies

Financial Risk Management Framework

The Company is exposed primarily to credit risk, liquidity risk and market risk (fluctuations in foreign currency exchange rates and interest rate), which may adversely impact the fair value of its financial instruments. The Company assesses the unpredictability of the financial environment and seeks to mitigate potential adverse effects on the financial performance of the Company.

44.1 Credit Risk:

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk encompasses of both, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration of risks. Credit risk is controlled by analysing credit limits and creditworthiness of customers on a continuous basis to whom the credit has been granted after obtaining necessary approvals for credit. Financial instruments that are subject to concentrations of credit risk principally consist of trade receivables, cash and cash equivalents, bank deposits and other financial assets. None of the financial instruments of the Company result in Material Concentration of credit risk, except for Trade Receivables.

Financial Instruments and Cash Deposits

For banks and financial institutions, only high rated banks/ institutions are accepted. Other Financial Assets (excluding Bank Deposits) majorly constitute deposits given to State Electricity Departments for supply of power, which the company considers to have negligible credit exposure. Counterparty credit limits are reviewed by the Management on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

Expected Credit Loss for Trade Receivables under simplified approach

For Trade Receivables, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Credit risk is the risk of financial loss to the Company if a customer to a financial instrument fails to meet its contractual obligations and arises primarily from trade receivables, treasury operations etc. The credit risk related to trade receivables is influenced mainly by the individual characteristics of each customer.

The credit risk is managed by the company by establishing credit limits and continuously monitoring the credit worthiness of the customer. The Company also provides for expected credit losses based on the past experience where it believes that there is high probability of default. In general, all trade receivables greater than 180 days are reviewed and provided for by analysing individual receivables. The Company has considered possible effect from the pandemic relating to Covid-19 on Credit risks including forward looking information to develop expected credit losses.

Notes to Consolidated Financial Statements

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

44 Financial Risk Management Objectives and Policies (Contd.)

Following are the Expected Credit Loss for Trade Receivables under simplified approach:

Particulars	March 31, 20223	March 31, 2022
Gross Carrying Amount	14,845.11	4,862.42
Expected Credit Losses (Loss allowance Provision)	10.49	10.49
Net Carrying Amount of Trade Receivables	14,834.62	4,851.93

Expected Credit Loss for Trade Receivables under simplified approach:

Particulars	Outstanding		Total
	for < 180 days	for > 180 days	
Gross Carrying Amount of Trade Receivables	14,676.08	169.03	14,845.11
Expected Credit Losses (Loss allowance provision)	-	10.49	10.49
Net Carrying Amount of Trade Receivables	14,676.08	158.54	14,834.62

44.2 Liquidity Risk:

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

Particulars	Upto 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	Total
March 31, 2023					
Non Current Borrowings (including Current Maturities)	3,759.08	8,817.28	3,176.05	120.00	15,872.41
Current Borrowings	9,378.93				9,378.93
Trade Payables	11,314.80				11,314.80
Capital Creditors	541.31				541.31
Total	24,994.12	8,817.28	3,176.05	120.00	37,107.45

Particulars	Upto 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	Total
31 March, 2022					
Non Current Borrowings (including Current Maturities)	4,270.00	7,598.28	6,139.29	1,212.58	19,220.15
Current Borrowings	6,791.22				6,791.22
Trade Payables	7,285.78				7,285.78
Capital Creditors	667.80				667.80
Total	19,014.80	7,598.28	6,139.29	1,212.58	33,964.95

Notes to Consolidated Financial Statements

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

44 Financial Risk Management Objectives and Policies (Contd.)

44.3 Market Risk:

Market risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market prices. Market prices comprise three types of risk, currency rate risk, interest rate risk and other price risks such as equity risk. Financial instruments affected by market risk include loans and advances deposits investments in debt securities mutual funds and other equity funds.

44.3.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of change in market interest rates. In order to optimize the Company's position with regards to interest income and interest expenses and to manage the interest rate risk, treasury performs a comprehensive corporate interest risk management by balancing the proportion of fixed rate and floating rate financial instruments in its portfolio.

Particulars	Change in basis points		Effect on Profit before Tax	
	Increase	Decrease	Decrease	Increase
March 31, 2023	0.50%	0.50%	(126.26)	126.26
March 31, 2022	0.50%	0.50%	(130.06)	130.06

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

44.3.2 Foreign Currency Exchange Rate Risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Company has transactional currency exposures arising from services provided or availed that are denominated in a currency other than the functional currency. The foreign currencies in which these transactions are denominated are mainly in US Dollars (\$). The Company's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

(a) Details of Unhedged Foreign Currency Exposure:

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under:

Particulars	Currency	Amount in Foreign Currency	Amount in ₹ In Lakhs	Conversion Rate
March 31, 2023				
Trade Receivables	USD	75.15	6,158.14	81.95
	EURO	0.017	1.43	86.20
Trade Payables	USD	17.31	1,448.80	83.70
Advance from Customers	USD	1.52	124.51	81.95
Advance to Suppliers	USD	0.31	25.95	83.70

Notes to Consolidated Financial Statements

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

44 Financial Risk Management Objectives and Policies (Contd.)

Particulars	Currency	Amount in Foreign Currency	Amount in ₹ In Lakhs	Conversion Rate
March 31, 2022				
Trade Receivables	USD	21.43	1,611.59	75.20
	EURO	0.192	15.79	82.40
Trade Payables	USD	21.03	1,617.24	76.90
Advance from Customers	USD	1.62	121.99	75.20
Advance to Suppliers	USD	3.04	233.93	76.90

(b) Foreign Currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rate, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including foreign currency derivatives. The Company's exposure to foreign currency changes for all other currencies is not material.

Particulars	Effect on Profit before Tax	
	March 31, 2023	March 31, 2022
USD Sensitivity		
Rs/USD - Increases by 1%	46.12	1.06
Rs/USD - Decreases by 1%	(46.12)	(1.06)

44.3.3 Other Price Risk:

Other price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

45 Capital Management

For the purposes of the Company's Capital Management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure in consideration to the changes in economic conditions and the requirements of the financial covenants. The Company monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Company intends to keep the gearing ratio less than 1. The Company includes within net debt, borrowings including interest accrued on borrowings less cash and short term deposits.

Notes to Consolidated Financial Statements

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

45 Capital Management (Contd.)

Particulars	March 31, 2023	March 31, 2022
Borrowings including Interest Accrued (Note 20 & 23)	25,251.34	26,011.37
Less: Cash and Short Term Deposits (Note 13)	737.78	4,658.28
Net Debt	24,513.56	21,353.09
Equity	846.52	846.52
Other Equity	45,206.00	46,182.34
Total Equity	46,052.52	47,028.86
Total Capital	70,566.08	68,381.95
Gearing Ratio (Net Debt/(Net Debt +Total Equity))	0.35	0.31

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current year

46 Segment Information

A Basis for segmentation

The operations of the Company are limited to one segment viz. Pharmaceutical products including ingredients and intermediaries. The products being sold under this segment are of similar nature and comprises of pharmaceutical products only. The Chairman & Managing Director has been identified as Chief Operating Decision Maker (CODM). CODM reviews the internal management reports prepared based on aggregation of financial information of the Company on a periodic basis, for the purpose of allocation of resources and evaluation of performance. Accordingly, management has identified pharmaceutical segment as the only operating segment for the Company.

B Segment information for secondary segment reporting (by geographical segment)

The Company is engaged in the manufacture of Pharmaceuticals, which in the context of Ind AS 108 is considered only business segment.

The Company has reportable geographical segments based on location of its customers:

- (i) Revenue from customers within India – Domestic
- (ii) Revenue from customers outside India – Exports
- (iii) Revenue from customers - EOUs – Deemed Exports
- (iv) Revenue from Export Incentives

Notes to Consolidated Financial Statements

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

46 Segment Information (Contd.)

a) Revenues are attributed to geographical areas based on the location of the customers as detailed below:

Particulars	For the Year Ended March 31,2023		For the Year Ended March 31,2022	
	Revenue	%	Revenue	%
Exports	32,580.94	62.41%	32,683.94	62.87%
Deemed Exports	1,567.98	3.00%	4,663.41	8.97%
Domestic	17,825.75	34.15%	14,154.23	27.23%
Export Incentives	230.46	0.44%	485.85	0.93%
Total	52,205.14	100.00%	51,987.43	100.00%

b) Non Current Asset

Particulars	March 31, 2023	March 31, 2022
With in India	50,353.62	50,592.22
Outside India	-	-
Total	50,353.62	50,592.22

Note:

Non-current assets for this purpose consist of property, plant and equipment, capital work in progress, intangible assets, intangible assets under development and other non-current assets.

47 Interest in Other Entities:

Name of the entity	Place of Business/ Country of incorporation	Principal activity	Ownership Interest held by the Company		Ownership interest held by Non-Controlling interests	
			31 March, 2023	31 March, 2022	31 March, 2023	31 March, 2022
VKT Pharma Private Limited	India	Manufacture and sale of API and Formulations	36.55%	36.55%	63.45%	63.45%
Provenio Astral International LLP	India	Other Business activities	4.90%	NIL	NA	NA

48 Related Party Transactions

(a) Key Management Personnel(KMP)

Name	Relationship
Sri. Ramesh Babu Potluri	Chairman and Managing Director
Sri. Vamsi Krishna Potluri	Executive Director
Sri. T Lakshmi Narayana	Chief Financial Officer
Sri. T. Thirumalesh	Company Secretary

Notes to Consolidated Financial Statements

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

48 Related Party Transactions (Contd.)

(b) List of Related Parties over which Control / Significant Influence exists with whom the company has transactions:

Relationship	Name of the Company
Associate Company	1. VKT Pharma Private Limited
Enterprises over which KMP are able to Exercise Significant Influence	1. SMS LifeSciences India Limited 2. Raghavendra Engineering (India) Private Limited 3. Eswar Coal Movers

(c) Transactions with Related Parties:

Particulars	March 31, 2023 Amount	March 31, 2022 Amount
Key Management Personnel		
Remuneration - Short Term Employee Benefits	413.56	794.13
Associate Company		
Purchase of Goods & Services	62.31	9.47
Sale of Goods	1,072.93	2,853.31
Rental Income	25.56	25.43
Enterprise with Significant Influence		
Purchase of Goods & Services	1,211.76	800.63
Purchase of Assets	64.23	-
Sale of Asset	22.23	-
Rental Income	-	45.88
Balance (Payable)/Receivable at the year end		
Key Management Personnel		
Remuneration Payable	13.34	274.51
Associate Company	1,085.97	395.09
Associate Company	-	(9.46)
Enterprise with Significant Influence		
SMS Lifesciences India Ltd	(540.99)	(46.02)
Eshwar Coal Movers	(64.80)	(9.19)
Raghavendra Engineering India Private Ltd	(12.76)	-

(d) Note:

- The above transactions are in the ordinary course of business and are at arm's length price.
- As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the Key Management Personnel and their relatives is not ascertainable and, therefore, not included above. Contribution to Provident Fund was also not included.

Notes to Consolidated Financial Statements

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

49 Contingent Liabilities

Particulars	March 31, 2023	March 31, 2022
Letter of credits opened in favor of suppliers for which goods are yet to be received	-	334.40
Customs Duty against Advance Authorizations	223.34	429.45
NRDC claim against DSIR assistance (Refer No.20.2.1)	51.91	46.30
Entry Tax Liability	-	1.75

Note: Provident Fund

Pursuant to Supreme Court Judgement dated 28 February 2019, regarding the provident fund contribution wherein there has been a clarification provided of the inclusions of basic wages for the purpose of computation of contribution towards provident fund, the Company has been legally advised that there are interpretative challenges on the application of the judgement retrospectively. Based on the legal advice and in the absence of reliable measurement of the provision for earlier periods, the Company has assessed the impact of the judgement only from the year ended March 31, 2019 and concluded that there was no impact. Further, no contingent liability has been recognised based on retrospective application as amount cannot be reliably measured.

50 Commitments

Particulars	March 31, 2023	March 31, 2022
Capital Commitments	1,401.95	898.51
Export Obligations	11,552.43	12,110.25

51 Payables to Micro, Small & Medium Enterprises

The Company has certain dues to suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The disclosures pursuant to the said MSMED Act are as follows:

Particulars	March 31, 2023	March 31, 2022
(i) the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	68.93	17.67
(ii) Interest on payments beyond the appointed day paid to the suppliers during the year	-	-
(iii) Interest due and payable for the delay in making payment to suppliers during the year	-	-
(iv) Amount of interest accrued and remaining unpaid to suppliers at the end of the year	-	-
(v) Amount of further interest remaining due and payable to suppliers in succeeding years	-	-

The above information regarding Micro Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the companies. This has been relied upon by the auditors. The balance payable to MSME creditors are not due as on March 31, 2023 So interest has not been provided.

Notes to Consolidated Financial Statements

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

52 Ratios

The following are analytical ratios for the year ended March 31, 2023 and March 31, 2022

Particulars	March 31, 2023	March 31, 2022	Variance	Numerator	Denominator	Change in ratio in excess of 25% compared to preceeding year
Current Ratio	1.61	1.92	-16%	Total Current Assets	Total Current Liabilities	
Debt-Equity Ratio	0.51	0.53	-3%	Total Debt(1)	Shareholder's Equity	
Debt Service Coverage Ratio*	0.91	2.30	-61%	Earnings available for Debt Service (2)	Debt Service(3)	Reduction in operating margin resulted in adverse variances
Return on Equity(ROE)*	0.83%	14.76%	-94%	Net Profit after Taxes	Average Shareholder's Equity	Reduction in operating margin resulted in adverse variances
Inventory Turnover Ratio	2.20	2.67	-18%	Revenue From Operations	Average Inventory	
Trade Receivables Turnover Ratio	5.30	6.74	-21%	Revenue From Operations	Average Trade Receivables	
Trade Payables Turnover Ratio	3.31	5.61	-41%	Purchases	Average Trade Payables	Increase was on account of increase in average payables
Net Capital Turnover Ratio	3.35	2.88	16%	Revenue From Operations	Working Capital(4)	
Net Profit Ratio*	0.78%	13.09%	-94%	Net Profit	Revenue From Operations	Reduction in operating margin resulted in adverse variances
Return on Capital Employed(ROCE)*	3.98%	12.52%	-68%	Earnings before Interest and Taxes(EBIT)	Capital Employed(5)	Reduction in operating margin resulted in adverse variances
Return on Investment(6)	N.A	N.A	0%	Income generated from Investments	Investment	

(1) Long-Term borrowings + Short-Term borrowings

(2) Profit After Tax + Non-operating cash exp like depreciation + Interest

(3) Interest on Borrowings + lease payments+ Principal repayments

(4) Current assets - current liabilities

(5) Total Assets - Current Liabilities

(6) The Company is not having any market linked investments

Notes to Consolidated Financial Statements

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

53 Other statutory information

- i) The Company does not have any Benami property, where any proceeding has been initiated or pending against the Group for holding any Benami property.
- ii) The Company does not have any transactions with companies struck off.
- iii) The Company does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period.
- iv) The Company has not traded or invested in Crypto currency or Virtual Currency during the financial year.
- v) The Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority
- vi) The Company has not utilised short term funds for long term uses.
- vii) The Company has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall
 - (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company (Ultimate Beneficiaries) or
 - (b) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries
- viii) The Company has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Group shall:
 - (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or
 - (b) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries
- ix) The Company has not any such transaction which is not recorded in the books of account that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961.

Notes to Consolidated Financial Statements

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

54 Additional Information, as required under schedule III to the Companies Act, 2013, of enterprises Consolidated as Subsidiary/Associates

Name of the Entity	Net Assets, i.e, total assets minus total liabilities		Share in profit or loss		Share in other Comprehensive Income		Share in total Comprehensive Income	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of Consolidated profit or loss	Amount	As % of Consolidated profit or loss	Amount
March 31,2023								
Parent								
SMS Pharmaceuticals Ltd	107.51%	49,509.99	57.86%	408.46	(124.78)%	(20.53)	53.70%	387.93
Associate								
VKT Pharma Private Ltd	(7.51)%	(3,457.47)	(157.86)%	(1,114.39)	24.78%	4.08	(153.70)%	(1,110.31)
Total	100.00%	46,052.52	(100.00)%	(705.93)	(100.00)%	(16.45)	(100.00)%	(722.38)
March 31,2022								
Parent								
SMS Pharmaceuticals Ltd	104.99%	49,376.02	109.35%	6,803.65	49.06%	3.93	109.27%	6,807.58
Associate								
VKT Pharma Private Ltd	(4.99)%	(2,347.16)	(9.35)%	(581.66)	50.94%	4.08	(9.27)%	(577.58)
Total	100.00%	47,028.86	100.00%	6,221.99	100.00%	8.01	100.00%	6,230.00

Salient features of financial statements of subsidiary/associates as per the Companies Act, 2013

Name of the Associates	VKT Pharma Private Ltd
Reporting Currency	Indian Rupees
Date of Incorporation	31-05-2006

Particulars	As at March 31, 2023	As at March 31, 2022
Share Capital	1,053.38	1,053.38
Reserves & Surplus	2,056.61	5,039.50
Total Assets	19,734.02	20,022.44
Total Current Liabilities	8,864.88	4,839.17
Investments	7.22	7.22
Turnover/Total Income	3,177.51	4,002.78
Profit/(Loss) before taxation	(4,052.68)	(2,189.49)
Provision for Taxation	(1,058.62)	(640.68)
Profit/(Loss) after taxation	(2,994.06)	(1,548.81)
Proposed dividend % Share holding	36.55%	36.55%

Notes to Consolidated Financial Statements

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

55 Previous year figure have been regrouped and reclassified wherever considered necessary to confirm to this year's classifications.

The accompanying notes are an integral part of the Consolidated Financial Statements

As per our report of even date

for SURYANARAYANA & SURESH

Chartered Accountants

FRN 006631S

V. NAGENDRA RAO

Partner

M.No. 227679

Place: Hyderabad

Date : May 24, 2023

For and on behalf of the Board of the Directors of

SMS Pharmaceuticals Limited

RAMESH BABU POTLURI

Chairman and Managing Director

DIN No : 00166381

T. LAKSHMI NARAYANA

Chief Financial Officer

VAMSI KRISHNA POTLURI

Executive Director

DIN No : 06956498

T. THIRUMALESH

Company Secretary

M.No.A35824

Notice of Annual General Meeting

Notice is hereby given that the 35th Annual General Meeting (AGM) of the Members of **SMS Pharmaceuticals Limited (CIN: L24239TG1987PLC008066)** will be held **on Saturday, 30th September, 2023 at 10.00 a.m.** through Video Conferencing (VC)/ Other Audio-Visual Means (OAVM) and deemed venue of AGM is at the Registered Office of the Company situated at Plot. No.72, H.No. 8-2-334/3&4, Road No. 5, Opp. SBI Executive Enclave, Banjara Hills, Hyderabad, Telangana, India – 500034, to transact the following business:

ORDINARY BUSINESS:

1. ADOPTION OF FINANCIAL STATEMENTS

To receive, consider and adopt the Audited Standalone and Consolidated Financial Statements of the Company for the Financial Year ended 31st March, 2023 and the Reports of the Board of Directors and the Auditors thereon and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT the Audited Standalone and Consolidated Financial Statements of the Company for the Financial Year ended 31st March, 2023 and the Reports of the Board of Directors and Auditors thereon laid before this Meeting, be and are hereby received, considered and adopted.”

2. DECLARATION OF DIVIDEND ON EQUITY SHARES FOR THE FINANCIAL YEAR 2022-23

To consider declaration of dividend on the Equity Shares of the Company for the Financial Year ended 31st March, 2023 and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT as per recommendation of the Board of Directors, approval of the Members of the Company be and is hereby given for the payment of dividend of Re.0.30 (i.e., @ 30%) per equity share of the Company for the Financial Year 2022-23.”

3. RE-APPOINTMENT OF MR. RAMESH BABU POTLURI (DIN: 00166381) WHO RETIRES BY ROTATION, AND BEING ELIGIBLE, AND OFFERS HIMSELF FOR REAPPOINTMENT

To consider re-appointment of Mr. Ramesh Babu Potluri (DIN: 00166381), who retires by rotation, at this Annual

General Meeting and being eligible, offers himself for re-appointment and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of Section 152 and other applicable provisions of the Companies Act, 2013, Mr. Ramesh Babu Potluri (DIN: 00166381), who retires by rotation and being eligible offers himself for re-appointment, be and is hereby re-appointed as a Director of the Company liable to retire by rotation.”

SPECIAL BUSINESS:

4. APPROVAL TO PROVIDE SECURITY IN THE FORM OF PLEDGE OF SHARES HELD BY THE COMPANY IN VKT PHARMA PRIVATE LIMITED (VKT PHARMA) IN CONNECTION WITH NON-CONVERTIBLE DEBENTURES (NCDs) TO BE ISSUED BY VKT PHARMA, AS SPECIFIED UNDER SECTION 185 OF THE COMPANIES ACT, 2013.

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 185 and other applicable provisions, if any, of the Companies Act, 2013 (the "Act") and the Companies (Meeting of Board and its Powers) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), consent of the Members of the Company, be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall include any Committee constituted by the Board or any person(s) authorized by the Board to exercise its powers, including the powers conferred by this Resolution) for giving loan(s) in one or more tranches including loan represented by way of book debt (the "Loan") and/or giving of guarantee(s), and/or providing of security(ies) in connection with any Loan taken/to be taken/ debentures to be issued by VKT Pharma Private Limited an Associate Company or any other person in whom any of the Directors of the Company is interested/deemed to be interested, as specified Section 185 of the Companies Act, 2013, up to a sum not exceeding Rs.130 Crores (Rupees One Hundred Thirty Crores Only) at any point of time, in its absolute discretion deem beneficial and in the best interest of the

Company, provided that such loans are utilized by the borrowing Company for its principal business activities.”

“**RESOLVED FURTHER THAT** any Director or Company Secretary of the Company be hereby authorized to take such steps as may be necessary for obtaining approvals, statutory or otherwise, in relation to the above and to all matters arising out of and incidental thereto and to sign and to execute deeds, applications, documents and file returns with Registrar of Companies, that may be required, on behalf of the Company and generally to do all such acts, deeds, matters and things as may be necessary, proper, expedient or incidental for giving effect to this resolution.”

5. APPROVAL OF MATERIAL RELATED PARTY TRANSACTION(S) TO PROVIDE PLEDGE OF SHARES HELD BY THE COMPANY IN VKT PHARMA PRIVATE LIMITED (VKT PHARMA) IN CONNECTION WITH NON-CONVERTIBLE DEBENTURES (NCDs) TO BE ISSUED BY VKT PHARMA.

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

“**RESOLVED THAT** pursuant to the provisions of Section 188 and other applicable provisions, if any, of the Companies Act, 2013 (“Act”), and rules made thereunder and Regulation 23(4) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), and subject to such approvals, consents, sanctions and permissions as may be necessary, approval of the Members be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the “Board” which term shall include any Committee constituted by the Board or any person(s) authorized by the Board to exercise its powers, including the powers conferred by this Resolution) for entering into and / or carrying out and / or continuing with existing contracts / arrangements / transactions with VKT Pharma Private Limited (VKT Pharma) an Associate Company to provide pledge of shares held by the Company in VKT Pharma, to give Guarantee/ Security by the Company in favour of Aventus Finance Private Limited (Aventus Finance) in respect of Non-Convertible Debentures (NCDs) to be issued by VKT Pharma to Aventus Finance for an amount of not exceeding Rs.130 Crore (One Hundred and Thirty Crores), as detailed in the Explanatory Statement annexed to this notice.”

“**RESOLVED FURTHER THAT** any Director or Company Secretary of the Company be hereby authorized to take

such steps as may be necessary for obtaining approvals, statutory or otherwise, in relation to the above and to all matters arising out of and incidental thereto and to sign and to execute deeds, applications, documents and file returns with Registrar of Companies, that may be required, on behalf of the Company and generally to do all such acts, deeds, matters and things as may be necessary, proper, expedient or incidental for giving effect to this resolution.”

6. APPROVAL OF MATERIAL RELATED PARTY TRANSACTION(S) FOR SALE AND PURCHASE OF MATERIAL WITH VKT PHARMA PRIVATE LIMITED (VKT PHARMA).

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

“**RESOLVED THAT** pursuant to the provisions of Section 188 and other applicable provisions, if any, of the Companies Act, 2013 (“Act”), read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 23(4) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), including any statutory modification(s) or re-enactment thereof for the time being in force and subject to such approvals, consents, sanctions and permissions as may be necessary, approval of the Members be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the “Board” which term shall include any Committee constituted by the Board or any person(s) authorized by the Board to exercise its powers, including the powers conferred by this Resolution) to enter into contract(s)/ arrangement(s)/ transaction(s) with the VKT Pharma Private Limited (VKT Pharma) an Associate Company as detailed in the table forming part of the Explanatory Statement annexed to this notice with respect to sale, purchase or supply of goods or materials, leasing of property of any kind, availing or rendering of any services including providing and/or receiving of loans or securities or making investments, or any other transactions of whatever nature, notwithstanding that such transactions may exceed 10% of the consolidated turnover of the Company in any Financial Year or such other threshold limits as may be specified by the Listing Regulations from time to time, up to such extent and on such terms and conditions as the Board of Directors may deem fit, in the normal course of business and on arm’s length basis, during the period from the date of this 35th Annual General Meeting to till the date of next Annual General Meeting to be held in the year 2024, which shall not be more than fifteen months and within the limits as mentioned in the explanatory statement.”

“RESOLVED FURTHER THAT any Director or Company Secretary of the Company be hereby authorized to take such steps as may be necessary for obtaining approvals, statutory or otherwise, in relation to the above and to all matters arising out of and incidental thereto and to sign and to execute deeds, applications, documents and file returns with Registrar of Companies, that may be required, on behalf of the Company and generally to do all such acts, deeds, matters and things as may be necessary, proper, expedient or incidental for giving effect to this resolution.”

7. RATIFICATION OF REMUNERATION PAYABLE TO THE COST AUDITOR FOR THE FINANCIAL YEAR 2023-2024

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

“RESOLVED THAT pursuant to Section 148 of the Companies Act, 2013 ('Act') and Rule 6 of the Companies (Cost Records and Audit) Rules, 2014 and all other applicable provisions, if any, of the Act and the rules made thereunder, as amended, the Members be and hereby ratify the remuneration of Rs.1,00,000/- (Rupees One Lakh only) and taxes as applicable plus out of pocket expenses payable to Mr. K.S.N.Sarma, Cost Accountant having Registration

No. 102145 and Membership No. 6875 appointed by the Board of Directors of the Company to conduct the Cost Audit for the Financial Year ending 31st March, 2024.”

“RESOLVED FURTHER THAT any Director or Company Secretary of the Company be hereby authorized to take such steps as may be necessary for obtaining approvals, statutory or otherwise, in relation to the above and to all matters arising out of and incidental thereto and to sign and to execute deeds, applications, documents and file returns with Registrar of Companies, that may be required, on behalf of the Company and generally to do all such acts, deeds, matters and things as may be necessary, proper, expedient or incidental for giving effect to this resolution.”

By the order of the Board

Ramesh Babu Potluri

Chairman and Managing Director
(DIN:00166381)

Place: Hyderabad
Date: 08.08.2023

NOTES:

1. Pursuant to General Circular Nos. 14/2020, 17/2020, 20/2020, 02/2021, 21/2021, 2/2022 and 10/2022 dated 08th April, 2020, 13th April, 2020, 05th May, 2020, 13th January, 2021, 14th December, 2021, 05th May, 2022 and 28th December, 2022, respectively, issued by the Ministry of Corporate Affairs (MCA) and Securities and Exchange Board of India ("SEBI") Circular Nos. SEBI/HO/CFD/CMD1/CIR/P/2020/79, SEBI/HO/CFD/CMD2/CIR/P/2022/62 and SEBI/HO/CFD /PoD-2/P/CIR/2023/4 dated 12th May, 2020, 13th May, 2022 and 05th January, 2023, respectively (collectively referred to as "Circulars"), companies are permitted to hold the AGM through VC/ OAVM, without the physical presence of the members at a common venue. Accordingly, the 35th AGM of the Company will be held through VC/ OAVM in compliance with the provisions of the Act and Rules made thereunder, the SEBI Listing Regulations read with the aforesaid Circulars. The deemed venue for the 35th AGM shall be at the Registered Office of the Company, i.e. Plot. No.72, H.No. 8-2-334/3&4, Road No. 5, Opp. SBI Executive Enclave, Banjara Hills, Hyderabad, Telangana, India – 500034.
2. Pursuant to the provisions of the Act, a Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a member of the Company. Since this AGM is being held pursuant to the MCA circulars through VC/OAVM, the requirement of physical attendance of members has been dispensed with. Accordingly, in terms of the MCA circulars and the SEBI circulars, the facility for appointment of proxies by the members will not be available for this AGM and hence the proxy form, attendance slip and route map of the AGM venue are not annexed to this notice.
3. The Explanatory Statement pursuant to Section 102 of the Act setting out material facts concerning the business under Item Nos. 4 to 7 of the Notice is annexed hereto. The relevant details pursuant to Regulation 36(3) of the Listing Regulations and Secretarial Standards on General Meetings (SS-2) issued by the Institute of Company Secretaries of India (ICSI), in respect of Directors seeking appointment/ re- appointment at this AGM are also annexed.
4. The Members can join the AGM in the VC/OAVM Mode 15 minutes before & after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available to at least 1000 members on first come first served basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons

of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis. The detailed instructions for joining the Meeting through VC/ OAVM forms part of this notes.

5. Institutional / Corporate shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to send a scanned copy (PDF / JPG Format) of their respective Board or governing body Resolution / Authorisation etc., authorising their representative to attend the AGM through VC / OAVM on their behalf and to vote through remote e-Voting. The said Resolution / Authorisation shall be sent to the Scrutiniser by e-mail on its registered e-mail address to csbassociates27@gmail.com with a copy marked to cs@smspharma.com
6. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Act.
7. In line with aforementioned MCA and SEBI Circulars, the Notice of the AGM along with the Annual Report 2022-23 is being sent only through e-mail, allowed to vote to those Members whose e-mail addresses are registered with the Company/ Registrar & Share Transfer Agent (RTA)/ Depository Participant/ Depositories as at the end of the day on **Friday, 22nd September, 2023**. The Notice convening the 35th AGM has been uploaded on the website of the Company at www.smspharma.com and may also be accessed from the relevant section of the websites of the Stock Exchanges i.e. BSE Limited and the National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively.

8. Process for registering/ updating e-mail address and mobile number:

- In case shares are held in physical form: Please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), self-attested scanned copy of PAN card, self-attested scanned copy of Aadhaar Card, by email to the RTA at info@arthiconsultants.com with a copy mark to cs@smspharma.com.
- In case shares are held in demat form: please provide DP ID-Client ID (8 digit DP ID + 8 digit Client ID or 16 digit Beneficiary ID), name, client master or copy of consolidated account statement, self-attested scanned copy of PAN card, self-attested scanned copy of Aadhaar Card by email to the RTA at info@arthiconsultants.com with a copy mark to cs@smspharma.com.

- The RTA/Company shall co-ordinate with CDSL and provides the login credentials to the above mentioned Shareholders. Please update your email id & mobile no. with your respective Depository Participant (DP) which is mandatory while e-Voting & joining virtual meetings through Depository.

Alternatively, Members may also visit website of the Company's RTA and submit their details at below link: <http://www.aarthiconsultants.com/investors/register.php>

9. Record Date, Book Closure and Dividend:

- a) The Company has fixed **Friday, 22nd September, 2023** as the '**Record Date**' for determining entitlement of Members to dividend for the Financial Year ended 31st March, 2023, if approved at the AGM.
 - b) The Register of Members and the Share Transfer Books of the Company will be closed from **Saturday, 23rd September, 2023 to Saturday, 30th September, 2023** (both days inclusive).
 - c) If the dividend, as recommended by the Board of Directors, is approved at the AGM, payment of such dividend subject to deduction of tax at source will be made within 30 days from the date of AGM as under:
 - i. To all Beneficial Owners in respect of shares held in dematerialised form as per the data as may be made available by the National Securities Depository Limited ("NSDL") and the Central Depository Services (India) Limited ("CDSL"), collectively "Depositories", as at the end of day on Friday, 22nd September, 2023;
 - ii. To all Members in respect of shares held in physical form after giving effect to valid transmission or transposition requests lodged with the Company as at the closure of business hours on Friday, 22nd September, 2023.
10. Regulation 40 of SEBI Listing Regulations, as amended, mandates that transfer, transmission and transposition of securities of listed companies held in physical form shall be effected only in Demat mode. Further, SEBI, vide its Circular dated January 25, 2022, has clarified that listed companies, with immediate effect, shall issue the securities only in Demat mode while processing investor service requests pertaining to issue of duplicate securities certificate, claim from unclaimed suspense account, renewal/exchange of securities certificate, endorsement, sub-division/splitting of securities certificate, consolidation of securities certificates/ folios, transmission, transposition

etc. In view of this, Members holding shares in physical form are requested to consider converting their holdings to Demat mode. Any shareholder who is desirous of dematerialising their securities may write to the Company at cs@smspharma.com or Company's Registrar and Share Transfer Agent, M/s. Aarthi Consultants Private Limited at 1-2-285, Domalguda, Hyderabad - 500029, India, Email Id: info@arthiconsultants.com www.aarthiconsultants.com ("RTA" or "Registrar") for assistance in this regard.

11. Pursuant to Finance Act, 2020, dividend income is taxable in the hands of shareholders w.e.f., 1st April, 2020 and the Company is required to deduct tax at source from dividend paid to shareholders at the prescribed rates. For the prescribed rates for various categories, please refer to the Finance Act, 2020 and the amendments thereof. The shareholders are requested to update their PAN with the Depository Participant (if shares held in electronic form) and Company / RTA (if shares held in physical form). A Resident individual shareholder with PAN and who is not liable to pay income tax can submit a yearly declaration in Form No. 15G / 15H, to avail the benefit of non-deduction of tax at source by e-mail to info@arthiconsultants.com/cs@smspharm.com on or before 22nd September, 2023. Shareholders are requested to note that in case their PAN is not registered, the tax will be deducted at a higher rate of 20%. Non-resident shareholders [including Foreign Institutional Investors (FIIs) / Foreign Portfolio Investors (FPIs)] can avail beneficial rates under tax treaty between India and their country of tax residence, subject to providing necessary documents i.e., No Permanent Establishment and Beneficial Ownership Declaration, Tax Residency Certificate, Form 10F, any other document which may be required to avail the tax treaty benefits. For this purpose, the shareholder may submit the above documents (PDF / JPG Format) by e-mail to info@arthiconsultants.com/cs@smspharm.com. The aforesaid declarations and documents need to be submitted by the shareholders on or before 22nd September, 2023. For further details and formats of declaration available on the Company's website at <https://smspharma.com/company-announcements/corporate-announcements/>.
12. Securities and Exchange Board of India (SEBI) vide its Circular dated November 3, 2021, December 14, 2021 and March 16, 2023, has mandated the submission of PAN, KYC details and nomination by holders of physical securities by September 30, 2023. Members are requested to submit their PAN, KYC and nomination details to the Company's Registrars Aarthi Consultants Private Limited. The format of mandatory KYC documents is available on the Company's Website under Investors Information at www.smspharma.com or on the website of RTA <http://www.aarthiconsultants.com/investors/register.php>.

Members holding shares in electronic form are, requested to submit their PAN to their depository participant(s). In case a holder of physical securities fails to furnish these details or link their PAN with Aadhar before the due date, our registrars are obligated to freeze such folios. The securities in the frozen folios shall be eligible to receive payments (including dividend) and lodge grievances only after furnishing the complete documents. If the securities continue to remain frozen as on December 31, 2025, the registrar/the Company shall refer such securities to the administering authority under the Benami Transactions (Prohibitions) Act, 1988, and/ or the Prevention of Money Laundering Act, 2002.

13. Members are also requested to intimate changes, if any, pertaining to their name, postal address, e-mail address, telephone/mobile numbers, PAN, registering of nomination, power of attorney registration, Bank Mandate details, etc. to Registrar/respective DPs as may be applicable.
14. Updation of bank mandate for receiving dividends directly in bank account through Electronic Clearing System or any other electronic means in a timely manner:

Shares held in physical form: Members are requested to send a scanned copy of the following details/ documents at info@aarthiconsultants.com copy mark to cs@smspharm.com:

- a) signed request letter mentioning their name, folio number, complete address and following details relating to bank account in which the dividend is to be received:
 - i) Bank Name and Branch of Bank, Bank Account type and 11 digit IFSC Code;
 - ii) Bank Account Number & Type allotted by the Bank after implementation of Core Banking Solutions;
- b) self-attested scanned copy of cancelled cheque bearing the name of the Member or first holder, in case shares are held jointly;
- c) self-attested scanned copy of the PAN Card; and

- d) self-attested scanned copy of any document (such as Aadhaar Card, Driving Licence, Election Identity Card, Passport) in support of the address of the Member as registered with the Company.

Shares held in electronic form: Members may please note that their bank details as furnished by the respective Depositories to the Company will be considered for remittance of dividend as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such Members for change/addition/deletion in such bank details. Accordingly, the Members holding shares in demat form are requested to update their Electronic Bank Mandate with their respective Depository Participants (DP).

Further, please note that instructions, if any, already given by Members in respect of shares held in physical form, will not be automatically applicable to the dividend paid on shares held in electronic form.

15. The Members who are unable to receive the dividend directly in their bank accounts through Electronic Clearing Service or any other electronic means, due to non-registration of the Electronic Bank Mandate or other technical reasons like change in IFSC, inactive account etc., the Company shall dispatch the dividend warrant/ bankers' cheque/demand draft to such members through postal or courier services to their registered address.
16. Members are requested to note that dividends that are not claimed within seven (7) years from the date of transfer to the Company's Unpaid Dividend Account, shall, as per Section 124 of the Act, be transferred to the Investor Education and Protection Fund (IEPF). Further, **shares on which the dividends remain unclaimed for seven consecutive years will also be transferred to the IEPF as per Section 124 of the Act, and the applicable rules.** Hence, members who have not claimed/ encashed their dividend warrant for respective Financial Years are requested to write to the Company/Registrar and Share Transfer Agent (RTA) at least a month before the due dates mentioned hereunder:

Due date for transfer of unclaimed dividend to IEPF				
Year	Dividend per share (Rs.)	Date of declaration	Due date for transfer to IEPF	Amount of Unpaid Dividend(Rs.)
2015-16	Re.0.20	30/09/2016	07/10/2023	1,81,740
2016-17	Re 0.20	27/09/2017	05/10/2024	57,563
2017-18	Re. 0.25	20/09/2018	27/10/2025	84,413
2018-19	Re. 0.25	30/09/2019	04/10/2026	82,586
2019-20	Re.0.25	18/03/2020 (interim Dividend)	18/04/2027	1,09,480
2020-21	Re.0.30	30/09/2021	04/10/2028	61,343
2021-22	Re.0.30	30/09/2022	04/10/2029	3,41,337

17. Members seeking any information with regard to the financial statements or any matter to be placed at the AGM, are requested to write to the Company on or before **23rd September, 2023** through e-mail on cs@smspharma.com. The same will be replied by the Company suitably.
18. To prevent fraudulent transactions, Members are advised to exercise due diligence and notify the Company of any change in address or demise of any Member as soon as possible. Members are also advised not to leave their Demat account(s) dormant for long. Periodic statement of holdings should be obtained from the concerned DPs and holdings should be verified from time to time.
19. Details of Unclaimed Shares: The Company doesn't have any shares remaining unclaimed in the unclaimed suspense account.

INSTRUCTIONS FOR REMOTE E-VOTING & E-VOTING DURING AGM AND JOINING MEETING THROUGH VC/ OAVM ARE AS UNDER:

Step 1 : Access through Depositories CDSL/NSDL e-Voting system in case of individual shareholders holding shares in Demat mode.

Step 2 : Access through CDSL e-Voting system in case of shareholders holding shares in physical mode and non-individual shareholders in Demat mode.

- i. Pursuant to the provisions of Section 108 of the Act read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of Listing Regulations (as amended) and the MCA Circulars, the Company is providing facility of remote e-Voting to its Members in respect of the business to be transacted at the 35th AGM. For this purpose, the Company has entered into an agreement with Central Depository Services (India) Limited (CDSL) for facilitating voting through electronic means, as the authorised e-Voting agency. The facility of casting votes by a Member using remote e-voting system as well as e-voting during the AGM will be provided by CDSL.
- ii. The remote e-voting period commences on **Tuesday, 26th September, 2023 at 9.00 a.m. (IST)** and **ends on Friday, 29th September, 2023 at 5.00 p.m. (IST)**. The remote e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the Member, the Member shall not be allowed to change it subsequently. The voting rights of the Members shall be in proportion to their share of the paid-up equity share capital of the Company as on the

cut-off date i.e., as on the closure of business hours on **Friday, 22nd September, 2023**.

- iii. Members of the Company holding shares either in physical form or in electronic form as on the closure of business hours on Friday, 22nd September, 2023 i.e., cut-off date may cast their vote by remote e-voting. A person who is not a Member as on the cut-off date should treat this Notice for information purpose only. A person whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of e-voting before the AGM as well as remote e-voting during the AGM.

Any person who acquires shares of the Company and becomes a Member of the Company after the dispatch of the Notice and holds shares as on the cut-off date i.e., as on the closure of business hours on Friday, 22nd September, 2023, may obtain a copy of AGM Notice by sending a request to info@aarthiconsultants.com or can also be downloaded from the Company's website at www.smspharma.com and participate in remote e-voting or e-voting at AGM by following the instructions provided herein.

- iv. The Members who have cast their vote by remote e-voting prior to the AGM may attend / participate in the AGM through VC / OAVM but shall not be entitled to cast their vote on such resolution again. Members who have voted on some of the resolutions during the said voting period are also eligible to vote on the remaining resolutions during the AGM.
- v. Mr. C. Sudhir Babu, Practicing Company Secretary, Hyderabad has been appointed as the Scrutiniser(s) to scrutinise the e-voting process in a fair and transparent manner and they have communicated their willingness to be appointed and will be available for same purpose.
- vi. Pursuant to SEBI Circular No. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated 09.12.2020, under Regulation 44 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, listed entities are required to provide remote e-voting facility to its shareholders, in respect of all shareholders' resolutions. However, it has been observed that the participation by the public non-institutional shareholders/retail shareholders is at a negligible level.

Currently, there are multiple e-voting service providers (ESPs) providing e-voting facility to listed entities in

India. This necessitates registration on various ESPs and maintenance of multiple user IDs and passwords by the shareholders.

In order to increase the efficiency of the voting process, pursuant to a public consultation, it has been decided to enable e-voting to all the Demat account holders, by way of a single login credential, through their Demat accounts/ websites of Depositories/ Depository Participants. Demat account holders would be able to cast their vote without having to register again with the ESPs, thereby, not only facilitating seamless authentication but also enhancing ease and convenience of participating in e-voting process.

Step 1 : Access through Depositories CDSL/NSDL e-Voting system in case of individual shareholders holding shares in Demat mode.

vii. In terms of **SEBI circular no. SEBI/HO/CFD/CMD/ CIR/P/2020/242** dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in Demat mode are allowed to vote through their Demat Account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and email Id in their Demat accounts in order to access e-Voting facility.

Pursuant to above said SEBI Circular, Login method for e-Voting and joining virtual meetings **for Individual shareholders holding securities in Demat mode CDSL/NSDL** is given below:

Type of shareholders	Login Method
Individual Shareholders holding securities in Demat mode with CDSL Depository	<ol style="list-style-type: none"> 1) Users who have opted for CDSL Easi / Easiest facility, can login through their existing user id and password. Option will be made available to reach e-Voting page without any further authentication. The users to login to Easi / Easiest are requested to visit CDSL website www.cdslindia.com and click on login icon & New System Myeasi Tab. 2) After successful login the Easi / Easiest user will be able to see the e-Voting option for eligible companies where the e-voting is in progress as per the information provided by the Company. On clicking the e-voting option, the user will be able to see e-Voting page of the e-Voting service provider for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. Additionally, there is also links provided to access the system of all e-Voting Service Providers, so that the user can visit the e-Voting service providers' website directly. 3) If the user is not registered for Easi/Easiest, option to register is available at CDSL website www.cdslindia.com and click on login & New System Myeasi Tab and then click on registration option. 4) Alternatively, the user can directly access e-Voting page by providing Demat Account Number and PAN No. from an e-Voting link available on www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the Demat Account. After successful authentication, user will be able to see the e-Voting option where the e-voting is in progress and also be able to directly access the system of all e-Voting Service Providers.
Individual Shareholders holding securities in demat mode with NSDL Depository	<ol style="list-style-type: none"> 1) If you are already registered for NSDL IDeAS facility, please visit the e-Services website of NSDL. Open web browser by typing the following URL: https://eservices.nsdl.com either on a Personal Computer or on a mobile. Once the home page of e-Services is launched, click on the "Beneficial Owner" icon under "Login" which is available under 'IDeAS' section. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-Voting services. Click on "Access to e-Voting" under e-Voting services and you will be able to see e-Voting page. Click on Company name or e-Voting service provider name and you will be re-directed to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.

Type of shareholders	Login Method
	<p>2) If the user is not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com Select “Register Online for IDeAS “Portal or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp</p> <p>3) Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon “Login” which is available under ‘Shareholder/Member’ section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit Demat account number held with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on Company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting</p>
Individual Shareholders (holding securities in demat mode) login through their Depository Participants (DP)	You can also login using the login credentials of your Demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. After Successful login, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on Company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.

Important note: Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

Helpdesk for Individual Shareholders holding securities in Demat mode for any technical issues related to login through Depository i.e. CDSL and NSDL

Login type	Helpdesk details
Individual Shareholders holding securities in Demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at toll free no. 1800 22 55 33
Individual Shareholders holding securities in Demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30

Step 2 : Access through CDSL e-Voting system in case of shareholders holding shares in physical mode and non-individual shareholders in Demat mode.

I. Login method for e-Voting and joining virtual meetings for Physical shareholders and shareholders other than individual holding in Demat form.

- 1) The shareholders should log on to the e-voting website www.evotingindia.com.
- 2) Click on “Shareholders” module.
- 3) Now enter your User ID
 - a. **For CDSL:** 16 digits beneficiary ID,
 - b. **For NSDL:** 8 Character DP ID followed by 8 Digits Client ID,
 - c. Shareholders holding shares in Physical Form should enter Folio Number registered with the Company.

- 4) Next enter the Image Verification as displayed and Click on Login.
- 5) If you are holding shares in Demat form and had logged on to www.evotingindia.com and voted on an earlier e-voting of any Company, then your existing password is to be used.
- 6) If you are a first-time user follow the steps given below:

	For Physical shareholders and other than individual shareholders holding shares in Demat.
PAN	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both Demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> • Shareholders who have not updated their PAN with the Company/Depository Participant are requested to use the sequence number sent by Company/RTA or contact Company/RTA.
Dividend Bank Details OR Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your Demat account or in the Company records in order to login. <ul style="list-style-type: none"> • If both the details are not recorded with the Depository or Company, please enter the member id / folio number in the Dividend Bank details field.

- II. After entering these details appropriately, click on "SUBMIT" tab.
- III. Shareholders holding shares in physical form will then directly reach the Company selection screen. However, shareholders holding shares in Demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the Demat holders for voting for resolutions of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- IV. For shareholders holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- V. Click on the EVSN for the relevant <Company Name> on which you choose to vote.
- VI. 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.
- VII. Click on the "**RESOLUTIONS FILE LINK**" if you wish to view the entire Resolution details.
- VIII. 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.
- IX. Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- X. You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.
- XI. If a Demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- XII. There is also an optional provision to upload BR/ POA if any uploaded, which will be made available to scrutinizer for verification.

Additional Facility for Non – Individual Shareholders and Custodians –For Remote Voting.

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to www.evotingindia.com and register themselves in the "Corporates" module.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.

- The list of accounts linked in the login will be mapped automatically & can be delink in case of any wrong mapping.
- It is Mandatory that, 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.
- Alternatively Non Individual shareholders are required mandatory to send the relevant Board Resolution/ Authority letter etc., together with attested specimen signature of the duly authorized signatory who are authorized to vote, to the Scrutinizer and to the Company at the email address cs@smspharma.com (designated email address by company), if they have voted from individual tab & not uploaded same in the CDSL e-voting system for the scrutinizer to verify the same.

INSTRUCTIONS FOR SHAREHOLDERS ATTENDING THE AGM THROUGH VC/OAVM & E-VOTING DURING MEETING ARE AS UNDER:

- 1) The procedure for attending meeting & e-voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.
- 2) The link for VC/OAVM to attend meeting will be available where the EVSN of Company will be displayed after successful login as per the instructions mentioned above for Remote e-voting.
- 3) Shareholders who have voted through Remote e-voting will be eligible to attend the meeting. However, they will not be eligible to vote at the AGM except on the resolutions which couldn't be voted during the remote e-voting.
- 4) Members may join the Meeting through laptops, smartphones, tablets and iPads for better experience. Further, Members will be required to use Internet with a good speed/ band to avoid buffering/ disconnections during the Meeting. Please note that participants connecting from mobile devices or tablets or through laptops connecting via mobile hotspot may experience audio/video loss due to fluctuation in their respective network. It is therefore recommended to use stable Wi- Fi or LAN connection to mitigate any glitches.
- 5) Members who would like to express their views/ ask questions as a speaker at the Meeting may pre-register themselves by sending a request from their registered email address mentioning their names, DP ID and Client ID/folio number, PAN and mobile number at cs@smspharma.com before 6.00 p.m. (IST) on 22nd September, 2023. Only those Members who have preregistered themselves as a speaker will be allowed to express their views/ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.
- 6) Members are encouraged to submit their questions in advance with regard to the financial statements or any other matter to be placed at the 35th AGM, from their registered e-mail address, mentioning their name, DP ID and Client ID number/folio number and mobile number, to reach the Company's e-mail addresses at cs@smspharma.com before 6.00 p.m. (IST) on 22nd September, 2023. Such questions by the Members shall be suitably replied by the Company.
- 7) Those shareholders who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting.
- 8) Only those shareholders, who are present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through e-voting system available during the AGM.
- 9) If any votes are cast by the shareholders through the e-voting available during the AGM and if the same shareholders have not participated in the meeting through VC/OAVM facility, then the votes cast by such shareholders shall be considered invalid as the facility of e-voting during the meeting is available only to the shareholders attending the meeting.
- 10) During the AGM remote e-voting module will be enabled for e-voting and the same will be open for 15 minutes after conclusion of the meeting.

Other instructions:

- o The Scrutiniser shall, immediately after the conclusion of voting at the AGM, unblock the votes cast during the AGM and votes cast through remote e-voting and make, not later than 2 working days of conclusion of the AGM, a consolidated Scrutiniser's Report of the total votes cast in favour or against, if any, to the Chairman or a person authorised by him in writing, who shall countersign the same.
- o The result declared along with the Scrutiniser's Report

shall be placed on the Company's website at www.smspharma.com. The Company shall simultaneously forward the results to National Stock Exchange of India Limited and BSE Limited, where the shares of the Company are listed.

- o The resolutions proposed will be deemed to have been passed on the date of the AGM subject to receipt of the requisite number of votes in favour of the resolutions.

If you have any queries or issues regarding attending AGM & e-Voting from the CDSL e-Voting System, you

can write an email to helpdesk.evoting@cdslindia.com or contact at toll free no. 1800 22 55 33

All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Sr. Manager, (CDSL) Central Depository Services (India) Limited, A Wing, 25th Floor, Marathon Futorex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013 or send an email to helpdesk.evoting@cdslindia.com or call toll free no. 1800 22 55 33 or or call on 022-23058542/43.

Information at a glance:

Day and Date of AGM	:	Saturday, 30th September, 2023
Book Closure	:	Saturday, 23rd September, 2023 to Saturday 30, September, 2023 (both day inclusive)
Record Date for Dividend	:	Friday, 22nd September, 2023
Cut-off Date for e-voting eligibility and attending AGM	:	Friday, 22nd September, 2023
E-Voting Start date and time	:	Tuesday, 26th September, 2023, 9.00 a.m. IST
E-Voting End date and time	:	Friday, 29th September, 5.00 p.m. IST
Company	:	SMS Pharmaceuticals Limited Phone: 40-35359999 Email : cs@smspharma.com ; complianceoffier@smspharma.com
Registrar and Transfer Agent	:	Aarathi Consultants Private Limited Phone: 040-27638111 /27634445 / 27642217 Email: info@aarthiconsultants.com
e-Voting Agency	:	Central Depository Services (India) Limited E-mail : helpdesk.evoting@cdslindia.com Toll Free : 1800225533
Scrutinizer	:	Mr. C. Sudhir Babu, Practicing Company Secretary Phone: 7981191458 / 9493676368 Email : csbassociates27@gmail.com

EXPLANATORY STATEMENT

Pursuant to Section 102 of the Companies Act, 2013 and Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Item No. 4 & 5:

I. Introduction to VKT Pharma & its facility

VKT Pharma Private Limited (VKT Pharma) a Company incorporated in the year 2006, having its Registered Office at Plot No. 72, H.No. 8-2-334 / 3 & 4, Road No. 5, Opp. SBI Executive Enclave, Banjara Hills, Hyderabad – 500034, Telangana. VKT Pharma has a manufacturing facility with four blocks, in the built up area of 16.5 Acres out of 38 Acres of land located at Srikakulam District, Andhra Pradesh, which is an USFDA and WHO GMP approved facility. VKT Pharma R&D hub consist of infrastructure to cover the entire research activity including Formulation Development, Analytical Development and Pilot Plant.

VKT Pharma is an Associate Company, in which the Company holds 36.55% stake in the paid-up Equity Share Capital. The Company along with its Promoters holding majority equity shares in VKT Pharma. Mr. Ramesh Babu Potluri, Chairman & Managing Director and Mr. Vamsi Krishna Potluri, Executive Director of the Company holds Directorships in VKT Pharma.

II. VKT Pharma Business:

VKT Pharma is in the business of formulations, manufacturer all types of Pharmaceuticals products and CMO business. VKT Pharma has filed ANDAs with USFDA for Ranitidine Tablets, Levetiracetam Tablets, Famotidine prescription, Famotidine OTC, Tadlafil, Ranolizine and received approvals.

VKT Pharma's facility targeted the regulated markets like US, EU and Japan markets, started manufacturing activities for applying for regulatory approvals. The regulatory's approvals tentatively takes minimum of 4 to 5 years for completion of the entire process. The ANDA approval process is going on for another four products, meantime in order to increase the capacity utilization, it has started offering its capacity on contract manufacturing to reputed Indian as well multinational companies. This will result in generating adequate and firm revenues apart from marketing its own products.

III. Fund Requirements at VKT Pharma:

Due to delay in commercialization of VKT Pharma own products, for repayment of existing term facilities and strengthening the net working capital by payment of overdue payables and also to meet over heads till stabilization of CMO business (expected after September 2023 onwards). In addition to the above, towards capital expenditure for expansion of existing capacities.

VKT Pharma is poised to increase in its business in CMO segment & promising returns, delivering significant value for the shareholders of VKT Pharma. The unprecedented challenges in sales and accelerated repayments of its existing loans, VKT Pharma is seeking to repayment of existing long term debt of Rs75.71 Lakhs from Banks as on 31st March, 2023. This will lead to increase liquidity position of VKT Pharma, which results to enhance revenues and strengthening and operating margins.

To meet the requirements of repayment and other proposals as said above, VKT Pharma requires an aggregate amount of Rs.130 Crores, which would raise by way of issuing Non-Convertible Debentures (NCDs) to M/s. Avendus Finance Private Limited. (Avendus Finance) is a financial services Company based in Mumbai, offering bespoke solutions in the areas of asset management, credit solutions, investment banking and wealth Management, which has agreed to subscribe to the aforesaid NCDs, for which VKT Pharma and promoters of VKT Pharma providing security.

The Company along with its promoters holding majority stake in VKT Pharma. Considering as a major shareholder VKT Pharma, VKT Pharma requested the Company to support the proposed debt payment arrangement by providing Security/Guarantee in the form of pledge of shares held by the Company in VKT Pharma, in addition to the other securities provide by VKT Pharma and Promoters of VKT Pharma.

The Company being one of the major shareholder of the VKT Pharma with stake of 36.55%. VKT Pharma is in formulations, it is abundant business opportunity to the Company to sell its API and also enter in to US Market and other markets. Further, the Company has already invested about Rs.45.00 Crores (investment value), VKT Pharma business accelerated drastically, it is expected to generate significant revenues from the next Financial Year onwards.

The Board of Directors of the Company, at their meeting held on 08th August, 2023, based on the recommendation and approval of the Audit Committee, have approved to provide pledge its holding i.e., 38,50,165 equity shares consisting of 36.55% in VKT Pharma to Avendus Finance, for the proposed Non-Convertible Debentures (NCDs) to be issued by VKT Pharma, which will be subscribed by Avendus Finance, for an aggregate amount of Rs.130 Crores (Rupees one Hundred and Thirty Crores only), and the tenure of NCDs is 54 months. The amount of guarantee of the Company is restricted to the investment value of said equity shares.

The Company is charging 1% as commission from VKT Pharma for providing pledge of its shares.

Approval of shareholders of the Company is being sought for the said proposal in line with the applicable provisions of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations).

IV. Regulatory Requirements for the Proposed Transaction

A. Companies Act, 2013

Section 185 of the Companies Act, 2013 provides that a Company may advance any loan, including any loan represented by a book debt, or give any guarantee or provide any security (including providing of pledge of shares as security/ guarantee) in connection with any loan taken by any person in whom any of the Directors of the Company is interested, subject to the condition that a special resolution is passed by the Company in general meeting.

Mr. Ramesh Babu Potluri, Chairman & Managing Director and Mr. Vamsi Krishna Potluri, Executive Director of the Company holds Directorships in VKT Pharma. The Company along with its Promoters holds majority equity shares in VKT Pharma.

Accordingly, approval of shareholders of the Company by means of a Special Resolution is required for the proposed pledge of shares of the Company in the form of Security and/ or Guarantee to be provided on behalf of VKT Pharma.

B. SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015

Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') read with Company's policy on Related Party Transactions, all Material Related Party Transactions (Material RPT) with an aggregate value exceeding Rs.1,000 Crore or 10% of the annual consolidated turnover of the Company as per the last audited Financial Statements of the Company, whichever is lower, require prior approval of shareholders by means of an ordinary resolution.

Based on the Audited Financial Statements of March 31, 2023, the threshold limit for Material RPT is Rs.52.69 Crores.

The Company is taking approval of the shareholders separately for limits of related party transactions to be entered for sale and purchase of the products from VKT Pharma.

The proposed pledge of shares in the form of Security and/ or Guarantee to Avendus Finance on behalf of VKT Pharma (in addition to the other transactions during the year) shall exceed the materiality threshold limit for the current Financial Year, under the SEBI Listing Regulations and accordingly, requires approval of shareholders by means of an Ordinary Resolution

V. Recommendations of the Board

Based on the above information provided by Management, Audit Committee of the Company in its meeting held on 07th August, 2023, approved providing of pledge of shares held in VKT Pharma as a Security and/ or Guarantee of an aggregate amount up to Rs. 130 cores for the proposed borrowing by VKT Pharma, the amount of guarantee of the Company is restricted to the investment value of equity shares of Rs.45.00 Crores.

Pursuant to the recommendation of the Audit Committee and considering the information provided by the management, Board of Directors of the Company at their meeting held on 08th August, 2023, approved the above proposal and have recommended the said proposal for shareholders' approval in terms of the applicable provisions of the Companies Act, 2013 and SEBI Listing Regulations.

Pursuant to Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014 and SEBI Circular SEBI/HO/CFD/CMD1/CIR/P/2021/662, dated November 22, 2021, SEBI/HO/CFD/CMD1/CIR/P/2022/47 dated April 08, 2022, the particulars of transactions are as under:

Sr. No.	Description	Particulars
1	Name of the related party	VKT Pharma Private Limited (VKT Pharma)
2	Nature of relationship [including nature of its interest (financial or otherwise)]	VKT Pharma is an Associate Company and a related party to the Company. As on 31st March, 2023 Company holds 36.55% stake in VKT Pharma Mr. Ramesh Babu Potluri, Chairman & Managing Director and Mr. Vamsi Krishna Potluri, Executive Director of the Company holds Directorships in VKT Pharma. The Company along with its Promoters holding majority equity shares in VKT Pharma
3	Type, material terms and particulars of the proposed transaction.	The Company to provide pledge of its holding i.e., 38,50,165 equity shares consisting of 36.55% in VKT Pharma, to Aventus Finance Private Limited (Aventus Finance) for and on behalf of VKT Pharma in relation to Non-Convertible Debentures(NCDs) to be Issued by VKT Pharma and subscribed by Aventus Finance, for an amount of Rs.130 Crores, for a tenure of 54 months
4	Tenure of the proposed transaction	54 months from effective date
5	Value of the Proposed Transaction.	VKT Pharma is issuing NCDs for an amount of Rs. 130 Crores. (One Hundred and Thirty Crores). For that the Company is pledging its holding i.e., 38,50,165 equity shares consisting of 36.55% in VKT Pharma. The Company's liability is limited to the extent of pledge of its shares in VKT Pharma and the value of shares is Rs.45.00 Crores, at investment value.
6	Percentage of Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction.	Company's annual consolidated turnover, for the Financial Year 2022-23 is Rs. 526.93 Crores. The proposed transaction shall constitute 8.55% of the annual consolidated turnover of the Company (as per the investment value).
7	Justification of the proposed transaction	Please refer para II & III of the Explanatory Statement of this Notice
8	A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through registered email address of the shareholder	All contracts with the related parties are on arm's length basis and the same shall be reviewed and approved by the audit committee.
9	Following additional disclosure to be made in case loans, inter-corporate deposits, advances or investment made or given:	
a)	Details of the source of funds	An amount of Rs. 130 crores NCD's issued by VKT Pharma, subscribed by Aventus Finance.

Sr. No.	Description	Particulars
b)	<p>In case any financial indebtedness is incurred to make or give loan, inter-corporate deposit, advances or investments:</p> <p>(a) Nature of Indebtedness</p> <p>(b) Cost of Fund; and</p> <p>(c) Tenure</p>	<p>An amount of Rs. 130 crores NCD's issued by VKT Pharma, subscribed by Avendus Finance for a tenure of 54 months, for this the Company is providing pledge of its holding i.e., 38,50,165 equity shares consisting of 36.55% in VKT Pharma to Avendus Finance for and on behalf of VKT Pharma.</p> <p>(a) Nature of Indebtedness: NCD's issued by VKT Pharma and subscribed by Avendus Finance, for which the company has pledged its stake held in VKT Pharma as specified above</p> <p>(b) Cost of Fund; rate of interest @16%</p> <p>(c) Tenure: 54 months from effective date</p>
c)	<p>Applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security</p>	<p>The Company to provide pledge of its holding i.e., 38,50,165 equity shares consisting of 36.55% in VKT Pharma to Avendus Finance for and on behalf of VKT Pharma in relation to Non-Convertible Debentures(NCDs) to be Issued by VKT Pharma and subscribed by Avendus Finance, for an amount of Rs.130 Cores, for a tenure of 54 months.</p> <p>The repayment 10% in 3rd year, 25% in 4th year, rest in at the end of tenure (54 month)</p> <p>Rate of interest @16%</p>
d)	<p>The purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT</p>	<p>repayment of existing debt/General Business operations/ Capex requirements.</p>

Approval Sought

Approval of the shareholders of the Company is sought for providing pledge of its shares as Security and/ or Guarantee in favour of Avendus Finance or Security Trustee(s) appointed by them for and on behalf of VKT Pharma in relation to Non-Convertible Debentures(NCDs) to be Issued by VKT Pharma and subscribed by Avendus Finance, for an aggregate amount of Rs.130 Cores, for a tenure of 54 months as under:

- 1) Special Resolution as per Item 4 under Section 185 of the Companies Act, 2013; &
- 2) Ordinary Resolution as per Item 5 under Section 188 of the Companies Act, 2013 and Regulation 23 of the SEBI Listing Regulations.

Your Directors recommend passing of the above resolutions as set out at Item 4 and Item 5 of the Notice for your approval.

Except Mr. Ramesh Babu Potluri, Chairman & Managing Director, and Mr. Vamsi Krishna Potluri, Whole-time Director and their respective relatives, none of the other directors, key managerial personnel or their respective relatives in any way, financially or otherwise, concerned or interested in the said resolutions.

Item No. 6

Pursuant to the provisions of Section 188 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014, the Related Party Transactions as mentioned in Clause (a) to (g) of the said Section requires a Company to obtain approval of the Board of Directors and subsequently the Shareholders of the Company by way of ordinary resolution in case the value of the Related Party Transactions exceed the stipulated thresholds prescribed in Rule 15 of the said Rules and transactions other than in ordinary course of business and on arm's length basis.

Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') read with the Company's Policy on Related Party Transactions, stipulates that entering into Material Related Party Transactions which, either individually or taken together with previous transaction(s) during a financial year, exceed Rs.1,000 crores or 10% of the annual consolidated turnover of the Company as per the last audited financial statements, whichever is lower, requires approval of the shareholders through ordinary resolution.

Based on the Audited Financial Statements of March 31, 2023, the threshold limit for Material RPT is Rs. 52.69 Crores.

As per the SEBI vide its Circular no. SEBI/HO/CFD/CMD1/CIR/P/2022/47 dated 08th April, 2022 clarified that the share holders' approval of omnibus Related Party Transactions approved in an Annual General Meeting shall be valid up to the date of the next Annual General Meeting for a period not exceeding fifteen months.

Accordingly, the Company took approval of the shareholders in its AGM held on 30th September, 2022 for the Material Related Party Transactions from the conclusion of the 34th AGM till the conclusion of 35th AGM. To continue to enter in to the related party transactions after the 35th AGM till the 36th AGM the Company. similar to that to continue to enter in to the related party transactions after the 35th AGM, the Material Related Party Transactions as recommended by the Audit Committee and approved by the Board of Directors at their respective meetings held on 07th August, 2023 and 08th August, 2023, are hereby placed before the shareholders for their approval by way of Ordinary Resolution to enable the Company to enter into the following Material Related Party Transactions in one or more tranches, during the period from the date of this Annual General Meeting to till the date of next Annual General Meeting, which shall not be more than fifteen months. The approval by the shareholders' is without prejudice to the need for the Audit Committee to approve, authorize and review transactions on a financial year basis.

Pursuant to Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014 and SEBI Circular SEBI/HO/CFD/CMD1/CIR/P/2021/662, dated November 22, 2021, SEBI/HO/CFD/CMD1/CIR/P/2022/47 dated April 08, 2022 the particulars of transactions to be entered into by the Company with related parties are as under:

Sr. No.	Description	Particulars
1	Name of the related party	VKT Pharma Private Limited
2	Nature of relationship [including nature of its interest (financial or otherwise)]	VKT Pharma is an Associate Company and a related party to the Company. As on 31st March, 2023 Company holds 36.55% stake in VKT Pharma Mr. Ramesh Babu Potluri, Chairman & Managing Director and Mr. Vamsi Krishna Potluri, Executive Director of the Company holds Directorships in VKT Pharma. The Company along with its Promoters holding majority equity shares in VKT Pharma
3	Type, material terms and particulars of the proposed transaction.	a) Sale/ Purchase of Pharmaceutical Bulk Drugs (APIs) & its Intermediates and Chemicals related products. b) Leasing of property of any kind. c) Availing or rendering of any services d) Providing and / or receiving of loans or guarantees or securities or making investments. e) Any transfer of resources, services, or obligations to meet its objective/requirements
4	Tenure of the proposed transaction	The Transactions in one or more tranches, during part of the financial year 2023-24 as well as part of the financial year 2024-25 i.e., from conclusion of the 34th AGM till the conclusion of the 35th AGM of the Company.
5	Value of the Proposed Transaction.	Up to Rs. 150 Crores.

Sr. No.	Description	Particulars
6	Percentage of Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction.	<p>Company's annual consolidated turnover, for the financial year 2022-23 is Rs. 526.93 Crores.</p> <p>The proposed transactions shall constitute 28.47 % of the annual consolidated turnover of the Company</p>
7	Justification of the proposed transaction	<p>Considering the current business scenario, for sale of Company's API's to VKT Pharma, shall support to increase of its overall operations and profitability and for growth of the business of the Company.</p> <p>The procurement of raw materials, intermediates and other products and services from VKT Pharma, is expected to ensure availability of supply of consistent grade of materials to the plants of the Company there by ensuring efficiency in productivity.</p> <p>These transactions shall be purely on the basis of day to day business requirements and in the Ordinary Course of business.</p>
8	A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through registered email address of the shareholder	All contracts with the related parties are on arm's length basis and the same shall be reviewed and approved by the Audit Committee.
9	Following additional disclosure to be made in case	loans, inter-corporate deposits, advances or investment made or given:
a)	Details of the source of funds	Own share capitals/internal approvals and liquidity of the Company
b)	<p>In case any financial indebtedness is incurred to make or give loan, inter-corporate deposit, advances or investments:</p> <p>(a) Nature of Indebtedness</p> <p>(b) Cost of Fund; and</p> <p>(c) Tenure</p>	Not Applicable
c)	Applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security	<p>Inter corporate deposits, loans;</p> <p>Lock-in period: on demand to pay basis.</p> <p>Tenure: Up to 12 months</p> <p>Interest rates 9% to 12.5 % linked to Company's short-term borrowing costs</p> <p>Repayment Schedule: Not Applicable</p> <p>Secured or Unsecured: Unsecured loans</p> <p>Investments:</p> <ul style="list-style-type: none"> • the pricing is based on valuation or as per the approval of the board of directors of the company • Tenure: Not applicable • Interest Rate: Not Applicable • Repayment Schedule: Not Applicable
d)	The purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT	To meet the working Capital/General Business Operations/ Capex requirements.

The proposed contracts/arrangements/transactions relate to sale/purchase of goods/services or any other transaction(s), which shall be governed by the Company's Related Party Transaction Policy and shall be reviewed by the Audit Committee within the overall limits approved by the members.

The proposal outlined above will contribute to the principal business activities of your Company and is in the interest of the Company. Hence, the Audit Committee/Board recommends the resolution set out in the Item No. 6 of the notice for your approval as an Ordinary Resolution. None of the Related Parties shall vote in the resolution.

Except Mr. Ramesh Babu Potluri, Chairman & Managing Director, and Mr. Vamsi Krishna Potluri, Whole-time Director and their respective relatives, none of the other directors, key managerial personnel or their respective relatives in any way, financially or otherwise, concerned or interested in the said resolution.

Item No. 7

The Board, on the recommendations of the Audit Committee has re-appointed the Cost Auditor Mr. K.S.N. Sarma, to conduct the Audit of the cost records of the Company for the Financial Year 2023-24.

In terms of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules 2014, the remuneration of the Cost Auditor requires ratification from the members of the Company. Accordingly, consent of the members is accorded, for ratification of the remuneration payable to the Cost Auditor for the financial year ending 31st March, 2024 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 are, in any way, concerned or interested, financially or otherwise, in this resolution.

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

[Pursuant to Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard 2 on General Meetings issued by the Institute of Company Secretaries of India]

Name	Sri. Ramesh Babu Potluri
DIN	00166381
Date of Birth	1.10.1958
Date of first appointment	01.12.2008
Qualifications	M.Sc.
Expertise in specific functional areas	<p>He is a Post-Graduate Technocrat. 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 of time he 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.</p> <p>In 1990 he acquired SMS Pharmaceuticals Limited, which was a sick unit at that time, he took the charge and became the Managing Director of the Company. He changed the product mix of the Company. That gave boost in sales of the Company. The Company become profitable in the first year of operations under his leadership. He helped the Company in reaching a level wherein it became one of the largest producers of Ranitidine HCl. He had served on boards of organizations like Chemexil and was former advisor to AP State Government for Pharma sector.</p>
Skills and capabilities required for the role and the manner in which the Directors meet the requirements	Pharmaceuticals, Quality, Effective Strategy and Corporate Governance
Committees Membership of other companies as on the date of Notice	Members of Audit Committee, Stakeholders Relationship Committee and Chairman of Corporate Social Responsibility Committee and Risk Management Committee
Directorships held in other companies	VKT Pharma Private Limited
Listed Entities from which he has resigned as Director in past 3 years:	SMS Lifesciences India Limited
Memberships / Chairmanships of committees of other companies	-
Inter-se relationship with other Directors and Key Managerial Personnel of the Company	None of the directors is related to Sri. Ramesh Babu Potluri except Sri. Vamsi Krishna Potluri, Executive Director, Son of Sri. Ramesh Babu Potluri
Number of Equity Shares held in the Company	1,56,53,060

Notes:

1. The Directorships, Committee memberships and Chairmanships do not include unlisted Companies and Private Companies, position as an advisory Board Member and position in Companies incorporated under Section 8 of Companies Act, 2013.
2. Information pertaining to the remuneration paid to the directors who are being appointed / re-appointed and the number of Board Meetings attended by them during the year 2022-23 have been provided in the Corporate Governance Report forming part of the Annual Report.

By the order of the Board

Place: Hyderabad
Date: 08.08.2023

Ramesh Babu Potluri
Chairman and Managing Director
DIN:00166381

Notes

Lined writing area for notes, consisting of multiple horizontal lines.





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