

Contents

Corporate Information	1
Directors' Report	2
Auditor's Report	17
Balance Sheet	25
Statement of Profit and Loss	26
Cash Flow Statement	27
Notes to Accounts	28

Corporate Information

Board of Directors:

Sri TVVSN Murthy	..	Managing Director (w.e.f. 01.06.2017)
Sri Ramesh Babu Potluri	..	Director
Sri P.S. Rao	..	Director

Chief Financial Officer:

Sri N. Rajendra Prasad (w.e.f. 01.06.2017)

Company Secretary and Compliance Officer:

Sri Pavan Pise (w.e.f. 21.04.2017)

Registered Office:

19-III, Road No.71,
Opp. Bharatiya Vidya Bhavan Public School,
Jubilee Hills, Hyderabad-500 096,
Telangana, India.
Tel. : 040-66288888
Fax : 040 - 23551401
CIN : U74930TG2006PLC050223
Website: www.smslife.in
Email:info@smslife.in

Auditors:

M/s. Rambabu & Co., Chartered Accountants
31, Pancom Chambers, Rajbhavan Road
Hyderabad-500 082, Telangana State
Phone : 040-2311587
Fax : 040-23397182
Email : rambabuandco1982@yahoo.com

Internal Auditors:

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

Registrar & Share Transfer Agents:

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

Bankers:

Export Import Bank of India
RBL Bank Limited

Manufacturing facilities:

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

Phase-1, Plot No.66/B-2
IDA Jeedimetla, Ranga Reddy District
Hyderabad-500 090 , Telangana State, India
Phone : 040-23095233
Fax : 040-23735639
Email : warehouse_unit4@smspharma.com

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

DIRECTORS' REPORT

Dear Shareholders,

The Directors have pleasure in presenting the 11th Annual Report on the operations of the company and the audited financials for the financial year ended 31st March, 2017.

FINANCIAL RESULTS:

(₹ in Lakhs)

PARTICULARS	2016-17	2015-16
Gross Sales	22,438.77	-
Net sales	21,430.28	-
Other operating income	160.02	-
Net Revenue from operations	21,590.30	-
Other income	172.36	-
Finance Cost	609.02	-
Depreciation	555.45	-
Profit Before Tax	1,813.40	(0.18)
Taxation	548.66	-
Profit After Tax	1,264.74	(0.18)
Earnings per share (In Rupees)	41.83	(1.85)

STATEMENT OF COMPANY AFFAIRS:

During the year under review, the Company has earned profit after tax of ₹ 1,264.74 Lakhs as compared to loss of ₹ (0.18) Lakhs in the previous year. The Earnings per share has reached to ₹ 41.83 as compared to ₹ (1.85) in the previous year.

During the year 2016-17 the Company had achieved production of 1997 M.T of APIs and their Intermediates.

SCHEME OF ARRANGEMENT:

The Scheme of arrangement was between SMS Pharmaceuticals Limited (Demerged Company) with SMS LifeSciences India Limited (Resulting Company) and their respective Shareholders and Creditors. The Scheme of Arrangement ("Demerger") provides for the demerger of the Semi Regulated facilities i.e Unit No. I, IV and V along with premises situated at Industrial Estate, Sanathnagar, Hyderabad; Industrial Development Area, Jeedimetla, Hyderabad; Premises bearing Flat No.417, Nilgiri, Aditya Enclave, Ameerpet, Hyderabad; vacant land admeasuring Ac 19.00 cents situated at Pharma City, Parawada, Visakhapatnam and Investments relating to Semi Regulated Units ("Demerged Undertaking") of SMS Pharmaceuticals Limited, the "Demerged Company" into SMS LifeSciences India Limited, the "Resulting Company" as specified in the scheme.

The scheme was approved by the Hon'ble National Company Law Tribunal, Hyderabad Bench vide its Order No. C.P (CAA) No.7/230/232/HDB/2017 dated 15th May, 2017. The effective date of the Scheme is 17th May, 2017 and whereas the appointed date is 01st April, 2016.

Pursuant to the approved Scheme your Company will allot equity shares to the shareholders of Demerged Company and the said shares will be listed on Stock Exchanges viz., BSE & NSE where the equity shares of Demerged Company Shares are listed.

SHARE CAPITAL:

In pursuance of the demerger Scheme, the Authorized Share Capital of the Company shall stand increased from ₹ 25,00,000/- (Rupees Twenty Five Lakh only) divided into 2,50,000 Equity Shares of ₹ 10/- (Rupees Ten) each to ₹ 3,50,00,000/- (Rupees Three Crore Fifty lakh only) divided into 35,00,000 Equity Shares of ₹ 10/- (Rupees Ten) each.

As per the Scheme of Arrangement, after issue and allotment of new equity shares of the Company, all the existing equity shares held by the Demerged Company shall, without further deed, act or approvals, stand cancelled, extinguished and annulled on and from the Effective Date.

DIVIDEND:

The Board of Directors has not recommended for payment of dividend on Equity Shares of the Company for the financial year ended March 31, 2017.

CHANGE IN NAME AND NATURE OF BUSINESS OF THE COMPANY:

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

DIRECTORS AND KEY MANAGERIAL PERSONNEL:**Directors:**

In pursuance of Section 152 of the Companies Act, 2013 and the rules framed there under, Mr. Ramesh Babu Potluri, Director is liable to retire by rotation, at the ensuing Annual General Meeting and being eligible, offered himself for reappointment.

During the year under review, Mr.P.S.Rao, Mr. Ramesh Babu Potluri and Mr.TVVS Murthy, were appointed as additional directors w.e.f 01st April 2016.

Mr. Potluri Krishna Chaitanya, Mrs. Hima Bindu Potluri and Mr. Potluri Hari Kishore ceased to be directors of the Company w.e.f 01st April 2016. The Board places on record its sincere appreciation for the valuable contributions made by them during their tenure.

The Board of Directors has approved the appointment of Mr.TVVS Murthy, as Managing Director of the Company w.e.f 01st June 2017 (subject to the approval of shareholders in the ensuing Annual General Meeting) for a period of five years and designated as Key Managerial Personnel of the Company. Details of the proposal for appointment of Mr.TVVS Murthy are mentioned in the Explanatory Statement under Section 102 of the Companies Act, 2013 of the Notice of the 11th Annual General Meeting of the Company.

Pursuant to the provisions of the section 161 of the Companies Act, 2013 read with the Articles of Association of the company, Mr. Sarath Kumar Pakalapati and Mrs.Thummala Neelaveni were appointed as Additional Directors (Independent) w.e.f. 25th May, 2017 and shall hold office up to the date of ensuing Annual General Meeting. Being eligible, the Board recommends their appointment as Independent Directors of the Company in terms of section 149(10) of the Companies Act, 2013 for a continuous period of 5 (five) years.

All the Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149 (6) of the Act. In the opinion of the Board, they fulfill the conditions of independence as specified in the Act and the Rules made there under and are independent of the management.

Key Managerial Personnel:

The Company has appointed Mr.Pavan Pise as Company Secretary and Compliance Officer w.e.f 21st April 2017. The Board in their meeting held on 25th May 2017 appointed Mr.Nadella Rajendra Prasad, Chartered Accountant, as Chief Financial Officer (CFO) w.e.f 01st June 2017.

MEETINGS OF THE BOARD OF DIRECTORS

During the year under review the Board of Directors of the Company met six times on 1st April 2016, 15th July 2016, 02nd August 2016, 13th August 2016, 02nd December 2016 and 09th March 2017.

EXTRA ORDINARY GENERAL MEETING:

The Company convened an Extra Ordinary general meeting of the members of the Company on 10th May 2017 to transact the following business:

- a) Appointment of Auditor to fill the Casual Vacancy;
- b) To borrow Money;
- c) To create charge on the assets of the Company;
- d) Alteration of Articles of Association of the Company.

STATEMENT OF PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES:

Disclosures as required under Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not required, since there was neither any Director nor any Employee receiving remuneration beyond the limits specified in the said rule during the financial year 2016-17.

SUBSIDIARY, JOINT VENTURE AND ASSOCIATE COMPANY:

The company does not have any subsidiary, joint venture and associate company.

PUBLIC DEPOSITS

During the year under review, the Company has not accepted any deposits in terms of Chapter V of the Companies Act, 2013 read with the Companies (Acceptance of Deposit) Rules, 2014.

EXTRACT OF ANNUAL RETURN

Pursuant to section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration), Rules, 2014 an extract of annual return in prescribed form i.e., Form MGT-9. The said form forms part of this annual report as **Annexure-I**.

AUDITORS:

Statutory Auditors:

During the year, M/s Adusumilli & Associates has resigned as Statutory Auditors of the Company on 25th March 2017. The Board of Directors in their meeting held on 03rd April 2017 have recommended

for appointment of M/s.Rambabu & Co., Chartered Accountants, Hyderabad as statutory auditors of the Company to fill the casual vacancy arising out of resignation of M/s Adusumilli & Associates and the said appointment was ratified by the shareholders in the Extra Ordinary General meeting held on 10th May, 2017.

Further, the Board has recommended for appointment of M/s.Rambabu & Co. as Statutory Auditors of the Company for further four years commencing from the conclusion of 11th Annual General Meeting till the conclusion of 15th Annual General Meeting of the Company, subject to the ratification of the shareholders in each of the Annual General Meeting.

Cost Auditor:

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, and the Companies (Cost Records & Audit) Amendment Rules, 2014, the Board in their meeting held on 25th May 2017, has appointed Mr. K.S.N. Sarma having Registration No.102145 and Membership No.6875 as Cost Auditor of the Company for the financial year 2017-18. The provisions also require that the remuneration of the Cost Auditor is to be approved by the shareholders as mentioned in the AGM Notice.

Secretarial Auditor:

The provisions of section 203 of the Companies Act, 2013 with regard to Secretarial Audit are not applicable to the Company for financial year 2016-17.

CORPORATE SOCIAL RESPONSIBILITY:

The provisions of the section 135 of the Companies Act, 2013 are not applicable to the Company for the financial year 2016-17.

LOANS, GUARANTEES AND INVESTMENTS:

The company has not given any Loans and not provided any guarantees. During the year under review the Company has not made any investments. However the particulars of investment as on 31st March, 2017 are furnished in financial Statement forming part of this Annual Report.

TRANSACTION WITH RELATED PARTY:

All contracts/arrangements/transactions entered by the Company during the financial year 2016-17 with related parties were in the ordinary course of business and at an arm's length basis and are in compliance with the provisions of the Companies Act. 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. A Policy on Related Party Transactions is uploaded on the Company's website at the web link <http://www.smslife.in/investors/policy>. The particulars of contracts or arrangements entered into by the Company with related parties referred to in Section 188(1) are kept by the Company in Statutory Form AOC-2. Further details required to disclose as per Accounting Standard-18 (as issued & modified by ICAI) form part of the notes to the financial statements provided in the annual report. The required form viz. 'AOC-2' forms part of this report as **Annexure –II**.

WHISTLE BLOWER POLICY/VIGIL MECHANISM:

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

BOARD'S RESPONSE ON AUDITORS QUALIFICATIONS, OBSERVATIONS, RESERVATION OR ADVERSE REMARKS OR DISCLAIMERS MADE:

There are no qualifications, observations, reservations or adverse remarks made by the Statutory Auditors in their report.

REPORTING ON SEXUAL HARASSMENT:

The Company has zero tolerance for sexual harassment at workplace and has adopted a "Policy on Prevention, Prohibition and Redressal of Sexual Harassment of Women at Workplace" in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder for prevention and redressal of complaints of sexual harassment at workplace. The Company is committed to provide equal opportunities without regard to their race, caste, sex, religion, colour, nationality, disability, etc. All women associates (permanent, temporary, contractual and trainees) as well as any women visiting the Company's office premises or women service providers are covered under this policy. All employees are treated with dignity with a view to maintain a work environment free of sexual harassment whether physical, verbal or psychological.

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]

i. Conservation of Energy

In keeping up with the Company's commitment towards conservation of energy, the company has taken various optimization and innovative measures accordingly it has taken initiative to reduce power consumption by fixing of LED bulbs and other measures are taken to reduce energy consumption by using energy efficient equipment's. The company is identifying cheaper power sources both in-house and external and also utilizing alternative sources of energy.

ii. Technology Absorption

No technology absorption is involved.

iii. Foreign Exchange earnings and outgo

The Foreign exchange earned and outflow during the year are furnished vide Note No. 39 and 40 to Financial Statements.

INTERNAL FINANCIAL CONTROL SYSTEMS AND THEIR ADEQUACY:

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

DIRECTOR'S RESPONSIBILITY STATEMENT:

The Directors' Responsibility Statement referred to in clause (c) of Sub- section (3) of Section 134 of the Companies Act, 2013 shall state that:

1. in the preparation of financial statements for the year ending 31st March, 2017 the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
2. the directors had selected such accounting policies notified and 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. the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 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 of the company had been prepared on a going concern basis; and
5. the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

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

No significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

ACKNOWLEDGEMENTS:

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

For and on behalf of the Board of Directors

(Ramesh Babu Potluri)

Director

DIN: 00166381

(TVVSN Murthy)

Director

DIN: 00465198

Place: Hyderabad
Date: 25th May 2017

ANNEXURE- II

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:

There were no contracts or arrangements or transactions not at Arm's length basis entered into during the year ended 31st March, 2017.

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

Sl. No.	Particulars	Details
a)	Name (s) of the related party	Mr. T.V. Praveen (VP - Marketing)
b)	Nature of relationship	Son of Mr. TVVSN Murthy, Director of the Company
c)	Nature of contracts/ arrangements/transaction	Remuneration payable to related party under office of place of profit in the Company
d)	Duration of the contracts/ arrangements/transaction	Appointed w.e.f. 01 st June, 2017
e)	Salient terms of the contracts or arrangements or transaction including the value, if any	*Appointed as Vice President (Marketing) of the Company at a Monthly Remuneration of ₹ 4.25 lakhs
f)	Date of approval by the Board	25 th May, 2017
g)	Amount paid as advances, if any	NIL

*Prior to the effective date of Scheme of Arrangement, the services are rendered in the name of SMS Pharmaceuticals Limited.

Sl. No.	Particulars	Details	Details
a)	Name (s) of the related party	RChem (Somanahalli) Private Limited	VKT Pharma Private Limited
b)	Nature of relationship	<ol style="list-style-type: none"> Sri P. Suresh Babu, Managing Director of R. Chem (Somanahalli) Private Limited is brother of Sri Ramesh Babu Potluri (Director) Sri TVVSN Murthy (Director) of the Company, is a major shareholder 	<p>Sri Ramesh Babu Potluri, Managing Director of VKT Pharma Private Limited, is Director and major shareholder of the company.</p> <p>2. Associate Company to the Holding Company (SMS Pharmaceuticals Limited)</p>
c)	Nature of contracts/ arrangements/transaction	<p>Contracts Made:</p> <p>A. Job Work assignment - For conversion process for an intermediate of API on Job work basis.</p> <p>Transactions Done During the FY:</p> <p>B. Purchase of material in Ordinary Course of Business</p> <p>C. Sale of material in Ordinary Course of Business.</p>	Sale of material in Ordinary Course of Business.
d)	Duration of the contracts/ arrangements/transaction	Contract: Renewal of contract from 01.11.2014 to 31.10.2017.	Transactions done within FY 2016-17.
e)	Salient terms of the contracts or arrangements or transaction including the value, if any	<p>Contract: Conversion Capacity increased to 200MT per month. Fixed Conversion Charges is ₹ 60/- per K.G. w.e.f. 01/04/2015. Total amount of Conversion charges payable was ₹ 858.05 lakhs during the year 2016-17.</p> <p>Purchases: During the FY 2016-17, total amount of Purchase was ₹ 216.29 Lakhs.</p> <p>Sales: During the FY 2016-17, total amount of Sale was ₹ 289.89 Lakhs.</p>	Sales: Total amount of sale was ₹ 108.95 Lakhs.
f)	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.
g)	Date of approval by the Board	25 th May, 2017	25 th May, 2017
h)	*Amount paid as advances, if any	₹ 78.96 Lakhs	NIL

*Balance outstanding as on 31st March, 2017, prior to the effective date of Scheme of Arrangement, the transactions are held in the name of SMS Pharmaceuticals Limited.

For and on behalf of the Board of Directors

Place: Hyderabad
Date: 25th May 2017

(Ramesh Babu Potluri)
Director
DIN: 00166381

(TVVSN Murthy)
Director
DIN: 00465198

ANNEXURE- I
FORM NO. MGT 9
EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2017

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

I. REGISTRATION & OTHER DETAILS:

1	CIN	U74930TG2006PLC050223
2	Registration Date	31/05/2006
3	Name of the Company	SMS LIFESCIENCES INDIA LIMITED
4	Category/Sub-category of the Company	Company limited by shares/Indian Non-Government company
5	Address of the Registered office & contact details	Plot No.19-III, Road No.71, Jubilee Hills, Opp: Bharatiya Vidya Bhavan Public School Hyderabad -500096
6	Whether listed company	No
7	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Not applicable

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sl. No.	Name and Description of main products/Services	NIC Code of the product/service	% to total turnover of the company
1	Pharmaceuticals	Sec.-C; Div-21;Gr.-210	100.00

III. PARTICULARS OF HOLDING , SUBSIDIARY AND ASSOCIATE COMPANIES:

Sl. No	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable section
1	SMS Pharmaceuticals Limited	L24239AP1987PLC008066	Holding	100	2(46)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year[As on 01-April-2016]				No. of Shares held at the end of the year[As on 31-March-2017]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoter' s/and promoter group									
(1) Indian									
a) Individual/ HUF	-	9400	9400	94.00	-	-	-	-	(94.00)
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.*	-	-	-	-	-	10000	10000	100.00	100.00
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
Sub Total (A)(1)	-	9400	9400	94.00	-	10000	10000	100.00	6.00
(2)Foreign	-	-	-	-	-	-	-	-	
a) NRI Individuals									
b) other individuals									
c) Bodies corp.									
d) Any other									
Sub Total(A)(2)	-	-	-	-	-	-	-	-	-
TOTAL (A)	-	9400	9400	94.00	-	10000	10000	100.00	6.00
B. Public Shareholding									
1. Institutions	-	-	-	-	-	-	-	-	-
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds									
f) Insurance Companies									
g) FIs									
h) Foreign Venture Capital Funds									
i) Others (specify)									
Sub-total (B)(1):-	-	-	-	-	-	-	-	-	-

Contgd.

Category of Shareholders	No. of Shares held at the beginning of the year[As on 01-April-2016]				No. of Shares held at the end of the year[As on 31-March-2017]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
2. Non-Institutions									
a) Bodies Corp.									
i) Indian									
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	-	600	600	6.00	-	-	-	-	(100)
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	-	-	-	-	-	-	-	-	-
c) Others (specify)									
Non Resident Indians									
Overseas Corporate Bodies									
Foreign Nationals									
Clearing Members									
Trusts									
Foreign Bodies - D R									
Sub-total (B)(2):-	-	600	600	6.00	-	-	-	-	(100)
Total Public Shareholding (B)=(B)(1)+ (B)(2)	-	600	600	6.00	-	-	-	-	(100)
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)		10000	10000	100.00	-	10000	10000	100.00	-

* The Company became the wholly owned subsidiary of SMS pharmaceuticals Limited w.e.f 01st April 2016.

(ii) Shareholding of Promoter

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Hima Bindu Potluri	4700	47.00	-	-	-	-	(100)
2	Hari Kishore Potluri	4700	47.00	-	-	-	-	(100)
3	*SMS Pharmaceuticals Limited	-	-	-	10000	100.00	-	100.00

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

Sl. No.	Particulars	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	% of total shares
				No. of shares	% of total shares	No. of shares	
	At the beginning of the year			9400	94.00		
	Changes during the year						
	Hima Bindu Potluri	1-April-16	Transfer	4700	47.00	-	
	Hari Kishore Potluri	1-April-16	Transfer	4700	47.00	-	
	SMS Pharmaceuticals Limited	1-April-16	Purchase	-	-	10000	100.00
	At the end of the year					10000	100.00

(iv) Shareholding Pattern of top ten Shareholders:

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

Sl. No.	For Each of the Top 10 Shareholders	Date	Reason	Shareholding at the beginning of the year		Change in shareholding		Cumulative Shareholding during the year	
				No. of shares	% of total shares of the company	Increase	Decrease	No. of shares	% of total shares of the Company
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For Each of the Directors and KMP	Date	Shareholding at the beginning of the year		Change in shareholding		Cumulative Shareholding during the year	
			No. of shares	% of total shares of the company	Increase	Decrease	No. of shares	% of total shares of the Company
1	*Ramesh Babu Potluri		-	-	1	-	1	0.01
2	*TVVSN Murthy		-	-	1	-	1	0.01
3	*P S Rao		-	-	1	-	1	0.01

* Shares held as nominees of SMS Pharmaceuticals limited

V) INDEBTEDNESS -Indebtedness of the Company including interest outstanding/accrued but not due for payment.

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	-	0.3		0.3
ii) Interest due but not paid	-	-		-
iii) Interest accrued but not due	-	-		-
Total (i+ii+iii)	-	0.3		0.3
Change in Indebtedness during the financial year				
Addition				
- Principal Amount	2508.20	112.55		2620.75
- Interest accrued but not due	21.31	-		21.31
Reduction	-	-		-
Net Change	2529.51	112.55		2642.06
Indebtedness at the end of the financial year				
i) Principal Amount	2508.20	112.85		2621.05
ii) Interest due but not paid		-		
iii) Interest accrued but not due	21.31	-		21.31
Total (i+ii+iii)	2529.51	112.85		2642.36

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL-

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

Sl. N.	Particulars of Remuneration	Name of MD/WTD/ Manager		Total Amount
		MD	WTD	
1	Gross salary	NIL		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961			
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961			
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961			
2	Stock Option			
3	Sweat Equity			
4	Commission - as % of profit - others, specify...			
5	Others, please specify			
	Total (A)			
	Ceiling as per the Act			

B. Remuneration to other directors

Sl. N.	Particulars of Remuneration	Name of Directors	Total Amount
1	Independent Directors	NIL	
	Fee for attending board committee meetings		
	Commission		
	Others, please specify		
	Total (1)		
2	Other Non-Executive Directors		
	Fee for attending board committee meetings		
	Commission		
	Others, please specify		
	Total (2)		
	Total (B)=(1+2)		
	Total Managerial Remuneration		
	Overall Ceiling as per the Act		

C. Remuneration To Key Managerial Personnel Other Than MD/Manager/WTD

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	CS	CFO	Total
1	Gross salary	NIL			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961				
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961				
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961				
2	Stock Option				
3	Sweat Equity				
4	Commission				
	- as % of profit				
	others, specify...				
5	Others, please specify				
	Total	NIL	NIL	NIL	NIL

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

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

Independent Auditor's Report

To the Members of
SMS LIFESCIENCES INDIA LIMITED

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Opinion

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "**Annexure A**" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c. The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

- e. On the basis of written representations received from the directors as on March 31, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
- f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in **“Annexure B”**.
- g. With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 and in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations as at 31st March, 2017 on its financial position in its financial statements as referred to in note 30, 31, and 32 to the financial statements.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. The Company has been regular in transferring amounts to the Investor Education and Protection Fund in accordance with the relevant provisions of the Companies Act, 2013 and the Rules made there under.
 - iv. The Company has provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 and these are in accordance with the books of accounts maintained by the Company. Refer to Note.15.6 to the financial statements.

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

Ravi Rambabu
Partner
M. No. 018541

Place: Hyderabad
Date : 25-05-2017

“Annexure A” to the Independent Auditors’ Report

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

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

- vii) a) According to information and explanations given to us and on the basis of our examination of the books of account, and records, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income-Tax, Sales tax, Service Tax, Duty of Customs, Duty of Excise, Value added Tax, Cess and any other statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the above were in arrears as at March 31, 2017 for a period of more than six months from the date on when they become payable.
- b) According to the information and explanation given to us, there are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax outstanding on account of any dispute, except the following:

(₹ in Lakhs)

S. No	Name of the Statute	Nature of the dues	Forum where dispute is pending	Year	Amount Involved	Amount Deposited	Amount not Deposited
1	Central Excise Act, 1944	Central Excise	accompanying	1995-96 to 1997-98	38.91	38.91	--
2	Income Tax Act,1961	Income Tax	BIFR	1988-89	0.01	--	0.01
3	Income Tax Act,1961	Income Tax	BIFR	1991-92	0.09	--	0.09
4	Income Tax Act,1961	Income Tax	BIFR	1992-93	11.19	--	11.19
5	Income Tax Act,1961	Income Tax	BIFR	1993-94	2.47	--	2.47
6	Income Tax Act,1961	Income Tax	BIFR	1994-95	14.25	--	14.25
7	Income Tax Act,1961	Income Tax	BIFR	1994-95	1.02	--	1.02
8	Income Tax Act,1961	Income Tax	BIFR	2003-04	36.50	--	36.50
9	Income Tax Act,1961	Income Tax	BIFR	2005-06	9.54	--	9.54
10	Income Tax Act,1961	Interest on IT	BIFR	1992-2015	111.24	--	111.24
11	Central Excise Act, 1944	Interest on CEX	AP High Court	1992-2010	66.48	--	66.48
12	Central Excise Act, 1944	Interest on CEX	AP High Court	1995-2011	16.40	--	16.40
				TOTAL	308.10	38.91	269.19

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

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

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

Ravi Rambabu
Partner
M. No. 018541

Place: Hyderabad
Date : 25-05-2017

“Annexure B” to the Independent Auditor’s Report

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

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

Management’s Responsibility for Internal Financial Controls

The Company’s management 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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors’ Responsibility

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

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

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

Meaning of Internal Financial Controls over Financial Reporting

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

- (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

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

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

Ravi Rambabu
Partner
M. No. 018541

Place: Hyderabad
Date : 25-05-2017

Balance Sheet as at 31st March, 2017

(Amount: ₹ in Lakhs)

Sl. No	Particulars	Note No.	As at 31.03.2017	As at 31.03.2016
I EQUITY AND LIABILITIES				
1 Shareholders' Funds				
	(a) Share Capital	1	1.00	1.00
	(b) Reserves & Surplus	2	8,082.36	(1.82)
			<u>8,083.36</u>	<u>(0.82)</u>
2 Non-Current Liabilities				
	(a) Long Term Borrowings	3	1,612.55	-
	(b) Deferred Tax Liability	4	1,002.19	-
	(c) Long Term Provisions	5	230.35	-
			<u>2,845.09</u>	<u>-</u>
3 Current Liabilities				
	(a) Short Term Borrowings	6	403.83	0.30
	(b) Trade Payables	7	5,547.82	0.68
	(c) Other Current Liabilities	8	727.93	-
	(d) Short Term Provisions	9	73.58	-
			<u>6,753.16</u>	<u>0.98</u>
	TOTAL		<u>17,681.61</u>	<u>0.16</u>
II ASSETS				
1 Non Current Assets				
	(a) Fixed Assets	10		
	(i) Tangible Assets		7,348.89	-
	(ii) Intangible Assets		-	-
	(iii) Capital Work In Progress		278.55	-
	(b) Non Current Investments	11	4.11	-
	(c) Long Term Loans & Advances	12	210.22	-
			<u>7,841.77</u>	<u>-</u>
2 Current Assets				
	(a) Inventories	13	4,379.45	-
	(b) Trade Receivables	14	3,975.39	-
	(c) Cash and Bank Balances	15	290.86	0.16
	(d) Short Term Loans & Advances	16	456.91	-
	(e) Other Current Assets	17	737.23	-
			<u>9,839.84</u>	<u>0.16</u>
	TOTAL		<u>17,681.61</u>	<u>0.16</u>
	Significant Accounting Policies	30		

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

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

as per our report of even date

for and on behalf of the Board

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

RAMESH BABU POTLURI
Director

T V V S N MURTHY
Director

RAVI RAMBABU
Partner
M.No.18541

PAVAN PISE
Company Secretary

Place : Hyderabad
Date : 25-05-2017

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

(Amount: ₹ in Lakhs)

Sl. No.	Particulars	Note No.	*Current Year 2016-17	Previous Year 2015-16
1	Revenue from Operations	18	21,590.30	-
2	Other Income	19	172.36	-
3	Total Revenue (1+2)		21,762.66	-
4	Expenses :			
	Cost of Materials Consumed	20	12,367.94	-
	Changes in Inventories	21	(360.67)	-
	Employee Benefit Expenses	22	1,725.78	-
	Finance Cost	23	609.02	-
	Depreciation and Amortisation	10	555.45	-
	Other Expenses	24	5,051.74	0.19
	Total Expenses		19,949.26	0.19
5	Profit / (Loss) Before Tax (5-6)		1,813.40	(0.19)
6	Tax Expenses			
	(a) Current Tax Expenses		600.00	-
	(b) Deferred Tax		(51.34)	-
	Sub Total		548.66	-
7	Profit after Tax (5-6)		1,264.74	(0.19)
8	Earnings Per Share	25		
	(1) Basic (Amount in ₹)		12,647.40	(1.85)
	(2) Diluted		41.83	-
	Significant Accounting Policies	30		

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

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

as per our report of even date

for and on behalf of the Board

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

RAMESH BABU POTLURI
Director

T V V S N MURTHY
Director

RAVI RAMBABU
Partner
M.No.18541

PAVAN PISE
Company Secretary

Place : Hyderabad
Date : 25-05-2017

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

(Amount: ₹ in Lakhs)

Sl. No.	Particulars	Current Year 2016-17
A	Cash Flows from operating Activities :	
	Net Profit Before Tax	1,813.39
	Add: Miscellaneous Exp written off	1.10
	Add : Depreciation	555.45
	Add : Interest on Term Loans	284.08
	Add: Bad Debts written off	3.96
	Add: Retirement Benefits	62.69
	Add: Bonus	17.87
	Operating Profit before working capital changes	2,738.54
	Adjustment for:	
	Trade Receivables	8.11
	Inventories	(195.89)
	Loans and Advances & Other Assets	(29.22)
	Other current assets	(183.82)
	Trade Payables	288.44
	Other Current Liabilities	(84.18)
	Short term provisions	(12.53)
		(209.09)
	Cash Generated From Operating Activities	2,529.45
	Income Tax Paid	(503.46)
	Net Cash from Operating Activities "A"	2,025.99
B	Cash Flows from Investing Activities :	
	Purchase of fixed assets	(755.01)
	Margin Money Deposits Made	(57.96)
	Net cash used in investing Activities "B"	(812.97)
C	Cash Flows from Financing Activities :	
	Repayment of Long Term borrowings	(616.08)
	Repayment of Short term borrowings	(130.10)
	Repayment of Unsecured Loans	(197.39)
	Interest Paid	(290.88)
	Net Cash used in financing Activities "C"	(1,234.45)
	Net (Decrease)/Increase in Cash and Cash Equivalents (A+B+C)	(21.43)
	Cash and Cash Equivalents at the beginning of the Year	29.16
	Cash and Cash Equivalents at the end of the Year	7.73

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

as per our report of even date

for and on behalf of the Board

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

RAMESH BABU POTLURI
Director

T V V S N MURTHY
Director

RAVI RAMBABU
Partner
M.No.18541

PAVAN PISE
Company Secretary

Place : Hyderabad
Date : 25-05-2017

Notes Forming Part of the Financial Statements

NOTE NO. 1: SHARE CAPITAL :

Particulars	As at 31.03.2017		As at 31.03.2016	
	No. of Shares	Amount: ₹ in Lakhs	No. of Shares	Amount: ₹ in Lakhs
Authorised Share Capital				
Equity Shares of ₹ 10/- (Previous year 10/-) each	250,000	25.00	250,000	25.00
	250,000	25.00	250,000	25.00
ISSUED, SUBSCRIBED & PAID UP				
Equity Shares of ₹ 10/- (Previous year 10/-) each	10,000	1.00	10,000	1.00
Total	10,000	1.00	10,000	1.00

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

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

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

Particulars	No of shares	
	As at 31.03.2017	As at 31.03.2016
Equity Shares at the beginning of the year	10,000	10,000
Shares issued during the year	-	-
Equity Shares at the end of the year	10,000	10,000

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Note No.	Particulars	As at 31.03.2017	As at 31.03.2016
2	RESERVES AND SURPLUS		
a.	General Reserve		
	At the Commencement of the Year	6,818.35	-
	(-) Deletions during the year		-
	(+) Transfer from Profit and Loss statement	-	-
	At the end of the year	6,818.35	-
b.	Surplus Balance in Profit and Loss Statement		
	At the Commencement of the Year	(0.73)	(0.54)
	Add : Profit for the Year	1,264.74	(0.19)
	At the end of the Year	1,264.01	(0.73)
c.	Miscellaneous Expenditure to the extent not written off		
	Opening Balance	(1.09)	(1.09)
	Less: Written off during the year	1.09	-
	Closing Balance	-	(1.09)
	TOTAL	8,082.36	(1.82)

2.1 General reserve amount of ₹ 6,818.35 as on 01.4.2016 was vested with the Company in pursuance of the Demerger Scheme

2.2 Miscellaneous Expenditure consists of ₹ 0.71 Lakh Preliminary Expenses and ₹ 0.38 Lakh Pre operative Expenses. As there are no profits in earlier years, the same were carried forward and now total amount was written off against current year profits.

	As at 31.03.2017		As at 31.03.2016	
	Current Maturities	Non Current Portion	Current Maturities	Non Current Portion
3 LONG TERM BORROWINGS				
3.1 i) Secured				
	(Term Loans)			
a) Export Import Bank of India	600.00	1,500.00		
b) Hire Purchase Loans- Vehicles	4.67	-	-	-
	604.67	1,500.00	-	-
3.2 ii) Unsecured				
Sales Tax Deferment Loan	-	112.55	-	-
(Refer Note No.3.2.1 & 3.2.2)				
	-	112.55	-	-
TOTAL	604.67	1,612.55	-	-

Notes Forming Part of the Financial Statements

3.1.1 Term Loan of ₹ 2,100 Lakhs from Exim Bank of India was assumed as on 01-04-2016 by the Company in pursuance of the Demerger Scheme

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

3.1.3 Hire Purchase Loan Outstanding as on 01-04-2016 of ₹ 4.67 Lakhs from ICICI Bank Ltd assumed by the Company in pursuance of the Demerger Scheme. The Said loan is secured by the respective vehicles.

3.1.4 Terms of Repayment

Term loan balance amount of ₹ 2,100 Lakhs from Export Import Bank of India is repayable in quarterly Installments of ₹ 150 Lakhs each up to September, 2020, The loan carries interest rate of 11.75% p.a

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

3.2.1 Sales Tax Deferment Loan outstanding as on 01-04-2016 of ₹ 244.46 Lakhs and also an amount of ₹ 65.48 Lakhs due during the current year were assumed by the Company in pursuance of Demerger Scheme. Out of these amounts an amount of ₹ 197.39 Lakhs was re-paid during the year 2016-17. On this the Company has availed discount of ₹ 22.62 Lakhs for Pre-Payment of the Sales Tax (deferment) Loan.

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

Year	Amount: ₹ in Lakhs	Year of Repayment
2006-07	69.63	2019-20
2007-08	42.92	2020-21
TOTAL	112.55	

Note No.	Particulars	As at 31.03.2017	As at 31.03.2016
4	Deferred Tax Liability		
	Opening Deferred Tax Liability	1,053.54	-
	Add/Less : for the Year	(51.35)	-
	Closing Deferred Tax Liability	1,002.19	-
4.1	Deferred Tax Liability on 01-04-2016 was assumed by the Company in pursuance of the Demerger Scheme.		
4.2	Details of the deferred tax liability are as furnished below :		
	(A) Deferred Tax Liability:		
	Depreciation on Assets	1,092.92	-
	Sub Total	1,092.92	-
	(B) Deferred Tax Asset:		
	On timing differences		-
	Provision for Gratuity, Leave Encashment and Bonus	90.73	
	Sub Total	90.73	-
	Net Deferred Tax Liability (A-B)	1,002.19	-

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Note No.	Particulars	As at 31.03.2017	As at 31.03.2016
5	Long Term Provisions		
	Provision for Employee Benefits (refer note no 34)		
	Provision for Gratuity - Unfunded	180.50	-
	Provision for leave encashment -Unfunded	49.85	-
	Total	230.35	-
5.1	Provision for Gratuity and Leave Encashment of ₹ 118.91 Lakhs and ₹ 48.75 Lakhs respectively, were assumed by the Company on 01-04-2016 in pursuance of the Demerger Scheme.		
6	Short Term Borrowings		
6.1	i) Secured		
	(Working Capital Facilities)		
	State Bank of India		
	Bills Discounting - Export	403.53	-
	ii) Unsecured	0.30	0.30
	Total	403.83	0.30
6.1.1	Bill Discounting outstanding liability of ₹ 533.63 Lakhs was assumed by the Company on 01.04.2016 in pursuance of the Demerger Scheme.		
6.1.2	Working capital facility by State Bank of India is secured by first charge on pari-passu basis of all current assets both present and future. These facilities are further secured by way of second charge on pari-passu basis of all movable and immovable fixed assets of the Company both present and future and also guaranteed by Sri Ramesh Babu Potluri and Sri TVVSN Murthy, Directors of the Company, in their personal capacities.		
6.1.3	Working Capital Facility extended by State Bank of India are having the following additional security apart from the details of security mentioned supra.		
	i) Equitable mortgage of commercial flat No 416 admeasuring 618 Sq.ft, situated in Nilgiri Block, Aditya Enclave, Ameerpet, Hyderabad, along with undivided share of land of 25 sq. yds,. belonging to M/s.Potluri Laboratories Pvt. Ltd (formerly Known as Hima Farms Pvt Ltd) in which Spouse of Sri Ramesh Babu Potluri, a Director of the Company, is a director.		
	ii) Equitable mortgage of Agricultural land admeasuring 3.65 Acres situated in Yalamanchili Village of West Godavari District, belonging to Sri TVVSN Murthy, a Director of the Company.		
	iii) Corporate Guarantee by M/s.Potluri Laboratories Pvt Ltd (formerly Known as Hima Farms Pvt Ltd.), to the extent of collateral security extended by them.		
	iv) Personal Guarantee of Smt. T.Annapurna spouse, of Sri TVVSN. Murthy, a Director of the Company.		

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Note No.	Particulars	As at 31.03.2017	As at 31.03.2016
7	Trade Payables		
	Dues to Micro and Small Enterprises	483.57	-
	Others	4,646.24	-
	Total Creditors for purchases	5,129.81	
	Creditors for expenses	418.01	0.68
	Total	5,547.82	0.68
7.1	Creditors for Purchases and for Expenses of ₹ 4,711.59 Lakhs and ₹ 547.11 Lakhs respectively were assumed by the Company on 01-04-.2016 in pursuance of the Demerger Scheme		
8	Other Current Liabilities		
	Current Maturities of Long Term Debt (refer note no 3)	604.67	-
	Statutory Dues (Refer Note no 8.1)	68.83	-
	Advance received from Customers	30.98	-
	Creditors for capital goods	2.14	-
	Interest Accrued but not due on Term Loans	21.31	-
	Total	727.93	-
8.1	Statutory Dues includes an amount of ₹ 52.45 Lakhs represents Income tax dues pending for more than six months on account of dispute.		
8.2	An amount of ₹ 1,131.44 Lakhs towards other current liabilities were assumed by the Company on 01-04-2016 in pursuance of the Demerger Scheme.		
9	Short Term Provisions		
	(a) Provision for Employee Benefits		
	Bonus Payable	31.81	-
	(b) Others		
	Provision for Income Tax (Net off Prepaid Taxes)	41.77	-
	Total	73.58	-
9.1	Bonus Payable outstanding on 01-04-2016 of ₹ 26.46 Lakhs was assumed by the Company in pursuance of the Demerger Scheme.		

Note No. 10 : Fixed Assets & Depreciation statement for the Year ending 31.03.2017 (Amount: ₹ in Lakhs)

Name of the Asset	Gross Block			Depreciation			Net Block		
	As at 01.04.2016*	Additions During the Year	Deletion During the Year	As at 31.03.2017	For The Year	on Deletions	Total up to 31.03.2017	WDV as at 31.03.2017	WDV as at 31.03.2016
a									
Tangible Assets :									
Land & Land Development	304.35	-	-	304.35	-	-	-	304.35	-
Buildings	1,998.82	0.80	-	1,999.62	60.85	-	721.56	1,278.06	-
Plant & Machinery	10,889.21	496.10	-	11,385.31	448.57	-	5,831.48	5,553.83	-
Pollution Control Equipment	552.17	-	-	552.17	17.62	-	475.68	76.49	-
Data Processing Equipment	79.09	17.32	-	96.41	8.67	-	77.27	19.14	-
Furnitures & Fixtures	115.35	0.91	-	116.26	4.14	-	80.14	36.12	-
Office Equipment	45.91	0.37	-	46.28	0.48	-	43.11	3.17	-
Vehicles	172.40	-	11.64	160.76	13.56	11.06	94.97	65.79	-
Land Scaping	16.24	-	-	16.24	1.54	-	4.30	11.94	-
Sub total	14,173.54	515.50	11.64	14,677.40	555.43	11.06	7,328.51	7,348.89	-
b									
Intangible Assets :									
Patents	1.09	-	-	1.09	-	-	1.09	-	-
Sub total	1.09	-	-	1.09	-	-	1.09	-	-
Total	14,174.63	515.50	11.64	14,678.49	555.43	11.06	7,329.60	7,348.89	-
c									
Capital Work-in-Progress[#]	261.88	490.83	474.16	278.55	-	-	-	278.55	-
Total (a+b+c)	14,436.51	1,006.33	485.80	14,957.04	555.43	11.06	7,329.60	7,627.44	-

[#] Refer Not No. 31

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

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Note No.	Particulars	As at 31.03.2017	As at 31.03.2016
11	Non Current Investments		
	At Cost - Non-Trade - Unquoted - Long Term Investments		
	17,538 Equity Shares of ₹ 10/- each in M/s Patancheru Enviro Tech Ltd.	1.76	-
	2,253 Equity Shares of ₹ 100/- each in M/s Jeedimetla Effluent Treatment Ltd.	2.25	-
	1,000 Equity Shares of ₹ 10/- each in M/s Sireen Drugs Private Limited	0.10	-
	Total	4.11	-
11.1	Above Investments are vested with the Company on 01-04-2016 in pursuance of the Demerger Scheme.		
12	Long Term Loans & Advances		
	(Unsecured Considered Good)		
(a)	Deposits Recoverable (Refer Note 12.1)	208.17	-
(b)	Advance for Capital Goods	2.05	-
	Total	210.22	-
12.1	Deposits Recoverable of ₹ 149.47 Lakhs vested with the Company on 01-04-2016 in pursuance of the Demerger Scheme.		
12.2	Deposits recoverable consists of ₹ 181.02 Lakhs with Electricity Department and ₹ 27.15 Lakhs with Others.		
13	Inventories		
	(as Valued and Certified by the Management)		
	Raw Material (Valued at Cost)	1,176.88	-
	Stock in Process (at cost and an appropriate share of overheads.)	3,093.22	-
	Finished Goods (Valued at lower of cost or net realisable value)	77.22	-
	Coal & Fuel (Valued at Cost)	32.13	-
	Total	4,379.45	-
13.1	Total Inventories of ₹ 4,183.56 Lakhs vested with the Company on 01-04-2016 in pursuance of the Demerger Scheme.		

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Note No.	Particulars	As at 31.03.2017	As at 31.03.2016
14	Trade Receivables		
	Unsecured		
(a)	Outstanding for a period exceeding Six months		
	Considered Good	25.87	-
	Considered Doubtful	5.08	-
		<u>30.95</u>	<u>-</u>
	Less: Bad debts written off	3.96	-
		<u>26.99</u>	<u>-</u>
(b)	Others		
	Considered Good	3,948.40	-
	Total	<u>3,975.39</u>	<u>-</u>
14.1	Trade Receivables of ₹ 3,987.46 Lakhs vested with the Company on 01-04-2016 in pursuance of the Demerger Scheme.		
14.2	Trade Receivables includes an amount of ₹ 51.99 Lakhs due from M/s. VKT Pharma Private Limited, a related party.		
15	Cash and Bank Balances		
(a)	Cash and Cash Equivalents :		
(i)	Cash on Hand	2.64	0.16
(ii)	Balances with Scheduled Banks		
	- in Current Accounts	5.09	-
(b)	Other Bank Balances :		
(i)	Deposit against Margin Money	282.33	-
(ii)	Fixed Deposits	0.80	-
	Total	<u>290.86</u>	<u>0.16</u>

15.1 Cash in Hand and Bank balances of ₹ 2.12 Lakhs and ₹ 26.89 Lakhs vested with Company on 01-04-2016 in pursuance of the Demerger Scheme.

15.2 Margin Money Deposits and Fixed Deposit as on 01-04-2016 of ₹ 224.37 Lakhs and ₹ 0.80 Lakhs respectively vested with the Company as per the Demerger Scheme.

15.3 Out of the above amount, cash and cash equivalents was ₹ 7.73 Lakhs (previous year ₹ 0.16 Lakhs).

15.4 Deposit against margin money amount of ₹ 282.33 Lakhs (Previous Year ₹ Nil) have maturity period of more than 12 months.

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

(Contd.)

Notes Forming Part of the Financial Statements

15.6 Transactions of Specified Bank Notes during the period from 08-11-2016 to 30-12-2016 are as follows:

Particulars	SBNs	Other Denomination Notes	Total
Closing Cash in hand as on 08-11-2016	3.41	1.43	4.84
(+) Permitted receipts	-	4.21	4.21
(-) Permitted Payments	-	(4.49)	(4.49)
(-) Amount Deposited in Banks	(3.41)	-	(3.41)
Closing Cash Balance as on 30-12-2016	-	1.15	1.15

(Amount: ₹ in Lakhs)

Note No.	Particulars	As at 31.03.2017	As at 31.03.2016
16	Short Term Loans & Advances		
	Unsecured and Considered Good		
	Advance for Raw Materials	239.89	-
	Advance to Others	132.84	-
	MAT Credit	84.18	-
	Total	456.91	-
16.1	Short Term Loans and Advances of ₹ 488.44 Lakhs vested with the Company as on 01-04-2016 in pursuance of the Demerger Scheme.		
16.2	Advances for Raw Materials includes ₹ 78.96 Lakhs to M/s. Rchem (Somanahalli) Pvt Ltd, a related party.		
17	Other Current Assets		
	Prepaid Expenses	1.85	-
	Interest Receivable	29.01	-
	Cenvat & Service Tax Credit Receivable	475.91	-
	VAT Credit Receivable	129.05	-
	Export Incentives Receivable	101.41	-
	Total	737.23	-
17.1	Other Current Assets of ₹ 608.18 Lakhs vested with the Company as on 01-04-2016 in pursuance of the Demerger Scheme.		

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Note No.	Particulars	Current Year 2016-17	Previous Year 2015-16
18	Revenue From Operations		
(a)	Sale of Products		
	Gross Revenue From Sales		
	Sale of Products	22,438.77	-
	Export Incentives	358.69	-
		<u>22,797.46</u>	<u>-</u>
	Less : Excise Duty	1,201.62	-
	Sales Tax	165.56	-
	Total Taxes	<u>1,367.18</u>	<u>-</u>
	Net Revenue from Sales	<u>21,430.28</u>	<u>-</u>
(b)	Other Operating Income		
	Conversion Charges Received	160.02	-
	Net Other Operating Income	<u>160.02</u>	<u>-</u>
	Net Revenue from Operations	<u>21,590.30</u>	<u>-</u>
19	Other Income		
(a)	Interest Income	35.84	-
(b)	Exchange Fluctuation	109.97	-
(c)	Miscellaneous Income	26.55	-
	Total	<u>172.36</u>	<u>-</u>
20	Materials Consumed		
(a)	Raw Materials		
	Opening Stock	1,350.43	-
	Add : Purchases	11,907.95	-
		<u>13,258.38</u>	<u>-</u>
	Less: Closing Stock	1,162.23	-
	Sub-Total (a)	<u>12,096.15</u>	<u>-</u>
(b)	Packing Materials		
	Opening Stock	11.86	-
	Add : Purchases	274.58	-
		<u>286.44</u>	<u>-</u>
	Less : Closing Stock	14.65	-
	Sub-Total (b)	<u>271.79</u>	<u>-</u>
	Total Materials Consumed (a+b)	<u>12,367.94</u>	<u>-</u>

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Note No.	Particulars	Current Year 2016-17	Previous Year 2015-16
21	Changes in Inventories of Finished Goods and Stock in Process		
	(Increase)/Decrease in Stocks		
	At the Commencement of the Year :		
	Stock in Process	2,757.25	-
	Finished Goods	52.52	-
	Sub-Total (a)	2,809.77	-
	At the end of the Year :		
	Stock in Process	3,093.22	-
	Finished Goods	77.22	-
	Sub-Total (b)	3,170.44	-
	(Increase)/Decrease in Stocks (a)-(b)	(360.67)	-
22	Employee Benefit Expenses		
	Salaries, Wages and Bonus	1,550.84	-
	Contribution to PF & Other Funds	83.27	-
	Staff Welfare Expenses	91.67	-
	Total	1,725.78	-
23	Finance Cost		
	Interest on Term Loans	284.07	-
	Interest on Working Capital	209.66	-
	Interest on Others	5.40	-
	Bank Charges	109.89	-
	Total	609.02	-

Notes Forming Part of the Financial Statements

(Amount: ₹ in Lakhs)

Note No.	Particulars	Current Year 2016-17	Previous Year 2015-16
24	Other Expenses		
	Power & Fuel	2,040.27	-
	Consumable Stores	123.04	-
	Testing Charges	15.11	-
	Water Charges	115.81	-
	Conversion Charges	1,192.04	-
	Effluent Treatment Charges	276.94	-
	Repairs & Maintenance - Plant & Machinery	344.05	-
	Repairs & Maintenance - Buildings	54.26	-
	Factory Maintenance	39.27	-
	Travelling Expenses	19.64	-
	Postage & Telephones	13.31	-
	Printing & Stationary	31.65	-
	Rent, Rates & Taxes	54.17	-
	Insurance	32.13	-
	General Expenses	35.36	0.07
	Payment to Auditors (Statutory Audit Fee)	6.00	0.12
	Repairs to other assets	5.08	-
	Vehicle Maintenance	26.87	-
	Carriage Outward	361.18	-
	Sales Commission	229.29	-
	Business Promotion Expenses	25.88	-
	Interest on Indirect Taxes	6.43	-
	Bad Debts Written Off	3.96	-
	TOTAL	5,051.74	0.19
25	Earnings Per Share (Basic and Diluted)		
	Basic	12,647.40	(1.85)
	Diluted	41.83	-
26	Note on CSR Liability		

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

Notes Forming Part of the Financial Statements

27. Scheme of arrangement (De-Merger) between SMS LifeSciences India Ltd (LifeSciences), the Company and SMS Pharmaceuticals Ltd (SMSPL)

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

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

Particulars	Amount: ₹ in Lakhs
Assets transferred	
Non-Current Assets	
Fixed Assets	7,663.51
Investments	4.11
Loans and Advances	149.47
Current Assets	
Inventories	4,183.56
Trade Receivables	3,987.46
Cash and Bank Balances	254.18
Loans and Advances	488.44
Other Current Assets	608.18
Sub Total (A)	17,338.91
Liabilities assumed	
Non-Current Liabilities	
Long Term Borrowings	2,349.13
Deferred Tax Liability	1,053.54
Long Term Provisions	167.66
Current Liabilities	
Short Term Borrowings	533.63
Trade Payables	5,258.70
Other Current Liabilities	1,131.44
Short Term Provisions	26.46
Sub Total (B)	10,520.56
Net Assets (A) - (B)	6,818.35

The Difference between assets and liabilities of an amount of ₹ 6,818.35 Lakhs is treated as general reserve in pursuance of the Demerger Scheme. The Company is required to allot 30,23,287 fully paid equity Shares of ₹ 10/- each to the Shareholders of demerged Company out of the General Reserve.

Notes Forming Part of the Financial Statements

28. Corporate Information

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

29. Basis of Accounting

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

30. Significant Accounting Policies

a. Use of Estimates

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

b. Fixed Assets:

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

c. Capital Work In progress:

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

d. Depreciation:

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

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

Notes Forming Part of the Financial Statements

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

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

e. Investments:

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

f. Inventories:

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

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

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

g. Sales:

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

h. Research & Development Expenses:

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

i. Patents:

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

j. Operating Leases:

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

k. Retirement Benefits:

i. Defined Contribution Plans:

Provident Fund:

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

Notes Forming Part of the Financial Statements

ii. Defined Benefit Plans:

- (1) **Gratuity:** Liability towards gratuity is accounted on the basis of actuarial valuation made by an independent actuary. The actuarial valuation is done as per projected unit credit method. Actuarial gain /loss is taken to statement of profit and loss.
- (2) **Leave encashment benefit:** The unavailed leave liability is allocated based on actuarial valuation using projected unit credit method. This liability was unfunded.

iii. State Plans:

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

I. Excise Duty / Sales Tax:

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

m. Service Tax:

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

n. Cenvat / VAT / Service Tax Credit:

Cenvat / VAT credit claimed on capital goods (Plant and Machinery) is credited to relevant Plant and Machinery Account, Cenvat / Vat credit on purchase of raw materials, packing materials, consumables, spares and components are deducted from the cost of respective materials.

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

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

o. Revenue Recognition:

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

p. Foreign Currency Transactions:

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

Notes Forming Part of the Financial Statements

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

q. Taxation:

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

i. Current year charge:

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

ii. Deferred Tax:

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

r. Borrowing Costs:

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

s. Provisions and Contingent Liabilities:

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

t. Impairment of Assets:

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

u. Export Benefits:

All export benefits on exports are recognized on accrual basis.

Notes Forming Part of the Financial Statements

31. Contingent Liabilities not provided for

(Amount: ₹ in Lakhs.)

Particulars		2016-17	2015-16
(a)	Guarantees given by banks	24.00	-
(b)	Letter of credits opened in favor of suppliers for which goods are yet to be received	1,129.83	-
(c)	Disputed Income Tax demands against which Company is in Appeals.	22.62	-
(d)	Interest dues in respect of disputed demands of Income Tax and Central Excise.	177.72	-
(e)	Interest on disputed demand of Central Excise [Refer Note No.33. (iii)]	16.40	-
(f)	Capital Commitments	-	-

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

32. Capital work-in-progress of ₹ 253.15 Lakhs vested with the Company as on 01-04-2016 in pursuance of the Demerger Scheme. This includes an amount of ₹ 251.88 Lakhs paid for acquiring land to the extent of Ac.19 bearing plot no.46 in Jawaharlal Nehru Pharma City Parawada in Viskhapatanam Dist which was under litigation with the developer and the matter is sub-judice before the Hon'ble High Court.

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

(ii) SMSPL has constructed/modified buildings and structures to suit the requirement for carrying out its manufacturing activity in the said premises. SMSPL has incurred an amount of ₹ 169.67 Lakhs during the earlier years for modification of buildings and also for acquiring required equipment and other assets. The said assets were capitalized and accordingly SMSPL has claimed depreciation up to 31-03-2016 and the Company has charged depreciation on the same for the year 2016-17.

(iii) Central excise department has issued a demand for an amount of ₹ 16.40 Lakhs towards interest for the period from 01-04-1995 to 18-03-2011 jointly in the name of Divya Enterprises Limited and SMS Pharmaceuticals Limited for which M/s Divya Enterprises Limited has obtained stay from the Honourable High court of Andhra Pradesh in the year 2013.

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

Notes Forming Part of the Financial Statements

34. Information on Employee benefits required under accounting standard 15 :- (AmountRs in Lakhs)

Particulars		2016-17	2015-16
(1)	Defined Contribution Plans: Contribution to Provident Fund	72.50	-
(2)	Defined Benefit Plans: i. Gratuity (Partly Funded) ii. Leave Encashment (Un funded)		

Disclosures (as per actuary certification) (Amount : ₹ inLakhs)

Particulars	2016-17		2015-16	
	Gratuity (Unfunded)	Leave Encashment (Unfunded)	Gratuity (Unfunded)	Leave Encashment (Unfunded)
(i) STATEMENT OF PROFIT AND LOSS:				
Current Service Cost	13.15	14.61	-	-
Interest cost on benefit obligation	11.25	1.80	-	-
Net Actuarial (Gain)/Loss recognized in the year	37.19	(12.16)	-	-
Short Term compensated absence Liability	-	-	-	-
Past service cost	-	-	-	-
Contribution paid	-	(3.15)	-	-
Expected return on planned Assets	-	-	-	-
Net benefit expenses	61.59	1.10	-	-
(ii) BALANCE SHEET:				
Change in the present value of the defined benefit obligation are as follows:				
Opening defined benefit obligation	118.91	48.75	-	-
Interest cost	11.25	1.80	-	-
Current services cost	13.15	14.61	-	-
Actuarial (Gain)/Loss on obligation	37.19	(12.16)	-	-
Expected return on planed Assets	-	-	-	-
ShortTerm compensated absence liability	-	-	-	-
Contribution paid	-	(3.15)	-	-
Closing defined benefit obligation	180.50	49.85	-	-
Past Service Cost	-	-	-	-

- Net benefit expenses of ₹ 61.59 lakhs relating to Gratuity charged to Statement of Profit & Loss independent actuary valuation. This amount was unfunded and total amount of unfunded was ₹ 180.50 lakhs as on the balance sheet date.

Notes Forming Part of the Financial Statements

(iii) The Principal Assumptions Used in Actuarial Valuations

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

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

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

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

(Amount: ₹ in lakhs)

Particulars	2016-17	2015-16
Principal amount remaining unpaid as at the end of the year	478.18	-
Interest due and payable for the period of delay	5.39	-
Interest paid on above	Nil	-

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

36. Related Party Disclosures:

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

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

S.No.	Name	Relationship
1.	Sri. P.RameshBabu	Director
2.	Sri. T.V.V.S.N.Murthy	Director
3.	Sri T.V.Praveen	Relative of Key Managerial Personnel

(ii) list of Related Parties

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

Notes Forming Part of the Financial Statements

(iii) Transactions:

(Amount: ₹ in lakhs)

Particulars	Associate Company & Companies in which KMP having significant influence	Key Management Personnel	Relatives of Key Management Personnel	Total
Remuneration & Commission (Previous Year)			40.13 (--)	40.13 (--)
Purchases (Previous Year)	216.29 (--)			216.29 (--)
Sales (Previous Year)	398.86 (--)			398.86 (--)
Conversion Charges paid (Previous Year)	858.05 (--)			858.05 (--)
Balance outstanding :				
Receivable (Previous Year)	130.95 (--)			130.95 (--)
Payable (Previous Year)		29.22 (--)	1.81 (--)	31.03 (--)

37. Segment Reporting:

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

(Amount: ₹ in lakhs)

Particulars	2016-17		2015-16	
	Revenue	%	Revenue	%
Exports	13,854.08	64.65	-	-
Sales to EOU	195.53	0.91	-	-
Domestic	7,021.98	32.77	-	-
Export Incentives	358.69	1.67	-	-
TOTAL	21,430.28	100.00	-	-

38. Consumption of Raw Materials:

(Amount: ₹ in lakhs)

Particulars	2016-17		2015-16	
	Value	%	Value	%
Imported	6,683.02	55.25	-	-
Indigenous	5,413.13	44.75	-	-
TOTAL	12,096.15	100.00	-	-

Notes Forming Part of the Financial Statements

39. Expenditure in Foreign Currency

39.1 CIF Value of Imports:

(Amount: ₹ in lakhs)

Particulars	2016-17	2015-16
Raw Materials	6,322.11	-
Capital Goods	104.63	-
TOTAL	6,426.74	-

39.2 Other Expenses :

(Amount: ₹ in lakhs)

Particulars	2016-17	2015-16
Sales Commission	174.73	-
Travelling Expenses	1.03	-
TOTAL	175.76	-

40. Earnings in Foreign Currency:

(Amount: ₹ in lakhs)

Particulars	2016-17	2015-16
FOB Value of Exports	12,369.94	-

41. Balances of sundry debtors/creditors and Loans and advances are subject to confirmation and reconciliations.
42. The Company has become a Wholly Owned Subsidiary to M/s. SMS Pharmaceuticals Ltd w.e.f 01.04-2016.
43. Consequent to the scheme of demerger effective from 01-04-2016 the figures for the year ended 31-03-2017 are not comparable with the corresponding figures disclosed under previous year ended 31-03-2016. The previous Year figures have been regrouped/reclassified, wherever necessary to corroborate with current year figures.
44. Figures have been rounded off to the nearest Rupee.

as per our report of even date

for and on behalf of the Board

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

RAMESH BABU POTLURI
Director

T V V S N MURTHY
Director

RAVI RAMBABU
Partner
M.No.18541

PAVAN PISE
Company Secretary

Place : Hyderabad
Date : 25-05-2017

