

A quality centered
integrated pharmaceutical company



Annual Report 2010 - 11



pharmaceuticals Ltd.

Values Life, Values Quality

Contents

Corporate Information	01
Notice	02
Directors' Report	04
Management Discussion and Analysis	11
Corporate Governance	13
Auditors' Report	23
Balance Sheet	28
Profit & Loss Account	29
Schedules	30
Cash Flow Statement	52
Balance Sheet Abstract	54
Proxy Form / Attendance Slip	55



Pharmaceuticals Ltd.

Corporate Information

Board of Directors

Sri P. Ramesh Babu	Chairman & Managing Director
Sri TVVSN Murthy	Vice-Chairman & Joint Managing Director
Sri A.P. Rao	Director
Dr. Mihir K. Chaudhuri	Director
Dr. B.M. Choudary	Director
Sri K.S. Rao	Director
Dr. Ayman Sahli	Nominee Director of Gulf Pharmaceuticals, U.A.E.
Sri S. Srinivas	Nominee Director of Exim Bank (Up to 11.05.2011)
K. Umamaheswaram	Nominee Director of Exim Bank (w.e.f 12.05.2011)

Chief Financial Officer
Sri N. Rajendra Prasad

Company Secretary
Sri P. Prabhakara Rao

Registered Office

Plot No. 19-III, Opp. Bharatiya Vidya Bhavan Public School
Road No. 71, Jubilee Hills, Hyderabad-500 034
Phone : 040-66288888,
Fax : 040-23551401/23551402
Email : info@smspharma.com

Auditors

M/s. Rambabu & Co., Chartered Accountants
31, Pancom Chambers, Rajbhavan Road, Hyderabad-500 082.
Phone : 040-23311587
Fax : 040-23397182
Email : rambabuanco1982@yahoo.com

M/s. P. Murali & Co., Chartered Accountants

6-3-655/2/3, Somajiguda, Hyderabad-500 082.
Phone : 040-23326666
Fax : 040-23392474
Email : pmurali.co@gmail.com

Share Transfer Agents

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

Bankers

State Bank of India
Export Import Bank of India
AXIS Bank Ltd.
IDBI Bank Ltd.

Plant Locations

Unit-I

IDA Kazipally, Jinnaram Mandal,
Medak Dist. A.P. - 502 319
Phone : 08458-277067
Fax : 08458-277069
Email : unit1@smspharma.com

Unit-II

Plot No. 24 & 24B, S.V. Co.op Ind. Estate
Bachupally, I.D.A., R.R. Dist. A.P. - 502 325.
Phone : 040-65986691
Email : unit2@smspharma.com

Unit-III

Plot No. D-63, Phase-I, I.D.A.,
Jeedimetla, Hyderabad-A.P.-500 055
Phone : 040-23096380
Email : unit3@smspharma.com

Unit-IV

Plot No. 66/B-D, Phase-I,
IDA Jeedimetla, Hyderabad-500 055
Phone : 040-23095151
Fax No. : 040-23735639
Email : unit4@smspharma.com

Unit-V

Sy. No. 296/7/4, I.D.A., Via Miyapur, Hyderabad.
Phone : 040-64547975
Email : unit5@smspharma.com

Unit-VI

Plot No. 28, Jawaharlal Nehru Pharma City,
Parawada, Visakhapatnam.
Phone : 08924236066 / 77
Fax : 08924236055
Email : parawada@smspharma.com

Unit-VII

Sy. No. 160, 161, 163 to 167,
Kandivalasa, Poosapatirega (Mandal),
Vijayanagaram Dist.
Phone : 08922-258051 / 53 / 54
Fax : 08922-258052
Email : kandivalasa@smspharma.com

Corporate R&D

Sy. No. 186, 189 & 190, Gagillapur,
Qutubullapur, Ranga Reddy Dist., Hyderabad.
Phone : 08418-257337/8
Fax : 08418-257469
Email : rnd@smspharma.com

In house R&D

No. C-23, Industrial Estate,
Sanathnagar, Hyderabad-500 018.
Email : ansingh@smspharma.com

NOTICE

Notice is hereby given that the 23rd Annual General Meeting of the Company will be held on Friday the 30th day of September, 2011 at 11.00 A.M. at the Jubilee Hills International Centre (Jubilee Hills Club), Jubilee Hills, Hyderabad-500 033 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit & Loss Account for the year ended 31st March, 2011, Balance Sheet as on that date along with the Reports of the Directors' and Auditors' thereon.
2. To declare dividend for the financial year 2010-11.
3. To appoint a Director in place of Dr. Mihir K. Chaudhuri, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Ayman Sahli, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To re-appoint M/s. Rambabu & Co., Chartered Accountants and M/s. P. Murali & Co., Chartered Accountants as Joint Auditors of the Company and to fix their remuneration.

By Order of the Board

P. Ramesh Babu

Chairman & Managing Director

Place: Hyderabad

Date: 05.08.2011

Notes:

1. A member entitled to attend and vote instead of himself is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company. The instrument of proxy in order to be effective, must be deposited at the registered office of the company, duly completed and signed not less than 48 hours before the meeting.
2. Corporate members intending to send their authorized representative(s) to attend the meeting are requested to send a certified copy of the Board resolution authorizing their representative(s) to attend and vote on their behalf at the meeting.
3. The register of members and the share transfer books of the company will remain closed from 24.09.2011 to 30.09.2011 (both days inclusive) in connection with the payment of dividend for the financial year 2010-11.
4. Dividend, if declared at the Annual General Meeting, will be payable to those members whose names appear on the company's register of members as on 24.09.2011.
5. The shareholders are requested to intimate immediately any change in their address or bank mandates to their depository participants with whom they are maintaining their demat accounts or to the Company's Share Transfer Agent M/s. Aarthi Consultants Private Limited, if the shares are held in physical form.

6. For the convenience of members and for proper conduct of the meeting, entry to the place of meeting will be regulated by attendance slip, which is part of the annual report. Members are requested to duly fill in and sign at the place provided on the attendance slip and hand it over at the entrance of the venue.
7. Shareholders desiring any information relating to the accounts are requested to write to the Company at an early date so as to enable the management to keep the information ready.
8. The additional information on Directors, seeking re-appointment as Directors under Item Nos. 3 and 4 above, as required by Clause 49 of the Listing Agreement is given below.

Details of Directors retiring by rotation and seeking re-appointment (in Pursuance of Clause 49 of the Listing Agreement).

Name of the Director	Dr. Mihir K. Chaudhuri	Dr. Ayman Sahli
Date of Birth	21.07.1947	04.05.1963
Date of Appointment	18.11.2004	30.04.2009
Qualification	M.Sc., Ph.D.	Ph.D., in Organic Chemistry.
Expertise in specific Functional Area	In the fields of Organometallic and inorganic chemistry.	In the fields of Inorganic Chemistry.
Details of other Directorships	Nil	Nil
Details of other Committee & Membership status.	Nil	Nil

By Order of the Board
P. Ramesh Babu
Chairman & Managing Director

Place: Hyderabad
Date: 05.08.2011

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 23rd Annual Report and Audited Accounts of your company for the year ended 31st March, 2011.

Financial Results

	(Rs. In Lakhs)	
Particulars	2010-11	2009-10
Gross Sales	24,911.60	23,876.77
Net Sales	22,427.43	21,975.51
Other Income	360.10	243.61
Total Net Income	22,787.53	22,219.12
PBIDT	4,074.16	2,480.42
Financial Charges	1,761.50	1,355.85
Depreciation	1,264.29	836.48
Profit before Tax	1,048.37	288.09
Taxation	209.10	48.55
Profit After Tax	839.27	239.54
Profit brought forward	1,975.31	1,952.55
Available for		
Appropriations.	2,814.58	2,192.09
Appropriations:		
Transfer to General Reserve	100.00	100.00
Proposed Dividend	150.23	100.15
Dividend Tax	24.37	16.63
Profit carried to		
Balance Sheet	2,539.98	1,975.31
Earning per share		
- Basic/Diluted	8.38	2.39

Operational performance

During the year 2010-11 your company has produced 2948 MT. of APIs and their intermediates

as against 2442 MT. during the corresponding year. The net sales of the company has reached to Rs.224.27 crores as against Rs.219.76 crores during the previous year. Your company has earned net profit of Rs.8.39 crores as against Rs.2.4 crores during the year 2009-10.

Dividend

Your Board of Directors have recommended the dividend of Rs.1.50 per equity share on par value of Rs.10/- each (Previous year Rs.1/- per equity share) absorbing an amount of Rs.174.60 lakhs.

Transfer to Reserves:

An amount of Rs.1,00,00,000/- (previous year Rs.1,00,000/-) was transferred to the General Reserve out of the amount available for appropriations.

Auditors

The Statutory Auditors of the Company, M/s. Rambabu & Co., Chartered Accountants and M/s. P. Murali & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible for re-appointment have confirmed their eligibility and willingness to accept office for the financial year ended 31st March, 2012.

The Company has received confirmation from both the firms that their appointment will be within the limits prescribed under Section 224 (1) of the Companies Act, 1956. The Audit Committee of the board has recommended the re-appointment of joint auditors.

Cost Auditors

Sri KSN Sarma, Cost Accountant was appointed as Cost Auditor of the Company subject to the consent of the Government of India to conduct cost audit of the Company for the year 2010-11.

Fixed Deposits

The company has not accepted/invited any public deposits from the public in terms of Section 58 A and 58 AA of the Companies Act, 1956.

Directors

Pursuant to Article 110 of the Articles of Association of the Company Dr. Mihir K. Chaudhuri and Dr. Ayman Sahli, will retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment as Directors. Your Board of Directors recommend their re-appointment.

The profiles of the respective Directors are included in the Report on Corporate Governance annexure.

Contribution to the ex-chequer

Your Company has contributed Rs.2,790.25 lakhs to the ex-chequer (Previous year Rs.2,165.05 lakhs) by way of taxes.

Directors' Responsibility Statement

As required under Section 217 (2AA) of the Companies Act, 1956, Directors of your company hereby state and confirm that:

1. The applicable accounting standards have been followed in the preparation of the Annual accounts.
2. The accounting policies as mentioned in the schedule 22 of the notes to the financial statement have been selected and applied consistently and judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March, 2011 and its profit for the year ended on that date.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the

assets of the Company and for preventing and detecting fraud and other irregularities.

4. The Annual Accounts have been prepared on going concern basis.

Research and Development (R & D)

Your Company has given utmost importance for Research and Development. The R & D centers of the company having 10 labs including dedicated oncology laboratory. This center was equipped with dedicated analytical development block in 22,000 Sft area, kilo lab and cGMP Pilot Plant.

The R & D activity of your company mainly focusing relentlessly on development of new chemical entities apart from cost cutting of the existing products and also for development of cost effective non-infringing routes for the products whose patents are due for expiry in the forthcoming years. The major therapeutic focus of the R&D is Oncology, Retro Viral, and anti Hypertensive.

Management's Discussion and Analysis

A report on Management Discussion and Analysis is provided as part of this Annual Report.

Corporate Governance

A detailed Report on Corporate Governance as required under the Listing Agreement forms part of this Annual Report.

Particulars of Employees

During the year under review, there was no employee drawing salary in excess of the prescribed limit and whose particulars are required to be given under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Amendment Rules, 1975 as amended.

Conservation of Energy, Technology Absorption

The information required under Section 217 (1) (e) of the Companies Act, 1956 read with the Rule 2 of the Companies (Disclosure of Particulars in the



Pharmaceuticals Ltd.

Report of Board of Directors) Rules, 1988 is enclosed herewith and forms part of this report.

Dematerialization

Your Company's shares are under compulsory DEMAT mode and all the physical shareholders are hereby recommended to opt for this facility for prompt services.

Related party transactions

As a matter of policy, your company carried out transactions with related parties on an arms-length basis. Statement of these transactions is given in Notes on Accounts in compliance with accounting standards issued by ICAI.

Acknowledgements

Your Directors gratefully acknowledge and appreciate the support extended by the Banks, Financial Institutions, various government authorities and also customers, dealers and employees for their continued support and confidence reposed in the company.

for and on behalf of the Board

P. Ramesh Babu

Chairman & Managing Director

Place: Hyderabad

Date : 05.08.2011

ANNEXURE TO THE DIRECTORS' REPORT

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

FORM - A

Disclosure of particulars with respect to Conservation of Energy

A. POWER & FUEL CONSUMPTION

Particulars	(Rs.in Lakhs)	
	2010-11	2009-10
I. ELECTRICITY:		
a. Purchased :		
Units (Lakhs)	129.00	100.83
Total Amount (Rs.in Lakhs)	614.12	390.04
Rate/Unit (Rs.)	4.76	3.87
b. Own generation		
Through Diesel Generator		
Units (KWH in Lakhs)	22.61	30.76
Unit per Lt. of Diesel	3.32	3.35
Cost/Unit (Rs.in Lakhs)	12.01	10.58
2. COAL (D/C Grade):		
Quantity (Mt.)	14,023	12,020
Total cost (Rs.in Lakhs)	534.97	417.01
Average Rate per Ton (Rs.)	3,815	3,469
3. FURNACE OIL:		
Quantity (Ltrs)	2,29,930	3,05,940
Total Amount (Rs.in Lakhs)	71.06	87.54
Average Rate per Ltr. (Rs.)	30.91	28.61

B. CONSUMPTION FOR UNIT OF PRODUCTION:

Products
Electricity
Coal (D/C Grade)
Others (specify)



Since the Company manufactures different Bulk Drugs & Drug Intermediates, it is not practicable to give consumption per unit of production.

FORM - B

Disclosure of particulars with respect to Technology Absorption

I. Research and Development (R & D)

(a) Specific areas in which R&D is carried out by your company

- Development of patent non-infringing process in therapeutic areas of antimigraine, antihypertensive, anticancer (oncology), antidepressant, antifungal and hypolipidemic.
- Development of cost effective process
- Custom synthesis and contract manufacture
- Impurities profiling and synthesis of impurities and their sale and also creation of intellectual property and international regulatory filings.

(b) Benefits derived as a result of the above

(i) The above research activity has resulted in commercialising / scaling up of a number of products including

- Erlotinib hydrochloride in oncology unit at Parawada
- Sildenafil citrate in Unit-II (FDA Unit)
- Eletriptan in Unit-II (FDA Unit-II)

(ii) 1) Process Development was carried out for the following products., ready to be scaled up

Azacytidine	Telmisartan
Pemetrexed disodium	Bortezomib
Olmesartan	Irbesartan
Candesartan	

2) Products under development

Lapatinib	Valacyclovir
Nilotinib	Tenofavir
Ritonavir	Sitagliptin
Carboplatin	L-Carbocisteine
Oxaliplatin	Tocopherol

- (iii) Modification of existing processes for reducing the cost of production in the areas of antimigraine, antihypertensive, antifungal, antiulcer etc.

Drug Master Files (DMF) have been filed during the year under review for active pharmaceutical ingredients such as:-

Erlotinib hydrochloride

Eletriptan hydrobromide

c) Future plan of action

- Process development for new bulk drugs of various therapeutic categories identified after an extensive analysis of the market.
- Development of cost effective process for the existing products.
- Undertake more of custom manufacturing projects.
- Improvements in quality and productivity.

(d) Expenditure on R & D

	(Rs. in Lakhs)	
	Current Year	Previous Year
Capital	5.05	15.07
Recurring	209.68	377.74
Total	214.73	392.81
Total R & D expenditure to sales.	0.96%	1.79%

II. TECHNOLOGY ABSORPTION, ADOPTATION AND INNOVATION.

- a) Efforts in brief, made towards technology absorption, adaptation and innovation:**

No technology absorption is involved. The company has its own R&D Centre which has been developing and improving processes for manufacture of Active Pharmaceutical Ingredients and drug intermediates.

- b) Benefits derived as a result of the above efforts:**

Processes for several new products have been developed. Process optimization has been achieved in Production, which resulted in lower cost of production.

- c) Details of technology imported during the last 5 years.**

Technology imported.

Year of Import.

Has Technology been fully absorbed
If not fully absorbed, areas where this has not taken place, reasons there for and future plan of action.

No technology has been imported during past five year.

FORM - C
FOREIGN EXCHANGE EARNINGS AND OUTGO

- (a) Activities relating to exports, initiative taken to increase exports, developments of new export markets for products and services and export plans.
- (i) The export turnover consists of 54.62% of total turnover for the year 2010-11 as against 56.88% for the previous year.
 - (ii) Total exports on FOB was Rs.104.50 crores for the year 2010-11 as against Rs.110.22 crores for the year 2009-10.
 - (iii) Your company expects considerable export revenue for the he forthcoming years.
- (b) Foreign Exchange Earned and Used.

Total Foreign Exchange earnings and used is given in note 20 (d) of the Notes to Accounts.

MANAGEMENT DISCUSSION AND ANALYSIS

Economic Overview

As per advance estimates, Gross Domestic Product at constant prices was 8.6% in 2010-11 representing an increase from the revised growth of 8% during 2009-10. But according to the Advance Estimates of Central Statistics Office (CSO), though growth appears to have been maintained, high inflation, high interest rates, lower government expenditure, raise in global crude oil prices will raise the subsidy burden of the government and reduce the government's ability to invest in growth.

However, India continues to do much better and remains most attractive investment destinations across the globe. As per World Investment Report (WIR) 2010 India will be the second most attractive location for FDI for 2011-12.

Industry structure and development

India's pharmaceutical industry is now the 3rd largest in the world in terms of volume and ranks 14th in terms of value. The Indian pharmaceutical industry is growing about 8% to 9% annually and is estimated to be worth USD 4.5 billion.

India's pharmaceutical market size has nearly doubled since 2005 and considered to be one of the fastest growing global markets. India produces approximately 60,000 generic brands and 500 different APIs across 60 therapeutic segments.

Indian Pharmaceutical market is expected to establish itself among the world's leading 10 markets by 2015. Due to the low cost of research and development in India, its market share is estimated to be USD 2.5 billion by 2012

The Indian Pharmaceutical market is expected to reach US Dollar 20 billion by 2015 growing at a compound annual growth rate (CAGR) of 11.7% during 2005-15 and establish its presence among the world's leading 10 markets.

The prospects of the generic business worldwide is supported by more and more expected patent expiries in developed markets (estimated at ~\$235 billion in the period from 2010 to 2015) and growing

generic penetration to control healthcare costs. While the United States remains the largest generic market in the world with a fairly high generic penetration, the growth potential in some of the smaller developed markets remains higher. Cost-effectiveness and superior quality remains the key drivers for success in the generics business.

Out-look

Future out-look for the Indian pharmaceutical industry seems to be extremely positive. A number of global acquisitions by the Indian Pharmaceutical companies, particularly in the U.S. and Europe is accelerating Indian players to make their market at the international level.

As per the estimates of the Ministry of Commerce, Government of India \$6.31 billion will be invested in the Indian Pharmaceutical Industry. It is predicted that patented drugs will capture 10% share of the total Indian pharmaceutical industry by 2015 with a market size of \$ 2 Billion.

Segment-wise or product-wise performance

The Company's business activity is a single primary business segment of "Bulk Drugs". In view of higher capital investment, bulk drug manufacturers typically generate lower return on capital employed as compared to formulation companies owing to thin margins and high competition. Bulk drug business being completely driven by scale of operations, most Indian companies barring a few large ones are relatively small companies, which results in high product concentration and pricing related vulnerabilities.

Risks and Concerns

SMS Pharma lays emphasis on risk management and has an enterprise wise approach to risk management, which lays emphasis on identifying and managing key operational and strategic risks. Through this approach, the company strives to identify opportunities that enhance organisational values while managing or mitigating risks that can adversely impact its future performance.

The company constantly reviews its policies and procedures to adhere to the various regulatory approvals for its manufacturing facilities.. The company's risk management and control procedures involve prioritization and continuing assessment of these risks and devise appropriate controls, evaluating and reviewing the control mechanism and redesigning it from time to time in the light of its effectiveness.

The company's current and fixed assets as well as products are adequately insured against various risks

Internal Control systems and their adequacy

The Company maintains a system of well established policies and procedures for internal control of operations and activities, and these are continuously reviewed for effectiveness. The internal control system is supported by qualified personnel and a continuous program of internal audit.

The roles and responsibilities across the organization are well defined to ensure information flow and monitoring.

The internal control system of the company is also reviewed periodically by the Audit Committee. The Audit Committee reviews internal audit reports, statutory audit reports and quarterly & annual financial statements and discuss all significant audit observations and follow up actions arising thereon.

Discussion on financial performance with respect to operational performance

The Company's revenue for 2010-11 Rs. 227.87 crores (Previous year Rs.222.19 crores. Profit after tax (PAT) for 2010-11 was Rs.8.39 crores (Previous year Rs.2.39 crores).

Performance and operations review

During the year under review SMS achieved a Gross Revenue of Rs.252.72 crores as against Rs. 241.20 crores during the previous year which consists of export turnover of 55% and 57% respectively. The earnings before interest, depreciation and tax (EBIDT) amounted to Rs. 40.74 crores as against Rs.24.80 crores during the last year with an increase of 64%.

The company has earned other income of Rs.3.60 crores as against Rs.2.40 crores during the previous year.

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

Your company completed validation batches for few APIs in this and have planned few more APIs in coming years at the new manufacturing facilities at Kadiivalasa and Parawada facilities. Also the formulation activity at dedicated oncology facility has been initiated this year and we are planning to launch formulations in the coming year. Once approvals are received for these new launches, significant revenue growth is anticipated.

Human Resources

As your company engaged in a knowledge-driven business its performance is enhanced through selective recruitment, skill enhancement and people retention. The Company recruits professionals of high academic achievements, experience and behavioural competencies across the operations, research and marketing functions.

The company's induction, training for new recruits comprises familiarisation visits, orientation on various functions and tailor made to each specific unit. Managers are sent for external orientation to conferences, seminars, work-shops and training programmes where they are updated with contemporary industry and managerial practices.

At the year end the company had 570 employees directly employed apart from indirect employees of 400.

Safety, Health and Environment

Your Company had adopted comprehensive safety, health and environment (SHE systems.) Occupational, health and safety management system (OHSAS) complies with the requirements as stipulated in the standard: OHSAS 18001 : 2007, for all the units of your company.

CORPORATE GOVERNANCE

Introduction

A report for the financial year ended 31st March, 2011 on the compliance by the Company with the Corporate Governance requirements under Clause 49 of the Listing Agreement, is furnished below :-

1. Company's Philosophy on Corporate Governance

Corporate Governance is the combination of voluntary practices and compliance with laws and regulations leading to effective control and management of the organization. Good Corporate Governance leads to long term shareholder value and enhances interest of other stake holders. It brings into focus the fiduciary and the trusteeship role of the Board to align and direct the actions of the organization towards creating wealth and shareholder value.

2. Board of Directors

The Company's Board at present consists of 8 members, of which majority are independent non-executive directors, who are leading professionals in their respective fields. The Board comprises of Two (2) Executive Directors and Six (6) Independent Directors.

The constitution of the Board is given below:

Name of Director	Category* (Designation)	Other Directorships (1)		Membership of other Board Committees (2)	
		As Member	As Chairman	As Member	As Chairman
Shri P. Ramesh Babu	ED (Chairman)	–	–	–	–
Shri TVVSN Murthy	ED (Vice-Chairman)	–	–	–	–
Shri A.P. Rao	ID	1	–	3	–
Shri K.S. Rao	ID	1	–	–	3
Shri B.M. Choudary	ID	–	–	3	–
Dr. Mihir K. Chaudhuri	ID	–	–	–	–
Shri S. Srinivas	ID	–	–	1	–
Dr. Ayman Sahli *	ID	–	–	–	–
Shri K. Umamaheswaram **	ID	–	–	1	–

Note: ED - Executive Director; ID - Independent Director

* Nominee Director of M/s. Gulf Pharmaceuticals, RAK, U.A.E.

** Independent Director appointed w.e.f. 12.05.2011 as Nominee Director of Exim Bank in place Shri. S.Srinivas.

- (1) This includes directorships in public limited companies and subsidiaries of public limited companies and excludes directorships in private limited companies, overseas companies and companies under Section 25 of the Companies Act, 1956.
- (2) This relates to Committees referred to in clause 49 of the Listing Agreement, viz. Audit Committee and Investors Grievance Committee. This also includes Remuneration Committee which is not to be considered for purpose of computing maximum limit under clause 49.

3. Attendance of Directors at Board Meetings and Annual General Meeting

The Board of Directors met five times during the financial year, on the following dates:

12th May, 2010; 23rd July, 2010; 27th August, 2010; 30th October, 2010 and 29th January, 2011

The Company placed before the Board the budgets, annual operating plans, performance of the business and various other information, including those specified under Annexure--IA of Clause 49 of the Listing Agreement, from time to time.

The attendance of Directors at the Board Meetings and the last Annual General Meeting held on 29th September, 2010 were as under :-

Name of the Director	Board Meetings		AGM
	Held during the year	Attended	
Shri P. Ramesh Babu	5	5	Yes
Shri TVVSN Murthy	5	5	Yes
Shri A.P. Rao	5	3	Yes
Shri K.S. Rao	5	5	Yes
Dr. B.M. Choudary	5	3	Yes
Dr. Mihir K. Chaudhuri	5	1	No
Shri S. Srinivas	5	4	No
Dr. Ayman Sahli	5	1	No

4. Code of Conduct

The Company has formulated and implemented a Code of Conduct for Board Members and Senior Management of the Company. Requisite annual affirmations of compliance with the respective Codes have been made by the Directors and Senior Management of the Company.

5. Audit Committee

During the financial year 2010-11, five Audit Committee Meetings were held on the following dates:

12th May, 2010; 23rd July, 2010; 27th August, 2010; 30th October, 2010 and 29th January, 2011

The constitution of the Committee and the attendance of each member of the Committee are given below:-

Name of the Director	Designation	Category	Profession	Committee Meetings	
				Held during their tenure	Attended
Shri K.S. Rao	Chairman	Independent Director	Chartered Accountant	5	5
Shri A.P. Rao	Member	Independent Director	Cost Accountant	5	3
Dr. B.M. Choudary	Member	Independent Director	Business	5	3
Shri S. Srinivas	Member	Independent Director	Service	5	4

The terms of reference of the Audit Committee include those specified under Clause 49 of the Listing Agreement as well as under Section 292 A of the Companies Act, 1956, such as:

- a) To hold periodic discussions with the Statutory Auditors and Internal Auditors of the Company concerning the accounts of the Company, internal control systems, scope of audit and observations of the Auditors/Internal Auditors.
- b) To review compliance with internal control systems;
- c) To review the quarterly, half-yearly and annual financial results of the Company before submission to the Board;
- d) To investigate into any matter in relation to items specified in Section 292 A of the Companies Act, 1956 or as may be referred to it by the Board and for this purpose, to seek any relevant information contained in the records of the Company and also seek external professional advice, if necessary;
- e) To make recommendations to the Board on any matter relating to the financial management of the Company, including the Audit Report.

6. Remuneration Committee

The Remuneration Committee reviews and makes recommendations on annual salaries, performance linked bonus, perquisites and other employment conditions for Executive Directors. The Committee takes into consideration remuneration practices followed by leading companies as well as information provided by reputed consultants while determining the overall remuneration package. The annual variable commission in the form of "Performance Linked Bonus" to Executive Directors are linked to the performance of the Company in general and the individual performance of the Executive Directors for the relevant year measured against specific Key Result Areas, which are aligned to the Company's objectives.

Non-Executive Directors are paid remuneration by way of Sitting Fees. The Remuneration Committee met one time during the year.

The members of the Committee are:

Name of the Director	Designation	Category	No. of meetings attended
Sri K. S. Rao	Chairman	Independent Director	One
Sri A.P. Rao	Member	Independent Director	One
Sri B.M. Choudary	Member	Independent Director	One

7. Remuneration of Directors

Details of remuneration paid/payable to the directors for the year ended on 31st March, 2011 are as follows.

(Rs. In Lakhs)

Name of the Director	Relationship with other directors	Business relationship with the Company	Sitting fees	Salary & Perquisites	Performance Linked Bonus/ Commission.	Total
Sri P. Ramesh Babu	None	Wholetime Director	–	40.47	–	40.47
Sri TVVSN Murthy	None	Wholetime Director	–	39.22	–	39.22

- (a) Non-Executive Directors are only entitled to sitting fees for attending the Board and Committee Meetings.
- (b) No loans and advances have been given to any Director of the Company.

8. Investors Grievance Committee

The Investors Grievance Committee met seven times during the year on 17th May, 2010, 24th July, 2010, 31st August, 2010, 20th September, 2010, 18th October, 2010, 1st December, 2010 and 12th January, 2011. At present the following are the members of this Committee:

Name of the Director	Designation	Category
Shri K.S. Rao	Chairman	Independent Director
Shri A.P. Rao	Member	Independent Director
Dr. B.M. Choudary	Member	Independent Director

Shri P. Prabhakara Rao, Company Secretary and Compliance Officer.

Investor Grievances

The following table shows the details of complaints received from shareholders during the year 2010-11.

No. of Complaints received	No. of Complaints resolved	No. of Complaints pending
4	4	Nil

The Complaints are generally replied within 7 days from their lodgment with the Company.

The Company has designated the email id cs@smspharma.com exclusively for the purpose of registering complaints by investors electronically. The email id has been displayed on the Company's website ie. www.smspharma.com

9. General Body Meetings

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

Annual General Meeting (AGM)	Date	Time	Venue	No. of Special Resolutions passed.
20th AGM	29th December, 2008	11.00 A.M.	Jubilee Hills Club, Jubilee Hills, Hyderabad-500 033.	3
21st AGM	30th September, 2009	11.00 A.M.		1
22nd AGM	30th September, 2010	03.00 P.M.		-

The special resolutions were passed unanimously on show of hands.

10. Note on Directors re-appointment

Dr. Mihir K. Chaudhuri and Dr. Ayman Sahli are retiring by rotation at the ensuing Annual General Meeting (AGM) and are eligible for re-appointment.

Brief details concerning these Directors are given below:

Dr. Mihir K. Chaudhuri

Dr. Mihir K. Chaudhuri has a Doctorate from IIT, Kharagpur, India and Ruhr University, Bochum, West Germany in fields of organometallic and inorganic chemistry. He has been a Fellow of various academic bodies and has been recognized as one of the best Chemists & Chemical Engineers by ISI, USA in 1997-98. He has been serving in various capacities in different academic committees, councils and board of organizations such as CSIR, UGC, NHRD, etc., He has also been involved at National level policy making bodies in India since 1982. He has over 120 publications and 4 patents to his credit. At present he is the Vice-Chancellor of Tezpur University, Assam-784 028.

Dr. Ayman Sahli

Dr. Ayman Sahli is a nominee Director of Gulf Pharmaceutical Industries, U.A.E. He is a Ph.D in Organic Chemistry and at present he is the General Manager of Gulf Pharmaceutical Industries, U.A.E.

11. Disclosures

No transaction of material nature has been entered into by the Company with its Directors or Management and their relatives, etc. that may have a potential conflict with interests of the Company. The Register of Contracts/statement of related party transactions are being placed before the Board/Audit Committee regularly;

Transactions with related parties are disclosed in Note No. 19 of Schedule 23 to the Accounts in the Annual Report;

There has been no instance of non-compliance by the Company on any matter related to capital markets. Hence, the question of penalties being imposed by SEBI or the Stock Exchanges or any other statutory authority does not arise;

Compliance with Mandatory/Non-mandatory Requirements

- The Company has complied with all the applicable mandatory requirements of Clause 49 of the Listing Agreement.
- The Company is also in compliance with the non-mandatory requirements as specified in Annexure ID to Clause 49 of the Listing Agreement regarding tenure of Directors, constitution of remuneration committee, unqualified financial statements, training of Board Members, and establishment of mechanism for evaluating non-executive directors.

12. Means of Communication

- The Annual, half-yearly and quarterly results are regularly posted by the Company on its website www.smspharma.com These are also submitted to the Stock Exchanges in accordance with the Listing Agreement and published in leading newspapers.
- Management Discussion & Analysis forms part of this Annual Report.

13. General Shareholder Information

a) Annual General Meeting

- Date and Time : Friday 30th September, 2011 at 11.00 A.M.
Venue : Jubilee Hills Club, Jubilee Hills, Hyderabad-500033

b) Financial Calendar

- Financial reporting for Quarter ending 30th June, 2011 : 5th August, 2011
Half year ending 30th September, 2011 : October, 2011
Quarter ending 31st December, 2011 : January, 2012
Quarter ending 31st March, 2012 : April, 2012
Year ending 31st March, 2012 : July, 2012
Annual General Meeting for the Year ending 31st March, 2012 : September, 2012
- c) Date of book closure : 24th September, 2011 to 30th September, 2011
d) Dividend Payment Date : Within 30 days from the date of AGM.
e) Regd. and Corporate Office : Plot No.19-III, Road No.71 Opp. Bharatiya Vidya Bhavan Public School, Jubilee Hills, Hyderabad-500 034.
f) Listing of Equity Shares : The Bombay Stock Exchange Limited (Code: 532815) and The National Stock Exchange of India Limited (Code: SMSPHARMA)
g) Stock market data : The Stock of the Company has listed in the month of February, 2007.

The table below shows the monthly high and low price on the National Stock Exchange and Bombay Stock Exchange during the year 2010-11.

Month	Bombay Stock Exchange			National Stock Exchange		
	High (Rs.)	Low (Rs.)	Volume	High (Rs.)	Low (Rs.)	Volume
April, 2010	176.50	157.50	1,18,043	176.00	159.00	2,45,331
May, 2010	190.00	158.80	3,44,338	190.00	156.15	5,40,254
June, 2010	174.95	163.00	43,758	174.80	160.00	74,665
July, 2010	183.75	165.00	43,194	184.30	164.95	76,918
August, 2010	224.90	179.00	5,09,333	224.95	178.10	9,27,823
September, 2010	207.00	183.00	1,63,008	207.00	183.90	3,68,177
October, 2010	208.50	186.25	88,327	225.00	186.10	1,80,864
November, 2010	200.00	174.50	37,419	199.00	174.00	80,848
December, 2010	201.85	161.05	47,117	203.80	162.40	1,19,631
January, 2011	200.70	182.00	85,894	201.00	182.15	1,13,099
February, 2011	192.90	176.00	27,359	194.40	153.00	37,510
March, 2011.	189.00	180.00	13,892	187.60	171.10	50,441



Pharmaceuticals Ltd.

- h) **Share Transfer Agents** : M/s. Aarthi Consultants
Private Limited
I-2-285, Domalguda
Hyderabad-500 029.
Tel: 040-27638111/4445
Fax:040-27632184
Email: info@aarthiconsultants.com

i) **Share Transfer System**

To expedite the share transfer process in the physical segment, authority has been delegated to the Investors Grievances Committee, which comprises:

- Sri K.S. Rao : Chairman
Sri A.P. Rao : Member
Dr. B.M. Choudary : Member

Share transfers/transmissions approved by the Committee and/or the authorized executives are placed at the Board Meeting from time to time.

In case of shares held in physical form, all transfers are completed within 12 days from the date of receipt of complete documents. As at 31st March, 2011 there were no Equity Shares pending for transfer. Also, there were no demat requests pending as on 31st March, 2011.

j) **Distribution of Equity Shareholding**

The table below shows the distribution of shareholding of various groups as on 31st March, 2011.

Slab of shareholdings	Shareholders	%	No. of Shares	%
1 to 5000	12304	96.00	7123000	7.11
5001 to 10000	207	2.00	1775380	1.77
10001 to 20000	129	1.00	2225670	2.22
20001 to 30000	28	0.00	703680	0.07
30001 to 40000	28	0.00	1031640	1.03
40001 to 50000	11	0.00	538890	0.54
50001 to 100000	20	0.00	1444980	1.44
100001 and above	71	1.00	85308790	85.18
Total	12798	100.00	1,00,15,203	100.00

According to categories of Equity Shareholders as on 31st March, 2011

Category of Shareholders	No. of Shareholders	No. of Shares
(A) Shareholding of Promoter and Promoter Group	24	54,10,933
(B) Public shareholding		
1. Institutions		
(a) Mutual Funds/UTI	–	–
(b) Financial Institutions/Banks	2	42,114
(c) Insurance Companies	–	–
(d) Foreign Institutional Investors	1	70,000
Sub-Total	3	1,12,114
2 Non-Institutions		
(a) Bodies Corporate	187	8,13,718
(b) Individuals		
(i) holding nominal share capital up to Rs.1 lakh	12,472	13,44,166
(ii) holding nominal share capital in excess of Rs.1 lakh.	38	13,92,144
(c) Any Other (Specify)		
(i) Non-Resident Individuals	57	38,359
(ii) Overseas corporate bodies	1	9,00,000
(iii) Clearing Members	13	3,397
(iv) Trusts	3	172
Sub-Total	12,771	44,92,156
Total Public Shareholding	12,774	46,04,270
TOTAL	12,798	1,00,15,203

m) Dematerialisation of Shares

As on 31st March, 2011, 87,68,621 Equity Shares (87.55%) of the total number of shares were in dematerialised form.

n) Details of shares held in demat suspense account with HSE Securities Ltd. (IN302734-10034023) for the period from 01/04/2010 to 31/03/2011

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

o) Corporate Governance Voluntary Guidelines 2009

Ministry of Company Affairs (MCA) released in December 2009 the "Corporate Governance Voluntary Guidelines 2009". While mandatory aspects for adoption by corporates are included in the Companies Bill 2009, the Voluntary Guidelines are intended to serve as a benchmark for corporates to help them achieve the highest standard of corporate governance.

MCA has observed that these guidelines do not substitute any extant law or regulation but are essentially for voluntary adoption by the corporates. It expects more and more corporates to voluntarily go forward to adopt these guidelines. Where there are genuine reasons for companies not being able to adopt some of these provisions, it expects such companies to inform their shareholders of the details of such non adoption.

Your Company has adopted most part of the Voluntary Guidelines while some of the new requirements would be addressed in due course.

p) Corporate Social Responsibility Voluntary Guidelines 2009

MCA in December 2009 has released the "Corporate Social Responsibility Voluntary Guidelines 2009". This is intended to assist the businesses to adopt responsible governance practices. The guidelines indicate some of the core elements that businesses need to focus on while conducting their affairs. These have been framed, factoring the governance challenges being faced in our country and the expectations of the society.

The Voluntary Guidelines underscore the fundamental principles of business. It further dwells on the core elements, viz. care for all stakeholders, ethical functioning, respect for workers' rights and welfare, respect for human rights, respect for environment and activities for social and inclusive development. It also outlines implementation guidelines.

Your company has steadfastly stood for the principles stated in these Guidelines. It enjoys considerable goodwill of the neighbourhood residents based on transparency of dealings and fair practices followed all along. It would endeavour further to strengthen its focus and attention to abide by the spirit of these Guidelines.

Investors Correspondence

Mr. P. Prabhakara Rao

Company Secretary and Compliance Officer
SMS Pharmaceuticals Limited
Plot No. 19-III, Opp. Bharatiya Vidya Bhavan Public School
Road No.71, Jubilee Hills, Hyderabad-500 034.
E-mail : cs@smspharma.com
www.smspharma.com

Certificate on Corporate Governance

To
The Members of
SMS Pharmaceuticals Limited

We have examined the compliance of conditions of Corporate Governance by SMS Pharmaceuticals Limited ("the Company"), for the year ended 31st March, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investor grievances for the year ended 31st March, 2011, no investor grievances are pending against the Company, as per the records maintained by the Company and presented to the Investors/ Shareholders Grievance Committee.

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

Place: Hyderabad
Date: 05.08.2011

For **CSB ASSOCIATES**
Company Secretaries
C. Sudhir Babu
Proprietor

AUDITORS' REPORT

To
The Members
SMS PHARMACUETICALS LIMITED
HYDERABAD.

We have audited the attached Balance Sheet of SMS PHARMACUETICALS LIMITED, HYDERABAD, as at 31st March 2011 and the Profit and Loss Account for the year ended on that date annexed thereto and Cash Flow statement for the year ended on that date which we signed in reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we give in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the annexure referred to in paragraph 1 above, we report that :
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - ii) In our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
 - iii) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account.
 - iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow statement read with significant accounting policies and notes thereon, dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - v) On the basis of written representation received from the directors of the Company as at 31st March, 2011 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of Clause (g) of sub section (1) to Section 274 of the Companies Act, 1956; and
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) In so far as it relates to Balance Sheet, of the state of affairs of the Company as at 31st March 2011.
- b) In so far as it relates to Profit and Loss Account, of the Profit of the Company for the year ended on that date.

And

- c) In so far as it relates to Cash Flow Statement, of the Cash Flows of the Company for the year ended on that date.

for **RAMBABU & Co.,**
Chartered Accountants
FRN No. 002976S

RAVI RAMBABU
Partner
M.No.18541

for **P. Murali & Co.,**
Chartered Accountants
FRN No. 007257S

P. MURALI MOHAN RAO
Partner
M.No.23412

Place : Hyderabad
Date : 05.08.2011

ANNEXURE TO THE AUDITORS' REPORT:

Referred to as in paragraph I of our report of even date.

- 1. In respect of its Fixed assets:
 - (a) The company has maintained proper records showing full particulars including details and situation of fixed assets.
 - (b) As explained to us, the management has physically verified the fixed assets during the year and there is a regular program of verification in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such physical verification
 - (c) As per the information and explanations given to us, during the year the company has not disposed off any substantial part of the fixed assets that would affect the going concern status of the company.
- 2. In respect of its Inventories:
 - (a) Inventories were physically verified during the year by the management at regular intervals. In our opinion, the frequency of verification is reasonable.
 - (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) The company is maintaining proper records of inventories. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- 3. According to the information and explanations given to us, that the company has not granted / not taken any loans secured or unsecured from/to the companies, firms or other parties to whom the provisions of Sec.301 of the Companies Act 1956 apply. Accordingly paragraph 4(iii) of the order is not applicable.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of goods. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
5. (a) In our opinion and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register to be maintained under that section.
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The company has not accepted Deposits from public. Hence, the provisions of sections 58-A and 58-AA and other relevant provisions of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975, are not applicable to the company.
7. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of Cost records under Section 209(1) (d) of the Companies Act, 1956 in respect of manufacturing activities of the company and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
9. In respect of its statutory dues:
 - (a) According to the records of the company and as per the information and explanations given to us, the company is generally regular in depositing with appropriate authorities undisputed Statutory dues including Provident fund, Investor education & protection fund, Employee's state insurance, Income tax, Sales tax, Wealth tax, Customs duty, Excise duty, Cess and other material statutory dues applicable to it.
 - (b) According to the information and explanations given to us, there are no undisputed Amounts payable in respect of Income tax, Wealth tax, Sales tax, Customs duty, Excise duty and Cess were in arrears, as at 31st March, 2011 for a period of more than six Months from the date they became payable, except the following:

S.No.	Name of the Statute	Nature of the dues	Year	Amount. Rs
1	Income Tax Act, 1961	Income Tax	1988-89	672
2	Income Tax Act, 1961	Income Tax	1991-92	8,809
3	Income Tax Act, 1961	Income Tax	1992-93	15,07,858
4	Income Tax Act, 1961	Income Tax	1993-94	2,47,280
5	Income Tax Act, 1961	Income Tax	1994-95	15,26,900
	Total			32,91,519

(c) According to the information and explanation given to us, the following amounts have not been deposited with the appropriate authorities on account of dispute. (Amount in Rs.)

S. No.	Name of the Statute	Nature of the dues	Forum where dispute is pending	Year	Amount Rs.	Deposit Amount Rs.	Unpaid Deposit Amount Rs.
1	Income Tax Act, 1961	Interest	AO	1992-2011	1,04,00,000	-	1,04,00,000
2	Central Excise Act, 1944	Interest	AP HIGH COURT	1992-2010	61,00,000	-	61,00,000
3	Income Tax Act, 1961	Income Tax	ITAT	2000-01	68,520	-	68,520
4	Income Tax Act, 1961	Income Tax	ITAT	2001-02	54,17,417	54,43,032	(25,615)
5	Income Tax Act, 1961	Income Tax	AO	2001-02	1,21,475	-	1,21,475
6	Income Tax Act, 1961	Income Tax	ITAT	2002-03	6,98,379	7,00,000	(1,621)
7	Income Tax Act, 1961	Income Tax	AO	2003-04	36,50,000	-	36,50,000
8	Income Tax Act, 1961	Income Tax	AO	2005-06	9,54,203	-	9,54,203
9	Income Tax Act, 1961	Income Tax	CIT(A)	2007-08	7,75,144	-	7,75,144
Total					2,81,85,138	61,43,032	2,20,42,106

10. The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the financial year under report and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to its bankers or debenture holders or to any financial institutions.
12. According to the information and explanations given to us, the company has not granted loans and advances on the basis of security by way of pledge of Shares, debentures and other securities.
13. In our opinion and according to the information and explanations given to us, the company is not a chit fund / nidhi / mutual benefit fund/society.
14. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments.
15. In our opinion, according to the information and explanations given to us, the company has not given guarantees for loans taken by the others from banks or financial institutions.

16. As informed to us, the term loans to the extent availed by the company were, prima-facie, applied for the purpose, for which the loans were obtained.
17. In our opinion, according to the information and explanations given to us and on an overall examination of statements and records of the company, that the funds raised on short-term basis have, prima facie, not been used during the year for long-term investment.
18. In our opinion, according to the information and explanations given to us, the company has not issued debentures during the period covered by our report and hence the Company is not required to create/register/modify any security (charge).
19. In our opinion, and as per the information and explanations given to us the company has not raised any money by public issue during the year. Hence, the provisions of Clause 4 (xx) are not applicable.
20. In our opinion, the Company has not made any preferential allotment of shares/securities during the year to parties and companies covered in the register maintained under section 301 of the companies act, 1956.
21. According to the information and explanations given to us and based on audit procedures performed, no fraud on or by the Company has been noticed during the year.

for **RAMBABU & Co.,**
Chartered Accountants
FRN No. 002976S

RAVI RAMBABU
Partner
M.No.18541

for **P. Murali & Co.,**
Chartered Accountants
FRN No. 007257S

P.MURALI MOHAN RAO
Partner
M.No.23412

Place: Hyderabad
Date : 05.08.2011

BALANCE SHEET AS AT 31st MARCH, 2011

PARTICULARS	Schedule No.	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
I. SOURCES OF FUNDS			
1. Share Holders Funds			
(a) Share Capital	1	10,01,52,030	10,01,52,030
(b) Reserves & Surplus	2	209,92,99,899	203,38,51,059
2. Loan Funds			
(a) Secured Loans	3	179,81,29,596	155,95,27,813
(b) Un-Secured Loans	4	7,30,59,949	7,36,44,041
3 Deferred Tax Liability			
		16,95,01,019	16,95,01,019
TOTAL		424,01,42,493	393,66,75,962
II. APPLICATION OF FUNDS			
1. Fixed Assets			
(a) Gross Block	5	270,80,33,613	268,93,24,629
(b) Less: Depreciation		64,78,97,190	52,14,95,073
(c) Net Block		206,01,36,423	216,78,29,556
(d) Add:Capital Work-in-Progress		58,56,17,538	36,97,90,986
		264,57,53,961	253,76,20,542
2. Investments			
	6	51,65,440	51,65,440
3. Current Assets, Loans & Advances			
(a) Inventories	7	114,42,11,686	75,77,03,664
(b) Sundry Debtors	8	41,71,76,059	48,31,61,051
(c) Cash & Bank Balances	9	5,97,88,692	5,24,89,060
(d) Loans & Advances	10	35,87,29,798	36,37,26,061
		197,99,06,235	165,70,79,836
4. Less: Current Liabilities & Provisions	11	49,06,54,742	41,60,48,646
Net Current Assets		148,92,51,493	124,10,31,190
5 Miscellaneous Expenditure (to the extent not written off / adjusted)	12	9,99,71,599	15,28,58,790
TOTAL		424,01,42,493	3,93,66,75,962
Accounting Policies	21		
Notes on Accounts	22		

as per our report of even date.

for and on behalf of the Board

for **RAMBABU & CO.**,
Chartered Accountants
FRN No. 002976S

for **P. MURALI & CO.**
Chartered Accountants
FRN No. 007257S

P. RAMESH BABU
Chairman and
Managing Director

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

RAVI RAMBABU
Partner
M.No. 18541

P. MURALI MOHAN RAO
Partner
M.No. 23412

P. PRABHAKARA RAO
Company Secretary

N. RAJENDRA PRASAD
Chief Financial Officer

Place : Hyderabad
Date : 05.08.2011



Pharmaceuticals Ltd.

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011

PARTICULARS	Schedule No.	Current Year 2010-11 Rs.	Previous Year 2009-10 Rs.
I. NET INCOME			
Gross Sales	13	249,11,59,796	238,76,77,413
Less: Taxes		24,84,17,164	19,01,26,520
Net Sales		224,27,42,632	219,75,50,893
Other Income	14	3,60,09,960	2,43,61,556
Increase/(Decrease) in Stocks	15	30,98,50,902	5,09,38,440
TOTAL : (A)		258,86,03,494	227,28,50,889
II. EXPENDITURE			
Materials Consumed	16	162,24,42,904	155,27,45,420
Manufacturing Expenses	17	24,35,36,132	19,02,93,530
Personnel Expenses	18	13,15,39,512	9,92,79,002
Administration & Other Expenses	19	4,44,50,403	4,30,32,330
Selling Expenses	20	6,53,62,878	6,34,08,747
Financial Charges	21	17,61,50,270	13,55,85,090
Depreciation	5	12,64,29,035	8,36,47,989
Misc. Expenditure written off	12	7,38,55,629	7,60,49,805
TOTAL: (B)		248,37,66,763	224,40,41,913
III. PROFIT			
Profit Before Tax	(A) - (B)	10,48,36,731	2,88,08,976
Provision for Income Tax		2,10,00,000	50,00,000
Excess IT Provision written back		(90,028)	(1,45,016)
		2,09,09,972	48,54,984
Profit After Tax		8,39,26,759	2,39,53,992
Profit Brought Forward		19,75,30,844	19,52,55,455
Available for Appropriations		28,14,57,603	21,92,09,447
IV. APPROPRIATIONS :			
Transfer to General Reserve		1,00,00,000	1,00,00,000
Proposed Dividend		1,50,22,805	1,00,15,203
Dividend Distribution Tax		24,37,074	16,63,400
Profit Carried to Balance Sheet		25,39,97,724	19,75,30,844
		28,14,57,603	21,92,09,447
Accounting Policies	21		
Notes on Accounts	22		
Earnings Per Share - Basic / Diluted		8.38	2.39

as per our report of even date.

for and on behalf of the Board

for **RAMBABU & CO.,**
Chartered Accountants
FRN No. 002976S

for **P. MURALI & CO.**
Chartered Accountants
FRN No. 007257S

P. RAMESH BABU
Chairman and
Managing Director

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

RAVI RAMBABU
Partner
M.No. 18541

P. MURALI MOHAN RAO
Partner
M.No. 23412

P. PRABHAKARA RAO
Company Secretary

N. RAJENDRA PRASAD
Chief Financial Officer

Place : Hyderabad
Date : 05.08.2011

SCHEDULES TO BALANCE SHEET

PARTICULARS	Schedule No.	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
I. SHARE CAPITAL			
Authorised:		12,00,00,000	12,00,00,000
1,20,00,000 Equity Shares of Rs.10/- each			
Issued, Subscribed and Paid up:		10,01,52,030	10,01,52,030
1,00,15,203 Equity Shares of Rs.10/- each fully paid up (Previous year 1,00,15,203 Equity Shares of Rs.10/- each fully paid up) (Out of the above 28,50,000 shares of Rs.10/- each were allotted as fully paid up Bonus Shares and 29,35,978 Shares were allotted for consideration other than cash)		10,01,52,030	10,01,52,030
2. RESERVES & SURPLUS			
a) Capital Reserve			
Security Premium		109,29,39,450	109,29,39,450
b) General Reserve			
Opening Balance		74,33,80,767	73,33,80,767
Deletions during the year		(10,18,042)	-
Additions during the year		1,00,00,000	1,00,00,000
		75,23,62,725	74,33,80,767
c) Profit and Loss Account		25,39,97,724	19,75,30,842
TOTAL (A+B+C)		209,92,99,899	203,38,51,059
3. SECURED LOANS			
Term Loans - Rupee			
- EXIM Bank		39,63,71,420	52,91,14,280
- AXIS Bank		34,00,00,000	40,00,00,000
- IDBI Bank		30,00,00,000	-
Working Capital Loans - Rupee			
- EXIM Bank		3,50,00,000	9,50,00,000
- SBI		52,54,12,814	38,74,81,385
Working Capital Loans - Foreign Currency			
- EXIM Bank		20,11,77,446	14,72,55,600
Hire Purchase Loans		1,67,916	6,76,548
TOTAL		179,81,29,596	155,95,27,813
4. UN-SECURED LOANS			
Sales Tax Deferement		6,08,69,949	6,14,54,041
D S I R Assistance		120,00,000	1,20,00,000
Others		1,90,000	1,90,000
TOTAL		7,30,59,949	7,36,44,041

(Amount in Rs.)

5. FIXED ASSETS - SUMMARY

Description	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at 01.04.2010	Additions	Deletions	As at 31.03.2011	Up to 31.03.2010	For the year	On Deletions	Up to 31.03.2011	WDV as at 31.03.2011	WDV as at 31.03.2010
Fixed Assets	241,52,42,715	1,93,57,663	11,53,242	243,34,47,137	49,53,69,484	11,54,63,661	26,918	61,08,06,227	182,26,40,910	191,98,73,231
R&D Assets	27,40,81,914	5,04,562	-	27,45,86,476	2,61,25,589	1,09,65,374	-	3,70,90,963	23,74,95,513	24,79,56,325
Total	268,93,24,629	1,98,62,225	11,53,242	270,80,33,613	52,14,95,073	12,64,29,035	26,918	64,78,97,190	206,01,36,423	216,78,29,556
Capital Work In Progress	36,97,90,986	21,60,73,493	2,46,941	58,56,17,538	-	-	-	-	58,56,17,538	36,97,90,986
Grand Total	305,91,15,615	23,59,35,718	14,00,183	329,36,51,151	52,14,95,073	12,64,29,035	26,918	64,78,97,190	264,57,53,961	253,76,20,542
Previous Year	251,47,40,609	191,42,62,952	136,98,87,946	305,91,15,615	43,79,20,947	8,36,47,989	73,863	52,14,95,073	253,76,20,542	207,68,19,662

(Amount in Rs.)

5. FIXED ASSETS

Name of the Asset	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at 01.04.2010	Additions	Deletions	As at 31.03.2011	Up to 31.03.2010	For the Year	On Deletions	Up to 31.03.2011	WDV as at 31.03.2011	WDV as at 31.03.2010
Land & Land Development	4,90,03,351	15,09,100	1018,042	4,94,94,409	-	-	-	-	4,94,94,409	4,90,03,351
Buildings-Factory	41,50,60,491	41,400	-	41,51,01,891	481,09,625	1,38,63,021	-	6,19,72,646	35,31,29,245	36,69,50,866
Buildings-Non Factory	16,19,70,943	4,19,527	-	16,23,90,470	21,96,122	26,43,148	-	48,39,270	15,75,51,200	15,97,74,821
Plant & Machinery	145,36,89,278	1,06,43,574	-	146,43,32,852	32,51,50,946	7,63,51,472	-	40,15,02,418	106,28,30,434	112,85,38,332
Electrical Equipment	14,06,28,235	3,08,550	-	14,09,36,785	4,22,71,411	99,45,877	-	5,22,17,288	8,87,19,497	9,83,56,824
Pollution Control Equipment	10,53,47,244	2,59,806	-	10,56,07,050	3,12,97,165	55,62,334	-	3,68,59,499	6,87,47,551	7,40,50,079
R & D Equipment	1,02,31,730	-	-	1,02,31,730	63,38,756	5,40,235	-	68,78,991	33,52,739	38,92,974
Data Processing Equipment	1,12,75,569	10,26,289	-	1,23,01,858	78,14,994	6,43,740	-	84,58,734	38,43,124	34,60,575
Furnitures & Fixtures	2,31,78,886	12,15,892	1,35,200	2,42,59,578	91,02,381	14,02,054	26,918	1,04,77,517	1,37,82,061	1,40,76,505
Vehicles	2,45,51,953	8,54,400	-	2,54,06,353	1,31,37,573	13,46,403	-	1,44,83,976	1,09,22,377	1,14,14,380
Other Assets	65,64,559	-	-	65,64,559	46,67,396	3,46,609	-	50,14,005	15,50,554	18,97,163
Improvements on Leased Premises	65,52,340	-	-	65,52,340	49,14,255	16,38,085	-	65,52,340	-	16,38,085
Intangible Assets	30,79,125	30,79,125	-	61,58,250	1,89,809	7,69,781	-	9,59,590	51,98,660	28,89,316
Land Scaping	41,09,011	-	-	41,09,011	1,79,051	4,10,902	-	5,89,953	35,19,058	39,29,960
Total	241,52,42,715	1,93,57,663	11,53,242	243,34,47,136	49,53,69,484	11,54,63,661	26,918	61,08,06,227	182,26,40,909	191,98,73,231
Capital Work-in-Progress	36,97,90,986	21,60,73,493	2,46,941	58,56,17,538	-	-	-	-	58,56,17,538	36,97,90,986
Grand Total	278,50,33,701	23,54,31,156	14,00,183	301,90,64,674	49,53,69,484	11,54,63,661	26,918	61,08,06,227	240,82,58,447	228,96,64,217



SMS
Pharmaceuticals Ltd.

(Amount in Rs.)

Name of the Asset	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2010	Additions	Deletions	As at 31.03.2011	Up to 31.03.2010	For the Year	On Deletions	Up to 31.03.2011	WDV as at 31.03.2011	WDV as at 31.03.2010
Land & Land Development	2,54,91,773	-	-	2,54,91,773	-	-	-	-	2,54,91,773	2,54,91,773
Buildings-Factory	9,85,58,879	-	-	9,85,58,879	72,46,426	32,91,866	-	1,05,38,292	8,80,20,587	9,13,12,453
Buildings-Non Factory	2,00,45,322	-	-	2,00,45,322	5,67,812	3,26,739	-	8,94,551	1,91,50,771	1,94,77,510
Plant & Machinery	11,14,21,382	20,012	-	11,14,41,394	1,47,19,579	58,83,118	-	2,06,02,697	9,08,38,697	9,67,01,803
Electrical Equipment	1,54,09,026	-	-	1,54,09,026	27,18,581	10,89,419	-	38,08,000	1,16,01,026	1,26,90,445
Data Processing Equipment	11,57,459	-	-	11,57,459	5,96,503	1,87,624	-	7,84,127	3,73,332	5,60,956
Furnitures & Fixtures	19,72,033	-	-	19,72,033	2,70,499	1,24,830	-	3,95,329	15,76,704	17,01,534
Other Assets	26,040	-	-	26,040	6,189	1,375	-	7,564	18,476	19,851
Intangible Assets	-	4,84,550	-	4,84,550	-	60,403	-	60,403	4,24,147	-
Total	27,40,81,914	5,04,562	-	27,45,86,476	2,61,25,589	1,09,65,374	-	3,70,90,963	23,74,95,513	24,79,56,325
Capital Work-in-Progress	-	-	-	-	-	-	-	-	-	-
Grand Total	27,40,81,914	5,04,562	-	27,45,86,476	2,61,25,589	1,09,65,374	-	3,70,90,963	23,74,95,513	24,79,56,325

SCHEDULES TO BALANCE SHEET

PARTICULARS	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
6. INVESTMENTS		
Un-quoted		
(a) 17,538 Equity Shares of Rs.10/- each in Pattan Cheru Enviro Tech Ltd	1,75,380	1,75,380
(b) 2253 Equity Shares of Rs.100/- each in Jeedimetla Effluent Treatment Ltd.	2,25,300	2,25,300
(c) 4,76,476 - 8% Preferencel Shares of each Rs.10/- in Divya Enterprises Limited	47,64,760	47,64,760
TOTAL	51,65,440	51,65,440
7. INVENTORIES		
(As valued and certified by the Management)		
Raw Materials	30,27,84,420	22,80,09,000
Stock-in-Process	70,65,52,812	47,08,96,263
Coal & Fuel	26,07,154	7,25,455
Finished Goods	13,22,67,300	5,80,72,946
TOTAL	1,14,42,11,686	75,77,03,664
8. SUNDRY DEBTORS		
(Unsecured and Considered good)		
Outstanding for more than 6 months	4,66,71,873	4,83,53,789
Others	37,05,04,186	43,48,07,262
TOTAL	41,71,76,059	48,31,61,051
9. CASH AND BANK BALANCES		
Cash in Hand	11,89,635	7,31,735
Balances with Schedule Banks		
in Current Accounts	2,25,71,511	89,20,529
in Margin Money Deposits	3,05,27,546	2,36,84,062
in Special Term Deposits	55,00,000	1,91,52,734
TOTAL	5,97,88,692	5,24,89,060
10. LOANS AND ADVACNES		
(Unsecured and considered good, receivable in Cash or kind or for value to be received.)		
Advances for Purchases	11,71,68,635	10,89,76,103
Other Advances	2,23,90,025	2,03,29,058
Deposits	1,38,41,096	1,62,04,838
Advance Income Tax	1,87,78,733	2,13,71,890
Interest Receivable	83,52,349	90,71,654
Export Benefits Receivable	2,41,85,349	2,31,29,259
Cenvat and Service Tax Credit Receivable	11,37,48,953	10,98,50,950
Sales Tax Credit Receivable	4,02,64,658	5,47,92,309
TOTAL	35,87,29,798	36,37,26,061



SMS
Pharmaceuticals Ltd.

SCHEDULES TO BALANCE SHEET

PARTICULARS	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
11. CURRENT LIABILITIES & PROVISIONS		
a) Current Liabilities		
Creditors for: Purchases	28,58,52,184	25,28,17,345
Capital works	9,25,75,428	7,12,36,065
Expenses	5,37,48,510	5,55,47,894
Others	1,59,92,811	1,22,06,688
Interest Accrued but not due	40,25,930	75,62,052
TOTAL (a)	45,21,94,863	39,93,70,044
b) Provisions		
for Income Tax	2,10,00,000	50,00,000
for Dividend	1,50,22,805	1,00,15,203
for Dividend Distribution Tax	24,37,074	16,63,400
TOTAL (b)	3,84,59,879	1,66,78,603
TOTAL (a+b)	49,06,54,742	41,60,48,647
12. MISCELLANEOUS EXPENDITURE		
(To the extent not written off / adj.)		
a) Deferred Revenue Expenditure		
Op. Balance	9,78,07,319	15,24,81,401
Add: During the year	–	–
Less: Written off during the year	5,04,89,209	5,46,74,081
Closing Balance	4,73,18,110	9,78,07,320
b) Deferred R & D Expenditure		
Op. Balance	5,29,25,473	3,50,69,366
Add: During the year	2,09,68,438	3,77,15,583
Less: Written off during the year	2,22,10,600	1,98,59,476
Closing Balance	5,16,83,311	5,29,25,473
c) Business Development Expenditure		
Op. Balance	19,03,187	31,37,463
Add: During the year	–	–
Less: Written off during the year	10,14,992	12,34,276
Closing Balance	8,88,195	19,03,187
d) Patent Filing Fee		
Op. Balance	2,22,811	4,46,383
Add: During the year	–	58,400
Less: Written off during the year	1,40,828	2,81,972
Closing Balance	81,983	2,22,811
TOTAL	9,99,71,599	15,28,58,790

SCHEDULES TO PROFIT AND LOSS ACCOUNT

PARTICULARS	Current Year 2010-11 Rs.	Previous Year 2009-10 Rs.
13. SALES		
Export	117,98,34,227	120,04,95,476
Domestic	101,77,62,111	94,75,21,373
Export Incentives	4,51,46,294	4,95,34,044
	<u>224,27,42,632</u>	<u>219,75,50,893</u>
Add:Excise Duty	21,11,64,944	15,71,61,616
Sales Tax	3,72,52,220	3,29,64,904
TOTAL	<u>249,11,59,796</u>	<u>238,76,77,413</u>
14. OTHER INCOME		
Interest Received	32,40,965	31,71,828
Exchange Variance	1,41,16,241	77,89,659
Profit on Sale of Assets	-	44,769
Others	1,86,52,754	1,33,55,300
TOTAL	<u>3,60,09,960</u>	<u>2,43,61,556</u>
15. INCREASE / (DECREASE) IN STOCKS		
Opening Stock		
Stock-in-Process	47,08,96,264	43,72,09,375
Finished Goods	5,80,72,946	4,08,21,394
Sub Total (a)	<u>52,89,69,210</u>	<u>47,80,30,769</u>
Closing Stock		
Stock-in-Process	70,65,52,812	47,08,96,263
Finished Goods	13,22,67,300	5,80,72,946
Sub Total (b)	<u>83,88,20,112</u>	<u>52,89,69,209</u>
Increase in stock (b-a)	<u>30,98,50,902</u>	<u>5,09,38,440</u>
16. MATERIALS CONSUMED		
a) Raw Materials		
Opening Stock	22,60,79,913	23,90,83,439
Add:Purchases	167,92,14,705	152,67,12,426
	<u>190,52,94,618</u>	<u>176,57,95,865</u>
Less:Closing Stock	30,05,73,403	22,60,79,913
TOTAL	<u>160,47,21,215</u>	<u>153,97,15,952</u>
b) Packing Materials		
Opening Stock	19,29,087	11,53,566
Add:Purchases	1,80,03,619	1,38,04,989
	<u>1,99,32,706</u>	<u>1,49,58,555</u>
Less:Closing Stock	22,11,017	19,29,087
TOTAL	<u>1,77,21,689</u>	<u>1,30,29,468</u>
TOTAL = (a+b)	<u>162,24,42,904</u>	<u>155,27,45,420</u>



Pharmaceuticals Ltd.

SCHEDULES TO PROFIT AND LOSS ACCOUNT

PARTICULARS	Current Year 2010-11 Rs.	Previous Year 2009-10 Rs.
17. MANUFACTURING EXPENDITURE		
Power & Fuel	14,91,65,654	12,30,24,882
Consumable Stores	1,36,47,540	90,64,065
Testing Charges	8,85,362	9,00,612
Water Charges	44,19,344	39,95,089
Conversion Charges	37,14,806	58,54,399
Carriage Inward	1,35,90,422	1,03,60,253
Central Excise Duty	51,02,075	13,42,039
Effluent Treatment Charges	68,92,276	41,23,267
Repairs & Maintenance to Plant & Machinery	3,28,95,705	2,60,34,446
Repairs to Building	64,02,787	16,96,019
Factory Maintenance	68,20,161	38,98,459
TOTAL	24,35,36,132	19,02,93,530
18. PERSONNEL EXPENSES		
Salaries,Wages and Bonus	11,13,65,458	8,48,48,291
Contribution to PF and other funds	71,95,751	61,30,107
Staff Welfare Expenses	1,29,78,303	83,00,604
TOTAL	13,15,39,512	9,92,79,002
19. ADMIN. & OTHER EXPENSES		
Travelling Expenses - Directors	8,83,979	9,00,192
Travelling Expenses	34,16,695	35,16,775
Postage & Telephones	24,89,486	25,49,109
Printing & Stationary	43,68,394	34,37,887
Directors Remuneration	79,69,021	79,91,304
Rent, Rates & Taxes	98,52,363	1,04,10,174
Insurance	44,17,994	33,31,000
Professional Charges	27,20,071	30,35,462
General Expenses	36,18,318	45,02,764
Audit Fee	11,50,800	9,25,000
Repairs to other assets	11,81,564	10,51,680
Vehicle Maintenance	23,81,718	13,80,983
TOTAL	4,44,50,403	4,30,32,330

SCHEDULES TO PROFIT AND LOSS ACCOUNT

PARTICULARS	Current Year 2010-11 Rs.	Previous Year 2009-10 Rs.
20. SELLING EXPENSES		
Carriage Outward	4,43,59,825	4,07,31,461
Sales Commission	1,75,78,525	1,83,33,690
Trade Discount	–	19,18,712
Business Promotion Expenses	32,71,788	24,24,884
Sales Tax	1,52,740	–
TOTAL	6,53,62,878	6,34,08,747
21. FINANCIAL CHARGES		
Interest on Term Loans	9,40,96,231	6,32,24,468
Interest on Bills Discounted	1,09,10,138	1,22,43,239
Interest on Cash Credit	5,16,89,782	3,83,04,722
Interest on Others	2,93,347	13,36,440
Bank Charges	1,91,60,772	2,04,76,221
TOTAL	17,61,50,270	13,55,85,090

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

22. ACCOUNTING POLICIES

1. ACCOUNTING ASSUMPTIONS:

The Financial Statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting policies generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") issued by the Institute of Chartered Accountants of India ("ICAI") to the extent applicable and the relevant provisions of the Companies Act, 1956.

2. 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.
- ii. Assets acquired on Hire Purchase arrangements are accounted for as assets in accordance with AS-19 issued by the Institute of Chartered Accountants of India.

3. CAPITAL WORK IN PROGRESS:

Assets under installation or under construction as on the date of balance sheet are shown as Capital Work-in-Progress. Advances given towards acquisition of assets are also included in Capital Work-in-Progress.

4. DEPRECIATION:

Depreciation on Fixed Assets is provided on Straight Line Basis at the rates prescribed In Schedule - XIV of the Companies Act, 1956.

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

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

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

5. 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.

6. 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	-	At cost
Stores and spares	-	At cost
Stock-in-Process	-	At cost and an appropriate share of overheads
Finished Goods	-	At cost or realizable value, whichever is lower

7. SALES:

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

8. RESEARCH & DEVELOPMENT EXPENSES

- i. Revenue expenditure on research and development activities is expensed as and when incurred.
- ii. Expenditure incurred on Research and Development of new molecules and process development of existing products has been treated as deferred revenue expenditure and same has been written off in Five (5) equal yearly installments commencing from the year in which it is incurred.
- iii. The expenditure on capital assets having alternative use either in R & D activity or otherwise are capitalized are amortized at the rate specified in schedule 14 of the Companies Act, 1956.

9. BUSINESS DEVELOPMENT EXPENDITURE:

Expenditure incurred on Product Promotion and brand establishment has been treated as deferred revenue expenditure and the same has been written off in Five (5) equal yearly installments from the year in which it is incurred.

10. 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.

11. RETIREMENT BENEFITS:

A. Defined Contribution Plans:

Provident Fund:

Contribution to Provident Fund is made at the prescribed rates to the Employees Provident Fund Scheme by the Central Government and is charged to Profit and Loss account

B. Defined Benefit Plans:

- i. **Gratuity:** Accounting liability towards gratuity is provided on the basis of actuarial valuation made by an independent actuary. The actuarial valuation is done as per projected unit credit method. Actuarial gain/loss immediately taken to profit and loss account.
- ii. **Leave encashment benefit:** The Company records its un availed leave liability based on actuarial valuation using projected unit credit method.

C. Short term employee benefits:

Short term employee benefits are recognized as an expense as per the company's scheme based on expected obligation on un discounted basis.

D. State Plans:

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

12. 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 profit and loss account and the remaining amounts were shown as expenditure in manufacturing expenses and selling expenses respectively.

13. CENVAT / VAT 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.

Un-utilised Cenvat is accounted as asset and carried in the balance sheet.

14. REVENUE RECOGNITION:

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.

15. 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 Profit and Loss Account.
- 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 profit and loss account along with underlined transactions.

16. 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 profit and loss account for the year. It also includes adjustment relating to excess or short provision made for earlier years.

i. Current year charge:

The provision for taxation is made based on an estimate of assessable income determined by the company under the Income Tax Act, 1961.

ii. Deferred Tax:

Deferred Income Tax is recognized for the future tax consequences attributable to timing differences between the financial statements determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income using

the tax rate that have been enacted by the balance sheet date. Deferred tax assets are recognized and carried forward only to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. MAT credit is recognized as an asset, only if, there is convincing evidence that the company would pay normal Income Tax during the specified period.

17. 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.
- iii. The bank charges for processing of working capital application are charged to expenses on prorata basis.

18. MISCELLENEOUS EXPENDITURE:

Deferred Revenue Expenditure and R&D expenditure have been written off over a period of Five Years.

19. CONTINGENT LIABILITIES:

Contingent Liabilities are generally not provided for and are disclosed by way of Notes on Accounts.

20. 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.

21. EXPORT BENEFITS:

Benefits under Duty Exemption Pass Book (DEPB) scheme on exports and other export benefits are recognized on accrual basis.

23. NOTES ON ACCOUNTS

I. (a) Contingent Liabilities not provided for

(Amount in Rs.)

Particulars	2010-11	2009-10
(a) Guarantees given by banks	51,86,529	1,72,33,700
(b) Foreign Letter of credits opened in favour of suppliers for which goods are yet to be received	12,20,62,814	16,00,84,603
(c) Inland Letter of credits opened in favour of suppliers for which goods are yet to be received	–	1,26,51,577
(d) Claims not acknowledged as debts by the company.	5,62,79,529	5,62,79,529
(e) Disputed Income Tax demands against which company is in Appeals.	1,16,85,138	1,36,89,411
(f) Interest dues in respect of disputed demands of Income Tax and Central Excise.	1,65,00,000	1,87,00,000

- (b) Claims not acknowledged as debt of Rs.5,62,79,529/- is the claim made against the company by M/s. Natco Pharma Ltd. with whom the Company has entered into an agreement on September 10, 1998 for conversion of raw materials supplied to Natco into finished products. Subsequently, due to a dispute in respect of payment terms, Natco filed a suit on October 9, 2002 before the Chief Judge, City Civil Court, Hyderabad for recovery of Rs.5,62,79,529/- and interest thereon. The Company has filed a written statement refusing the contentions made by Natco. The suit is pending before Fast Track Court at City Civil Courts, Hyderabad.

The management has considered that no provision is required.

The company has made a claim against Natco Pharma Limited for recovery of Rs.15,62,90,614/- which consists of failure to return of raw materials belonging to the Company, non payment of amounts received by Natco on the sale of finished goods belonging to the company, failure to return Duty Entitlement Pass Book (DEPB) benefits to the Company and failure to repay the amounts paid by the Company on behalf of Natco to their creditors along with interest on all above stated claims. For recovery of this amount the Company filed a suit on October 12, 2002. The suit is also pending before City Civil Court, Hyderabad.

(c) Capital Commitments:

Estimated amount of contracts remaining to be executed on capital account not provided for (net of advances) Rs.1,09,69,237/- (Previous year Rs.3,22,10,798/-).

2. Secured Loans:

- a) Term Loans availed from Exim Bank, Axis Bank Limited and IDBI Bank Limited are secured by First charge by way of equitable mortgage of company's immovable properties and hypothecation of all movable fixed assets both present and future on pari-passu basis and also second charge on all chargeable current assets of the company both present and future.
- b) Working Capital Facilities availed from State Bank of India are secured by hypothecation of all chargeable current assets of the company, both present and future, and also second charge on

fixed assets of the Company, on pari-pasu basis with Exim Bank for its Working Capital facilities,. These facilities are also covered by collateral security by way of Equitable Mortgage of agricultural lands belonging to the promoters.

- c) Working Capital Facilities availed from Exim Bank both Rupee & Foreign Currency are secured by hypothecation of all chargeable current assets of the company, both present and future, and also second charge on fixed assets of the Company, on pari-pasu basis with State Bank of India.
- d) All the above facilities are covered by un-conditional and irrevocable personal guarantees of CMD and VC&JMD.
- e) Vehicle loans are secured by hypothecation / lien on the respective assets acquired with the loan amounts.

3. Unsecured Loans:

(a) Sales Tax Deferment

The company has availed sales tax deferment to the tune of Rs.6,14,54,041/-during the years 1996-97 to 2007-08. This amount is repayable in 11 years. Out of this the company has paid an amount of Rs.5,84,092/- during the year 2010-11.The remaining balance of Rs.6,08,69,949/- is repayable in 11 years for which details are furnished below.

(Rs. In Lakhs)

Year	Amount	Year	Amount	Year	Amount
2011-12	23.01	2015-16	60.32	2019-20	65.64
2012-13	32.51	2016-17	48.27	2020-21	69.63
2013-14	62.84	2017-18	65.48	2021-22	35.01
2014-15	71.80	2018-19	74.19		

(b) DSIR Assistance

Financial assistance received from Department of Scientific and Industrial Research (DSIR) of Rs.1,20,00,000/- (previous year Rs.1,20,00,000/-) sanctioned under TPDU program for development of Catalysts or Fine Chemicals apart from Active Pharmaceutical Ingredients (API's), and their intermediates.

As per the terms of agreement entered with DSIR, 1.3 times of the above amount is payable in 5 equal annual installments after commencement of commercial sale" of the "product(s)" developed under PATSER scheme.

However, the company has not yet commenced commercial operations of the said products.

- 4. Land admeasuring 950 Sq Yds for value of Rs.10.84 lakhs purchased in the year 1994-95 in Hyderabad City by the erstwhile Plant Organics Ltd (POL) acquired by the company on amalgamation of said POL vide BIFR order dated 28-08-2008 is under litigation with City Civil Court at Hyderabad. Now it is considered that either the land or any value for that is not recoverable. Hence the same was deleted from the land in Fixed Assets Schedule (schedule 5) and the same amount was reduced from opening balance of the General Reserve (Schedule 2).



5. Advance Income Tax shown under schedule 10 "Loans & Advances" includes an amount of Rs.78.34 Lakhs paid against demands raised by the Income Tax Department for which Appeals under the Income Tax Act, 1961 are pending before ITAT for the years 2000-01 to 2003-04 and with CIT (A) for the year 2007-08.
6. The company has acquired 43 Acres land from APIIC through Ramky Pharma City (India) Ltd, in JN Pharma City, Parawada besides to the existing oncology plant is under dispute. For this an amount of Rs.5.57 crores was paid and the same was included in Capital Work in Progress.

7. Lease:

The company obtained office premises under leases. The future minimum lease payments and payment profile of non cancellable leases and lease amount incurred during the year are as under.

- a. General description of leasing arrangements:

Office premises - Lease rental are charged on the basis of agreed terms.

- b. Lease payment recognized in the profit & loss account was Rs.58,02,550/- (previous year Rs.50,14,900/-)

- c. Future Lease Rental Payments:

	(Rs. in Lakhs)	
	2010-11	2009-10
Not more than one year	57.38	57.44
More than one year and not more than five years	121.55	57.44
More than five years	-	-

8. Information on Employee benefits required under accounting standard 15:

	(Amount in Rs.)	
	2010-11	2009-10
A. Defined Contribution Plans:		
Contribution to Provident Fund	68,42,928	52,30,976
B. Defined Benefit Plans:		
1. Gratuity (Funded)		
2. Leave Encashment (Un funded)		
Disclosures (as per actuary certification)		

(Amount in Rs.)

Particulars	2010 - 11		2009- 10	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
(i) PROFIT AND LOSS ACCOUNT:				
Current Service Cost	16,91,788	13,11,526	13,91,022	10,81,999
Interest cost on benefit obligation	6,20,932	2,05,829	5,54,973	2,14,303
Net Actuarial (Gain)/Loss recognized in the year	6,12,373	(9,08,513)	(7,72,631)	(12,91,392)
Short Term compensated absence liability	–	1,33,890	–	10,70,463
Past service cost	23,96,016	–	33,26,657	–
Contribution paid	(9,50,392)	(3,45,527)	(15,00,175)	(2,33,320)
Expected return on planned assets	(2,85,679)	–	–	–
Net benefit expenses	40,85,038	3,97,205	29,99,846	8,42,053
(ii) BALANCE SHEET:				
Change in the present value of the defined benefit obligation are as follows:				
Opening defined benefit obligation	51,14,671	38,16,089	54,41,282	38,83,014
Interest cost	6,20,932	2,05,829	5,54,973	2,14,303
Current services cost	16,91,788	14,45,416	13,91,022	12,43,484
Actuarial (Gain)/Loss on obligation	6,12,373	(9,08,513)	(7,72,631)	(12,91,392)
Expected return on planed Assets	(2,85,679)	–	–	–
Contribution paid	(9,50,392)	(3,45,527)	(15,00,175)	(2,33,320)
Closing defined benefit obligation	91,99,709	42,13,294	51,14,471	38,16,089
Past Service Cost	23,96,016	–	–	–

- Net benefit expenses of Rs.40,85,038/- relating to Gratuity charged to P&L A/c being the difference between the independent actuary valuation and that of LIC. This amount was unfunded and total amount of unfunded was Rs.91,99,709/-.

(iii) The Principal assumptions used in determining gratuity

Salary rise	4%	3%
Discount rate	8%	7.50%
Attrition rate	2%	2%

9. 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.

(Amount in Rs.)

Particulars	2010-11	2009-10
Principal amount remaining unpaid as at the end of the year	51,08,668	52,50,502
Interest due and payable for the period of delay	2,60,735	3,04,353
Interest paid on above	Nil	Nil

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

10. Earnings Per Share (EPS):

	Year Ended 31.03.2011	Year Ended 31.03.2010
Profit attributable to equity share holders (Rs.) (A)	Nil	Nil
Basic/Weighted average number of equity shares Outstanding (B)	100,15,203	1,00,15,203
Diluted/ weighted average number of equity shares Outstanding (c)	100,15,203	1,00,15,203
Face value of equity share	10	10
Basic earnings per share (Rs.) (A/B)	8.38	2.39
Diluted earnings per share (Rs.) (A/C)	8.38	2.39

11. Remittance in Foreign Currency on account of Dividend:

	2010-11	Paid in 2009-10
a) Year to which the dividend relates	2006-07,2007-08 & 2008-09	2008-09
b) Number of non resident share holders to whom remittances were made	1 (One)	7 (Seven)
c) Number of shares on which remittances were made	2,00,000	7,00,286
d) Amount remitted (Rs.)	12,00,000*	14,00,572

* Represents dividend paid on 2,00,000 shares out of total 9,00,286 shares after obtaining required clearance.

12. Research and Development Expenditure:

(Amount in Rs.)

Particulars / Year	2010-11	2009-10
Capital Expenditure		
Land	–	–
Buildings	–	–
Equipment	20,012	15,07,062
Intangible Assets	4,84,550	–
Capital work in progress	–	–
Total	5,04,562	15,07,062
Revenue Expenditure	2,09,68,438	3,77,73,984
Grand Total	2,14,73,000	3,92,81,046

13. a) The company has entered in to an agreement with M/s. Divya Enterprises Limited for purchase of 918 sqm industrial plot and buildings and structures situated at D-63, Phase - I, Jeedimetla, for a consideration of Rs.60.00 lakhs. Pending registration of the same, the company has paid to the vendor an amount of Rs.34.82 lakhs for the said property and has taken the possession of property.
- b) The company has constructed/ modified buildings and structures to suit the requirement for carrying out its manufacturing activity in the said premises. The said assets were capitalized and the company is claiming depreciation. The said property was not yet registered in the name of the company as on the Balance Sheet date.

14. Deferred Tax Liability:

For the year 2010-11 Deferred Tax Asset is more than deferred tax liability on account of unabsorbed depreciation, business loss and R&D expenditure. Considering the reasonable certainty of taxable profits in the near future deferred tax asset was not recognised.

15. Managerial Remuneration:

(Amount in Rs.)

Particulars	2010-11	2009-10
CMD		
Remuneration	36,00,000	36,00,000
P F Contribution	2,88,000	2,88,000
Other Perquisites	1,59,373	1,69,945
Sub-Total	40,47,373	40,57,945
VC&JMD		
Remuneration	36,00,000	36,00,000
P F Contribution	2,88,000	2,88,000
Other Perquisites	33,648	45,359
Sub-Total	39,21,648	39,33,359
Total	79,69,021	79,91,304

16. Auditors' Remuneration:

(Amount in Rs.)

Particulars	2010-11	2009-10
Statutory Audit Fee	3,00,000	2,75,000
Taxation and other Representations	2,00,000	2,00,000
Other Services	6,00,000	4,00,000
Cost Audit Fee	50,000	50,000
Out of pocket expenses	800	-
Total	11,50,800	9,25,000

17. Segment Reporting:

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

(Amount in Rs.)

Particulars	2010-11		2009-10	
	Revenue	%	Revenue	%
Exports	117,98,34,227	52.61	120,04,95,476	54.63
Domestic	101,77,62,111	45.38	94,75,21,373	43.12
Export Incentives	4,51,46,294	2.01	4,95,34,044	2.25
Total	224,27,42,632	100.00	219,75,50,893	100.00

19. Related Party Disclosures:

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

a) Key Management personnel and their relatives

S. No.	Name	Relationship
1.	Sri P.Ramesh Babu	Key Management personnel
2.	Sri T.V.V.S.N.Murthy	Key Management personnel
3.	Sri P.Hari Kishore	Relative of the Key Management personnel
4.	Sri T.V.Praveen	Relative of the Key Management personnel

(i) Associated Companies.

(Enterprises in which the key management personnel / relatives are interested)

S.No.	Name of the associated Company
1.	Webcity Softech Private Limited
2.	Potluri Builders Private Limited
3.	Potluri Real Estate Private Limited.
4.	Hima Farms Private Limited.
5.	Ogene Systems (I) Pvt Ltd

b) Transactions:

(Amount in Rs.)

Particulars	Subsidiaries & Associates	Key Management Personnel	Relatives of Key Management Personnel	Total
Remuneration	--	79,69,021	25,36,800	1,05,05,821
(Previous Year)	--	(79,91,304)	(23,63,515)	(1,03,55,209)
Purchases	58,79,564	--	--	58,79,564
(Previous Year)	(3,09,57,015)	--	--	(3,09,57,015)
Sales	14,80,000	--	--	14,80,000
(Previous Year)	(24,45,044)	--	--	(24,45,044)

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

20. Additional information pursuant to the provisions of Paragraph 3, 4C and 4D of Part II of Schedule VI to the Companies Act.

a) Capacities & Production:

(i) Licensed Capacity

The Department of Industrial Policy and Promotion, Ministry of Industry, Government of India abolished the Industrial licensing in respect of Bulk Drugs & Formulations vide notification No. S.O 137(E) 13 Dated 01-03-1999.

(ii) Installed Capacity

Installed capacity is flexible as the plant is versatile, enabling the company to production in different capacities and therefore it varies depending on the product mix.

(iii) Actual Production

Particulars	Qty in M.T Actual Production	
	2010-11	2009-10
Bulk Drugs	1,047	1,011
Intermediates & Others	1,901	1,431

(iv) The Ministry of Corporate Affairs, Government of India has exempted certain classes of Companies from disclosing information as required vide paragraph 3(i) (a),3(ii)(a), 3(ii) (b) and 3(ii) (d) of Part II, Schedule VI of Companies Act 1956, vide notification no S.O 301(E) dated 08-02-2011 issued under Sec 211(3) of the Act,. The company being an export oriented company is entitled to the exemption. Accordingly the information regarding sales Opening and Closing Stocks and also item wise details of Raw material consumption has not been provided.

(b) Consumption of Raw materials: (Amount in Rs.)

Particulars	2010-11		2009-10	
	Consumption	%	Consumption	%
Imported	42,05,08,310	26.20	37,36,71,229	24.27
Indigenous	118,42,12,906	73.80	116,60,44,723	75.73
TOTAL	160,47,21,216	100.00	153,97,15,952	100.00

(c) CIF Value of Imports: (Amount in Rs.)

Particulars	2010-11	2009-08
Raw Materials	40,94,45,262	34,28,43,503
Capital Goods	81,27,286	3,21,09,397
TOTAL	41,75,72,548	37,49,52,900

(d) Expenditure in Foreign Currency: (Amount in Rs.)

Particulars	2010-11	2009-10
Sales Commission	1,38,17,273	1,38,58,755
Travelling expenses	3,17,029	1,17,114
TOTAL	1,41,34,302	1,39,75,869

(e) Earnings in Foreign Currency: (Amount in Rs.)

	2010-11	2009-10
FOB Value of Exports	104,50,21,147	110,22,19,221

22. Previous Year figures have been regrouped / reclassified wherever necessary to corroborate with current year figures.

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

as per our report of even date.

for **RAMBABU & CO.,**
Chartered Accountants
FRN No. 002976S

RAVI RAMBABU
Partner
M.No. 18541

Place : Hyderabad
Date : 05.08.2011

for **P. MURALI & CO.**
Chartered Accountants
FRN No. 007257S

P. MURALI MOHAN RAO
Partner
M.No. 23412

for and on behalf of the Board

P. RAMESH BABU
Chairman and
Managing Director

P. PRABHAKARA RAO
Company Secretary

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

N. RAJENDRA PRASAD
Chief Financial Officer

CASH FLOW STATEMENT AS AT 31st MARCH, 2011

(Amount in Rs.)

PARTICULARS	2010-11		2009-10	
	Details	Amount	Details	Amount
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before Tax		10,48,36,731		2,88,08,976
Add: Depreciation	12,64,29,035		8,36,47,989	
Interest on Term Loans	9,40,96,231		6,32,24,468	
Deferred Revenue Expenses written off	7,38,55,629		7,60,49,805	
Loss/(Profit) on sale of assets	88,282		–	
		<u>29,44,69,177</u>		<u>22,29,22,262</u>
Operating profits before working capital changes		39,93,05,908		25,17,31,238
Less: Increase in Inventories	38,65,08,022		3,84,39,556	
in Trade Receivables	(6,59,84,992)		(80,97,866)	
in Other Advances	(49,96,263)		6,31,29,426	
Decrease in Trade payables	(6,21,58,495)	25,33,68,272	(9,84,06,409)	(49,35,293)
Cash generated from operations		14,59,37,636		25,66,66,531
Less: Incometax paid		–		42,07,698
Net cash From Operating Activities (A)		14,59,37,636		25,24,58,833
B. CASH FLOW FROM INVESTING ACTIVITIES				
Less: Increase in Capital work - in - Progress	21,58,26,552		(83,46,05,317)	
Increase in Fixed Assets	1,89,12,466		1,37,92,29,114	
Sale of Fixed Assets	(88,282)		(1,74,928)	
Deffered Revenue Expenditure	2,09,68,438		3,77,73,984	
Net cash used for investing Activities (B)		(25,56,19,174)		(58,22,22,853)

CASH FLOW STATEMENT (Contd.)

(Amount in Rs.)

PARTICULARS	2010-11		2009-10	
	Details	Amount	Details	Amount
C. CASH FLOW FROM FINANCING ACTIVITES				
Inflow:				
Term Loans received		28,72,57,140		16,02,57,140
Increase in Bank borrowings		13,18,53,275		13,05,85,785
		<u>41,91,10,415</u>		<u>29,08,42,925</u>
Out flow:				
Repayment of Term Loans		18,00,00,000		2,88,45,992
Repayment of Vehicle Loans		5,08,632		12,78,613
Repayment of Un-Secured Loans		5,84,092		–
Dividend paid including CDT		2,34,04,168		2,34,04,168
Interest paid		9,76,32,353		5,88,05,200
		<u>30,21,29,245</u>		<u>11,23,33,973</u>
Net cash generated from Financing Activities(C)		<u>11,69,81,170</u>		<u>17,85,08,952</u>
Net Increase in cash and Cash equivalents (A+B+C)		72,99,632		(15,12,55,068)
Cash and Cash equivalents at beginning of the year		5,24,89,060		20,37,44,128
Cash and Cash equivalents at end of the year		5,97,88,692		5,24,89,060

- Note:**
1. Previous year figures have been regrouped, wherever necessary to corroborate to current year figures
 2. The above Cash Flow has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statements, issued by the Institute of Chartered Accountants of India.
 3. Cash and cash equivalent is Cash & Bank Balances as per Balance Sheet
 4. Additions to Fixed Assets (including movements in Capital Work-in-Progress) are considered as a part of investing activities.

as per our report of even date.		for and on behalf of the Board	
for RAMBABU & CO., Chartered Accountants FRN No. 002976S	for P. MURALI & CO. Chartered Accountants FRN No. 007257S	P. RAMESH BABU Chairman and Managing Director	T V V S N MURTHY Vice Chairman and Joint Managing Director
RAVI RAMBABU Partner M.No. 18541	P. MURALI MOHAN RAO Partner M.No. 23412	P. PRABHAKARA RAO Company Secretary	N. RAJENDRA PRASAD Chief Financial Officer
Place : Hyderabad Date : 05.08.2011			

ANNEXURE
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(Pursuant to part IV of Schedule VI to the Companies Act, 1956)

1. Registration Details

Registration No. State Code
Balance Sheet Date - -

2. Capital raised during the year (Amount Rs. in thousands)

Public Issue Rights Issue
Bonus Issue Private Placement

3. Position of Mobilisation and Deployment of Funds (Amount Rs. in thousands)

Total Liabilities Total Assets

Sources of Funds

Paid up Capital Reserves & Surplus
Secured Loans Unsecured Loans
Deferred Tax Liability

Application of Funds:

Net Fixed Assets Capital WIP
Investments Net Current Assets
Misc. Expenditure

4. Performance of Company (Amount Rs. in thousands)

Turnover Total Expenditure
Profit before Tax Profit/Loss after Tax
Earning per Share (EPS) . Dividend Rate %

5. General Names of Three Principal Products/Services of Company

(as per monetary terms)

ITC Number

2942 : Ranitidine HCL
2942 : Sumatriptan Succinate
2942 : Ketoconazole



SMS PHARMACEUTICALS LIMITED

Regd. and Corp. Office: Plot No.19-III,
Opp. Bharatiya Vidya Bhavan Public School,
Road No. 71, Jubilee Hills, Hyderabad - 500 034.

PROXY FORM

DP. Id:

Regd. Folio No. :

Client Id :

No. of Shares held :

I/We.....of.....
.....being a member/members of the above named company
hereby appoint.....
of.....as my/our
proxy vote for me/us on my/our behalf at the 23rd Annual General Meeting of the Company to be held on
Friday, the 30th day of September, 2011 at 11.00 A.M. at Jubilee Hills International Centre (Jubilee Hills Club),
Jubilee Hills, Hyderabad and at any adjournment thereof.

Signed this.....day of September, 2011.

Affix
Re. I/-
Revenue
Stamp

NOTE:

- a) A Member entitled to attend and vote at the meeting is entitled to appoint a proxy and vote instead of himself.
- b) Proxy need not be a member.
- c) The proxy form duly completed should be deposited at the Registered Office of the company not less than 48 hours before the time fixed for holding the meeting.



SMS PHARMACEUTICALS LIMITED

Regd. and Corp. Office: Plot No.19-III,
Opp. Bharatiya Vidya Bhavan Public School,
Road No. 71, Jubilee Hills, Hyderabad - 500 034.

ATTENDANCE SLIP

(Please present this slip at the entrance of the meeting venue)

DP. Id:

Regd. Folio No. :

Client Id :

No. of Shares held :

I hereby record my presence at the 23rd Annual General Meeting to be held on Friday, the 30th day of
September, 2011 at 11.00 A.M. at Jubilee Hills International Centre (Jubilee Hills Club), Jubilee Hills, Hyderabad.

Name of the Shareholder :

Name of the Proxy :

Signature of member/proxy :

Note:

- 1) To be signed at the time of handing over this slip.
- 2) Members are requested to register their names at least 15 minutes prior to the commencement of the meeting.

**PRINTED MATTER
BOOK - POST**

If undelivered, please return to:



Regd. Off: Plot No. 19-III, Opp. Bharatiya Vidya Bhavan Public School,
Road No. 71, Jubilee Hills, Hyderabad - 500 034.
Phones: 040 - 66288888, Fax: 040 23551401/402
E-mail: info@smspharma.com

www.smspharma.com