# The lifestyles of today. The markets of tomorrow.

SMS Pharmaceuticals Limited
Annual Report 2008-09

## Forward looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise , or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

## Contents

# Stressful lives. Patented products turning generic. Manufacturing costs rising in developed countries.

These could be disparate realities for most people.

But represent the foundation of our business model at SMS Pharmaceuticals.

Because we believe that the realities of today indicate the markets of tomorrow.

# Cancer. Migraine. Diabetes. Hypertension. Cardiovascular. Infection. Tobacco addiction.

There is an increasing incidence of these today.

At SMS, we have always invested in facilities and capabilities to counter their spread.

Because we have believed in an overarching conviction.

That the lifestyles of today represent the markets of tomorrow.

## Vision

Being a quality-focused organisation, SMS Pharma believes in delivering the best value to customers in the most economic way. The efforts are aimed towards achieving our goals and benefiting customers.

- To achieve our ambition of becoming pioneers in the industry we work in
- To develop non-infringing processes and file patents
- To develop new chemical entities
- To explore opportunities in custom synthesis and contract research
- To fortify our presence in the regulatory market
- To increase the product base
- To forging relationships with top-notch companies for contract manufacture and contract research projects

## Mission

- To become a complete solution provider for the healthcare industry by pioneering innovative technologies and effective application of:
- Research and development
- Advanced technologies
- Intellectual property
- Human intelligence
- Customer relationship management
- Natural resources and environment

## Milestones

### 2002

- Acquired plant for pellatisation
- First to file DMF with US-FDA for Sumatriptan

### 2003

- Entered into an agreement with Ranbaxy who filed ANDA under Para IV for Sumatriptan
- Filed five process patents and one product patent under the PCT

### 2004

- Received approval from US-FDA for Unit-II facility
- Established independent research and development facility at Sanathnagar, Hyderabad

# SMS Pharmaceuticals is rooted in the reality of today and the possibilities of tomorrow.

Engaged in the research-led manufacture of active pharmaceutical ingredients, consumer healthcare, herbal formulations, custom synthesis and CRAMs.

This is the result: Three patents. Multi-geographic presence. Five manufacturing units.

## Parentage

- Incorporated in 1987 and acquired by the present management in 1990
- Managed by Mr. P. Ramesh Babu (Chairman and Managing Director) and Mr. T.V.V.S.N. Murthy (Vice Chairman and Joint Managing Director)
- 53.61% stake held by the promoters as on 31st March 2009.

## Business verticals

- Active pharmaceutical ingredients
- Pharmaceutical intermediaries
- Consumer healthcare
- Herbal formulations
- Custom synthesis
- CRAMs.

## Presence

- Headquartered in Hyderabad, India
- Possesses five manufacturing units and two research centres in Andhra Pradesh
- Enjoys a marketing footprint across 70 countries
- Listed on the Bombay Stock Exchange and the National Stock Exchange

## Certifications

- Received an ISO 9001:2000 certification for Khazipally and Bollaram facilities
- Received US-FDA approval for Bachupally unit

## Awards

- Received export house status
- Awarded the prestigious *Pandit Jawaharlal Nehru Silver Rolling Trophy* for the best productivity effort in Andhra Pradesh
- Awarded the prestigious US GCNC Green Chemistry Award

## 2005

- Received recognition for an R&D Centre from DSIR
- Filed US DMF for Almotriptan

## 2006

- Published European Patent for Sumatriptan Succinate

## 2007

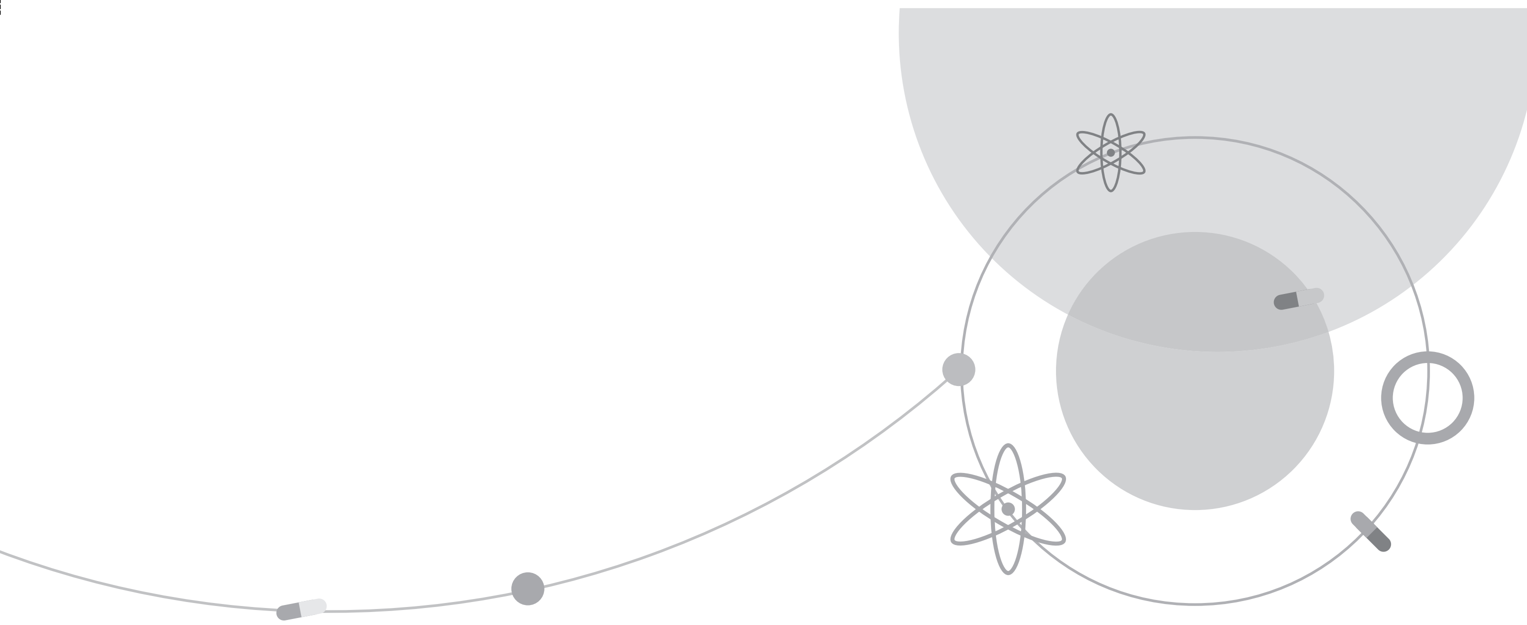
- Filed three patents for Imatinib and Tetrazoles

## 2008

- Commenced operation of the corporate R&D centre
- Started the dedicated oncology facility

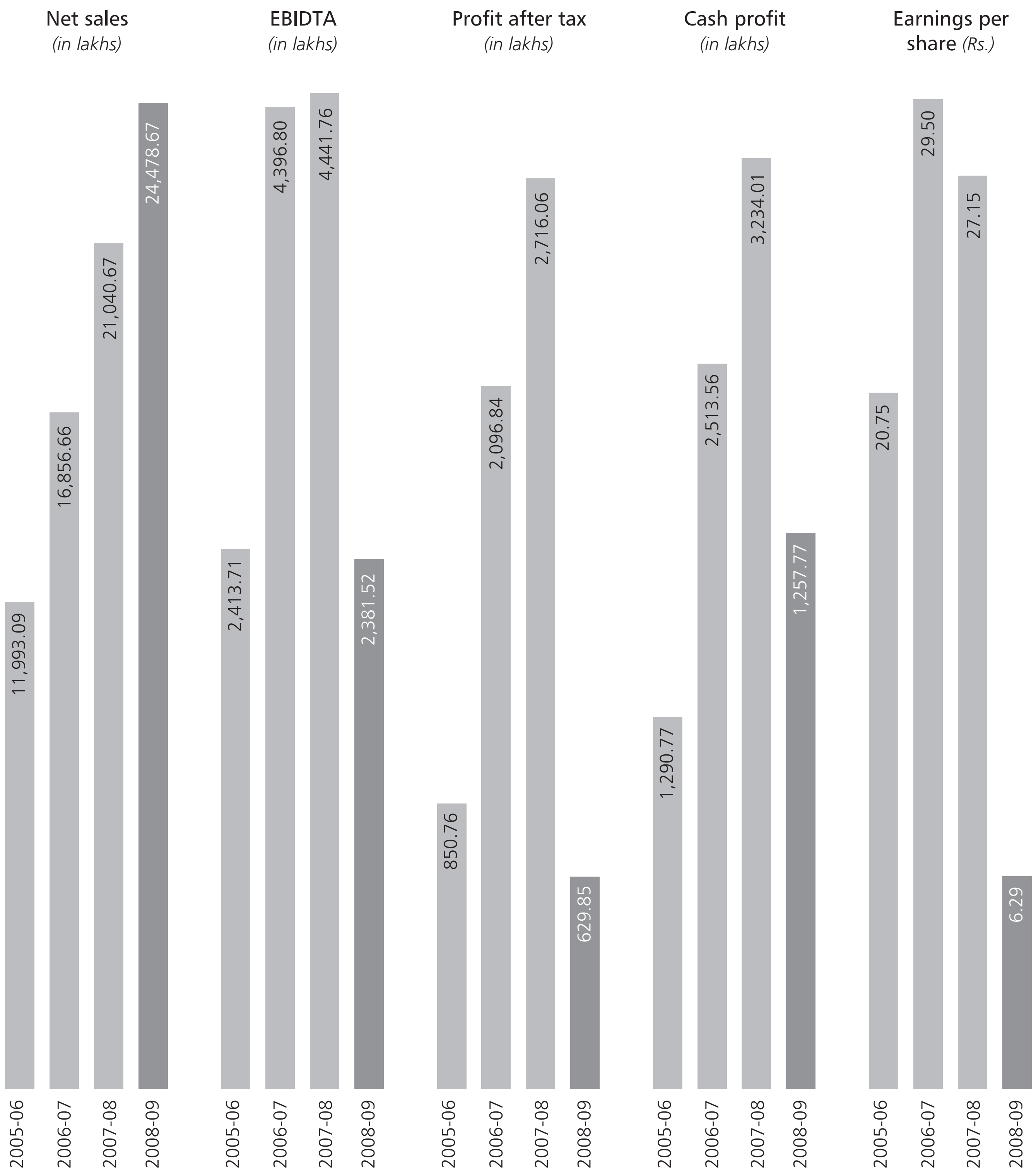
# Why we are in business

| Lifestyle diseases | Oncology | Hypertension | Migraine |
|---|---|---|---|
| Unhealthy lifestyles characterised by poor diet and inadequate exercise lead to lifestyle diseases like Alzheimer's, asthma, cancer, diabetes and heart diseases, among others. | Cancer is responsible for 13% of all human deaths. Exposure to carcinogenic materials is unavoidable in modern day lifestyles | Hypertension, in the absence of timely diagnosis and treatment and combined with abnormal blood sugar and cholesterol levels, could lead to heart attacks, kidney failures, retinopathy or strokes | Migraine is a serious neurological disorder where patients suffer from recurrent headaches varying in severity and frequency, altered bodily perceptions and nausea. The incidence of this disease is on the rise owing to the fast-paced modern lifestyle. |
| USD 236.6 bn<br>losses incurred in India owing to lifestyle diseases | 50%<br>projected growth in cancer patients worldwide between 2000 and 2020<br>*(Source: WHO)* | 213.5 mn<br>hypertension patients in India by 2015, double the 118 mn in 2000<br>*(Source:timesofindia.indiatimes.com)* | 100 mn<br>is number of working days lost in the US on account of migraine |
| SMS Pharma's new multi-API facility is capable of manufacturing six drugs for the lifestyle diseases segment. | SMS Pharma has started a dedicated oncology plant that will offer the entire range of anti-cancer drugs from API to formulation. | SMS is manufacturing three drugs in the hypertensive segment. | SMS is the first to file DMF in the US for Sumatriptan developing Almotriptan and Zolmitriptan in this segment. |



| Cardiovascular | Diabetes | Infections | Tobacco |
|---|---|---|---|
| Increasing urbanisation, sedentary lifestyles and stress have significantly increased the incidence of heart ailments | Although not a direct result of unhealthy lifestyles, diabetes is aggravated by the modern way of life. | Globally, the anti-infective market is expanding owing to declining bacterial resistance and growing life-threatening bacterial diseases. | Low prices, aggressive and widespread marketing, ignorance and inconsistent public policies against use are major factors that have failed to limit tobacco use. |
| **60%** of the world's heart patients are projected to be in India by 2010 | **180 mn** people across the world are diabetes-affected *(Source: WHO)* | **USD 65 bn** is the current global anti-infective market | **5.4 mn** people die worldwide annually owing to tobacco consumption-related diseases |
| SMS is developing six new drugs in the cardiovascular segment. | SMS is currently manufacturing one anti-diabetic drug. | SMS has partnered with a European pharma major for the development of cephalosporin. | SMS is developing a drug in this segment. |

# Sluggish year at SMS?



# Busy year would be more precise.

SMS entered new therapeutic segments. Developed new products. Filed for patents. Readied for US-FDA approval. Benchmarked facilities with stringent global regulatory bodies. Created a state-of-the-art R&D centre. Strengthened process re-engineering.

## Highlights, 2008-09

### Active pharmaceutical ingredients

- Enhanced sales volume from 3,652 kg in 2007-08 to 4,417 kg
- Added 15 customers from diverse geographies
- Developed sample for Gemcitabine and Capecitabine from the new dedicated oncology unit

### Research and development

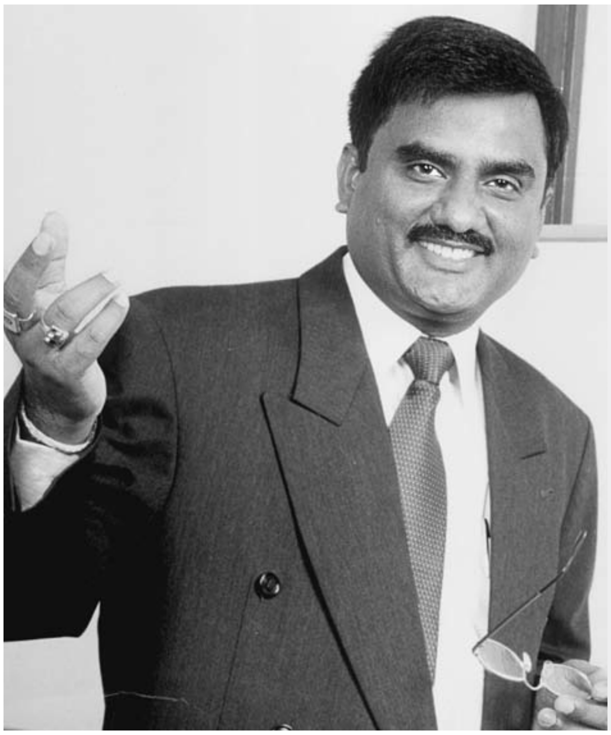
- Developed and supplied Elitriptan intermediate; filed patent for the same
- Introduced six products
- Completed DSIR inspection of the new corporate R&D centre
- Transferred four technologies in the manufacturing units for scale-up

### Corporate highlights

- Started operations in the dedicated oncology unit at Parwada and the corporate R&D centre in 2008-09

### Post-balance sheet developments

- Revenue moderated 6.75% from Rs. 5,633.30 lakhs in Q1 2008-09 to Rs. 5,253.12 lakh in the Q1 of 2009-10
- Net profit declined from Rs. 626.37 lakhs in the Q1 of 2008-09 to Rs. 121.94 lakhs in the Q1 of 2009-10



Chairman's review

# "We strengthened our business in a challenging year by enriching facilities and capabilities that will lead to sustainable growth over the foreseeable future."

**Mr. Ramesh Babu Potluri**, *Chairman and Managing Director*, reviews the Company's performance and prospects

Dear Shareholders,

In a year marked by external and internal challenges, we performed well in the first three quarters, while operations were affected in the last quarter. We reported a cumulative profit after tax of Rs. 1,341.36 lakhs in the first three quarters and a net loss of Rs. 869.45 lakhs in the fourth. Overall, our 2008-09 revenue grew 16.34%, while EBIDTA declined 46.38% and net profit declined 76.81%.

The decline in performance was the result of a number of events combined:

**Production disruption:** The Pollution Control Board (PCB) issued a temporary closure notice for our Unit I for non-compliance with norms. This hampered production for 55 days (subsequently revoked) during the fourth quarter of 2008-09 and resulted in a notional revenue loss.

**Raw material price hike:** The Chinese government stopped production from chemical zones in and around Beijing in the second quarter of 2008-09 on account of the Beijing Olympics, which disrupted our supply and increased our costs.

**Outstanding receivables:** Even as pharmaceutical demand remained buoyant, the global liquidity crisis extended our receivables cycle, especially in Latin America.

## Creating a model for future growth

It would be pertinent to indicate that despite these challenges, SMS strengthened its business with the objective enhancing its sustainability.

## Strengthening our business

We strengthened our business in response to opportunities. This is where we see them:

**CRAMs:** The global USD 40 bn CRAMs market is expected to grow at a CAGR of 15-20%. Our contract research services will address this large opportunity through synthetic feasibility, synthetic route selection, process development, scale up, lead

We commissioned our new multi-API facility near Vizag.

optimisation and analogue synthesis. The Company also proposes to lease or rent its advanced R&D centre. This business is likely to generate a sizable and sustainable cash flow.

**Generics:** A number of drugs are going off-patent by 2016-17, creating a substantial market opportunity. We will address generics where we can make a significant difference to downstream customers help relieve patients from pain.

**New segments:** We are entering high-value segments like anti-migraine, anti-hypertensive, oncology and anti-tobacco, among others.

## The oncology opportunity

A number of our initiatives to strengthen our business were focused around our oncology business.

This was so for a good reason: we see oncology as a growing space marked by an under-delivery of services and therapeutic interventions.

**Facilities:** In view of this, we commissioned the Phase I of our dedicated oncology unit at Parwada during the year. The FDA-compliant manufacturing unit (40,000 sq. mtrs) comprises dedicated blocks for API, formulation, QA/QC, utilities, warehouse, ETP and integrated health and safety measures. We also installed state-of-the-art imported isolators in the oncology unit to eliminate radiation exposure.

We commissioned our new multi-API facility near Vizag. This facility has two FDA compliant blocks and three cGMP blocks, catering to regulated and unregulated markets; the facility is also expected to offer CRAMs, collaborative manufacturing and contract manufacturing to global pharmaceutical majors.

We invested in a cutting-edge R&D centre to facilitate advanced contract research that offers services from product conception stage to DMF filing. The 20-lab facility – comprises a dedicated oncology laboratory – is equipped to develop 40 products annually.

**Capabilites:** Our API block possesses two lines to manufacture two products simultaneously across the entire range of anti-cancer drugs. Our formulation block has been designed in line with cGMP guidelines and is capable of catering to a range of processes and products (including lyophilized injections, liquid injections, tablets and capsules).

Our unit is dedicated to the production of the entire range of anti-cancer APIs and formulations, the only one of its kind in India. The cytotoxic nature of anti-cancer drugs mandatorily warrant dedicated facilities the world over; this trend is expected to extend to India, for which the Company is proactively prepared.

**Competence:** We developed the

competence to develop anti-cancer drugs by patenting the process for Gemcetabine and Imatinib manufacture; we developed cost-effective processes for Capcitabine and Bicalutamide. We were the first company to file a DMF for Sumatriptan in the US; we are progressing into other high-value segments. We tied up with an international pharmaceutical company to develop high-growth anti-migraine drugs like Almotiptan and Zolmitriptan. We entered into a strategic partnership with a European customer for the manufacture of Cephalosporins (largest selling drug family in the anti-infectives segment). We expect to capitalise on the growing anti-infective market. We are foraying into a challenging market for anti-smoking remedies. We tied up with research agencies for clinical trials of oncology drug formulations, positioning ourselves as a single-stop solutions provider (research to clinical trials).

**Widening presence:** We are present in the high-growth markets of the US, Europe, Latin America, Japan and India, among others. Going ahead, we will consolidate our position in these markets and strengthen our communication with our US pharmaceutical agents and leading pharmaceutical majors to enhance our recall.

## Message to shareholders

A combination of these initiatives will catalyse our emergence as a preferred CRAMs partner and globally respected pharmaceutical player, enhancing value for our shareholders.

Regards,

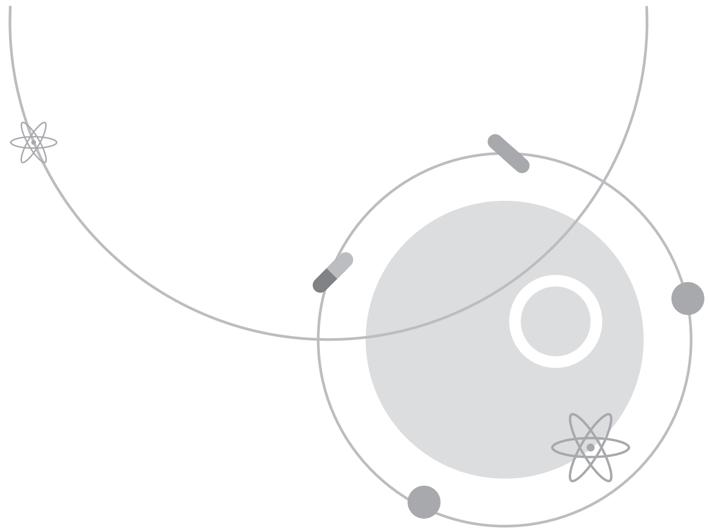
**Mr. P. Rameshbabu,**
*Chairman and Managing Director*

# Pharma industry value-chain and SMS's presence

New chemical entities

Generics

SMS Pharma's presence



| Key initiatives | Impact |
|---|---|
| Dedicated oncology unit | • Capable of delivering the entire range of anti-cancer drugs from API to formulation<br>• Will cater to a range of processes and products including liquid injections, tablets and capsules<br>• US-FDA compliance will enhance revenue possibilities from regulated markets<br>• Potential for the unit to be leased as a dedicated manufacturing facility to pharmaceutical majors resulting in regular cash flow<br>• State-of-the-art technology with insulator will minimise radiation impact |
| Multi-API facility | • US-FDA compliant manufacturing block will cater to regulated markets<br>• Capable of developing 20 drugs<br>• Can cater to diverse and specialised CRAMs needs<br>• In-house ETP and pipeline to the sea for disposal of treated effluents can minimise environmental impact<br>• Capable of manufacturing 10 drugs annually |
| Corporate R&D centre | • Can offer contract research facilities to customers<br>• Reduced drug development time from two years to one year<br>• Capable of developing 40 new drugs annually |

Active pharma ingredients

Formulation

Clinical research

SMS Pharma's presence

SMS Pharma's future presence through tie-ups

# SMS.
# Strengths mean sustainability.

## Therapeutic presence

SMS is largely present in high-growth therapeutic (anti-cancer, anti-ulcer, anti-hypertensive, anti-migraine and cardio vascular) segments.

## Scale

SMS is the world's largest producer of Ranitidine HCl and possesses one of the largest R&D facilities in India with 20 blocks.

## Experience

SMS possesses a rich, one-decade experience in contract manufacturing and research for global pharmaceutical majors.

## Pride-enhancing alliances

SMS maintains long-term relationships with domestic and global manufacturing majors; a significant proportion of the order book (as on 31st March 2009) comprised repeat orders from longstanding clients.

## Futuristic

SMS has invested in state-of-the-art infrastructure to catalyse its Contract Research and Manufacturing Services (CRAMS).

## Portfolio

SMS specialises in APIs and intermediates and formulation for oncology products.

## Recognition

SMS's R&D laboratory is recognised by the Department of Scientific and Industrial Research; one unit is US-FDA-approved.

## Financials

SMS possessed a reserve and surplus of Rs. 20,215.76 cr, a book value of Rs. 192.77 and a relatively low-gearing (0.41) as on 31st March 2009.

## Global visibility

SMS enjoys export house status; around 38.92% of sales were derived from exports; the new 100% export oriented unit will facilitate a wider geographic presence.

## Integration

The oncology facility of the Company offers the entire range of anti-cancer drugs from APIs to formulations and has tied up with research agencies to conduct clinical trials – a fully integrated service.

Our USFDA-compliant oncology facility is expected to receive USFDA approval in 2009-10.

# The global oncology market is expected to grow from USD 48 bn in 2008 to USD 80 bn by 2012. *(Source: WHO)*

At SMS, we have resolved to counter the growing incidence of cancer and help our downstream customers relieve people from pain.

- Our oncology unit will provide an integrated solution from research to clinical trials
- Our dedicated oncology unit is capable of producing two products simultaneously
- Our oncology facility is expected to receive US-FDA approval in 2009-10
- Our oncology facility and research comply with stringent global regulations

**Result:** Revenue from our oncology business is expected to increase in the coming years.

We filed over 22 patents (India) in three years and more than 16 products were under development stage in 2009-10.

# Drugs worth more than USD 140 bn are going off-patent by 2016.

At SMS, we are responding to this reality through proactive investments and initiatives:

- We created a Rs. 30 cr state-of-the-art R&D centre to catalyse in-house product development and CRAMs.
- We enhanced our technology capability to stay abreast with global benchmarks.
- We developed a complex Elitriptan intermediate and filed for a process patent.
- We commenced the responsible replacement of toxic corrosive chemicals (phosphorus pentachloride) through a patented process.

**Result:** We filed over 22 patents in India in three years and more than 16 products were under development in 2009-10. The Company's new corporate R&D centre was visited by pharmaceutical majors seeking business alliances.

We developed Erlotinib for the anti-cancer segment and filed for a process patent.

# Consumer spending in India's healthcare is expected to increase from 7% of GDP in 2007 to 13% of GDP by 2015.

At SMS, we see ourselves in the right market and the right sector at the right time.

- We entered the rapidly growing AC inhibitor segment through the development of Elitriptan intermediate.
- We developed two new drugs – Perindopril and Imidrapril - for the anti-migraine segment.
- We developed Nicotine Polacrilex to address opportunity in the under-penetrated anti-smoking segment.
- We developed Erlotinib for the anti-cancer segment and filed for a process patent.

**Result:** Revenue from the new products introduced in 2007-08 and 2008-09 accounted for significant proportion of our total revenue in 2008-09.

# Management discussion and analysis

## Economic review

Global economic growth declined from 3.8% in 2007 to 2.5% in 2008 following a demand slowdown in developed countries and the collapse of major financial institutions like Lehman Brothers and Washington Mutual, Fannie Mae and Freddie Mac (holding USD 5 tn worth of mortgage loans). To revive demand, stimulus packages were announced in the US, EU and other countries. It would be interesting to note that developing economies grew at a higher average pace of 5.9%, with China (9.1%) and India (6.7%) driving superior Asian performance.

## Global pharmaceutical sector

The global market for generics is expected to be buoyant for the following reasons: more drugs going off-patent, revenue growth of the audited market was affected, providing a significant opportunity for generic companies.

The emerging pharmaceutical hubs – China, Brazil, Mexico, South Korea, India, Turkey and Russia – are expected to grow at 12-13% in 2009, driven by a greater access to generics leading to enhanced affordability, availability of patented products, improved primary healthcare, rural penetration and private health insurance. Meanwhile, the global pharmaceutical market is expected to touch USD 1,000 billion in 2012, averaging 7% growth rate between 2007 and 2012.

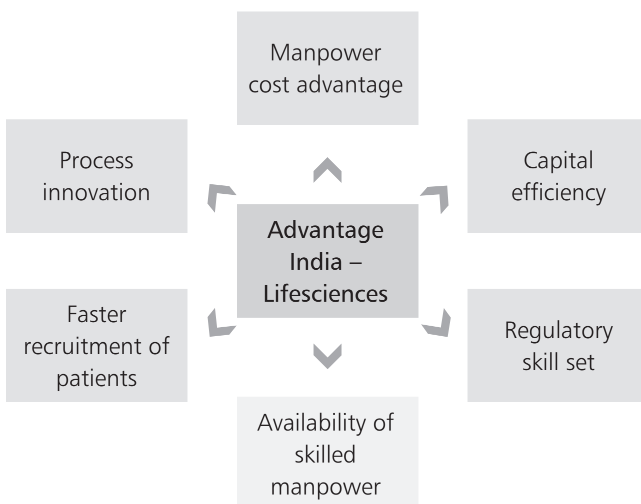
**Global pharmaceutical sales** *(in USD bn)*

| 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|
| 560 | 605 | 649 | 712 | 735 |

*(Source: IMS Health Market Prognosis)*

## Indian pharmaceutical industry

India is the world's fourth largest producer of pharmaceuticals by volume, accounting for around 8% of the global production in value terms, production accounts for around 1.5% of the global market. The fragmented Indian pharmaceutical industry directly employs around 500,000 people. There are around 270 large R&D-based pharmaceutical companies in India (multinationals, government-owned and private companies), besides 5,600 small licensed generics manufacturers. The industry is characterised by the twin benefit of strong domestic consumption growth and export opportunities. Drug sales to retail consumers in India grew by 9.8% to USD 6.98 billion (Rs.34,000 crore) in 2008 and the domestic market is likely to report 12-13% growth in 2009.




*[Source: Indian Pharmaceutical industry – Vision 2015]*

The Indian pharmaceutical industry caters to domestic as well as overseas demand. The domestic market comprises the prescription drug market, over the counter (OTC) drugs and the active pharmaceutical ingredient (API) market. The overseas market comprises generic drugs and APIs and contract research and manufacturing services (CRAMS), among others.

**Ethical drugs market:** Low R&D investments restrict the development and marketing of patented drugs. Consequently, generic drugs represent 90-95% of the Indian domestic pharmaceutical space.

**Over-the-counter drugs:** OTC drugs comprise analgesics, cough, cold, allergy, gastrointestinal medications, medicated skincare, vitamins, minerals and supplements, among others. Currently, around 35% of India's population enjoys an access to allopathic drugs.

**API and bulk drugs:** India ranks fourth in the world in API output and API export value is expected to increase from USD 3.75 billion in 2007 to USD 12.75 billion in 2012 *[Source: Tata Strategic Management Group]*.

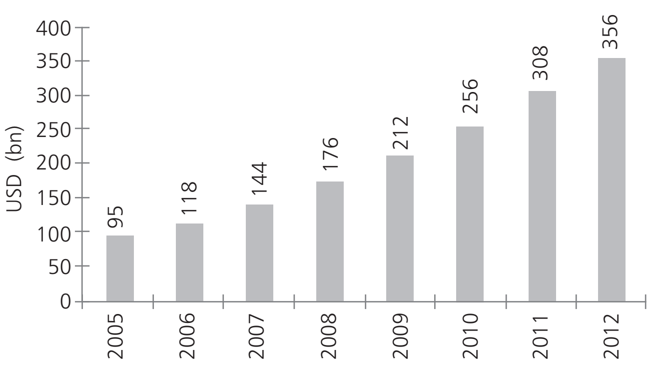
**Contract Research and Manufacturing Services (CRAMS):** India's advantages of low production cost, competitive R&D costs, abundant qualified manpower and provision of diverse services (drug discovery, product development and formulation, pre-clinical and clinical trial management) have combined to create a global advantage in contract manufacture. These contract manufacturing organisations (CMOs) provide manufacturing capacities and capabilities to global pharmaceutical companies as well as value-added services like process development and process optimisation. Clinical trials (around 65% of the total outsourcing market of CROs) in India can cost less than half the cost in western countries. Therefore, clinical research in India is expected to attract outsourcing work at a time when this market is projected to double by 2012. The global CRAMS opportunity is valued at around USD 40 billion and is expected to register a CAGR (compounded annual growth rate) of 15-20%. India's contract manufacturing services are expected to expand at a CAGR of 20% till 2011 owing to skilled manpower and a robust manufacturing infrastructure.

India is attractively placed to capitalise on this trend for another reason. The number of FDA-approved pharmaceutical companies increased to 134 in 2008; in the first quarter of 2009, Indian companies had achieved 50 ANDA approvals.

**Exports:** India's exports have become an important growth driver, with more than 50% of revenues being derived from the overseas markets (largely the U.S. and Europe). Indian pharmaceutical sector exports during April-December 2008 grew 28.1% in rupee terms and 21% in dollar terms over the corresponding period of the previous year. The US, Russia, Austria, Germany and the UK were the five leading export destinations for India's pharmaceuticals.

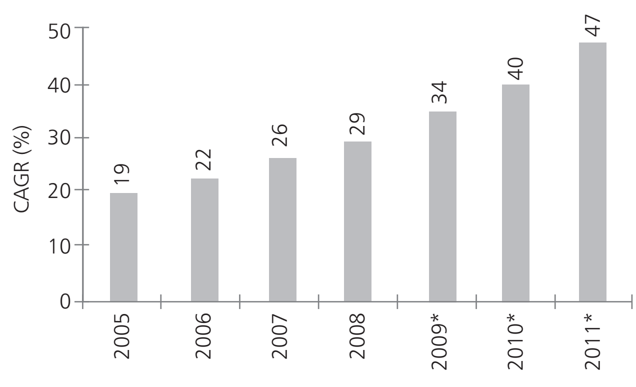
It is estimated that over the next five years, the global pharmaceutical companies are set to lose about USD100 billion in sales due to blockbuster drugs going off-patent. Indian companies are positioned to capitalise, owing to a competitive advantage in generic drugs business. Basic production cost of drugs in India is up to 50% lower compared with the US; the costs of operations in USFDA-approved plants in India are 30%-50% cheaper. This will drive the growth of Indian pharmaceutical exports at a CAGR of 18.5% between 2007-08 and 2011-12 *[Source: Industry report, RNCOS]*.

**Clinical research outsourcing market (India)**




*Source: Financial Express 29th December 2008*

**World contract research market**




*Source: Financial Express 29th December 2008, *Projections*

> Cancer accounts for 3.6% of the total deaths in India, the second-largest non-communicable disease.

> Three out of every 1,000 Indians suffer a stroke. The number of deaths due to heart attack is projected to increase from 1.2 million to 2 million in 2010.

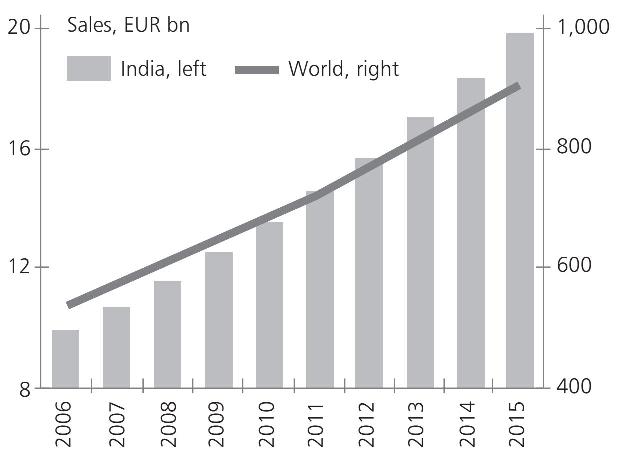
*[Source: http://www.atimes.com/atimes/South_Asia/JE30Df01.html]*

> Migraine accounted for the loss of over 100 million working days in the US alone. *[Source: WHO]*

## Outlook

Strong GDP growth and a global cost advantage resulted in a growth of the the Indian pharmaceutical industry. The Indian pharmaceutical industry is likely to grow at a CAGR of 14.2% to around USD 50 bn in 2015-16. Exports, driven by contract research, are expected to grow at a CAGR of 16.2% while the domestic market is expected to grow by 12.5% [Source: Indian Pharmaceutical industry – Vision – 2015].

India's pharmaceutical industry on course of expansion




*Source: Global Insight, VCI; Forecast: DB Research*

### Cancer

Number of drugs developed by SMS: Four

Cancer is a generic term for a large group of diseases. It accounted for 7.4 mn deaths worldwide (around 13% of all deaths). The main cancer types comprise lung (1.3 million deaths a year), stomach (803,000 deaths a year), colorectal (639,000 deaths a year), liver (610,000 deaths a year) and breast (519,000 deaths a year). There are 10,000 new cancer patients in India every year, the total victims totalling about 25 lakh cumulatively *[Source: WHO]*.

### Anti-hypertensive

Number of drugs developed by SMS: Two

Stress has emerged as one of the biggest killers. Some 65 million people were affected by hypertension in 2008; this is likely to grow to 200 million by 2015 (Source: Assocham and PWC). Combating stress is fast becoming a major challenge: chronic diseases routinely account for 53% of deaths in India and are expected to rise to 60% by 2015 and 66% by 2020.

### Anti-migraine

Number of drugs developed by SMS: Two

Migraine is a serious neurological disorder characterised by recurrent headaches. People most susceptible to migraine are generally within their most productive years (22-55), causing personal and professional disruption. As per a Visiongain report, the anti-migraine market will expand at 2.7% across 2006-22 and generate revenues of USD 5,268mn.

# What drives India's pharmaceutical industry growth

## Economic growth
According to McKinsey Global Institute, the number of households with annual income above USD 5,000 ('middle class and above') is expected to increase to 63.8 mn by 2015. This will widen an access to healthcare.

## Burgeoning population
India's population is expected to increase at a CAGR of 1.4% to 1.26 bn by 2015, retaining its position as the second most populous country. Its growing population and increased life expectancy will drive sectoral growth.

## More grey workers
The proportion of geriatrics is expected to increase from 32% in 2007 to 36% in 2026. Besides, the population size (>60 years) is also likely to go up from 7.5% in 2007 to 9% in 2026, enhancing healthcare spends.

## Urbanisation
The proportion of urban population in the overall population is expected to increase from 28% in 2001 to around 31% in 2015, increasing access to organised healthcare.

## Lifestyle diseases
It is estimated that deaths from cancer, diabetes and cardiac diseases in India would exceed 7 million by 2015. According to a survey conducted by the Associated Chamber of Commerce and Industry (Assocham), 68% of working women in the age bracket of 21-52 years were found to be afflicted with lifestyle ailments such as obesity, depression, chronic backache, diabetes and hypertension.

## Healthcare infrastructure
The healthcare industry is expected to increase from USD35 billion to over USD 75 billion by 2012 and USD150 billion by 2017. The government aims to increase the expenditure on healthcare from 0.9% of GDP to 2-3% of GDP by 2012.

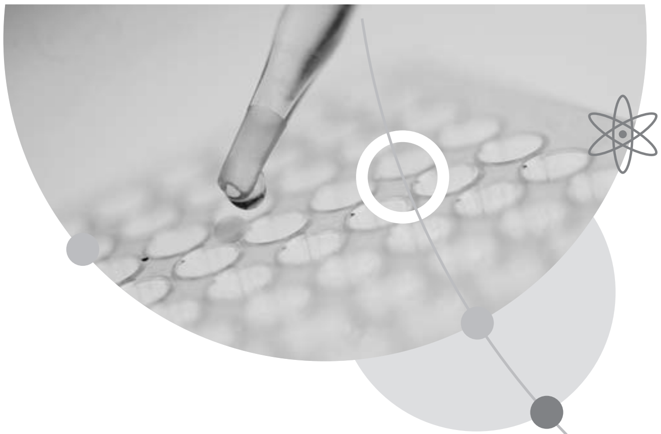
## Health insurance
Currently, only 10% of the Indian population enjoy health insurance. The Indian health insurance business is growing at 50% and is projected to grow to USD 5.75 billion by 2010.

## Low manufacturing costs
India's manufacturing costs are less than half the manufacturing costs in the developed world.

## Medical tourism
Medical tourists come to India for treatments like heart surgery, knee transplant, cosmetic surgery and dental care. India is a favourable destination because of the available cost-effective treatment options. A CII-McKinsey report projects medical tourism earnings to touch USD 2 billion by 2012.

## Government impetus
The government reduced customs duty on raw materials of various medical products in the Union Budget 2009. Pharmaceutical industry estimates suggest that the medicines whose prices are being revised address a Rs. 4,000 crore market.

## Increasing per capita income
The per capita income increased 12.2% from Rs. 33,283 annually in 2007-08 to Rs. 37,490 in 2008-09 annually enhancing healthcare spending.



# Operations review

## Highlights, 2008-09

**Increased production:** Increased the production of bulk drugs, intermediaries and others.

**Improved productivity:** Improved manpower productivity through training; each chemist handles 10 vessels against five previously

**New product manufacture:** Manufactured Elitriptan intermediate and supplied to a pharmaceuticals major. Produced and filed DMFs for five products. Submitted four new drugs (Lansoprazole, Pantoprazole, Sodium Sesquihydrate, Aripiprazole and Rosiglitazone Maleate) for US-FDA approval. Submitted one new drug dossier to EDQM

**Scale up:** Commenced operation of the dedicated oncology unit at Parwada.

## Overview

SMS has seven manufacturing units in and around Hyderabad with a cumulative reaction capacity of over 500 kl. All seven are WHO GMP certified; five are ISO 9001:2000-certified; one is US-FDA-approved. The manufacturing units at Jeedimetla comprise dedicated pellatisation facilities like Itraconazole EP, Omeprazole Sodium and Pantoprazole Sodium, among others. During 2008-09, raw material prices increased when chemical zones around Beijing were closed during the Olympics and the Company responded with process improvements to hedge the impact.

### Globally benchmarked facilities

The Company's facilities were invested with internationally benchmarked assets:

- All units are equipped with QA/QC blocks, warehouses (as per cGMP), utilities, health provisions, safety measures and an effluent treatment plant. Besides, Unit I and II are equipped with kilo lab and pilot plant facilities.
- The manufacturing units are capable of producing a range of APIs /intermediates including cytotoxic solid dose, sterile cytotoxic liquid and lyophilized products, among others.
- The dedicated oncology facility is FDA-compliant and possesses one block each for PI and formulation in Phase I. The unit is equipped with state-of-the-art imported equipment and insulators to prevent an exposure to radiation.
- The units can handle reactions from -30ºC to 350ºC, pressure up to 30 kg and vacuum at 0.3 tor.
- The units are capable of handling complex processes like chloromethylation, condensations, cyanations, diazotisation, esterification, glycosylation, high vacuum distillations, halogenations, thiophosgenation, transesterification and peptide synthesis, among others.

## Key initiatives

- Developed multiple raw material suppliers to ensure raw material availability
- Devised a plan to analyse raw material cost and consumption for each product
- Commercialised new drug intermediates like ETN-III and ETN-II side chain compounds

## Road ahead

The Company expects to commercialise 19 products in 2009-10 and commence production in its oncology unit.

## Manufacturing units of SMS Pharma

| Unit – I (Kazhipally) | Unit – II (Bachupally) | Unit – III (Jeedimetla) | Unit – IV (Jeedimetla) | Unit – V (Bollarum) | Oncology unit (Parwada) |
|---|---|---|---|---|---|
| • Plant area 62,500 sq.m;<br>• Reactor volume 320 kl<br>• ISO 9001 certified and WHO GMP approved<br>• Manufactures intermediates to feed FDA units<br>• Effluent treatment capacity of 55 kl/day | • US-FDA approved facility<br>• ISO 9001 certified<br>• WHO GMP approved<br>• Plant area is 18,200 sq. m<br>• Reactor volume is 52 kl<br>• Primary effluent treatment capacity of 20 kl/day and forced evaporation system of 3 kl/day | • Plant area 2,500 sq. metre<br>• Built-up area 1,200 sq. metre<br>• Dedicated facility for pellatisation | • Plant area is 3,832 sq. metre<br>• Reactor volume 28.8 kl<br>• ISO 9001 certified<br>• WHO GMP approved<br>• Manufactures anti-fungals and anti-ulcerants | • Plant area 8,422 sq. metre<br>• Reactor volume 83 kl<br>• ISO 9001 certified<br>• WHO GMP approved<br>• Manufactures variety of API's and intermediates | Phase I<br>• 1 API block (22.6 kl)<br>• 1 formulation block (2,000 sq. metre)<br>• QA/QC block, utilities block, warehouse |

## Product portfolio of SMS

| Anti ulcer | Anti fungal | Anti migraine | Anti obesity | Anti diabetic |
|---|---|---|---|---|
| • Ranitidine HCL {Form-1} USP / EP<br>• Ranitidine HCL {Form-2} USP / EP<br>• Omeprazole (pellets and powder)<br>• Lansoprazole<br>• Famotidine<br>• Pentoprazole Sodium<br>• Pentoprazole Sodium pellets | • Itraconazole Ph.Eur<br>• Itraconazole Ph.Eur<br>• Itraconazole Pellets 22.0%<br>• Ketoconazole USP / Ph. Eur<br>• Fluconazole USP / Ph .Eur<br>• Lanoconazole | • Sumatriptan Succinate USP / Ph .Eur<br>• Sumatriptan Base USP<br>• Almotriptan Malate<br>• Zolmitriptan<br>• Rizatriptan Benzoate | • Sibutramine HCL Monohydrate | • Rosiglitazone Maleate |
| **Antiemetics** | **Anti-cancer** | **Anti hypertensive** | **Anti psychotic** | **Others** |
| • Ondasetron Hydrochloride USP / Ph.Eur | • Gemcitabine HCL USP<br>• Imatinib Mesylate<br>• Bicalutamide<br>• Capecitabine | • Ramipril USP / Ph.Eur<br>• Imidapril HCl<br>• Doxazosin Mesylate | • Aripiprazole | • Sildenafil Citrate<br>• Nicotine Polacrilex USP / Ph .Eur |


# Quality

## Highlights, 2008-09

- Achieved zero customer complaints owing to superior quality
- Upgraded quality-control equipment; reduced in analysis time by 25%
- Facilities successfully audited by around 10 international customers
- Invested in automatic injector and gas chromatography to enhance in-process quality

## Overview

Quality is critical in a business that addresses human health and where the Company is expected to address demanding requirements of global pharmaceutical majors. The Company trained its 80-member quality team in processes and protocols; the team coordinated with the operations and R&D teams to monitor process stability, new process change and process documentation.

A testimony to the Company's stringent quality control were its ISO 9001 and cGMP certifications. Besides, the Company received six 'certificates of suitability' from the European Directorate for the Quality of Medicines (EDQM); it received drug dossiers from Japan, Korea and one each from Canada and Brazil.

The Company's 5-M quality focus comprised the following:

Man: The Company imparted training to its quality personnel during induction; the Company installed state-of-the-art insulators in the oncology unit to prevent radiation exposure (as anti-cancer products are highly cytotoxic).

Material: The Company undertook in-house raw material testing for all incoming raw material (chemical and physical) in addition to a thoroughly documented vendor screening across quality compliances.

Method: The Company invested in in-process checks to ensure quality consistency. The three-step checks covered pH balance, intermediate quality, final API, moisture content, impurity profiling, residual solvent and other impurity testing.

Machine: The Company invested in cutting-edge equipment like automated injectors, FTIR, UV, GC, Head space GC, HPLC, HPTLC, differential scanning calorimeter and digital polarimeter. This resulted in quicker and accurate quality results. The imported and branded equipment was re-calibrated every six months.

Mother nature: The Company invested in environment protection. Its insulators in the oncology unit ensured zero spillage of hazardous chemicals while its effluent treatment plant and sewerage system prevented hazardous discharge.

## Key initiatives

- The Company sustained its annual product review to analyse the results of production batches, yield range and failed batch analysis, among others. It undertook a statistical analysis of all products manufactured in 2008-09.
- The quality team monitored person-hours spent in quality checks and assurances.

## Road ahead

Going ahead, the quality team will enhance its focus on a new oncology unit to stabilise operations and is also stabilising the new multi-API unit in Vijaynagaram.

### Our priorities

- Establish a quality mindset
- Invest in a documentation discipline
- Invest in quality equipment
- Institute stringent protocols and processes
- Invest in people training

# Research and development

## Highlights, 2008-09

- The R&D centre commenced operations in May 2008 with six groups now working on the development of 12 drugs
- Presentation for DSIR recognition for the new R&D centre was completed successfully
- Five new products were introduced
- Highly complex Elitriptan intermediate was developed and supplied
- Patents were filed for three non-infringing processes; three patents were received; also, filed a patent for alpha polymorph process
- Transferred technology for four new drugs to the manufacturing units for scale up
- Three drugs were developed in the anti-psychotic and anti-viral segment; another three are in the development process

## Overview

The Company's R&D facility is engaged in creating superior and cost-effective products; it made breakthroughs in high-growth therapeutic segments like anti-cancer, anti-migraine, anti-diabetic and anti-ulcer, among others. The R&D team successfully derived important intermediates and natural plant extracts.

The Company's two dedicated state-of-the-art R&D centres are located in Hyderabad. Besides, all the manufacturing units possess an R&D centre for process optimisation and resolving product-related issues. The research centres possess 20 laboratories with a dedicated oncology laboratory with 40,000 sq. ft of laboratory area. The facilities include library, video conferencing area, training room, IT infrastructure and warehouses. The R&D centres are capable of supporting the development of 40 products annually.

The Company's research and development capabilities comprise reaction technologies, organic compound categories and novel catalytic systems. This centre is capable of delivering complex contract research modules to an international clientele. Its capabilities comprise:

- High pressure reactions (up to five bars in GLR); dedicated hydrogenation block
- Temperatures reaction from -65 degree Celsius to +250 degree Celsius across services and utilities
- Extensive process capabilities including column chromatography and high vacuum distillation (up to 1 mm), among others. Other critical competencies comprise aldol condensation, mannich reactions, oxidation, reform at sky reactions, sandmeyer reaction and heck coupling, among others.

## Achievements

- Replaced toxic and corrosive chemicals like phosphorus pentachloride in a patented process
- Altered the manufacturing process of Ranitidine to comply with environment standards, bagging the Indo-US GCNC Award
- Entered into an agreement with an international pharmaceutical major for the manufacture of Nicotine, NPR, Solanesol, CoQ10 and other molecules

## Our priorities

- Invest in dedicated state-of-the-art R&D centres with diverse capabilities
- Establish capability in managing high pressure reactions and high temperature ranges supported by extensive process capabilities
- Re-engineer the process to replace toxic chemicals
- Enter into agreement with international pharmaceutical majors for product manufacture
- Designed synthesis routes at reasonable costs; provide superior service
- Strengthen R&D lab to offer contract research services
- Accelerate new drug development

- Collaborated with a pharmaceutical major for the development, preparation and supply of new compounds

## Custom synthesis

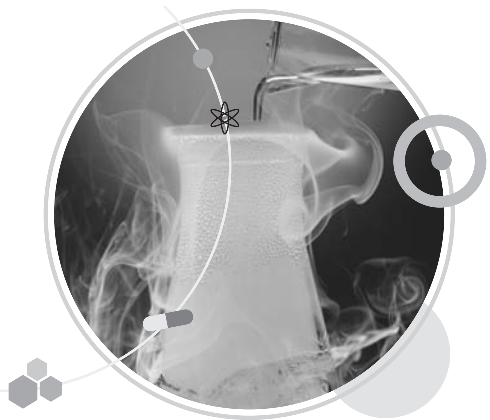
SMS possesses requisite skills for developing a cost-effective and efficient route for APIs and advanced intermediates, emerging as a preferred custom synthesis partner. In line with customer requirements, the Company designed synthesis routes at reasonable costs; services included lab-scale quantities from gram to kilo scale with regular updations and process scale-up, among others.

## Contract research

The Company's dedicated R&D lab is fully equipped to offer contract research services, including human resources. It also provides a proper security system with access control system in all laboratories to ensure the customer secrecy. The Company's offering includes a study of synthetic feasibility, selection of synthetic route, process development, scale-up, lead optimisation and analogue synthesis. During 2008-09, three prospective international clients visited the Company's R&D centre for appraisal and approval.

## Road ahead

There were around 16 new drugs under development at the Company's R&D centre and going ahead, the R&D team will be strengthened to capitalise on related opportunities.



# Marketing

## Highlights, 2008-09

- Increased total net income from Rs. 22,479.10 lakhs in 2007-08 to Rs. 24,926.69 lakhs
- Added clients in the international and domestic markets
- Established communication channels with major pharmaceutical agents in Europe and the US
- Supplied Capecitabine and Gemcitabine samples from the new dedicated oncology facility

## Overview

SMS strengthened client relationships and sought opportunities across domestic and international markets, providing critical inputs to the R&D team on prevailing realities.

**International sales:** The Company's products are found in 70 countries (regulated and unregulated markets). It added a number of international clients during 2008-09. Around 40% of the sales was derived from the international market. The Company's export sales grew 51.91% from Rs. 6,271.93 lakhs in 2007-08 to Rs. 9,527.73 lakhs in 2008-09.

**Domestic sales:** Domestic sales accounted for around 60% of the total sales in 2008-09. The Company's domestic sales were divided between retail and institutional clients.

- Institutional customer portfolio comprises Ranbaxy, Pfizer, Torrent, Lupin, Glenmark, Nicholas and Cipla, among others.

## Key initiatives

- The marketing department monitored receivables following the slowdown in the latter half of 2008-09 and correspondingly discontinued Latin American supplies.

- Oral and lung cancer in males and cervix and breast cancer in women account for over half of all cancer deaths in India.
- In India, 10% of adults suffer from hypertension.

*[Source: Times of India]*

- In India, 15-20% of people suffer from migraine.
- India is home to 25-30 million diabetics.

*[Source: Times of India]*

- Market for breast cancer drugs alone is expected to double from USD 35 million in 2007 to USD 64 million by 2012.

- It partnered with research agencies to offer integrated services in the oncology segment, from APIs to formulations to clinical trials, enabling the Company to become a preferred partner for all oncology solutions
- It identified a highly potential anti-nicotine market for entry

## Road ahead

Going ahead, the Company will seek new markets with innovative pharmaceutical solutions and for the entire range of anti-cancer drugs from its dedicated oncology unit.

## Our priorities

- Enhance export revenues
- Enhance income from longstanding clients
- Regulate supplies to markets affected by the slowdown
- Offer integrated services in the oncology segment
- Identify the anti-nicotine market for entry
- Seek new markets with innovative pharmaceutical solutions

## Strong marketing alliances

| Domestic market | International market |
|---|---|
| Ranbaxy Laboratories Limited | Uqiffa (Spain) |
| Cadila Pharmaceuticals Limited | Zentiva (Czech Republic) |
| Torrent Pharmaceuticals Limited | Apotex (Canada) |
| Dr.Reddy's Labs Limited | Teva (US and Israel) |
| Dabur India Limited | Welding GMBH (Germany) |
| | Helm AG (Germany) |

# People, power and potential

## Overview

SMS nurtures people with the objective of developing empowered leaders. This has resulted in a highly motivated work force with a lower-than-industry attrition rate. The Company has 550 members on its direct payroll; the average employee age stands at 40 years, reflecting a mix of youth and experience. The SMS team represents a prudent mix of PhDs, MBAs, chemists, chartered accountants and other graduates.

| Department wise employee break-up | |
|---|---|
| Production | 258 |
| Research and development | 27 |
| Quality control | 97 |
| Marketing | 11 |
| Other support functions | 159 |

**Recruitment:** SMS conducts entry level recruitment from known sources and references. The senior level requirements are plugged through internal promotions. For critical positions, the Company recruits employees well in advance of project execution to help them develop project knowledge.

**Training:** The Company provides induction training of 7-10 days to new recruits. After the initial training, the employees are provided on-the-job training under the supervision of the respective department head. It also sends employees to attend technical trainings, seminars and exhibitions to enrich knowledge base.

The Company created a training calendar of employees, based on performance appraisals.

Performance appraisals: Each department head appraises member performance against a predetermined KRA. The Company rewards employees through cash incentives and promotions.

**Employee welfare:** The Company provides group personal accident policies to employees and Mediclaim insurance for seniors. It provides subsidised food and beverages to workers as well as pick-up and drop facility. SMS celebrates various festivals with employees' families.

## Road ahead

Going ahead, the Company plans to introduce a comprehensive human resources manual, comprising guidelines for subsidised loans and appraisal policies, among others.

# Sustainability through prudent derisking

SMS's integrated risk management framework comprises prudent norms, structured risk reporting and control. This approach ensures that the risk management practice is centrally initiated by the senior management, but managed across various organisational levels.

The management reviews the risk and reward related to a business transaction. This risk management approach conforms to the Company's strategic direction and is consistent with the shareholders' desired total returns, the Company's credit rating and its risk appetite.

| Risk identification | Risk relevance | Risk mitigation |
|---|---|---|
| **Raw material risk**<br>An inability to procure raw materials at the right price, time and quantity could affect operations, impacting growth. | Around 20.60% of the Company's raw material requirement was imported. | • The Company sourced raw material from both domestic and international sources<br>• Developed alternative supply sources to ensure uninterrupted raw material supply<br>• These were procured three months in advance to protect production flow.<br>• Material was screened by a comprehensive filter (40-100 questions) leading to quality throughput |
| **Marketing risk**<br>Improper marketing could jeopardise product visibility and brand. | The Company enjoys an extensive geographic presence (70 countries) and is a preferred supplier to seven leading pharmaceutical majors in India and abroad. | • The marketing department closely monitors relationships with customers to ensure repeat business<br>• Established a communication network with major pharmaceutical agencies in the US and Europe for business development<br>• Monitors global pharmaceutical trends and supplies critical inputs for the R&D department to work on.<br>• Created a robust distribution network |
| **Research and development risk**<br>Huge R&D investments could dent the bottomline. | The Company invested Rs. 503.41 lakhs in research and development in 2008-09. | • Filed 22 patents in India and 12 patents abroad in three years<br>• Invested in sophisticated R&D equipment to catalyse research<br>• Filed DMF under CRAMS for a Swiss pharmaceutical company<br>• Manufactured a drug for a US company under CRAMS<br>• Helped replace toxic chemicals through a patented process<br>• Working to improve productivity and reduce production costs |
| **Regulatory risk**<br>Inability to acquire regulatory approvals for new products could affect growth. | The Company filed for product approvals in various countries. | • Added new clients in regulated markets<br>• Filed six certificates of suitability in Europe, three dossiers each in Japan and Korea and one dossier each in Brazil and Canada<br>• Filed DMF for a number of drugs<br>• Created new US-FDA compliant facilities that are expected to enhance access to regulated markets |

| Risk identification | Risk relevance | Risk mitigation |
|---|---|---|
| **Product acceptance risk**<br>The new products developed by the Company may not be accepted by the marketplace. | The Company introduced five new products during 2008-09, which endorses its ability to manufacture relevant quality products. | • Positioned as the world's largest Ranitidine producer<br>• Business development team helps the R&D team develop products with potential<br>• Identified several drugs for development that are going off-patent |
| **Funding risk**<br>Inability to raise adequate funds at a competitive rate could hamper expansion. | The Company has planned various investments in the coming years. | • Ranked 'SME1' by CRISIL, reflecting the highest level of creditworthiness<br>• Debt-equity ratio of 0.41, reflecting fiscal comfort |
| **Quality risk**<br>Inconsistent product quality could lead to client attrition. | The Company provides contract manufacturing services to domestic and international pharmaceutical majors, a testimony of its quality standards. | • Instituted checks for incoming raw materials, in-process products and end products<br>• Invested in equipment that reduced analytical time by around 25%<br>• Imparted induction and regular training<br>• Received ISO 9001:2000 certification for process consistency |
| **Working capital management risk**<br>Poor working capital management may hamper daily operations. | The Company is scaling up its operations both in terms of enhanced capacity and increased product portfolio. | • The Company enjoys a successful current ratio of 2.02.<br>• Good repayment record and a sound balance sheet enabled the Company to raise additional working capital loan during 2008-09<br>• It closely monitors debtor repayment trends and accordingly regulates supplies. |
| **Foreign exchange fluctuation risk**<br>Adverse currency fluctuations could dent the bottomline. | The Company had a foreign currency exposure of Rs. 1,063.52 lakhs as on 31st March 2009. | • The Company's export-import exposure serves as a natural hedge<br>• Imports estimated at only a third of export value<br>• Followed the AS11 standard for accounting; wrote down Rs. 123.97 lakhs as loss on foreign currency loans in 2008-09 |
| **Environment risk**<br>Non-compliance with environment norms could attract reprimand from the concerned authorities. | The Company is in the pharmaceuticals business, warranting a compliance with demanding environment norms. | • The Company installed a state-of-the-art pollution control system and attained zero discharge in some units.<br>• It tied up with various service providers for proper treatment and disposal of waste.<br>• Installed state-of-the-art effluent treatment plant and sewerage system for pollution control<br>• Installed forced evaporation system to accelerate water evaporation, leaving behind salts, which were sent for disposal to the Hyderabad waste management project<br>• The R&D department works closely from the time of product development for environment protection.<br>• The insulators installed at the oncology facility prevent spillage, protecting the environment. |

# Corporate information

## Board of Directors

| | |
|---|---|
| Mr. P. Ramesh Babu | *Chairman & Managing Director* |
| Mr. TVVSN Murthy | *Vice-Chairman & Joint Managing Director* |
| Mr. S. Srinivas | *Nominee Director of Exim Bank* |
| Mr. A.P. Rao | *Director* |
| Dr. Mihir K. Chaudhuri | *Director* |
| Dr. B.M. Choudary | *Director* |
| Mr. K.S. Rao | *Director* |
| Mr. Abdul Razzaq Yousef | *Nominee Director of Gulf Pharmaceuticals, U.A.E. (up to 30.04.09)* |
| Dr. Ayman Sahli | *Nominee Director of Gulf Pharmaceuticals, U.A.E. (from 30.04.09)* |

## Chief Financial Officer

Mr. N. Rajendra Prasad

## Registered Office

417, Nilgiri, Aditya Enclave, Ameerpet, Hyderabad-500 038
Phone : 040-23746059, Fax : 040-66364417
Email : info@smspharma.com

## Corporate Office

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

## 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.-502325.
Phone : 040-65986691
Fax : 040-23040981
Email : unit2@smspharma.com

**Unit-III**
Plot No.D-63, Phase-1, I.D.A, , Jeedimetla, Hyderabad-A.P.-500055
Phone : 040-23096380
Email : unit3@smspharma.com

**Unit – IV**
Plot.No 66/B-D, Phase-1, IDA Jeedimetla, Hyderabad-500055
Phone : 040-23095151
Fax No. : 040-23735639

**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 : 091-9949887739
Email : parawada@smspharma.com

**Unit – VII**
Sy. No.160,161, 163 to 167,
Kandivalasa, Poosapatirega (Mandal), Vijayanagaram Dist.
Phone : 08922 - 258051
Fax : 08922-258052
Email : srj@smspharma.com

**Corporate R&D.** (CRAMS)
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-500018.
Phone : 040-23702318
Fax : 040-23814709
Email : ansingh@smspharma.com

## Auditors

**Ms. Rambabu & Co.,** *Chartered Accountants*
31, Pancom Chambers, Rajbhavan Road, Hyderabad-500 082.
Phone : 040-23311587
Fax : 040-23397182
Email : rambabuandco1982@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,** Hyderabad
**Exim Bank of India,** Hyderabad
**AXIS Bank Ltd.,** Hyderabad

# Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the 21st Annual Report and Audited Accounts of your Company for the year ended 31st March 2009.

## Financial results

*(Rs. in lakhs)*

| Particulars | 2008-09 | 2007-08 |
|---|---|---|
| Gross Sales | 27,406.95 | 23,742.86 |
| Net Sales | 24,478.67 | 21,040.67 |
| Other Income | 40.52 | 505.46 |
| Total Income | 24,519.19 | 21,546.13 |
| PBIDT | 2,381.52 | 4,441.76 |
| Financial Charges | 959.04 | 686.54 |
| Depreciation | 627.91 | 517.95 |
| Profit before Tax | 794.57 | 3,237.27 |
| Taxation | 164.72 | 521.21 |
| Profit After Tax | 629.85 | 2,716.06 |
| Profit brought forward | 1,657.05 | 3,175.34 |
| Total available for Appropriations. | 2,286.90 | 5,891.40 |
| Appropriations: | | |
| Proposed Dividend | 200.31 | 200.31 |
| Dividend Tax | 34.04 | 34.04 |
| General Reserve | 100.00 | 4,000.00 |
| Profit carried to Balance Sheet | 1,952.55 | 1,657.05 |
| Earning per share – Basic/Diluted | 6.29 | 27.15 |

## Management's Discussion and Analysis

A detailed Management Discussion and Analysis is provided in the Annual Report.

## Share Capital

During the financial year 2008-09, 12,978 Equity Shares of Rs.10/- each were allotted to the erstwhile shareholders of M/s. Plant Organics Limited on account of merger of M/s. Plant Organics Limited with your Company, as per the scheme of amalgamation sanctioned by the Board for Industrial and Financial Reconstruction (BIFR).

## Dividend

Your Directors are pleased to recommend the dividend of Rs. 2.00 per equity share of Rs.10/- each absorbing an amount of Rs.2,34,34,574/- inclusive of tax on dividend.

## Transfer to Reserves

The Company proposed to transfer Rs.1,00,00,000/- 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 are eligible for re-appointment have confirmed their eligibility and willingness to accept office for the financial year ended 31st March 2009.

The Company has received confirmation from the both the firms that their appointment will be within the limits prescribed under Section 224 (1B) 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 2008-09.

## Project implementation status

The world class dedicated oncology facility at Jawaharlal Nehru Pharma City, Parawada, Visakhapatnam has been completed and commenced operations during the current year. Another major project at Kandivalasa, Poosapatirega (Mandal), Vijayanagaram was also completed and commenced operations during the year.

## Fixed deposits

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

## Directors

Dr. Ayman Sahli, General Manager of Gulf Pharmaceutical Industries, U.A.E., has been appointed as an Additional Director of the Company in place of Mr. Abdul Razzaq in the Board Meeting held on 30.04.2009. He will be retiring in the ensuing Annual General Meeting under Section 260 of the Companies Act, 1956 and being eligible offers himself for re-appointment. Notice has been received from a member of the Company under Section 257 of the companies Act, 1956, proposing the candidature of Dr. Ayman Sahli for appointment as Director of the Company.

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

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

## Corporate Governance

A detailed report on Corporate Governance along with the certificate of the Auditors, M/s. Ch. Veeranjaneyulu & Associates, Company Secretaries, confirming compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement, forms a part of this Annual Report.

## Contribution to the ex-chequer

Your Company has contributed Rs. 3,152.02 lakhs to the ex-chequer (Previous year Rs. 2,774.62 lakhs) by way of taxes.

## Directors' responsibility statement

Pursuant to the requirement under Section 217 (2AA) of the

Companies Act, 1956 on the Directors' responsibility statement, it is hereby confirmed:

1. That in the preparation of the annual accounts for the year ended 31st March 2009, applicable accounting standards were followed along with proper explanations relating to material departures.

2. That your Directors selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 31st March 2009 and of the profit of the Company for that period.

3. That your Directors took proper and sufficient care to maintain adequate accounting records in accordance with the provisions of this Act to safeguard the Company's assets and to prevent and detect fraud and other irregularities.

4. That your Directors prepared the annual accounts for the year ended 31st March 2009 on a going concern basis.

## Research and Development (R&D)

Research and Development is the backbone of any Company in Pharma Industry. Towards this a state of the art Corporate Research Center was established in Hyderabad to focus on contract Research and Development and manufacture with full infrastructure to support right from Product conception stage to DMF filings. It has 10 labs including a dedicated oncology lab in the area of 40,000 sft apart from pilot plant and kilo lab. The said center was inaugurated by distinguished Prof. A.K. Chakraborti, M.Sc., Ph.D of National Institute of Pharmaceutical Education and Research (NIPER). Your Company is the first Pharma Company in India to bag "Indo U.S. Green Chemistry Award for Environment" while producing huge volumes of products.

## Particulars of employees

The particulars of employees required under the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended to date, were not applicable to your Company as none of the employees receive remuneration aggregating to Rs. 24,00,000 or more per year or Rs. 2,00,000 or more per month.

## Disclosure of particulars

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, the relevant information and data is attached as an annexure to this Report.

## Dematerialisation

Your Company's shares are traded 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.

## Transfer of unpaid/unclaimed dividend to Investor Education and Protection Fund (IEPF)

The dividend declared for the year 2001-02 has been fully claimed and paid by the Company.

## Acknowledgements

Your Directors gratefully acknowledge and appreciate the support extended by the banks, financial institutions, various government authorities and also customers, dealers and trade and employees and workers for their continued support and confidence reposed in the Company.

For and on behalf of the Board

**P. Ramesh Babu**
*Chairman and Managing Director*

Place: Hyderabad
Date : 10th August 2009

# 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 and fuel consumption:

*(Rs. in lakhs)*

| | 2008-09 | 2007-08 |
|---|---|---|
| 1. Electricity: | | |
| a. Purchased: | | |
| Units (Lakhs) | 91.62 | 92.08 |
| Total amount (Rs. in lakhs) | 334.34 | 326.77 |
| Rate/unit (Rs.) | 3.65 | 3.55 |
| b. Own generation | | |
| Through diesel generator | | |
| Units (KWH in lakhs) | 184.42 | 176.42 |
| Unit per ltr. of diesel | 3.40 | 3.47 |
| Cost/unit (Rs. in lakhs) | 10.70 | 9.61 |
| 2. Coal (D/C grade): | | |
| Quantity (ton) | 9,693 | 10,306 |
| Total cost (Rs. in lakhs) | 323.69 | 325.92 |
| Average rate per ton (Rs.) | 3,340 | 3,162 |
| 3. Furnace oil: | | |
| Quantity (Ltrs) | 1,68,000 | 2,20,500 |
| Total amount (Rs. in lakhs) | 40.31 | 45.19 |
| Average rate per ltr. (Rs.) | 24.99 | 20.49 |

### B. Consumption for unit of production:

| | | |
|---|---|---|
| Products | – | Since the Company manufactures different Bulk Drugs & Drug Intermediates, it is not practicable to give consumption per unit of production. |
| Electricity | – | |
| Coal (D/C grade) | – | |
| Others (specify) | – | |

## 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
- Development of analytical methods
- Impurities profiling and synthesis of impurities and their sale Creation of intellectual property and international regulatory filings

**b) Benefits derived as a result of the above**

The above research activity has resulted in commercilising/ / scaling up of a number of products including

- Imatinib mesylate process
- Imatinib mesylate α-polymorph
- Eletriptan intermediate
- Eletriptan hydrobromide
- Gemcitabine hydrochloride
- Capecitabine

**c) The Company has developed processes for the following products, ready to be scaled up**

- Bicalutamide
- Letrozole
- Valsartan
- Lanoconazole

**d) Modification of existing processes for reducing the cost of product in the areas of anti- migraine, anti-hypertensive, antifungal, anti-ulcer etc.**

- Patents filed for Imatinib mesylate, Imatinib mesylate α-polymorph and Eletriptan intermediate
- Drug Master Files (DMF) have been filed for active pharmaceutical ingredients such as
  - Lansoprazole
  - Pantoprazole Sodium Sesquihydrate
  - Aripiprazole
  - Rosiglitazone Maleate
  - Sibutramine HCl monohydrate
  - Lanoconazole

**e) Future plan of action**

- Development processes for new products in various therapeutic categories
- Improvement of the cost of production of the existing products
- Undertake custom synthesis and contract manufacture
- Expand the R&D activities in the new facility

### 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 optimisation has been achieved in Production, which resulted in lower cost of production.

**c) Details of technology imported during the past 5 Years.**

| | |
|---|---|
| i) Technology imported.<br>ii) Year of Import.<br>iii) Has Technology been fully absorbed?<br>iv) 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 years. |

## FORM – C

FOREIGN EXCHANGE EARNINGS AND OUTGO *(Rs. in lakhs)*

| Particulars | 2008-09 | 2007-08 |
|---|---|---|
| **Foreign exchange earnings** | | |
| Export of goods (FOB) | 8,514.21 | 5,075.75 |
| **Foreign exchange outgo** | | |
| i) **CIF value of imports** | | |
| Raw materials | 3,969.84 | 2,273.99 |
| Capital goods | 150.33 | 499.49 |
| ii) **Expenditure in foreign currency** | | |
| Travelling | 0.46 | – |
| Sales commission | 129.92 | 90.43 |

# Corporate Governance

## Introduction

A report for the financial year ended 31st March 2009 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 organisation. Good Corporate Governance leads to long term shareholder value and enhances interest of other stakeholders. It brings into focus the fiduciary and the trusteeship role of the Board to align and direct the actions of the organisation towards creating wealth and shareholder value.

## 2. Board of Directors

The Company's Board as of date, comprises eight members, of which majority are Independent Non-Executive Directors, who are leading professionals in their respective fields. The Board comprises two (2) Executive Directors and six (6) Independent Directors.:

The constitution of the Board is given below

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

### Note:

ED – Executive Director; ID – Independent Director

*Nominee Director of M/s. Gulf Pharmaceuticals, RAK, U.A.E., appointed in the Board Meeting held on 30th April 2009 replacing Mr. Abdul Razzaq Yousef.

(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 limits 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:

30th April 2008, 30th July 2008, 31st October 2008, 29th November 2008 and 27th January 2009

The Company placed before the Board, budgets, annual operating plans, performance of the business and various other information, this includes the one specified under annexure --1A 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 December 2008 were as under:

| Name of Director | Board meetings | | AGM |
|---|---|---|---|
| | Held during their tenure | Attended | |
| Mr. P. Ramesh Babu | 5 | 5 | Yes |
| Mr. T. V. V. S. N. Murthy | 5 | 5 | Yes |
| Mr. A. P. Rao | 5 | 5 | Yes |
| Mr. K. S. Rao | 5 | 5 | Yes |
| Dr. B. M. Choudary | 5 | 2 | No |
| Dr. Mihir K. Chaudhuri | 5 | 2 | No |
| Mr. S. Srinivas* | 4 | 4 | No |
| Mr. Abdul Razzaq Yousef ** | 5 | – | – |

* Appointed with effect from 30th July 2008

** Dr. Ayman Sahli appointed with effect from 30th April 2009 replacing Mr. Abdul Razzaq Yousef

## 4. Code of Conduct

The Company 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 were made by the Directors and senior management of the Company.

## 5. Audit Committee

During 2008-09, five Audit Committee meetings were held on the following dates, including the one before finalisation of annual accounts and adoption of quarterly financial results by the Board:

30th April 2008, 30th July 2008, 31st October 2008, 29th November 2008 and 27th January 2009

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

| Name | Designation | Category | Profession | Committee meetings | |
|---|---|---|---|---|---|
| | | | | Held during their tenure | Attended |
| Mr. K. S. Rao | Chairman | Independent Director | Chartered Accountant | 5 | 5 |
| Mr. A. P. Rao | Member | Independent Director | Cost Accountant | 5 | 5 |
| Dr. B. M. Choudary | Member | Independent Director | Business | 5 | 3 |
| Mr. S. Srinivas* | Member | Independent Director | Service | 5 | 4 |

*Appointed with effect from 30th July 2008

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 Company's statutory auditors and internal auditors 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 and Non-Promoter 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 fee. The Compensation Committee met once during the year.

The members of the Committee are:

| Name | Designation | Category | Number of meeting attended |
|---|---|---|---|
| Mr. K. S. Rao | Chairman | Independent Director | 1 |
| Mr. A. P. Rao | Member | Independent Director | 1 |
| Mr. B. M. Choudary | Member | Independent Director | 1 |

## 7. Remuneration of Directors

Details of remuneration paid/payable to the Directors for the year ended on 31st March 2009 are as follows.

*(Rs. in lakhs)*

| Director | Relationship with other Directors | Business relationship with the Company | Sitting fee | Salary and perquisites | Performance linked bonus/ commission | Total |
|---|---|---|---|---|---|---|
| Mr. P. Ramesh Babu | None | Promoter | – | 25.61 | – | 25.61 |
| Mr. T. V. V. S. N. Murthy | None | Promoter | – | 29.49 | – | 29.49 |

(a) Non-Executive Directors are only entitled to sitting fee for attending the Board and Committee meetings

(b) No loans and advances were given to any Director of the Company

## 8. Investors Grievance Committee

The Investors Grievance Committee met thrice during the year on 2nd September 2008, 10th November 2008 and 25th March 2009. As of date, following are the members of this Committee:

| Name | Designation | Category |
|---|---|---|
| Mr. K. S. Rao | Chairman | Independent Director |
| Mr. A. P. Rao | Member | Independent Director |
| Dr. B. M. Choudary | Member | Independent Director |

Mr. Y. Nagarjuna Rao, Asst. General Manager is the Compliance Officer.

### Investor Grievances

The following table shows the number of complaints received from shareholders during 2008-09.

| No. of complaints received | No. of complaints resolved | No. of complaints pending |
|---|---|---|
| 24 | 24 | Nil |

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

The Company designated the email id cs@smspharma.com exclusively for the purpose of registering complaints by investors electronically. The email id is 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 three years were as follows:

| Annual General Meeting (AGM) | Date | Time | Venue | No. of special resolutions passed |
|---|---|---|---|---|
| 18th AGM | 28th September 2006 | 11.00 am | Jubilee Hills Club, Jubilee Hills, Hyderabad - 500033 | – |
| 19th AGM | 28th September 2007 | 11.00 am | -do- | – |
| 20th AGM | 29th December 2008 | 11.00 am | -do- | 3 |

The special resolutions were passed unanimously on show of hands.

## 10. Note on Directors reappointment

Dr. Mihir K. Chaudhuri and Dr. B. Manoranjan Choudary retire by rotation at the ensuing Annual General Meeting (AGM) and are eligible for reappointment.

Brief details concerning these Directors are given below:

### Dr. Mihir K. Chaudhuri

Dr. Mihir K. Chaudhri has a Doctorate from IIT, Kharagpur, India and Ruhr University, Bochum, West Germany in fields of organometallic and inorganic chemistry. He is a fellow of various academic bodies and has been recognised as one of the best chemists and chemical Engineers by ISI, USA in 1997-98. He has been serving in various capacities in different academic committees, councils and board of organisations such as CSIIR, UGC and NHRD, among others. He has also been involved at national level policy-making bodies in India since 1982. He has over 120 publications and four patents to his credit. At present he is the Vice-Chancellor of Tezpur University, Assam -784 028.

### Dr. B. Manoranjan Choudary

Dr. B. Manoranjan Choudary is a Postgraduate in science from Vikram University. He did his Doctorate in inorganic chemistry from Gujarat University. He worked for Indian Institute of Chemical Technology for a period of 30 years. Currently, he has his own research set up at Hyderabad. Dr. Choudary was honoured with the "Andhra Pradesh Scientist Award-2004", Shantiswarup Bhatnagar Award by Indian National Science Academy in recognition of his contributions in the field of chemistry.

He has various scientific articles over 150 and 100 patents to his credit. He is one of the technical members in international technical committee formed for Nano Technology in 2005. He is a fellow of Indian Academy of Sciences. At present he is the

Managing Director of Ogene Systems (I) Private Limited, Hyderabad.

### 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 transactions of material nature were entered into by the Company with its Directors or the management and their relatives, among others, that may have a potential conflict with interests of the Company. The register of contracts/statement of related party transactions is placed before the Board/Audit Committee regularly;

Transactions with related parties are disclosed in Note No. 27 of Schedule 24 to the Accounts in the Annual Report;

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

### Compliance with mandatory/non-mandatory requirements

- The Company 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 1D 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 and Analysis forms a part of this Annual Report.

## 13. General shareholder information

### a) Annual General Meeting

| | | |
|---|---|---|
| Date and time | : | Wednesday 30th September 2009 at 11.00 am |
| Venue | : | Jubilee Hills Club, Jubilee Hills, Hyderabad - 500033 |

### b) Financial calendar

| | | |
|---|---|---|
| Financial reporting for quarter ending 30th June 2009 | : | 25th July 2009 |
| Half year ending 30th September 2009 | : | October 2009 |
| Quarter ending 31st December 2009 | : | January 2010 |
| Year ending 31st March 2010 | : | June 2010 |
| Annual General Meeting for the year ending 31st March 2010 | : | September 2010 |

| | | |
|---|---|---|
| **c) Date of book closure** | : | 25th September 2009 to 30th September 2009 |
| **d) Dividend payment date** | : | Within 30 days from the date of AGM |
| **e) Registered office** | : | 417, Nilgiri, Aditya Enclave Ameerpet, Hyderabad - 500 038 |

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 Company's stock was listed in the month of February, 2007

| Month | The Bombay Stock Exchange | | | The National Stock Exchange | | |
|---|---|---|---|---|---|---|
| | High (Rs.) | Low (Rs.) | Volume | High (Rs.) | Low (Rs.) | Volume |
| April 2008 | 230.00 | 160.00 | 3,16,691 | 217.40 | 150.00 | 4,10,554 |
| May 2008 | 340.00 | 212.00 | 33,15,259 | 326.00 | 210.00 | 34,70,220 |
| June 2008 | 307.60 | 232.30 | 8,64,903 | 306.00 | 205.00 | 10,36,546 |
| July 2008 | 232.00 | 195.00 | 1,39,870 | 238.00 | 194.00 | 1,22,307 |
| August 2008 | 228.00 | 193.05 | 1,19,089 | 229.50 | 190.55 | 1,88,377 |
| September 2008 | 228.50 | 152.50 | 3,63,764 | 229.00 | 152.00 | 2,97,197 |
| October 2008 | 165.50 | 96.10 | 2,68,973 | 164.00 | 97.05 | 2,01,291 |
| November, 2008 | 109.90 | 85.00 | 1,03,725 | 109.50 | 85.00 | 1,62,685 |
| December 2008 | 94.90 | 74.00 | 1,87,321 | 93.00 | 74.10 | 91,733 |
| January 2009 | 97.50 | 72.10 | 30,111 | 99.65 | 74.00 | 34,773 |
| February 2009 | 80.00 | 74.25 | 18,730 | 84.40 | 75.00 | 44,947 |
| March 2009 | 88.00 | 75.00 | 1,06,398 | 88.00 | 75.00 | 72,980 |

h) **Share transfer agents** : M/s. Aarthi Consultants Private Limited
1-2-285, 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 was delegated to the Investors Grievances Committee, which comprises:

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

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

In case of shares held in physical form, all transfers were completed within 12 days from the date of receipt of complete documents. As on 31st March 2009 there were no equity shares pending for transfer. Also, there were no demat requests pending as on 31st March 2009.

j) Distribution of equity shareholding as on 31st March 2009

| Slab of shareholdings | Shareholders | % | Number of shares | % |
|---|---|---|---|---|
| 1 to 5000 | 14,938 | 96.00 | 8,92,074 | 8.91 |
| 5001 to 10000 | 266 | 2.00 | 2,28,067 | 2.28 |
| 10001 to 20000 | 163 | 1.00 | 2,79,380 | 2.79 |
| 20001 to 30000 | 32 | 0.00 | 80,066 | 0.80 |
| 30001 to 40000 | 29 | 0.00 | 1,09,922 | 1.10 |
| 40001 to 50000 | 16 | 0.00 | 76,200 | 0.76 |
| 50001 to 100000 | 20 | 0.00 | 1,50,942 | 1.51 |
| 100001 and above | 73 | 1.00 | 81,98,552 | 81.86 |
| **Total** | **15,537** | **100.00** | **1,00,15,203** | **100.00** |

According to categories of equity shareholders as on 31st March 2009

| Serial No. | Category of shareholders | No. of shareholders | No. of shares |
|---|---|---|---|
| (A) | Shareholding of promoter and promoter group | 16 | 53,68,137 |
| (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 | 246 | 10,67,356 |
| | (b) Individuals | | |
| | (i) holding nominal share capital up to Rs. 1 lakh | 15135 | 16,36,895 |
| | (ii) Holding nominal share capital in excess of Rs. 1 lakh | 42 | 9,04,018 |
| | (c) Any other (specify) | | |
| | (i) Non-resident individuals | 66 | 22,949 |
| | (ii) Overseas corporate bodies | 1 | 9,00,000 |
| | (iii) Clearing members | 26 | 3,562 |
| | (iv) Trusts | 2 | 172 |
| | **Sub-total** | **15,518** | **45,34,952** |
| | **Total public shareholding** | **15,521** | **46,47,066** |
| | **Total** | **15,537** | **1,00,15,203** |

### k) Dematerialisation of shares

As on 31st March 2009, 78,65,765 equity shares (78.53%) of the total number of shares were in dematerialised form.

### l) Details of shares held in demat suspense account with HSE Securities Ltd (IN302734-10034023) for the period from 1st April 2008 to 31st March 2009.

| | | | | |
|---|---|---|---|---|
| (i) | Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year | Number of shareholders<br>Number of shares | :<br>: | 3<br>69 |
| (ii) | Number of shareholders who approached issuer for transfer of shares from suspense account during the year | Number of shareholders<br>Number of shares | :<br>: | 1<br>19 |
| (iii) | Number of shareholders whose shares were transferred from suspense account during the year. | Number of shareholders<br>Number of shares | :<br>: | 1<br>19 |
| (iv) | Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year. | Number of shareholders<br>Number of shares | :<br>: | 2<br>50 |
| (v) | That the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares. | | | Yes |

### Investors correspondence

**Mr. Y. Nagarjuna Rao**
*Compliance Officer*
**SMS Pharmaceuticals Limited**
417, Nilgiri, Aditya Enclave, Ameerpet, Hyderabad - 500038
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 for the year ended 31st March 2009 as stipulated in clause 49 of the Listing Agreement of 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, 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 during the year ended 31st March 2009, no investor grievances are pending against the Company, as per the records maintained by the Company and presented to the Investors/Shareholders Grievance Committee.

**For Ch. Veeranjaneyulu & Associates**
*Company Secretaries*

Place: Hyderabad
Date : 25th July 2009

**Ch. Veeranjaneyulu**
*Proprietor*

# Auditors' Report

To
The Members
SMS Pharmaceuticals Limited
Hyderabad

We have audited the attached Balance Sheet of SMS PHARMACEUTICALS LIMITED, HYDERABAD, as at 31st March 2009 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 2009 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2009 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 2009
      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*

Ravi Rambabu
*Partner (M.No.18541)*

For P. Murali & Co.
*Chartered Accountants*

P. Murali Mohan Rao
*Partner (M.No.23412)*

Place : Hyderabad
Date : 10th August 2009

# Annexure to the Auditors' Report

Referred to as in paragraph 1 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 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 2009 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 | 1989-90 | 672 |
| 2 | Income Tax Act,1961 | Income Tax | 1992-93 | 8,809 |
| 3 | Income Tax Act,1961 | Income Tax | 1993-94 | 15,07,858 |
| 4 | Income Tax Act,1961 | Income Tax | 1994-95 | 2,47,280 |
| 5 | Income Tax Act,1961 | Income Tax | 1995-96 | 15,26,900 |
| 6 | Income Tax Act,1961 | Income Tax | 1997-98 | 19,53,992 |
| | | | | **52,45,511** |

(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.

| S.No | Name of the Statute | Nature of the dues | Forum where dispute is pending | Year | Disputed Amount Rs. | Deposit Amount Rs. | Unpaid Deposit Amount Rs. |
|---|---|---|---|---|---|---|---|
| 1 | Income Tax Act, 1961 | Income Tax | ITAT | 2000-01 | 68,520 | -- | 68,520 |
| 2 | Income Tax Act, 1961 | Income Tax | CIT(A) | 2005-06 | 8,44,169 | 7,73,983 | 70,186 |
| 3 | Income Tax Act, 1961 | Income Tax | ITAT | 2001-02 | 8,46,193 | 5,97,247 | 2,48,946 |
| 4 | Income Tax Act, 1961 | Income Tax | ITAT | 2002-03 | 10,15,048 | 7,90,000 | 2,25,048 |
| 5 | Income Tax Act, 1961 | Income Tax | CIT(A) | 1996-97 | 38,78,616 | -- | 38,78,616 |
| 6 | Income Tax Act, 1961 | Income Tax | AO | 2001-02 | 1,21,475 | -- | 1,21,475 |
| 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 | Interest on IT | AO | 1992-2009 | 1,09,00,000 | -- | 1,09,00,000 |
| 10 | Central Excise Act, 1944 | Central Excise | AP High Court | 1995-98 | 38,91,000 | 3,00,000 | 35,91,000 |
| 11 | Central Excise Act, 1944 | Interest on CEX | AP High Court | 1995-2009 | 61,00,000 | -- | 61,00,000 |
| | | | | **Total** | **3,22,69,224** | **24,61,230** | **2,98,07,994** |

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 end-use of money raised by public issue has been disclosed in the financial statements.

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*

Ravi Rambabu
*Partner (M.No.18541)*

For P. Murali & Co.
*Chartered Accountants*

P. Murali Mohan Rao
*Partner (M.No.23412)*

Place : Hyderabad
Date : 10th August 2009

# Balance Sheet As at 31st March 2009

*(Amount in Rupees)*

| Particulars | Schedule | As at 31.03.2009 | As at 31.03.2008 |
|---|---|---|---|
| I SOURCES OF FUNDS | | | |
| 1 Share Holders Funds | | | |
| a. Share Capital | 1 | 10,01,52,030 | 10,01,52,030 |
| b. Reserves & Surplus | 2 | 2,02,15,75,669 | 1,98,20,25,209 |
| 2 Loan Funds | | | |
| a. Secured Loans | 3 | 1,29,88,09,493 | 82,41,46,064 |
| b. Un-Secured Loans | 4 | 7,36,44,041 | 9,31,50,664 |
| 3 Deferred Tax Liability | | 16,95,01,019 | 15,89,39,125 |
| Total | | 3,66,36,82,252 | 3,15,84,13,092 |
| II APPLICATION OF FUNDS | | | |
| 1 Fixed Assets | | | |
| a. Gross Block | 5 | 1,31,03,44,306 | 1,08,84,72,275 |
| b. Less: Depreciation | | 43,79,20,947 | 37,64,68,673 |
| c. Net Block | | 87,24,23,359 | 71,20,03,602 |
| d. Add:Capital Work-in-Progress | | 1,20,43,96,303 | 85,40,89,968 |
| | | 2,07,68,19,662 | 1,56,60,93,570 |
| 2 Investments | 6 | 51,65,440 | 51,65,440 |
| 3 Current Assets | | | |
| a. Inventories | 7 | 71,92,64,108 | 63,55,15,725 |
| b. Sundry Debtors | 8 | 49,12,58,917 | 51,91,41,133 |
| c. Cash & Bank Balances | 9 | 20,37,44,128 | 23,37,08,042 |
| d. Loans & Advances | 10 | 29,63,88,937 | 36,18,69,315 |
| | | 1,71,06,56,090 | 1,75,02,34,215 |
| 4 Less: Current Liabilities & Provisions | 11 | 32,00,93,551 | 34,38,62,555 |
| Net Current Assets | | 1,39,05,62,539 | 1,40,63,71,660 |
| 5 Miscellaneous Expenditure (to the extent not written off / adj.) | 12 | 19,11,34,611 | 18,07,82,422 |
| Total | | 3,66,36,82,252 | 3,15,84,13,092 |
| Accounting policies | 22 | | |
| Notes to Accounts | 23 | | |

As per our report of even date.

For Rambabu & Co.,
*Chartered Accountants*

Ravi Rambabu
*Partner*

For P. Murali & Co.,
*Chartered Accountants*

P. Murali Mohan Rao
*Partner*

Place : Hyderabad
Date : 10th August 2009

For and on behalf of the Board

P. Ramesh Babu
*CMD*

T V V S N Murthy
*VC and JMD*

N. Rajendra Prasad
*CFO*

# Profit and Loss Account For the year ended 31st March 2009

*(Amount in Rupees)*

| Particulars | Schedule | Current Year 2008-09 | Previous Year 2007-08 |
|---|---|---|---|
| I NET INCOME | | | |
| Gross Sales | 13 | 2,74,06,94,841 | 2,37,42,85,981 |
| Less:Taxes | | 29,28,27,422 | 27,02,18,585 |
| Net Sales | | 2,44,78,67,419 | 2,10,40,67,396 |
| Other Income | 14 | 40,52,275 | 5,05,46,245 |
| Increase/(Decrease ) in Stocks | 15 | 4,07,49,509 | 9,32,97,007 |
| **Total : (A)** | | **2,49,26,69,203** | **2,24,79,10,648** |
| II. EXPENDITURE | | | |
| Materials Consumed | 16 | 1,81,27,97,296 | 1,42,40,37,402 |
| Manufacturing Expenses | 17 | 14,67,20,027 | 14,81,67,113 |
| Personnel Expenses | 18 | 10,13,03,523 | 8,31,52,439 |
| Administrative & Other Expenses | 19 | 6,02,98,835 | 3,43,76,989 |
| Selling Expenses | 20 | 5,77,66,981 | 4,84,02,022 |
| Financial Charges | 21 | 9,59,04,073 | 6,86,54,114 |
| Depreciation | 5 | 6,27,91,542 | 5,17,95,395 |
| Misc Expenditure written off | 12 | 7,56,30,246 | 6,55,98,226 |
| **Total : (B)** | | **2,41,32,12,523** | **1,92,41,83,700** |
| III. PROFIT | | | |
| **Profit Before Tax (A) - (B)** | | **7,94,56,680** | **32,37,26,948** |
| Income Tax for Current Year | | 90,00,000 | 3,80,00,000 |
| for Earlier Years | | (38,90,248) | 79,47,416 |
| F B T | | 8,00,000 | 7,07,500 |
| Deferred Tax | | 1,05,61,894 | 54,66,365 |
| **Profit After Tax** | | **6,29,85,034** | **27,16,05,667** |
| Profit Brought Forward | | 16,57,04,992 | 31,75,33,899 |
| **Available for Appropriations** | | **22,86,90,026** | **58,91,39,566** |
| IV. APPROPRIATIONS : | | | |
| Transfer to General Reserve | | 1,00,00,000 | 40,00,00,000 |
| Proposed Dividend | | 2,00,30,406 | 2,00,30,406 |
| Dividend Distribution Tax | | 34,04,168 | 34,04,168 |
| Profit Carried to Balance Sheet | | 19,52,55,452 | 16,57,04,992 |
| | | **22,86,90,026** | **58,91,39,566** |
| Earnings Per Share - Basic / Diluted (W/A) | | 6.29 | 27.15 |
| **Accounting policies** | 22 | | |
| **Notes to Accounts** | 23 | | |

As per our report of even date.

For and on behalf of the Board

**For Rambabu & Co.,**
*Chartered Accountants*

**For P. Murali & Co.,**
*Chartered Accountants*

**P. Ramesh Babu**
*CMD*

**Ravi Rambabu**
*Partner*

**P. Murali Mohan Rao**
*Partner*

**T V V S N Murthy**
*VC and JMD*

Place : Hyderabad
Date : 10th August 2009

**N. Rajendra Prasad**
*CFO*

# Schedules to Balance Sheet As at 31st March 2009

*(Amount in Rupees)*

| Particulars | As at 31.03.2009 | As at 31.03.2008 |
|---|---|---|
| **1 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 | 10,00,22,250 |
| 1,00,15,203 Equity Shares of Rs. 10/- each (Previous Year 1,00,02,225 Equity Shares of Rs. 10/- each) | | |
| Out of the above 28,50,000 shares of Rs. 10/- each are allotted as fully paid up by way of Bonus | | |
| Shares and 29,35,978 (Previous year 29,23,000) Shares were allotted for consideration other than cash | | |
| Share Application Money | | |
| 12,978 Shares to be allotted to the share holders of transferee company | – | 1,29,780 |
| | 10,01,52,030 | 10,01,52,030 |

| Particulars | As at 31.03.2009 | As at 31.03.2008 |
|---|---|---|
| **2 RESERVES AND SURPLUS** | | |
| a) Capital Reserve | | |
| Security Premium | 1,09,29,39,450 | 1,09,29,39,450 |
| Total | 1,09,29,39,450 | 1,09,29,39,450 |
| b) General Reserve | | |
| Opening Balance | 72,33,80,767 | 31,69,98,610 |
| Add: On account of Amalgamation of SPPL | | |
| - General Reserve | – | 1,61,10,000 |
| - Profit & Loss account | – | 7,71,46,730 |
| Less: On account of Amalgamation of POL | | |
| - Profit & Loss account | – | (9,12,71,201) |
| Add: On a/c of settlement of POL Share Capital | – | 63,59,010 |
| Less: Employee retirement benefits | – | (19,62,382) |
| Add: From Profit & Loss account | 1,00,00,000 | 40,00,00,000 |
| | 73,33,80,767 | 72,33,80,767 |
| c) Profit and Loss Account | 19,52,55,452 | 16,57,04,992 |
| Total (a+b+c) | 2,02,15,75,669 | 1,98,20,25,209 |

| Particulars | As at 31.03.2009 | As at 31.03.2008 |
|---|---|---|
| **3 SECURED LOANS** | | |
| Term Loans - Rupee | | |
| - EXIM Bank | 58,38,57,140 | 30,34,00,000 |
| - AXIS Bank | 20,00,00,000 | 6,00,00,000 |
| Term Loans - Foreign Currency | | |
| - EXIM Bank | 1,38,45,992 | 2,89,58,880 |
| Working Capital Loans - Rupee | | |
| - EXIM Bank | 11,63,00,000 | 6,00,00,000 |
| - SBI | 29,03,44,823 | 24,03,09,026 |
| Working Capital Loans - Foreign Currency | | |
| - EXIM Bank | 9,25,06,377 | 12,79,50,464 |
| Hire Purchase Loans | 19,55,161 | 35,27,694 |
| Total | 1,29,88,09,493 | 82,41,46,064 |

| Particulars | As at 31.03.2009 | As at 31.03.2008 |
|---|---|---|
| **4 UN–SECURED LOANS** | | |
| Sales Tax Deferment | 6,14,54,041 | 6,14,54,041 |
| D S I R Assistance | 1,20,00,000 | 1,20,00,000 |
| Others | 1,90,000 | 1,96,96,623 |
| Total | 7,36,44,041 | 9,31,50,664 |

# Schedules to Balance Sheet As at 31st March 2009

## 5 | FIXED ASSETS – SUMMARY

*(Amount in Rupees)*

| Description | Gross Block | | | | Depreciation | | | | Net Block | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 01.04.2008 | Additions | Delitions | As at 31.03.2009 | Up to 31.03.2008 | For the year | On Delitions | Up to 31.03.2009 | WDV as at 31.03.2009 | WDV as at 31.03.2008 |
| Fixed Assets | 1,06,15,25,800 | 1,29,83,962 | 22,47,612 | 1,07,22,62,150 | 37,31,42,715 | 5,55,01,849 | 13,39,268 | 42,73,05,296 | 64,49,56,854 | 68,83,83,085 |
| R & D Assets | 2,69,46,475 | 21,11,35,681 | – | 23,80,82,156 | 33,25,958 | 72,89,693 | – | 1,06,15,651 | 22,74,66,505 | 2,36,20,517 |
| Total | 1,08,84,72,275 | 22,41,19,643 | 22,47,612 | 1,31,03,44,306 | 37,64,68,673 | 6,27,91,542 | 13,39,268 | 43,79,20,947 | 87,24,23,359 | 71,20,03,602 |
| Capital Work In Progress | 85,40,89,968 | 53,30,95,700 | 18,27,89,365 | 1,20,43,96,303 | – | – | – | – | 1,20,43,96,303 | 85,40,89,968 |
| **Total** | **1,94,25,62,243** | **75,72,15,343** | **18,50,36,977** | **2,51,47,40,609** | **37,64,68,673** | **6,27,91,542** | **13,39,268** | **43,79,20,947** | **2,07,68,19,662** | **1,56,60,93,570** |
| Previous Year | 86,08,49,724 | 22,81,20,016 | 4,97,465 | 1,08,84,72,275 | 32,48,61,524 | 5,17,95,395 | 1,88,246 | 37,64,68,673 | 71,20,03,602 | 53,59,88,200 |
| Capital Work In Progress | 13,36,49,691 | 72,04,40,277 | – | 85,40,89,968 | – | – | – | – | 85,40,89,968 | 13,36,49,691 |
| **Total** | **99,44,99,415** | **94,85,60,293** | **4,97,465** | **1,94,25,62,243** | **32,48,61,524** | **5,17,95,395** | **1,88,246** | **37,64,68,673** | **1,56,60,93,570** | **66,96,37,891** |

## FIXED ASSETS

| Name of the Assets | Gross Block | | | | Depreciation | | | | Net Block | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 01.04.2008 | Additions | Delitions | As at 31.03.2009 | Up to 31.03.2008 | For the year | On Delitions | Up to 31.03.2009 | WDV as at 31.03.2009 | WDV as at 31.03.2008 |
| Land & Land Development | 3,25,87,278 | – | – | 3,25,87,278 | – | – | – | – | 3,25,87,278 | 3,25,87,278 |
| Buildings - Factory | 16,10,61,388 | 4,21,869 | – | 16,14,83,257 | 3,55,53,937 | 53,88,949 | – | 4,09,42,886 | 12,05,40,371 | 12,55,07,451 |
| Buildings - Non Factory | 50,59,042 | – | – | 50,59,042 | 11,12,849 | 82,463 | – | 11,95,312 | 38,63,730 | 39,46,193 |
| Office Equipment | 88,38,363 | 2,13,220 | – | 90,51,583 | 25,87,223 | 5,63,267 | – | 31,50,490 | 59,01,093 | 62,51,140 |
| Plant & Machinery | 63,18,58,968 | 51,97,035 | 5,37,360 | 63,65,18,643 | 23,39,62,090 | 3,34,81,363 | 1,77,226 | 26,72,66,227 | 36,92,52,416 | 39,78,96,878 |
| Electrical Equipment | 6,26,45,509 | 10,32,823 | – | 6,36,78,332 | 3,25,02,634 | 44,81,625 | – | 3,69,84,259 | 2,66,94,073 | 3,01,42,875 |
| Lab Equipment | 3,31,44,453 | 20,30,550 | – | 3,51,75,003 | 97,44,817 | 17,69,071 | – | 1,15,13,888 | 2,36,61,115 | 2,33,99,636 |
| Pollution Control Equipment | 5,58,16,913 | – | – | 5,58,16,913 | 2,50,67,865 | 29,47,133 | – | 2,80,14,998 | 2,78,01,915 | 3,07,49,048 |
| R & D Equipment | 1,02,31,730 | – | – | 1,02,31,730 | 52,58,286 | 5,40,235 | – | 57,98,521 | 44,33,209 | 49,73,444 |
| Data Process Equipment | 77,08,539 | 8,78,721 | – | 85,87,260 | 63,37,311 | 13,14,243 | – | 76,51,554 | 9,35,706 | 13,71,228 |
| Furnitures & Fixtures | 95,16,207 | 4,47,958 | – | 99,64,165 | 41,08,672 | 6,21,726 | – | 47,30,398 | 52,33,767 | 54,07,535 |
| Vehicles | 2,35,00,418 | 27,61,786 | 17,10,252 | 2,45,51,952 | 1,12,93,064 | 23,28,215 | 11,62,042 | 1,24,59,237 | 1,20,92,715 | 1,22,07,355 |
| Other Assets | 65,43,059 | – | – | 65,43,059 | 39,75,882 | 3,45,474 | – | 43,21,356 | 22,21,703 | 25,67,177 |
| Improvements on Leased Premises | 65,52,340 | – | – | 65,52,340 | 16,38,085 | 16,38,085 | – | 32,76,170 | 32,76,170 | 49,14,255 |
| **Total** | **1,05,50,64,207** | **1,29,83,962** | **22,47,612** | **1,06,58,00,557** | **37,31,42,715** | **5,55,01,849** | **13,39,268** | **42,73,05,296** | **63,84,95,261** | **68,19,21,492** |
| Capital-Work in Progress | 67,13,00,603 | 53,30,95,700 | – | 1,20,43,96,303 | | | | | 1,20,43,96,303 | 67,13,00,603 |
| **Total** | **1,72,63,64,810** | **54,60,79,662** | **22,47,612** | **2,27,01,96,860** | **37,31,42,715** | **5,55,01,849** | **13,39,268** | **42,73,05,296** | **1,84,28,91,564** | **1,35,32,22,095** |
| Previous Year | 83,70,18,142 | 22,50,05,123 | 4,97,465 | 1,06,15,25,800 | 32,25,81,040 | 5,07,49,921 | 1,88,246 | 37,31,42,715 | 68,83,83,085 | 51,44,37,102 |
| Capital Work In Progress | 9,20,98,647 | 57,92,01,956 | – | 67,13,00,603 | – | | | – | 67,13,00,603 | 9,20,98,647 |
| **Total** | **92,91,16,789** | **80,42,07,079** | **4,97,465** | **1,73,28,26,403** | **32,25,81,040** | **5,07,49,921** | **1,88,246** | **37,31,42,715** | **1,35,96,83,688** | **60,65,35,749** |

## R & D ASSETS

| Name of the Assets | Gross Block | | | | Depreciation | | | | Net Block | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 01.04.2008 | Additions | Delitions | As at 31.03.2009 | Up to 31.03.2008 | For the year | On Delitions | Up to 31.03.2009 | WDV as at 31.03.2009 | WDV as at 31.03.2008 |
| Land & Land Development | 62,13,191 | 1,20,78,582 | | 1,82,91,773 | – | – | | – | 1,82,91,773 | 62,13,191 |
| Buildings – Factory | 32,65,344 | 8,30,12,235 | | 8,62,77,579 | 3,93,332 | 21,88,789 | | 25,82,121 | 8,36,95,458 | 28,72,012 |
| Buildings – Office | – | 2,00,25,597 | | 2,00,25,597 | – | 2,40,751 | | 2,40,751 | 1,97,84,846 | – |
| Office Equipment | 12,040 | 6,07,623 | | 6,19,663 | 2,930 | 23,187 | | 26,117 | 5,93,546 | 9,110 |
| Plant & Machinery | 7,49,032 | 2,35,17,141 | | 2,42,66,173 | 1,50,220 | 9,13,853 | | 10,64,073 | 2,32,02,100 | 5,98,812 |
| Electrical Equipment | 13,69,190 | 96,82,992 | | 1,10,52,182 | 2,65,833 | 5,66,095 | | 8,31,928 | 1,02,20,254 | 11,03,357 |
| Lab Equipment | 1,44,97,982 | 6,05,34,023 | | 7,50,32,005 | 22,12,336 | 31,29,249 | | 53,41,585 | 6,96,90,420 | 1,22,85,646 |
| Pollution Control Equipment | – | – | | – | – | – | | – | – | – |
| Data Process Equipment | 5,78,910 | 5,78,549 | | 11,57,459 | 2,44,637 | 1,64,242 | | 4,08,879 | 7,48,580 | 3,34,273 |
| Furnitures & Fixtures | 2,34,746 | 10,98,939 | | 13,33,685 | 53,231 | 62,152 | | 1,15,383 | 12,18,302 | 1,81,515 |
| Vehicles | – | – | | – | – | – | | – | – | – |
| Other Assets | 26,040 | – | | 26,040 | 3,439 | 1,375 | | 4,814 | 21,226 | 22,601 |
| **Total** | **2,69,46,475** | **21,11,35,681** | **–** | **23,80,82,156** | **33,25,958** | **72,89,693** | | **1,06,15,651** | **22,74,66,505** | **2,36,20,517** |
| Capital–Work in Progress | 18,27,89,365 | – | 18,27,89,365 | – | | | | | – | 18,27,89,365 |
| **Total** | **20,97,35,840** | **21,11,35,681** | **18,27,89,365** | **23,80,82,156** | | | | **1,06,15,651** | **22,74,66,505** | **20,64,09,882** |
| Previous Year | 2,38,31,582 | 31,14,893 | – | 2,69,46,475 | 22,80,484 | 10,45,474 | | 33,25,958 | 2,36,20,517 | 2,15,51,098 |
| Capital Work In Progress | 4,15,51,044 | 14,12,38,321 | – | 18,27,89,365 | | | | – | 18,27,89,365 | 4,15,51,044 |
| **Total** | **6,53,82,626** | **14,,43,53,214** | **–** | **20,97,35,840** | **22,80,484** | **10,45,474** | **–** | **33,25,958** | **20,64,09,882** | **6,31,02,142** |

*(Amount in Rupees)*

| Particulars | As at 31.03.2009 | As at 31.03.2008 |
|---|---|---|
| **6 \| INVESTMENTS** | | |
| **Non Trade - Un-quoted** | | |
| 17,538 Equity Shares of Rs. 10/- each in Pattan Cheru Enviro Tech Ltd | 1,75,380 | 1,75,380 |
| 2253 Equity Shares of Rs. 100/- each in Jeedimetla Effluent Treatment Ltd. | 2,25,300 | 2,25,300 |
| **Trade - Un-quoted** | | |
| 4,76,476 8% Preference Shares of each Rs. 10/- in Divya Enterprises Limited | 47,64,760 | 47,64,760 |
| **Total** | **51,65,440** | **51,65,440** |

# Schedules to Balance Sheet As at 31st March 2009

*(Amount in Rupees)*

| Particulars | As at 31.03.2009 | As at 31.03.2008 |
|---|---|---|
| **7 INVENTORIES** | | |
| (As valued and certified by the Management) | | |
| Raw Materials | 24,02,37,005 | 19,76,29,139 |
| Stock-in-Process | 43,72,09,375 | 38,28,11,866 |
| Coal & Fuel | 9,96,334 | 6,05,326 |
| Finished Goods | 4,08,21,394 | 5,44,69,394 |
| **Total** | **71,92,64,108** | **63,55,15,725** |
| **8 SUNDRY DEBTORS** | | |
| (Unsecured and Considered good) | | |
| Outstanding for more than 6 months | 4,01,95,489 | 40,172,934 |
| Others | 45,10,63,428 | 478,968,199 |
| **Total** | **49,12,58,917** | **519,141,133** |
| **9 CASH AND BANK BALANCES** | | |
| Cash in Hand | 8,64,455 | 6,29,377 |
| Balances with Schedule Banks | | |
| in Current Accounts | 17,17,50,889 | 12,98,08,838 |
| in Margin Money Deposits | 28,72,969 | 2,07,69,827 |
| in Special Term Deposits | 82,55,815 | 85,00,000 |
| **Total** | **20,37,44,128** | **23,37,08,042** |
| **10 LOANS AND ADVANCES** | | |
| (Unsecured and considered good, receivable in Cash or kind or for value to be received.) | | |
| Advances for Purchases | 7,57,74,801 | 8,37,29,038 |
| Other Advances | 2,00,75,236 | 2,24,08,411 |
| Deposits | 1,46,18,484 | 2,31,86,122 |
| Advance Income Tax | 2,49,43,473 | 7,16,52,376 |
| Interest Receivable | 98,23,177 | 86,98,769 |
| Export Benefits Receivable | 1,80,59,637 | 3,14,94,439 |
| Cenvat and Service Tax Credit Receivable | 9,87,13,047 | 6,85,27,325 |
| VAT Credit Receivable | 3,43,81,082 | 5,21,00,985 |
| Claims Receivable | - | 71,850 |
| **Total** | **29,63,88,937** | **36,18,69,315** |
| **11 CURRENT LIABILITIES & PROVISIONS** | | |
| **a) Current Liabilities** | | |
| Creditors for: Purchases | 20,82,62,768 | 15,65,63,634 |
| Capital works | 1,70,12,928 | 1,60,16,308 |
| Expenses | 4,16,54,035 | 3,47,83,906 |
| Others | 1,67,86,462 | 2,06,60,057 |
| Interest Accrued but not due | 31,42,784 | 27,77,316 |
| **Total = a** | **28,68,58,977** | **23,08,01,221** |
| **b) Provisions** | | |
| for Income Tax | 90,00,000 | 8,89,26,761 |
| for Fringe Benefit Tax | 8,00,000 | 7,00,000 |
| for Dividend | 2,00,30,406 | 2,00,30,406 |
| for Dividend Distribution Tax | 34,04,168 | 34,04,167 |
| **Total = b** | **3,32,34,574** | **11,30,61,334** |
| **Total = (a+b)** | **32,00,93,551** | **34,38,62,555** |

## Schedules to Balance Sheet As at 31st March 2009

*(Amount in Rupees)*

| Particulars | As at 31.03.2009 | As at 31.03.2008 |
|---|---|---|
| **12 MISCELLANEOUS EXPENDITURE** | | |
| (To the extent not written off / adj.) | | |
| a) Preliminary & Trial Run Expenses | | |
| Op. Balance | – | 70,001 |
| Add: During the year | – | – |
| Less: Written off during the year | – | 70,001 |
| Closing Balance | – | – |
| b) Deferred Revenue Expenditure | | |
| Op. Balance | 14,83,39,264 | 8,81,95,589 |
| Add: During the year | 6,28,16,472 | 11,09,57,556 |
| Less: Written off during the year | 5,86,74,336 | 5,08,13,881 |
| Closing Balance | 15,24,81,400 | 14,83,39,264 |
| c) Deferred R & D Expenditure | | |
| Op. Balance | 2,74,71,921 | 2,07,59,987 |
| Add: During the year | 2,19,94,740 | 1,74,06,571 |
| Less: Written off during the year | 1,43,97,295 | 1,06,94,637 |
| Closing Balance | 3,50,69,366 | 2,74,71,921 |
| d) Business Development Expenditure | | |
| Op. Balance | 42,20,197 | 54,75,028 |
| Add: During the year | 10,73,223 | 22,94,528 |
| Less: Written off during the year | 21,55,957 | 35,49,359 |
| Closing Balance | 31,37,463 | 42,20,197 |
| e) Patent Filing Fee | | |
| Op. Balance | 7,51,040 | 11,82,670 |
| Add: During the year | 98,000 | 38,718 |
| Less: Written off during the year | 4,02,658 | 4,70,348 |
| Closing Balance | 4,46,382 | 7,51,040 |
| Total | 19,11,34,611 | 18,07,82,422 |

## Schedules to Profit and Loss Account For the year ended 31st March 2009

*(Amount in Rupees)*

| Particulars | Current Year 2008-09 | Previous Year 2007-08 |
|---|---|---|
| **13 SALES** | | |
| Export | 95,27,73,481 | 62,71,92,996 |
| Domestic | 1,45,85,53,682 | 1,44,80,26,301 |
| Export Incentives | 3,65,40,256 | 2,88,48,099 |
| | 2,44,78,67,419 | 2,10,40,67,396 |
| Add:Excise Duty | 23,80,75,236 | 21,25,35,026 |
| Sales Tax | 5,47,52,186 | 5,76,83,559 |
| **Total** | **2,74,06,94,841** | **2,37,42,85,981** |
| **14 OTHER INCOME** | | |
| Miscellaneous Income | 40,52,275 | 3,77,46,897 |
| Exchange Variance | - | 1,27,99,348 |
| **Total** | **40,52,275** | **5,05,46,245** |

# Schedules to Profit and Loss Account For the year ended 31st March 2009

*(Amount in Rupees)*

| Particulars | Current Year 2008-09 | Previous Year 2007-08 |
|---|---|---|
| **15 INCREASE / (DECREASE) IN STOCKS** | | |
| **Opening Stock** | | |
| Stock-in-Process | 38,28,11,867 | 29,89,04,328 |
| Stock of Finished Goods | 5,44,69,393 | 4,50,79,925 |
| **Sub Total (a)** | **43,72,81,260** | **34,39,84,253** |
| **Closing Stock** | | |
| Stock-in-Process | 43,72,09,375 | 38,28,11,866 |
| | 4,08,21,394 | 5,44,69,394 |
| **Sub Total (b)** | **47,80,30,769** | **43,72,81,260** |
| **Increase in stock (b-a)** | **4,07,49,509** | **9,32,97,007** |

| Particulars | Current Year 2008-09 | Previous Year 2007-08 |
|---|---|---|
| **16 MATERIALS CONSUMED** | | |
| a) **Raw Materials** | | |
| Opening Stock | 19,64,32,913 | 15,03,68,712 |
| Add:Purchases | 1,84,33,27,836 | 1,45,79,48,064 |
| | 2,03,97,60,749 | 1,60,83,16,776 |
| Less:Closing Stock | 23,90,83,439 | 19,61,24,164 |
| **Total** | **1,80,06,77,310** | **1,41,21,92,612** |
| b) **Packing Materials** | | |
| Opening Stock | 11,96,226 | 11,90,295 |
| Add:Purchases | 1,20,77,326 | 1,18,50,722 |
| | 1,32,73,552 | 1,30,41,017 |
| Less:Closing Stock | 11,53,566 | 11,96,227 |
| **Total** | **1,21,19,986** | **1,18,44,790** |
| **Total = (a+b)** | **1,81,27,97,296** | **1,42,40,37,402** |

| Particulars | Current Year 2008-09 | Previous Year 2007-08 |
|---|---|---|
| **17 MANUFACTURING EXPENDITURE** | | |
| Power & Fuel | 8,97,72,622 | 8,69,87,433 |
| Consumable Stores | 72,92,854 | 65,86,670 |
| Testing Charges | 9,42,756 | 10,18,629 |
| Water Charges | 38,12,831 | 34,21,654 |
| Conversion Charges | 48,13,442 | 1,25,39,766 |
| Carriage Inward | 90,36,844 | 73,31,498 |
| Central Excise Duty | 19,47,777 | 34,01,552 |
| Effluent Treatment Charges | 50,47,984 | 48,57,691 |
| Repairs & Maintenance - Plant & Machinery | 2,02,57,790 | 1,92,10,078 |
| - Building Maintenance | 7,97,365 | 2,53,842 |
| - Factory Maintenance | 29,97,762 | 25,58,300 |
| **Total** | **14,67,20,027** | **14,81,67,113** |

| Particulars | Current Year 2008-09 | Previous Year 2007-08 |
|---|---|---|
| **18 PERSONNEL EXPENSES** | | |
| Salaries, Wages and Bonus | 8,69,71,206 | 7,15,60,060 |
| Contribution to P.F and other funds | 60,71,243 | 53,09,185 |
| Staff welfare Expenses | 82,61,074 | 62,83,194 |
| **Total** | **10,13,03,523** | **8,31,52,439** |

# Schedules to Profit and Loss Account For the year ended 31st March 2009

*(Amount in Rupees)*

| Particulars | Current Year 2008-09 | Previous Year 2007-08 |
|---|---|---|
| **19 ADMINISTRATIVE & OTHER EXPENSES** | | |
| Travelling Expenses - Directors | 6,89,988 | 15,97,838 |
| Travelling Expenses - Others | 29,99,064 | 36,76,920 |
| Postage & Telephones | 29,28,384 | 27,82,543 |
| Printing & Stationary | 32,00,841 | 18,65,803 |
| Directors Remuneration | 55,10,060 | 43,29,300 |
| Rent, Rates & Taxes | 81,09,973 | 73,63,476 |
| Insurance | 30,56,082 | 31,42,215 |
| Professional Charges | 18,89,491 | 17,67,059 |
| General Expenses | 32,97,423 | 38,64,612 |
| Auditors Fee | 4,40,594 | 4,30,610 |
| Office Maintenance | 7,14,176 | 13,31,125 |
| Repairs to other assets | 11,47,246 | 7,28,688 |
| Vehicle Maintenance | 14,11,816 | 14,96,800 |
| Exchange Variance | 2,49,03,697 | - |
| **Total** | **6,02,98,835** | **3,43,76,989** |
| **20 SELLING EXPENSES** | | |
| Carriage Outwards | 3,57,54,564 | 2,81,61,978 |
| Sales Commission | 1,78,93,380 | 1,46,18,518 |
| Trade Discount | 18,59,486 | 46,74,018 |
| Business Promotion Expenses | 19,51,275 | 3,05,134 |
| Sales Tax | 3,08,276 | 6,42,374 |
| **Total** | **5,77,66,981** | **4,84,02,022** |
| **21 FINANCIAL EXPENSES** | | |
| Interest on Term Loans | 1,21,13,975 | 1,87,95,521 |
| Interest on Bills Discounted | 1,74,41,955 | 1,48,03,816 |
| Interest on Cash Credit | 3,83,42,011 | 2,30,94,678 |
| Interest on Others | 11,40,498 | 1,26,106 |
| Bank Charges | 2,68,65,634 | 1,18,33,993 |
| **Total** | **9,59,04,073** | **6,86,54,114** |

# Schedules to Balance Sheet and Profit and Loss Account

## 22 SIGNIFICANT ACCOUNTING POLICIES

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 capitalised 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.

22 | SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS (Contd.)

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. Incase 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.

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 realisable 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 |
| Work in Process | - At cost and an appropriate share of overheads |
| Finished Goods | - At cost or realisable value, whichever is lower |

7. Sales:
Sales include value of goods, Excise Duty, Export Benefits, Sales Tax and transport charges where ever 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 capitalised are amortised 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 recognised as expenses on accrual basis in accordance with the respective lease agreement.

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

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 Plan:
      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 recognised 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 realisable 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 Credit was shown under the head Loans and Advances

14. Revenue Recognition:

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Export Benefits are recognised 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 realised gain / loss in respect of settled contracts are recognised in the profit and loss account along with underlined transactions.

16. Taxation:

Tax expense or saving is the aggregate of current year tax, Deferred Tax and Fringe Benefit 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 recognised 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 recognised in income using the tax rate and tax loss that have been enacted by the balance sheet date. Deferred tax assets are recognised 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 realised. MAT credit is recognised as an asset, only if, there is convincing evidence that the Company will pay normal Income Tax during the specified period.

iii. Fringe Benefit Taxes (FBT):

The provision for Fringe Benefit Tax is made in respect of employee benefits and other specified expenses as determent by the Income Tax Act 1961.

17. Borrowing Costs:

i. Borrowing costs that are attributable to the acquisition of Fixed Assets are capitalised as part of the cost of the asset till the date the asset is ready for commercial use.

ii. Other borrowing costs are treated as expenses in the period, in which they are incurred, except bank charges for processing / renewal of working capital.

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

18. Miscellaneous Expenditure:

Preliminary and Pre-operative expenses have been written off over a period of Five Years. Deferred Revenue Expenditure has 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 recognised in prior accounting periods is reversed if there has been change in the estimate of the recoverable amount.

21. Export Benefits:

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

22. Derivative Instruments and Hedge Accounting:

The Company uses forward contracts to hedge its risks associated with foreign exchange fluctuations relating to certain commitments. The Company does not use the forward contracts for speculative purpose.

# Schedules to Balance Sheet and Profit and Loss Account

23 | NOTES ON ACCOUNTS

1. a) Contingent Liabilities not provided for *(Amount in Rs.)*

| Particulars | 2008-09 | 2007-08 |
|---|---|---|
| (a) Guarantees given by banks | 65,44,700 | 1,09,07,300 |
| (b) Foreign Letter of credits opened in favour of suppliers for which goods are yet to be received | 4,20,59,381 | 8,63,28,080 |
| (c) Inland Letter of credits opened in favour of suppliers for which goods are yet to be received | - | 86,78,928 |
| (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. | 1,76,37,052 | 99,72,604 |
| (f) Interest dues in respect of disputed demands of Income Tax and Central Excise. | 1,70,00,000 | 1,50,00,000 |

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. The facts of the issue are that the Company entered into an agreement with Natco Pharma Ltd. ('Natco') on 10th September 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 9th October 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 Company has made a claim against Natco Pharma Limited for recovery of Rs. 15,62,90,614/- which consists of Natco's illegal misappropriation and failure to return and illegal sale of raw materials belongs to the Company, non payment of amounts received by Natco on the sale of finished goods belongs 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.

The management has considered that no provision is required.

(c) Capital Commitments:
Estimated amount of contracts remaining to be executed on capital account not provided for (net of advances) Rs. 15,71,92,000/- (Previous year Rs. 2,63,23,396).

2. Increase in Capital:
During the year the Company has allotted 12,978 equity shares of Rs. 10/- each at par for consideration other than cash to the shareholders of erstwhile Plant Organics Limited as per amalgamation scheme approved by the BIFR.

3. Secured Loans:

a) Rupee Term Loan of Rs. 30 Crores availed from Exim Bank for setting up Oncology facility in Jahwarlal Nehru Pharmacity, at Parawada, Visakhapatnam 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 with Axis Bank and other loans of Exim Bank apart from exclusive charge on the said facility and also un-conditional and irrevocable personal guarantees of promoters of the Company, except the exclusive charges mentioned below.

b) Other Term Loans both Rupee & Foreign Currency and Working Capital Term Loan availed from Exim Bank and Axis Bank 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, apart from un-conditional and irrevocable personal guarantees of promoters of the Company, except the following assets of the Company.

• Flat No.417, Nilgiri Block, Aditya Enclave, Ameerpet, Hyderabad to SBI for working capital facilities.
• Oncology facility at Pharma city, Vizag to Exim Bank for Rupee Term Loan of Rs. 30 Crores for the said plant

c) 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, apart from an exclusive charge on Flat No.417, Nilgiri Block, Aditya Enclave, Ameerpet, Hyderabad and also second charge on fixed assets of the Company, on pari-passu basis with Exim Bank for its Working Capital facilities, apart from un-conditional and irrevocable personal guarantees of promoters. These facilities are also covered by collateral security by way of Equitable Mortgage of agricultural lands belonging to the promoters.

d) 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-passu basis with State Bank of India except exclusive charges as stated above, apart from un-conditional and irrevocable personal guarantees of the promoters.

e) Vehicle loans are secured by hypothecation / lien on the respective assets acquired with the loan amounts.

4. **Unsecured Loans:**

(a) **Sales Tax Deferment**

The Company is eligible for sales tax deferment to the tune of Rs. 6,14,55,460/- and the same was availed from the year 1996-97 to 2007-08. This amount is repayable in 12 years commencing from the year 2009-10 and for which details are furnished below. *(Rs. in Lakhs)*

| Year | Amount | Year | Amount | Year | Amount |
|---|---|---|---|---|---|
| 2010-11 | 5.84 | 2014-15 | 71.80 | 2018-19 | 74.19 |
| 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 | 35.02* |

* Subject to completion of Assessment

(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 Active Pharmaceutical Ingredients (API's), API 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)". Till such time, royalty @ 6% on ex-factory price of commercial sale of the "product(s)" is payable.

However, the Company has not yet commenced commercial operations of the products developed with the assistance of DSIR.

5. **End use of moneys raised through public issue during the year 2006-07 is as follows as on 31st March 2009:** *(Rs. in Crores)*

| Particulars | As per Prospectus | Up to 31-03-2009 | Up to 31-03-2008 |
|---|---|---|---|
| **Sources:** | | | |
| IPO | 97.93 | 98.01 | 98.01 |
| Pre IPO placement | 14.00 | 14.00 | 14.00 |
| Term Loan | 30.00 | 26.70 | 6.00 |
| Internal Accruals | 17.40 | | |
| **Total** | **159.33** | **138.71** | **118.01** |
| **Utilization:** | | | |
| New Project | 113.02 | 92.12 | 61.31 |
| Working Capital requirement | 40.07 | 23.58 | 36.09 |
| Issue Expenses | 6.24 | 6.37 | 6.37 |
| Funds on Hand | | 16.64 | 14.24 |
| **Total** | **159.33** | **138.71** | **118.01** |

Implementation of project was delayed by about one year mainly due to delay in government approvals & heavy rain fall at project site during the initial stage of project implementation i.e. during the year 2007-08.

6. Land & Land Development shown under Schedule 5 "Fixed Assets" consists of the value of Rs. 10.84 lakhs to the extent of 950 Sq.Yds in Hyderabad city, acquired by merger of erstwhile Plant Organics Limited with the Company, is under litigation, with City Civil Court at Hyderabad was purchased during the year 1994-95 by the said erstwhile Plant Organics Limited. The management is confident of winning the case.

7. Advance Income Tax shown under schedule 10 "Loans & Advances" includes an amount of Rs. 84.47 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 2005-06.

8. **Operating Lease:**

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

a. General description of leasing arrangements:
(i) Leased assets – Lease rental are charged on the basis of agreed terms.

b. Lease payment recognised in the profit & loss account Rs. 56,49,175/- (previous year Rs. 49,88,350/-)

c. **Future Lease Rental Payments:** *(Amount in Lakhs)*

| Particulars | 2008-09 | 2007-08 |
|---|---|---|
| Not more than one year | 49.71 | 49.71 |
| More than one year and not more than five years | 56.91 | 106.62 |
| More than five years | – | – |

23 | NOTES ON ACCOUNTS (Contd.)

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

A. Defined Contribution Plans: *(Amount in Rs.)*

| | 2008-09 | 2007-08 |
|---|---|---|
| i) Contribution to Provident Fund | 46,28,720 | 41,36,617 |

B. Defined Benefit Plans: 1. Gratuity (Funded)
2. Leave Encashment (Un funded)

Disclosures (as per actuary certification) *(Amount in Rs.)*

| Particulars | 2008-09 | | 2007-08 | |
|---|---|---|---|---|
| | Gratuity (Funded) | Leave Encashment (Unfunded) | Gratuity (Funded) | Leave Encashment (Unfunded) |
| (i) Profit and Loss Account: | | | | |
| Current Service Cost | 12,36,519 | 10,46,227 | 5,92,809 | 6,57,298 |
| Interest cost on benefit obligation | 4,24,530 | 1,20,146 | 3,67,195 | 1,10,000 |
| Expected return on plan assets | (1,98,539) | - | (1,79,945) | - |
| Net Actuarial (Gain)/Loss recognised in the year | 8,78,331 | 3,71,589 | 1,06,023 | (5,74,722) |
| Past service cost | - | - | - | - |
| Contribution paid | - | (1,31,502) | (7,52,370) | - |
| Provided in account of amalgamation | (9,47,110) | - | | - |
| Net benefit expenses | 13,93,731 | 14,06,460 | 1,33,712 | 1,92,576 |
| (ii) Balance Sheet: | | | | |
| Change in the present value of the defined benefit obligation are as follows: | | | | |
| Opening defined benefit obligation | 31,00,441 | 15,67,576 | 29,66,729 | 13,75,000 |
| Interest cost | 4,24,530 | 1,20,146 | 3,67,195 | 1,10,000 |
| Current services cost | 12,36,519 | 10,46,227 | 5,92,809 | 6,57,298 |
| Actuarial (Gain)/Loss on obligation | 8,78,331 | 3,71,589 | 1,06,023 | (5,74,722) |
| Expected return on planed Assets | (1,98,539) | - | (1,79,945) | - |
| Contribution paid | - | (1,31,502) | (7,52,370) | - |
| Closing defined benefit obligation | 54,41,282 | 29,74,036 | 31,00,441 | 15,67,576 |

- Net benefit expenses of Rs. 13,93,731/- 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. 32,07,643/-.

(iii) The Principal assumptions used in determining gratuity

| | | |
|---|---|---|
| Salary rise | 3% | 3% |
| Discount rate | 7.50% | 8% |
| Attrition rate | 2% | 2% |

10. Disclosure required by Micro, Small and Medium Enterprises (Development) Act, 2006.

Disclosure of Sundry Creditors under Current Liabilities is based on the information available with the Company regarding the status of the suppliers as defined under the "Micro, Small and Medium Enterprises (Development) Act, 2006" and relied upon by the auditors. During the year the Company has paid no interest in terms of Section 16 of the said Act.

| Particulars | Amount in Rs. |
|---|---|
| Principal amount remaining unpaid as at the end of the year | 68,76,274 |
| Interest due and payable for the period of delay | 3,88,784 |
| Interest paid on above | Nil |

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

Note: In the previous year the Company had not received any communications from any of its suppliers regarding the applicability of the said Act to them. As such information as required under this Act could not be compiled and therefore was not disclosed for that year

23 | NOTES ON ACCOUNTS (Contd.)

11. Earning Per Share (EPS):

| Particulars | Year Ended 31.03.2009 | Year Ended 31.03.2008 |
|---|---|---|
| Profit attributable to equity share holders (Rs.) (A) | 6,29,85,034 | 27,16,05,667 |
| Basic / Waited average number of equity shares Outstanding (B) | 1,00,15,203 | 1,00,02,225 |
| Diluted/ waited average number of equity shares Outstanding (c) | 1,00,15,203 | 1,00,02,225 |
| Face value of equity share | 10 | 10 |
| Basic earnings per share (Rs.) (A/B) | 6.29 | 27.15 |
| Diluted earnings per share (Rs.) (A/C) | 6.29 | 27.15 |

12. Remittance in Foreign Currency on account of Dividend.

| | | Paid in | |
|---|---|---|---|
| | | 2008-09 | 2007-08 |
| a) | Year to which the dividend relates | 2007-08 | 2006 -07 |
| b) | Number of non residence share holders to whom remittances were made | 7 (Seven) | 1 (one) |
| c) | Number of shares on which remittances were made | 7,00,286 | 7,00,000 |
| d) | Amount remitted (Rs.) | 14,00,572 | 14,00,000 |

13. Research and Development Expenditure: *(Amount in Rs.)*

| Particulars | 2008-09 | 2007-08 |
|---|---|---|
| **Capital Expenditure** | | |
| Land | 1,20,78,582 | – |
| Buildings | 10,30,37,832 | – |
| Equipment | 9,60,19,267 | 31,14,893 |
| Capital work in progress | (18,27,89,365) | 18,27,89,365 |
| **Total** | **2,83,46,316** | **18,59,04,258** |
| Revenue Expenditure | 2,19,94,740 | 1,74,06,571 |
| **Grand Total** | **5,03,41,056** | **20,33,10,829** |

14. 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. The Company has paid to the vendor an amount of Rs. 34.82 lakhs for the said property and has taken the possession of same, pending registration of the same

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 capitalised 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.

c) During the year 2008-09 the Company has obtained the registration of the property of 7.20 acres land situated at Gagillapur Village, Qutubullapur Mandal, Ranga Reddy District along with buildings and structures situated there in, in its name.

15. Managerial Remuneration: *(Amount in Rs.)*

| Particulars | 2008-09 | 2007-08 |
|---|---|---|
| Remuneration | 47,50,000 | 36,00,000 |
| P F | 4,74,000 | 4,32,000 |
| Other Perquisites | 2,86,060 | 2,97,300 |
| **Total** | **55,10,060** | **43,29,300** |

16. Auditors' Remuneration: *(Amount in Rs.)*

| Particulars | 2008-09 | 2007-08 |
|---|---|---|
| Statutory Audit Fee | 2,75,000 | 2,75,000 |
| Taxation and other Representations | 1,00,000 | 1,00,000 |
| Cost Audit Fee | 50,000 | 50,000 |
| Out of pocket expenses | 15,594 | 5,610 |
| **Total** | **4,40,594** | **4,30,610** |

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:

| Particulars | 2008-09 | | 2007-08 | |
|---|---|---|---|---|
| | Revenue | % | Revenue | % |
| Exports | 95,27,73,481 | 38.92 | 62,71,92,996 | 29.81 |
| Domestic | 1,45,85,53,682 | 59.59 | 1,44,80,26,301 | 68.82 |
| Export Incentives | 3,65,40,256 | 1.49 | 2,88,48,099 | 1.37 |
| Total | 2,44,78,67,419 | 100.00 | 2,10,40,67,396 | 100.00 |

18. 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. | Mr. P. Ramesh Babu | Key Management personnel |
| 2. | Mr. T.V.V.S.N. Murthy | Key Management personnel |
| 3. | Mr. P. Hari Kishore | Relative of the Key Management personnel |
| 4. | Mrs. P. Hima Bindu | Relative of the Key Management personnel |
| 5. | Mr. 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 companies |
|---|---|
| 1. | Webcity Softech Private Limited |
| 2. | Potluri Builders Private Limited |
| 3. | Potluri Real Estate Private Limited. |
| 4. | Hima Farms Private Limited. |

ii) Joint Ventures, Subsidiaries - Nil

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

| Particulars | Subsidiaries & Associates | Key Management Personnel | Relatives of Key Management Personnel | Total |
|---|---|---|---|---|
| Remuneration | -- | 55,10,060 | 17,35,160 | 72,45,220 |
| Previous Year | | 43,29,300 | 16,50,960 | 59,80,260 |
| Lease Rent | -- | -- | 6,78,175 | 6,78,175 |
| Previous Year | | -- | 5,50,000 | 5,50,000 |

19. Deferred Tax Liability:

The deferred tax liability as at 31st March 2009 comprises the following:

| | | 31.03.2009 | 31.03.2008 |
|---|---|---|---|
| a) | **Deferred Tax liability** | | |
| | on account of Depreciation | 18,98,10,967 | 12,50,89,609 |
| | on account of Differed revenue and R&D Expenditure | 6,49,66,655 | 6,13,78,283 |
| | **Sub Total** | **25,47,77,622** | **18,64,67,892** |
| b) | **Deferred Tax Asset** | | |
| | Un-Absorbed Capital Expenditure on Scientific Research | 5,73,44,914 | – |
| | Un-Absorbed Depreciation | 1,14,80,123 | 1,14,80,123 |
| | MAT Credit | 1,25,30,435 | 1,25,30,435 |
| | Disallowance U/s.40a (ia) | 32,462 | 32,462 |
| | Disallowance U/s.43B | 21,58,965 | 23,33,938 |
| | Provision for Retirement Benefits | 17,29,704 | 11,51,808 |
| | **Sub Total** | **8,52,76,603** | **2,75,28,766** |
| | **Net Deferred Tax Liability** | **16,95,01,019** | **15,89,39,126** |

23 NOTES ON ACCOUNTS (Contd.)

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

21. **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

In terms of press Note No.4 (1994 series) dated 25-10-1994 issued by the Department of Industrial Development, Ministry of Industry, Government of India and Notification No.S.O.137 (E) 13 dated 01-03-1999 issued by the Department of Industrial Policy & Promotion, Ministry of Industry, Government of India, industrial licensing has been abolished in respect of bulk drugs and formulations. Hence, there is no registered / licensed capacities for these bulk drugs and formulations.

(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 Qty in M.T

| Particulars | Actual Production | |
|---|---|---|
| | 2008-09 | 2007-08 |
| Bulk Drugs | 877 | 917 |
| Intermediates | 1,310 | 1,387 |

b) Sales, Opening and Closing Stock:

| Particulars | 2008-09 | | 2007-08 | |
|---|---|---|---|---|
| | Quantity (MT) | Amount (Rs.) | Quantity (MT) | Amount (Rs.) |
| **Sales:** | | | | |
| Bulk Drugs | 903 | 1,20,67,77,567 | 939 | 83,75,87,306 |
| Intermediates & Others | 3514 | 1,49,73,77,018 | 2,713 | 1,50,78,50,576 |
| Export Incentives | – | 3,65,40,256 | – | 2,88,48,099 |
| **Total** | **4,417** | **2,74,06,94,841** | **3,652** | **2,37,42,85,981** |
| **Opening Stock:** | | | | |
| Bulk Drugs, Intermediates &others | 38 | 5,44,69,394 | 27 | 3,91,85,616 |
| **Closing Stock:** | | | | |
| Bulk Drugs and Intermediates | 27 | 4,08,21,394 | 38 | 5,44,69,394 |

c) Consumption of Raw materials: *(Amount in Rs.)*

| Particulars | 2008-09 | | 2007-08 | |
|---|---|---|---|---|
| | Consumption | % | Consumption | % |
| Imported | 38,63,01,665 | 21.45 | 22,67,21,370 | 16.05 |
| Indigenous | 1,41,43,75,645 | 78.55 | 1,18,54,71,242 | 83.95 |
| **Total** | **1,80,06,77,310** | **100.00** | **1,41,21,92,612** | **100.00** |

(d) Details of Raw Material Consumption: *(Amount in Rs.)*

| Material Name | 2008-09 | | 2007-08 | |
|---|---|---|---|---|
| | Consumption | | Consumption | |
| | Quantity (MT) | Amount (Rs. in lakhs) | Quantity (MT) | Amount (Rs. in lakhs) |
| Caustic Potash Flakes | 534.50 | 300.04 | 500.01 | 169.80 |
| Cystamine | 622.35 | 1,196.58 | 608.29 | 677.99 |
| DMA Hcl | 480.52 | 244.01 | 462.08 | 236.68 |
| DMSO | 362.65 | 315.62 | 179.39 | 134.42 |
| DMS | 941.53 | 272.99 | 919.27 | 183.51 |
| Furfuryl Alcohol | 562.33 | 459.16 | 502.53 | 298.56 |
| IPA | 201.52 | 157.72 | 200.88 | 119.97 |
| Methanol | 890.10 | 200.08 | 1,160.31 | 247.71 |
| MITC | 464.11 | 794.93 | 496.62 | 683.58 |
| MIBK | 165.88 | 147.96 | 174.89 | 118.59 |
| Nitromethene | 460.83 | 584.41 | 383.88 | 199.40 |

23 | NOTES ON ACCOUNTS (Contd.)

(d) Details of Raw Material Consumption: (Contd.) *(Amount in Rs.)*

| Material Name | 2008-09 | | 2007-08 | |
|---|---|---|---|---|
| | Consumption | | Consumption | |
| | Quantity (MT) | Amount (Rs. in lakhs) | Quantity (MT) | Amount (Rs. in lakhs) |
| Stannous Chloride | 19.54 | 128.38 | 1.03 | 5.48 |
| Acetone | 272.31 | 163.80 | 332.51 | 158.21 |
| Caustic Soda Lye | 1,101.57 | 138.64 | 1,111.63 | 104.60 |
| Toluene | 271.15 | 152.51 | 362.71 | 189.17 |
| 1,3 Dichloro Acetone | 51.23 | 231.87 | 40.70 | 144.62 |
| 2,4 Dichloro Acetophenone | 144.80 | 513.93 | 139.79 | 248.61 |
| Guanyl Thiourea | 43.04 | 183.35 | 44.80 | 105.27 |
| Sulfamide | 22.60 | 128.71 | 27.23 | 102.92 |
| Acetonitrile | 31.76 | 122.04 | 33.28 | 29.06 |
| Methylene Chloride | 275.16 | 101.64 | 220.63 | 74.72 |
| Vitride | 15.54 | 100.31 | 1.22 | 8.18 |
| Phosphorous Pentoxide | 42.10 | 104.76 | 14.40 | 13.15 |
| Others | - | 11,263.33 | - | 9,867.73 |
| **Total** | **7,977.12** | **18,006.77** | **7,918.08** | **14,121.93** |

e) CIF Value of Imports: *(Amount in Rs.)*

| Particulars | 2008-09 | 2007-08 |
|---|---|---|
| Raw Materials | 39,69,83,784 | 22,73,99,150 |
| Capital Goods | 1,50,33,299 | 4,99,49,494 |
| **Total** | **41,20,17,083** | **27,73,48,644** |

(f) Expenditure in Foreign Currency: *(Amount in Rs.)*

| Particulars | 2008-09 | 2007-08 |
|---|---|---|
| Sales Commission | 1,29,46,421 | 90,42,582 |
| Travelling expenses | 46,025 | – |
| **Total** | **1,29,92,446** | **90,42,582** |

(g) Earnings in Foreign Currency: *(Amount in Rs.)*

| Particulars | 2008-09 | 2007-08 |
|---|---|---|
| FOB Value of Exports | 85,14,20,942 | 50,75,74,795 |

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

**23.** Current year figures are not directly comparable with that of previous year as the transactions of SPPL and POL from the respective date of amalgamation/merger are included in previous year and they are not for full year.

**24.** Figures have been rounded off to the nearest Rupee.

As per our report of even date.

For Rambabu & Co.,
*Chartered Accountants*

Ravi Rambabu
*Partner*

For P. Murali & Co.,
*Chartered Accountants*

P. Murali Mohan Rao
*Partner*

Place : Hyderabad
Date : 10th August 2009

For and on behalf of the Board

P. Ramesh Babu
*CMD*

T V V S N Murthy
*VC and JMD*

N. Rajendra Prasad
*CFO*

# Cash Flow Statement For the year ended 31st March 2009

*(Amount in Rupees)*

| Particulars | 2008-09 | | 2007-08 | |
|---|---|---|---|---|
| A CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| **Net Profit before Tax** | | **7,94,56,680** | | **32,37,26,948** |
| Add: Depreciation | 6,27,91,542 | | 5,17,95,395 | |
| Interest on Term Loans | 1,21,13,975 | | 1,87,95,521 | |
| Deferred Revenue Expenses written off | 7,56,30,246 | | 6,55,98,226 | |
| Sales Tax deferment availed | - | | 39,91,489 | |
| Loss/(Profit) on sale of assets | 46,870 | | 1,47,469 | |
| Surplus on account of merger | - | 15,05,82,633 | 3,32,70,608 | 17,35,98,708 |
| **Operating profits before working capital changes** | | **23,00,39,313** | | **49,73,25,656** |
| Less: Increase in Inventories | 8,37,48,383 | | 24,17,42,601 | |
| in Trade Receivables | (2,78,82,216) | | (1,35,95,177) | |
| in Other Advances | (9,50,96,574) | | 4,37,84,465 | |
| Decrease in Trade payables | 246,23,118 | (1,46,07,289) | 4,38,98,601 | 31,58,30,490 |
| **Cash generated from operations** | | **24,46,46,602** | | **18,14,95,166** |
| Less: Income tax paid | | 3,55,25,948 | | 12,93,92,479 |
| **Net cash From Operating Activities (A)** | | **20,91,20,654** | | **5,21,02,687** |
| B CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Less: Increase in Capital work - in - Progress | 35,03,06,335 | | 72,04,40,277 | |
| Purchase of Fixed Assets | 22,41,19,643 | | 16,08,15,958 | |
| Investments | - | | (2,81,09,940) | |
| Sale of Fixed Assets | (8,61,474) | | (1,61,750) | |
| Deferred Revenue Expenditure | 8,59,82,435 | | 16,33,58,776 | |
| **Net cash used for investing Activities (B)** | | **(65,95,46,939)** | | **(1,01,63,43,320)** |
| C CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| **Inflow:** | | | | |
| Share Application Money | - | | 1,29,780 | |
| Term Loans received | 64,81,19,081 | | 24,64,00,000 | |
| Hire Purchase Loans received | - | | 45,38,675 | |
| Un-secured loans received | (1,95,06,623) | | 1,96,96,623 | |
| Increase in Bank borrowings | 7,08,91,710 | | 12,13,28,716 | |
| | 69,95,04,168 | | 39,20,93,794 | |
| **Out flow:** | | | | |
| Repayment of Term Loans | 24,27,74,829 | | 9,91,24,414 | |
| Repayment of Vehicle Loans | 15,72,533 | | 12,49,313 | |
| Dividend paid including CDT | 2,34,34,574 | | 2,34,04,206 | |
| Interest paid | 1,12,59,861 | | 1,87,95,521 | |
| Retirement Benefits for transitional period as per AS 15(Rev) | - | | 19,62,382 | |
| | 27,90,41,797 | | 14,45,35,837 | |
| **Net cash generated from Financing Activities (C)** | | **42,04,62,371** | | **24,75,57,957** |
| **Net Increase in cash and Cash equivalents (A+B+C)** | | **(2,99,63,914)** | | **(71,66,82,675)** |
| Cash and Cash equivalents at beginning of the year | | 23,37,08,042 | | 95,03,90,717 |
| Cash and Cash equivalents at end of the year | | 20,37,44,128 | | 23,37,08,042 |

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 Rambabu & Co.,
*Chartered Accountants*

Ravi Rambabu
*Partner*

For P. Murali & Co.,
*Chartered Accountants*

P. Murali Mohan Rao
*Partner*

Place : Hyderabad
Date : 10th August 2009

For and on behalf of the Board

P. Ramesh Babu
*CMD*

T V V S N Murthy
*VC and JMD*

N. Rajendra Prasad
*CFO*

# 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. | 8066 | State Code | 01 |
| Balance Sheet | 31-03-2009 | | |

2. **Capital Raised during the year** (Amount in Rs. Thousands)

| | | | |
|---|---|---|---|
| Public Issue | NIL | Rights Issue | NIL |
| Bonus Issue | NIL | Private Placement | NIL |

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

| | | | |
|---|---|---|---|
| Total Liabilities | 3663682 | Total Assets | 3663682 |
| **Sources of Funds** | | | |
| Paid-up Capital | 100152 | Reserves and Surplus | 2021576 |
| Secured Loans | 1298809 | Unsecured Loans | 73644 |
| Deferred Tax Liability | 169501 | | |
| **Application of Funds** | | | |
| Net Fixed Assets | 872423 | Net Current Assets | 1390563 |
| Capital WIP | 1204396 | | |
| Investments | 5165 | | |
| Misc. Expenditure | 191135 | | |

4. **Performance of Company** (Amount in Rs. Thousands)

| | | | |
|---|---|---|---|
| Turnover | 2447867 | Total Expenditure | 2368411 |
| Profit before Tax | 79456 | Profit/Loss after Tax | 62985 |
| Earning per Share (EPS) | 6.29 | Dividend (Rate %) | 20% |

5. **Generic Names of Three Principal Products/Services of Company** (As Per Monetary Terms)

| Item Code No. (It Code No.) | |
|---|---|
| 2942 | Ranitidine HCL |
| 2942 | Sumatriptan Succinate |
| 2942 | Itraconazole |

# Notice

Notice is hereby given that the 21st Annual General Meeting of the Company will be held on Wednesday the 30th September, 2009 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, 2009, Balance Sheet as on that date along with the Reports of the Directors' and Auditors' thereon.
2. To declare dividend for the financial year 2008-09.
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. B.M. Choudary, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To 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.

## SPECIAL BUSINESS:

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

   "RESOLVED THAT due notice in writing having been received from a member under Section 257 of the Companies Act, 1956 of his intention to propose Dr. Ayman Sahli for appointment as a Director and that Dr. Ayman Sahli be and is hereby appointed as a Director of the Company liable to retire by rotation."

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

   "RESOLVED THAT pursuant to Section 293 (1) (d) of the Companies Act, 1956, and other applicable provisions, if any, of the Companies Act, 1956, the consent of the members be and is hereby accorded to the Board of Directors of the Company, for borrowing monies for the purpose of business of the Company, from time to time, notwithstanding that the monies to be borrowed together with the monies already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will or may exceed the aggregate of the paid up capital of the Company and its free reserves that is to say, reserves not set apart for any specific purpose, provided however that the aggregate of amounts so borrowed and outstanding at any time (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) shall not exceed Rs.300.00 Crores only (Rs. Three Hundred Crores Only)."

By Order of the Board

Place: Hyderabad
Date: 10th August 2009

P. Ramesh Babu
*Chairman & Managing Director*

## Notes:

1. A member entitled to attend and vote at the meeting, is entitled to appoint a proxy to attend and vote instead of himself and such 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 authorised representative(s) to attend the meeting are requested to send a certified copy of the Board resolution authorising 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 25.09.2009 to 30.09.2009 (both days inclusive) in connection with the payment of dividend for the financial year 2008-09.

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 25.09.2009.

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 sing 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 relative explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto. The additional information on Directors, seeking re-appointment as Directors under Item Nos. 3, 4 and 6 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. B.M. Choudary | Dr. Ayman Sahli |
|---|---|---|---|
| Date of Birth | 21.07.1947 | 10.08.1946 | 04.05.1963 |
| Date of Appointment | 18.11.2004 | 29.05.2005 | 30.04.2009 |
| Qualification | M.Sc., Ph.D., | Ph.D., in Science | Ph. D., in Organic Chemistry |
| Expertise in specific Functional Area | In the fields of Organometallic and inorganic chemistry. | In inorganic chemistry | In inorganic chemistry |
| Details of other Directorships | None | 1) Ogene System (I) Private Limited<br>2) Apries Labs Private Limited. | Nil |
| Details of other Committee & Membership status. | None | 1) Member – Audit Committee.<br>2) Member – Remuneration Committee and<br>3) Member – Investors Grievances Committee. | Nil |

## Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956.

### Item No. 6.

The Gulf Pharmaceutical Industries, U.A.E. vide its letter dated 23.03.2009 proposed for appointment of Dr. Ayman Sahli as their Nominee Director in place of Mr. Abdul Razzqaq Yousef and the Board considered the same appointed Dr. Ayman Sahli as an Additional Director of the Company in the Board Meeting held on 30.04.2009. His appointment is valid upto the ensuring Annual General Meeting under Section 260 of the Companies Act, 1956. The Company has received a notice under Section 257 (1) of the Companies Act, 1956 in writing from a member proposing the candidature of Dr. Ayman Sahli for the office of Director liable to retire by rotation vide Article No.110 of the Articles of Association of the Company along with the deposit of Rs.500/- as prescribed under the Section. The Board considers that the induction of such professional will be beneficial to the growth of the company and accordingly recommend his appointment as Director of the Company.

Your Directors recommend this Resolution for your approval.

None of the Directors of the company, except Dr. Ayman Sahli to the extent of his appointment as Director, is interested or concerned in this Resolution.

### Item No. 7

At present the Board of Directors are empowered to borrow towards future expansion (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) upto Rs.125.00 Crores vide resolution passed by the Members under Section 293 (1) (d) of the Companies Act, 1956 in the Extra-Ordinary General Meeting held on 10th March, 2004. To meet the increased working capital needs, Working Capital Term Loans and other requirements,towards future expansion, the company proposes to obtain the consent of the Members to increase the borrowing limits to Rs.300.00 crores from Rs.125.00 crores.

The Board therefore recommends the proposed resolution. None of the Directors of the Company are interested or concerned in any way in the resolution.

By Order of the Board

Place: Hyderabad
Date: 10th August 2009

P. Ramesh Babu
*Chairman & Managing Director*

## SMS PHARMACEUTICALS LIMITED

**Regd. Office :** 417, 'Nilgiri' Aditya Enclave, Ameerpet, Hyderabad - 500 038.

# 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 to vote for me/us on my/our behalf at the 21st Annual General Meeting of the Company to be held on Wednesday, the 30th day of September, 2009 at 11.00 AM at Jubilee Hills International Centre (Jubilee Hills Club), Jubilee Hills, Hyderabad and at any adjournment thereof.

Signed this ______________________ day of September, 2009.

Affix Re.1/- Revenue Stamp

Client ID No.: DP ID No.:

Notes:

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.

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## SMS PHARMACEUTICALS LIMITED

Regd. Office : 417, 'Nilgiri' Aditya Enclave, Ameerpet, Hyderabad - 500 038.

# 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 21st Annual General Meeting to be held on Wednesday, the 30th day of September, 2009 at 11.00 PM 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.

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