

**"SMS Lifesciences India Limited 17<sup>th</sup> Annual General Meeting"**

Held on Friday, September 29, 2023 at 2.00 pm

**PARTICIPANTS:**

Sl No.	Name	Designation	Mode of Attending
<b>Directors</b>			
1.	Mr. P. Sarath Kumar	Chairman & Independent Director	Physically present at the venue and participated through VC.
2.	Mr. TVVSN Murthy	Managing Director	
3.	Mr. TV Praveen	Executive Director	
4.	Mrs. Sudeepthi Gopineedi	Whole-time Director	
5.	Mr. (Dr.) Mannam Malakondaiah	Independent Director	
6.	Mr. (Dr.) Srinivas Samavedam	Independent Director	Participated through VC from respective location in Hyderabad
<b>In attendance</b>			
7.	Mr. N. Rajendra Prasad	Chief Financial officer	Physically present at the venue and participated through VC.
8.	Mr. Trupti Ranjan Mohanty	Company Secretary	
<b>Statutory Auditors and Scrutinizer</b>			
9.	Mr. GVL Prasad	Statutory Auditors	Participated through VC from respective location in Hyderabad
10.	Mr. A. Venkateswara Rao	Internal Auditors	Physically present at the venue and participated through VC.
11.	Mr. C Sudhir Babu	Secretarial Auditors and Scrutinizers	

**AGM TRANSCRIPT:**

<b>Mr. Trupti Ranjan Mohanty</b> [Company Secretary]	<p>⇒ Good afternoon to one and all.</p> <p>I Trupti Ranjan Mohanty, Company Secretary of your Company, heartily welcome you all to the 17<sup>th</sup> Annual General Meeting of your Company being conducted through video conference.</p> <p>I hope that you and your family members are safe and in good health. Before the official commencement of this AGM, I would like to brief you on certain points, regarding the participation in this meeting.</p>
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Shareholders have been provided with the facility to join the meeting through video conference. Your Company has appointed CDSL, to provide the facility of e-voting and for participating in this AGM through video conference.

The access to join this meeting is provided 30 minutes prior to the scheduled time and will be kept open throughout the meeting.

Members who have not yet casted their votes through remote e-voting and are now participating in this meeting, have an opportunity to cast their votes during the meeting through e-voting system provided by CDSL.

Register of Directors and KMP / Details of Related Party Transactions and various other statutory documents have been made available electronically for inspection, for members during this AGM, on the website of the Company.

Notice of this AGM along with the Annual Report for the year 2023 have been uploaded on the website of the Company, Stock Exchanges and CDSL portal.

The Registered Office of your Company situated at Hyderabad, shall be deemed venue for this AGM to transact the businesses as mentioned in the AGM notice.

As the AGM is being conducted through video conference, the facility for appointment of proxies by members is not applicable. Hence, No proxy register for inspection has been made available.

All the members joining this meeting, are placed by default in mute mode to avoid any background noise disturbance, and to ensure smooth and seamless conduct of this meeting.

Your Company has received requests from few members to register them as a speaker at this meeting. Accordingly, the floor will be open for those members to ask questions and express their views. Moderator will announce their names one by one.

The speaker on his turn will be unmuted by the moderator.

The concerned speaker will then be requested to join and ask their questions or share their views. If there is any connectivity problem at speaker's end, they are requested to rejoin -- once the connectivity improves, the speaker member will be reconnected to speak after other speakers complete their turns.

Once allowed, speakers are requested to mention their name, Folio number and the place from where they are joining this meeting.

We would also like to request all the speakers to limit their speech to a maximum of 5 minutes.

During the AGM, if any member faces any technical issue, he or she may contact the helpline number mentioned in the AGM Notice.

We have requisite quorum present through video conference to conduct the proceedings of the meeting.

Participation of members through video conference is being recorded as a statutory requirement.

We would like to inform you that in accordance with the Articles of Association of your Company and with the consent of all the Board members, Mr. P. Sarath Kumar, Independent Director of the Company has been elected as the Chairman of this meeting and shall now conduct the proceedings of the meeting.

I will now request Chairman sir to officially commence the proceedings of 17<sup>th</sup> Annual General Meeting.

Thank you. Over to you, Sir.

**Mr. P Sarath Kumar**  
[Chairman]

⇒ Thank you,  
Good Afternoon, ladies and gentlemen.

I, P Sarath Kumar, Independent Director extend a very warm welcome to you at the 17<sup>th</sup> Annual General Meeting of your Company. The Annual General Meeting of the Company is being conducted through virtual mode in compliance with the directives issued by the Ministry of Corporate Affairs and Securities Exchange Board of India.

We at SMS Lifesciences have always appreciated the physical presence of our shareholders, however conducting AGM, through VC allows seamless participation by shareholders as well as provides platform for the wider selection of shareholders to join the meeting from the comfort of their own locations.

Hence we are conducting this meeting through VC.

As I have been informed by the scrutinizers that the requisite quorum is present, I now call the meeting to order.

Before moving forward, I would like to introduce my colleague Board members:

- ≡ Mr. TVVSN Murthy, Managing Director
- ≡ Mr. TV Praveen, Executive Director
- ≡ Mrs. Sudeepthi Gopineedi, Whole-time Director
- ≡ Dr. Mannam Malakondaiah, Independent Director and Chairman of Nomination & Remuneration committee
- ≡ Dr. Srinivas Samavedam, Independent Director
- ≡ And myself P Sarath Kumar, Independent Director and Chairman of Audit Committee & Stakeholders Relationship Committee.

I would also like to inform that CA GVL Prasad, of Rambabu & Co, who have signed this year's Auditors report and annual accounts and CA Venkateswara Rao, Internal Auditor and Mr. C Sudhir Babu, Secretarial Auditor and Scrutinizer for the 17th AGM are also present in the meeting

Mr. N Rajendra Prasad, CFO of the Company is also present.

Dr. Srinivas and CA GVL Prasad are attending this meeting from their respective remote locations, whereas all other panelists for this AGM are physically present at the registered office of the Company.

I would like to thank all the Directors, and the Members official for joining this meeting.

As the notice of AGM is already circulated to all the members, I take the notice convening this meeting as read.

The Statutory Auditors and the Secretarial Auditors have expressed unqualified opinion in respect of audit reports for FY 2022-23. There were no qualifications, observations or adverse comments on financial statements and matters which have any material bearing on the functioning of the Company.

The statutory auditors report on standalone financial statements and consolidated financial statements are available on page numbers 91 and 163 respectively of the annual report circulated

The Secretarial Audit Report is enclosed as Annexure VI to the Boards report on page number 44 of the Annual Report.

The Company has taken requisite steps to provide facilities to enable members to participate and vote electronically on all agenda items of the notice of this Annual General Meeting.

I would now like to address the Stakeholders on the business aspects.

I am glad that we are meeting again in far better times than what we have experienced in the last couple of years. I will be taking you through our overall performance in the financial year 2022-23, following which, Mr. Praveen, Executive Director, will share his insights on business operations and future outlook.

With COVID-19 tapering off, there was a much needed push generated in Indian economy, which has now become the 5<sup>th</sup> largest economy in the world.

But the year under review was not free from roadblocks and challenges due to the ongoing Russia-Ukraine situation, which has created hiccups in the supply chain and logistical Bottlenecks.

Let me turn my attention now to the performance of the last year.

The operational revenue of your Company has slightly declined to ₹315 crores as compared to ₹345 crores in the previous year; with an operational profitability of ₹16 crores as compared to ₹20 crores in the last year.

Your Company has manufactured 1,307 tonnes of API's as against 1,651 tonnes in the previous year;

I would like to highlight here that Ranitidine, which had few difficulties in the past with NDMA guidelines, has gradually settled and sales of ranitidine along with its intermediaries have formed around 60% of all products.

Your Company has been making continuous efforts to develop new products and commercialize the same with an aim to establish its presence in a few more new frontiers and regulated markets.

In this regard, the Company had entered into a collaboration with ChemWerth Inc, a full-service generic API company based in the United States., which shall assist your Company in strengthening the presence in regulatory markets.

I would like to add that last year the export sales were around ₹100 crores, which was about 32% of total revenue.

The consolidated numbers are also on a similar trajectory, Revenue from Operations and other income, for the year was ₹320 Crore i.e. 9.50% decline as compared to ₹350 Crore in the previous year.

Major reason for decline in profitability like lower business growth as well as increase in the other overhead expenses due to the inflationary trend in the economy, the operating margins have also reduced.

Further, operations from newly created capacities will take some time to stabilize and create sustainable revenues.

Your Company keeps increasing the investment in Research and Development, R&D expenditure was around ₹455 lakhs in the last year as compared to ₹305 lakhs in the previous year.

From the pandemic side, WHO on 5<sup>th</sup> May, 2023 released a statement citing the end of Covid-19 related public health emergencies. However, the virus causing Covid-19 will remain a permanently established pathogen in humans for the foreseeable future but the pandemic has now nearly reached the endemic stage, hopefully.

I appreciate the management and the entire team especially the Managing Director and Executive Directors who lead the team in a commendable manner during the tough year.

Its matter of Pride to share with you that last year we also had one of our milestone achievements in the form of successful USFDA Audit.

We are very optimistic and I believe that the Company shall continue the good run on profitability and organic growth.

On the same note, let me now come to the dividend part.

Based on the performance of your Company, the Board has proposed to declare 15% dividend to the shareholders, subject to TDS, as applicable.

Dividend, if approved by the members, would involve a cash outflow of ₹45 lakhs and paid within the statutory timelines.

Let me now briefly talk about the performance of subsidiary company.

Current holding of SMS Life in Mahi Drugs Private Limited is 60% after receipt of FDI -- between February and April, 2022. Even though the stake has been diluted but the day-to-day business affairs and decision-making powers shall continue with your Company.

During the last year, the Revenue from operations of Mahi Drugs was ₹35 Crores as compared to ₹32 Crores in the previous year. However, the net loss is ₹20 lakhs as compared to ₹8 lakhs loss during the previous year.

It is pertinent to note that there are no cash losses in the subsidiary company.

It is pertinent to note that the total sale of Mahi Drugs has overall increased by 10% and the export income have actually surged from ₹93 lakhs to ₹227 lakhs.



However, the reason for loss is as Mahi Drugs is in the process of creating infrastructure and in the development phase by incurring capital expenditure to streamline the manufacturing plants as per the USFDA and European Union guidelines, in order to cater to the regulated markets.

Further, as Mahi Drugs also qualifies as a material subsidiary of SMS Lifesciences and accordingly, your Company has nominated a common Independent Director on the Board of the subsidiary.

Secretarial Audit of Mahi Drugs was also conducted and the same forms part of the Annual report.

ChemWerth Inc, the Strategic Investor in Mahi Drugs, aggregately holds 40% stake, has also nominated a Director on the Board of Mahi Drugs as per the terms of investment.

Now coming to the CSR front, your Company has constructed a "Public Healthcare Center" in Kazipally village, which will improve the healthcare infrastructure and educate the importance of good health in the local area of Kazipally.

The same has been recently inaugurated and stakeholders can view few pictures of the healthcare center on the last page of the annual report.

Further, the Company has also built a multifunctional skill development center, which will help the localities to educate themselves and improve their skills in various aspects. Currently, the site is ready and shall be inaugurated in a couple of weeks' time i.e. during Vijayadashami.

Both the capital assets shall be transferred to Khazipally Gram Panchayat.

Before I conclude my speech and request Mr. Praveen ED to brief the operational outlook, I would like to add that despite ongoing uncertainties and challenges, including inflation and supply chain disruptions, the Indian economy is anticipated to show resilience and is expected to be one of the fastest growing major economies in the world on the back of favorable government policies, robust domestic demand and a resurgence in export activities.

With our manufacturing expertise, continuous R&D, new product addition and deep customer relationships, we are well poised to capitalize on these opportunities and remain dedicated to fostering long-term sustainable growth for the benefit of all our stakeholders.

I would also like to place on record my gratitude and appreciation to Mr. Venkatasubbarao Potluri, who has rendered invaluable service to the Company during his association with the Company as Independent Director and has resigned from the Board during the last year, citing health issue and wanted to devote more time towards his family.

I wish him all good health and best wishes.

I wish to place on record my sincere gratitude towards our Board Members for their constant guidance and support in our pursuit of maximizing long-term shareholder value.

I would also like to thank all our shareholders and stakeholders including Bankers for reposing faith in us and supporting us throughout our journey.

Last but not the least, I would like to acknowledge the passion, dedication and commitment of our employees.

As I conclude, I would like to take this opportunity to thank you all for your continuous support and faith in the Company and its management. We shall endeavor to scale newer heights as we continue on our journey ahead.

Thank you very much.

Now, I would request our Executive Director, Mr. Praveen to address the shareholders and briefly touch upon the operations side of the Company.

**Mr. TV Praveen**  
**[Executive Director]**

⇒ Thankyou Sarath Garu,

Good Afternoon to Directors, Shareholders, and all Stake holders of the Company.

In the last three years we have created good capacity, promising customer additions, and successful regulatory / customer approvals like our successful USFDA audit with zero 483s in 2022.

This has created robust foundation for increase of sales and profitability in the coming years.

In SMS Life manufacturing units, we have enhanced and upgraded our capacities, which will improve our efficiency, flexibility to take up new projects and strengthen our compliance.

We are maintaining our leadership in existing products like Ranitidine, and Famotidine. We have invested significantly in R&D in terms of resources, new products and are launching 8-10 products ever year.

We are also adding potential customers globally which will create sustainable business avenues for the company.

We have acquired Mahi Drugs in the year 2018 as a 100% subsidiary to create capacity for growth and to fasten new product launches.

We have doubled the intermediate capacity, added Pharma API capacity (2 lines) in this unit. We have upgraded the infrastructure significantly to make it a world class facility. We have executed good projects in intermediates and APIs for global markets.

We have entered into partnership with ChemWerth for 10+ products in the next few years. We are also partnering with various customers for launching new APIs.

We are awaiting USFDA audit for this unit in 2024 to commercialise products from this facility.

Considering significant capex, and resources, have been added in Mahi Drugs in the last two years and products are waiting for commercialisation, the entity is not making much profit. But good growth is expected in the years 2024-25, 2025-26 from Mahi Drugs predominantly from export markets

Finally the Company is glad that we have completed major capacity addition in both SMS Life units and Mahi Drugs and is expected to generate good growth in the future.

Thanks to all Stakeholders for the support and trust in the Company.

Now, I handover the proceedings to Company Secretary.

**Mr. Trupti Ranjan Mohanty**  
[Company Secretary]

⇒ Thank you sir.

I would like to inform that the notice of the 17<sup>th</sup> AGM dated 8<sup>th</sup> August 2023 along with the Audited Financial Statements, Reports of the Board, Statutory Auditors and Secretarial Auditors were circulated through email to all the shareholders on 7<sup>th</sup> September, 2023 as per the guidelines issued by MCA and SEBI.

Ordinary Business includes approval of Financial Statements for the year 2022-23 along with Report of Board and Auditors.

And approval of dividend recommended as by the Board for the year ended 31<sup>st</sup> March, 2023

And reappointment of Mr. TVVSN Murthy as Director retiring by rotation.

Special business includes, approval of material Related Party Transactions for the year 2023-24 of the Company and the material subsidiary, which requires approval of the shareholders.

Other agenda item is approval of remuneration payable to cost auditors for the year 2023-24, which is a statutory requirement.

With the permission of the Chairman and all the members I hereby take the notice of the AGM as read.

Now, I would request Chairman sir to brief the voting procedure to the shareholders.

**Mr. P Sarath Kumar**  
[Chairman]

⇒ The text of the resolutions along with explanatory statements is provided in the notice circulated to the Members.

In continuation to AGM voting, the Company had provided the remote e-voting facility to all the eligible shareholders to vote from 9 AM of September 26, 2023 to 5 PM of September 28, 2023.

You may also note that e-voting facility for those who have not casted their vote earlier has been provided throughout the duration of this meeting and shall be open for 15 minutes after the conclusion of the meeting.

I request all the shareholders to make use of this facility in case they had not casted their vote yet.

The Company has appointed Mr. C Sudhir Babu, Practicing Company Secretary as Scrutinizer for the remote e-voting process and e-voting during the AGM.

On behalf of the Board, I hereby authorise Company Secretary to receive and countersign the Scrutinizer's Report and to announce the results of the voting thereof.

The results will be placed on the Company's website and on the website of CDSL within the prescribed time and the same will also be communicated to the Stock Exchanges.

Now, the Members who have registered as speakers and desire to ask any questions pertaining to any items of the notice he or she may do so now. Members are requested to keep their questions brief and specific.

The moderator will facilitate the questions.

To avoid repetition the answers to all the questions will be provided towards the end.

**THEREAFTER, THE MODERATOR UNMUTED THE SPEAKERS REGISTERED WITH TO COMPANY TO SHARE THEIR VIEWS. QUERY WAS RESPONDED BY THE PANELIST TO THE SATISFACTION OF THE MEMBERS.**

**Trupti Ranjan Mohanty**  
[Company Secretary]

⇒ Since there is no other business to be transacted, I request the Managing Director to propose the vote of thanks.

Thankyou from my side.

**TVVSN Murthy**  
**[Managing Director]**

⇒ Good afternoon and it is immense pleasure to meet all the shareholders.

I think we have answered all the questions that were asked if anything else is left, please get in touch with our Secretarial department and they will be very happy to give any explanation or answers.

I would take this opportunity to thank all my colleagues on the Board of Directors and shareholders for attending this meeting. Now with your permission I and the Board Members would like to leave the meeting.

The secretarial team will be online for some more time until the e-voting concludes.

With this, all the items of today's AGM have now been transacted. Thank you for attending this meeting. I once again want to sincerely appreciate and look forward to your continued support and guidance. With this, I declare that the 17th Annual General Meeting is closed.

Thank you all very much.

**AGM RECORDING LINK: [https://youtu.be/hW7DVy\\_fhaU](https://youtu.be/hW7DVy_fhaU)**