

**"SMS Lifesciences India Limited 14<sup>th</sup> Annual General Meeting"**

Held on September 30, 2020 at 3.00 pm

**PARTICIPANTS.**

Sl No.	Name	Designation	Mode of Attending
<b>Directors</b>			
1.	Mr. P Ramesh Babu	Chairman	Physically present at the venue and participated through VC.
2.	Mr. TVVSN Murthy	Managing Director	
3.	Mr. TV Praveen	Executive Director	
4.	Mr. P. Sarath Kumar	Independent Director	
5.	Mr. Shravan K	Independent Director	
6.	Mrs. T Neelaveni	Independent Director	Participated through VC from respective location in Hyderabad
7.	Mr. P S Rao	Independent Director	
<b>In attendance</b>			
8.	Mr. N. Rajendra Prasad	Chief Financial officer	Physically present at the venue and participated through VC.
9.	Mr. Trupti Ranjan Mohanty	Company Secretary	
<b>Statutory Auditors and Scrutinizer</b>			
10.	Mr. GVL Prasad	Statutory Auditor	Participated through VC from respective location in Hyderabad
11.	Mr. A. Venkateswara Rao	Internal Auditor	
12.	Mr. C Sudhir Babu	Secretarial Auditor and Scrutinizers	Physically present at the venue and participated through VC.

**Moderator**

⇒ Dear members, Good Afternoon and a warm welcome to all of you to the 14<sup>th</sup> Annual General Meeting of SMS Lifesciences India Limited held through video conferencing facility or other audio-visual means. I hand over the proceedings to Mr. Trupti Ranjan, Company Secretary of the Company. Over to you, sir

**Trupti Ranjan Mohanty**  
[Company Secretary]

⇒ Good Afternoon shareholders, I am Trupti Ranjan Mohanty Company Secretary of the company.

I am pleased to welcome you all to the 14<sup>th</sup> Annual General Meeting of the Company through Video Conference (VC) and Other Audio Visual Means (OAVM). This is a virtual meeting in view of the challenges and risks posed by the Covid-19 pandemic and keeping in mind safety and security of the shareholders and employees of the company.

I would like to inform you that in accordance with the Articles of Association of the Company, Mr. Ramesh Babu Potluri is elected as the Chairman of the Meeting and conduct the proceedings of the meeting.

Since most of you experienced in participating or joining the meetings through video conference or other audio visual means, I would like to take you through certain points regarding the participation in the meeting. The facility of joining in this meeting through video conferencing is enabled to the members on first come first serve basis.

All the members who have joined in this meeting are muted by the host to avoid any background noise and disturbance in the meeting and to ensure smooth and seamless conduct of the meeting.

The Shareholders, who have registered with the company as speaker on or before 27<sup>th</sup> of September, 2020 are allowed to express their views or may submit their queries. Speaker shareholders are requested to use their earphones when speaking so that the voice is clear, audible and minimizes background sounds. While speaking, the speaker shareholder is requested to ensure that the device is connected through Wi-Fi and no other devices are connected to it and no other background applications are running on the device. In case of any connectivity problem is faced by the existing Speaker shareholder, then next speaker shareholder will be called to speak in the meeting. Once connectivity improves the disconnected speaker shareholder will be allowed to speak after the existing speaker completes his turn. We would request the shareholder to kindly limit their speech to 2/3 minutes.

In case of any technical problem faced by the Shareholder during the meeting, they may contact the helpline mentioned in the notice of the AGM. Thank you so much. Now I hand over to the Chairman of the Meeting.

**Mr. P Ramesh Babu**  
[Chairman]

⇒ Good Afternoon to all who are joined the meeting through Video Conference. I welcome all the shareholders to this 14<sup>th</sup> Annual General Meeting of the Company. As the requisite quorum of AGM is present, I now call the meeting to order. With me, here at the meeting venue Mr. P. Sarath Kumar, Independent Director and Chairman of the Audit Committee, Mr. Shraavan Kudaravali, Independent Director, Mr. TVVSN Murthy, Managing Director, Mr. T.V. Praveen, Executive Director, Mr. N. Rajendra Prasad, Chief Financial Officer and Mr. Trupti Ranjan Mohanty, the Company Secretary are available.

I now call Mr. P S Rao, Independent Director and Chairman of Nomination and remuneration Committee and Mrs. T Neelaveni, Independent Director and Chairman of Stakeholders Relationship Committee, who are on VC to introduce themselves. Mr. P S Rao Garu.

**Mr. P S Rao**  
[Independent Director]

⇒ My name is P. V. Subba Rao, I am Independent Director in SMS Lifesciences and a chemistry graduate with management sciences from Bombay university I have been with the Company for probably six years before that I have been working in many professional companies, my professional experiences is about 35 years. I am working as independent consultant for many European and American companies. That's my introduction Thank you.

**Mr. P Ramesh Babu**  
[Chairman]

⇒ I will now request Dr. T Neelaveni to introduce herself.

**Mrs. T Neelaveni**  
[Independent Director]

⇒ Good afternoon all, I am Independent Director in SMS Lifesciences; I am being practicing since 32 years at Hyderabad only. I am attending this video conference from my residence in Hyderabad itself. I hope all are health and doing well. Thanks you.

**Mr. P Ramesh Babu**  
[Chairman]

⇒ Thank you Mrs. Neelaveni.

Apart from the Directors of the Company, we also have the representative of Statutory Auditors of the Company Mr. GVL Prasad of M/s. Rambabu & Co., Chartered Accountants, Mr. A. Venkateshwara Rao Internal Auditor of M/s Adusumilli & Associates Chartered Accountants and Mr. C. Sudhir Babu, Practicing Company Secretary and Scrutinizer, attending this 14<sup>th</sup> Annual General Meeting through Video Conference.

I thank all the members for joining in the meeting and sincerely hope the members are safe and in good health. Due to the outbreak of the covid-19 pandemic and in order to ensure the safety and security of the members and employees of the company this AGM is being held through video conference in compliance with the directions of the Ministry of Corporate Affairs and the Securities and Exchange Board of India.

The Company has taken requisite steps to enable the members to participate and vote on the items being considered in this AGM. Since there is no physical presence of the members, the requirement of appointing the proxy is not applicable. Registers and other documents required to be kept open for inspection under the Companies Act is placed in the website of the Company under the head "AGM Documents".

The members who have not voted earlier through remote e-voting can cast their vote in the course of the meeting through e-voting facility.

The Annual Report for financial year 2020 comprising the notice of the AGM, Audited Financial Statements, Boards and Auditor's Report have been sent through electronic mode to all the members who have registered their e-mail addresses with the company or their respective depository participants as on 4<sup>th</sup> of September, 2020.

Consequently, I will take the notice convening the meeting and the auditor's report on both the standalone and consolidated financial statements as read. I would like to mention that there were no qualifications, observations and adverse comments or remarks in the statutory auditor's report or secretarial auditor's report. Before going on

to discuss the highlights of financial year 2019–20, I would like to apprise you about the Financial Performance of your Company during the Year 2019–20.

During the year under review, the total revenue of the Company is Rs. 256.92 Crores against Rs. 344.15 Crores in the previous year. The decline is mainly due to reduction in sale of Ranitidine on account of Nitrosamine impurity guidelines from regulatory authorities and reduction in sales of an ARV intermediate for a customer.

The production has declined to 1,364 M.T. of API's and their intermediates in comparison with 2,040 M.T. for the previous year. PAT of the Company for the year has also declined to Rs. 9.14 Crores as against Rs. 16.63 Crores in the previous year. Company's reserves were at Rs. 110.23 crores as on 31<sup>st</sup> March, 2020. The year that passed by, has been challenging due to decline in Ranitidine business of the Company, which is a major contribution to the top-line. Currently, the Company is providing the product within prescribed NDMA impurity Limits at release and are constantly working for reduction of NDMA Impurities. Post USFDA statement, to recall and review the said molecule, various Regulatory Authorities globally are reviewing the information and few have halted the procurement.

Customers in some countries are taking trial with improved processes developed by the Company. However, Company does not foresee any significant impact on the bottom-line profitability as Ranitidine molecule although is a high volume product but it is a low margin business.

Meanwhile we have strengthened our sales in our other existing product range of API and intermediates. We are also planning to launch new APIs /intermediates in the ongoing financial year 2020-21, from the newly established R&D center. The company has entered into the contract manufacturing cooperation on few intermediates. Your Company is further exploring tie-ups in API/intermediates with existing and new customer base. Company is confident of maintaining a sustainable revenue stream.

Moving forward, the Strategic Acquisition of Mahi Drugs Private Limited, Vizag as a wholly owned subsidiary is not only adds to the value of your Company but also provides flexibility in terms of supporting intermediates to the group and also consolidating its own products. We are enhancing capacity in intermediates and adding new API lines in Mahi drugs in financial year 2020-21. Why... because we don't want to depend on China particularly that why we are expanding our capacity.

Further, I am glad to inform that the Company has received two awards in the financial year 2019-20. We have received the prestigious "Indian Pharma Bulk Drug Company of the year 2019" from Department of Pharmaceuticals, Government of India. Company also received outstanding export performance award 2018-19 in "All round-Rising star" category from Pharmexcil.

On CSR, your Company has recently initiated for laying Road at Kazipally village and providing sanitary and educational facilities in vicinity areas of the manufacturing facilities and also in other villages.

Talking about COVID-19, the word that comes to mind is 'unprecedented'. In the initial stages of the pandemic, as the country braced itself for an extended lockdown, the Indian pharmaceutical industry rose to the challenge and ensured country in its operations. Your company's response was two-fold: First, we had to ensure the safety and well-being of our employees. Second, we had to ensure continuous supply of quality pharmaceutical products. On both counts,

I am pleased to inform that the company has done a good work by following the strict covid precautions. Though there were several challenges we had to encounter in the initial stage, our employees struggled to reach work, logistics were challenging, but eventually everything was streamlined.

Further, please note that as per the requirements, in AGM notice dated the 21<sup>st</sup> August 2020, resolution numbers 1 and 2 are mandatorily required to be passed at an AGM under Section 102(2) of the Companies Act 2013 and resolution numbers 3, 4, 5, 6 and 7 are special businesses and were considered important and unavoidable by the Board and hence proposed at this AGM.

E-voting facility is open. Members may please go to the e-voting page on the CDSL e-voting website and cast the vote while at the same time watching the proceedings of the meeting. We have received good wishes and compliments from many shareholders who could not join the meeting. We acknowledge the sentiments and thank them for their continued support.



I will now call one by one those members who are registered to speak and we will answer their questions once their session is over. I will call out the names of the speakers and as mentioned by Company Secretary.

The moderator may then unmute the speakers. First speaker Mr. Chandrasekhar, you have been unmuted and you can speak now.

**Moderator** ⇒ Sir, Please mention the full name sir.

**Mr. P Ramesh Babu** ⇒ Mr. Chandrashaker

**Moderator** ⇒ No. Sir, Mr. Chandrasekhar is not online.

**Mr. P Ramesh Babu** ⇒ We will move to the next speaker, G. Kishore Babu

**Mr. G. Kishore Babu** ⇒ Hello. Can I Speck sir ?

Good evening to everybody... Good evening to Managing Director and other Directors. I have two questions to ask. First is "what are the reasons for decline in turnover in 2019-20 as compared with previous year 2018-19 and also I will like to know the status of the Ranitidine sales" and my second question is "what is the future outlook of the Company when Ranitidine sales is effecting is future".

**Mr. P Ramesh Babu** ⇒ Your first question is... I have already explained in the chairman speech, ranitidine has a sudden impact as we are the largest exporter in the country. But sudden impact is we are doing this since almost last 30 years but suddenly this NDMA issue came and regulatory has asked us to stop the product to export and domestic markets and suddenly we stopped. That were I think that is the biggest impact to come down the topline, your second point is.. Anyhow to overcome that we are adding additional intermediaries and API's, we reached to 255 crores..

Something... 258 crores... this year, ranitidine local market operations started and some of the non-regulatory areas also it is moving, I think although it must not be that much volume though but definitely I think some revenue will be generated this year, on ranitidine part.

Finally, once USDFA review the stability of NDMA impurity, I think by the end of this year we will know "what is the status of regulatory market".

Regarding the second point what you asked "yes... Future of the Company". Future of the Company is definitely is good, company is not only depending on the ranitidine, we are already working on new product basis and also we are into the intermediaries also, import intermediaries also we are planning, by third quarter all the intermediaries will be commercialized and also we are doing some API's. We are very much confident about; we will regain the top-line. Thank you. Now I invite the second speaker shareholder, Mr. P D Gupta, Please unmute Mr. PD Gupta.

**Moderator**

⇒ Mr. P D Gupta is not joined he Meeting.

**Mr. P Ramesh Babu**

⇒ Then now... I invite the third speaker shareholder Mr. NDP Rao

**Moderator**

⇒ Please mention his full name Sir

**Mr. P Ramesh Babu**

⇒ Durga Prasad Rao

**Moderator**

⇒ Yes, Mr. Durga Prasad Rao you are unmuted now.

**Mr. Durga Prasad Rao**

⇒ Yes, Good Afternoon everyone.

Chairman Sir, what is impact of current pandemic COVID19 on the Company's operations as well as growth,

**Mr. P Ramesh Babu**

⇒ Operation wise, there is no impact, in the initial days we suffered for 10 -15 days, I think there is no big operational loss, slowly we recovered within 1 month time we went to full phased operation, absolutely there is no problem, we are following the government guidelines social distancing masks, later you may say there is no impact of covid19 pandemic. Sometimes shortage or non-availability of raw material or logistics problem that got delayed but not any major impact of the continuous pandemic issue.

**Mr. Durga Prasad Rao**

⇒ Ok Thank you Sir.

The second question is what are the steps taken by the Company to overcome the Lockdown and COVID issues.

**Mr. P Ramesh Babu**

⇒ During the lockdown time, we had to see the employee's health. Whoever was affected was given full treatment and also we are following hygienic atmosphere and facility and we have to see the employee's safety. Social distance also we are maintaining time schedule we have made 12 hours shift. We have taken care of all precautionary measure during the time of lockdown.

**Mr. Durga Prasad Rao**

⇒ Ok Thank you Sir.

**Mr. P Ramesh Babu**

⇒ Thank you, Mr. Durga Prasad.

Now I invite the fifth speaker, Mr. Kamal Kishore Jhawar

**Kamal Kishore Jhawar**

⇒ Namaste Sir, Mein Kamal Kishore bol raha hoon. Shareholder.

Third quarter kaisa rahega bataye.. aur sir humare equity itna chota hai.. aap isme dividend de toh aacha rahega. Gaye saal diye the.. SMS Pharma se zada improvement hona chiye kyuki... promoter shareholders ko bhi benefit and minority shareholders ko bhi fayda hai. *[Inaudible]*

**Mr. P Sarath Kumar**  
**[Independent Director]**

⇒ Apka badhiyo ka dhaniyabad, apka awaz kat raha hai fir bhi agar apka koi details agar bhejna chiye toh aap email bhej dijiye hum turant wapas aayege.. Company Secretary ko email bhej dijiye.. apka kuch salah hai toh Company records karege, apko bhi dhaniyabad for the suggestion give.. Thank you Sir.

**Mr. P Ramesh Babu**

⇒ We will go to the next shareholder, now I invite seventh speaker Mr. Ramesh Manguluri.

**Mr. Ramesh Manguluri.**

⇒ Thank you First of all, I will like to complement the management for maintaining almost normal operations inspite challenges like covid19 pandemic, Sir I have one question sir, are you confident of manufacturing the ranitidine HCL within the limits set by the USFDA.

**Mr. P Ramesh Babu**

⇒ As per product concerned we are very much confident on that but only what USFDA is asking is for the stability data from formulators, USFDA is asking for twelve month stability data but we have already submitted the six month stability data, six month stability data is acceptable. Now I think twelve month data we have to submit before end of march. May be after march once we submit the data, they will take a decision

**Mr. Ramesh Manguluri.**

⇒ Ok, when can we expect to restart the operation.

**Mr. P Ramesh Babu**

⇒ Now we are in operation, we are selling into local market and other market, except regulatory market like US and Europe.

**Mr. Ramesh Manguluri.**

⇒ My next question is what will be the CAPEX program for next 2 – 3 years

**Mr. P Ramesh Babu**

⇒ Maybe approximately 50-100 crores, by the end of 2020-21 it will be around 100 crores. .. Approximately.

**Mr. Ramesh Manguluri.**

⇒ Thank you; wish you all the best sir.

**Mr. P Ramesh Babu**

⇒ Thank you so much. Now I invite the eight speaker shareholder Ravi Kumar Naredi. (*Due to some issue Mr. Ravi was not able to speak*)  
Now I invite the next speaker shareholder Mr. K Bharat Raj (*Not joined*)  
Now I invite the tenth speaker, Mr. Rahul Kumar Paliwal.

**Mr. Rahul Kumar Paliwal.**

⇒ Can you hear me.. Ok!

My question is more on our studied view on FDI opportunity which company can foresee keeping the context of things moving from China to India and the way Govt. is promoting the local manufacturing so what is the opportunity the company do see, I just heard that we are planning to invest 100 cr CAPEX. can you narrow down to particular number and we are very tiny company I guess just having market cap of 200 crores so how are we going to fund this 50 -100 cr CAPEX, that's question number two, I see our dependence on one particular molecule ranitidine right, so how are we diversifying the risk going forward and may be you can put some color on groups for next 2 – 3 years in the sector mention in Annual report API's and then you spoke about tramps and intermediates (*inaudible*) from that prospective, as well, as of now. What is our %age in terms of total revenue export verses domestic and how many clients we have added and planning to add in last year or next year. So thanks for the opportunity. Wish you all the best to the management.

**Mr. P Sarath Kumar**

⇒ I am Sarath Kumar, Audit Committee Chairman, the first question I will answer; see I am not going by the market cap of the Company which is irrelevant as a promoter here. The net worth of the company stand at 113 crores, whereas the financial borrowing are only 23 crores so far, I

am having approximately cash profit of 15 – 20 crores minimum each year, last year it was more, I am taking about the present year, which is less due to the little impact of covid, in the normal average year my cash profit are in the range of 20 crores, so my ability to raise capital to the extent of 50 – 100 crores is just very easily, not capital, loans and repayment ability is also comfortable with cash flow of 20 year per year. I can certainly say that debt of 50 – 70 – 80 crores is very comfortable. Regarding the product and market chairman will answer the question.

**Mr. P Ramesh Babu**

⇒ Mr. Praveen can you please answer that.

**Mr. T V Praveen**

⇒ Sure, coming to the products basically we are adding lot of contract manufacturing with different Indian customers and foreign customers in high volume products and intermediaries, from the R&D center we started last year we are launching 5 API's this year and on ongoing basis we are launching API's so definitely we are working on reducing the impact of ranitidine in overall revenues, so that how we are working on increasing the revenues.

**Mr. P Ramesh Babu**

⇒ And also I will add one more thing, ranitidine is till we are producing ranitidine and selling in the local market, ranitidine is not totally zero, still it is a 10, 15, 20 % in the topline contribution, it is there.

**Mr. Rahul Kumar Paliwal.**

⇒ So how about.. export % as of now in term of total topline.

**Mr. T V Praveen**

⇒ Export is around 30%, future we expect it to be around 40%.

**Mr. Rahul Kumar Paliwal.**

⇒ Can we segregate revenue in terms of API's intermediaries and cramps as of now, like what %age we are.. yaah !

**Mr. T V Praveen**

⇒ Currently, major revenue is coming from API and intermediaries, in terms of contact manufacturing of crumps we are more into generic and established products we are not majorly into innovative company but we have signed couple of agreements with the customers where contribution will increase, as we were saying, as chairman was mentioning we are focusing on import substitute products and even other volume intermediaries in the ARV segment, so in the long term I think it will be 20% in grams and rest in API intermediaries.

**Mr. Rahul Kumar Paliwal.**

⇒ Sounds good sir. *[inaudible]*

**Mr. P Ramesh Babu**

⇒ Definitely overall we are very confident, I think future is going to be very good for SMS Lifesciences but figures and all those things we can't discuss on this platform.

**Mr. Rahul Kumar Paliwal.**

⇒ I appreciate Sir, I think I missed one more question, I see some news between SMS Pharma and life, the promoter families are different and they are taking over each other stake can you put some light on that as well.

**Mr. P Ramesh Babu**

⇒ It's too early to discuss about that issue, anyhow but we both are discussing that one but not yet finalized once that is finalized we will definitely inform the regulatory, and then we will announce.

**Mr. Rahul Kumar Paliwal.**

⇒ Thank you so much and all the best.

**Mr. P Sarath Kumar**

⇒ Any person left to speak, one person was left out. Ravi Kumar Naredi. Is he available by any chance

**Mr. P Ramesh Babu**

⇒ In case of any queries by the shareholders who are not registered as speaker, are requested to send their queries through email to the company. on receipt of any such query through email, the company will send suitable response to them.

Mr. C. Sudhir Babu, Practicing Company Secretary has been appointed as scrutinizers for the meeting to oversee the process of e-voting and submit his report on the same. I also authorise the Company Secretary to accept and acknowledge and countersign the scrutinizer's report and declare the e-voting results on receipt of the scrutinizer's report.

The results would be announced within 48 hours from the conclusion of the meeting and the same will be informed to the Stock Exchanges and will be uploaded on the company's website. Before ending I would like to thank each one of you, Shareholders, Directors and Bankers, Financial Institutions, Business Partners, and Government Authorities for their co-operation and valuable support extended. I also wish to place on record my sincere appreciation of the contributions made by the employees at all levels, through their dedication and hard work is enabling the company to prosper during the tough times. Thank you.

**Mr. Trupti Ranjan Mohanty**

⇒ Thank You Sir, Since there is no other business to be transacted, I request Murthy Sir to propose vote of thanks.

**Mr. TVVSN Murthy**  
[Managing Director]

⇒ I sincerely thank one and all those who have attended this meeting and participated in conducting this meeting smoothly. I thank all the shareholders for their support and encouragement. I also thank our employees who have made arrangements in making this event as grand success. Thank You one and all.

**Mr. Trupti Ranjan Mohanty**

⇒ Thank you Murty Sir.

Members may please note that the voting on the voting platform will continue to be available for the next 15 minutes and Members, who have not cast their vote yet, are requested to do so.

Meeting is hereby concluded. Thank you all.