

“SMS Lifesciences India Limited 18th Annual General Meeting”

Held on Monday, September 30, 2024 at 3.00 pm

PARTICIPANTS:

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

AGM TRANSCRIPT:

Mr. Trupti Ranjan Mohanty
[Company Secretary]

⇒ Good Afternoon to one and all!

I am Trupti Ranjan Mohanty, Company Secretary & Compliance Officer of your Company, heartily welcome you all to the 18th Annual General Meeting of your Company being conducted through video conference pursuant to various circulars issued by SEBI and Ministry of Corporate Affairs. 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 18th AGM of the Company:

I would like to update that

- 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.
- 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 2023-24 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.

- ❑ To avoid any background noise and to ensure smooth conduct of the meeting, all the Members who have joined this meeting will be placed on mute mode by the host.
- ❑ Your Company has received requests from few members to register them as a speaker at this meeting. Accordingly, once the question and answers session start, we will request moderator to announce the names of the shareholders who have registered as “speaker shareholder”.
- ❑ The speaker on his turn will be unmuted by the moderator.
- ❑ The speaker shareholders are advised to put video on, while speaking. If speaker shareholders fail to speak using video mode, he may speak using audio mode with ear phones on.
- ❑ If there is any connectivity problem at speaker’s end, we would ask other speaker to join.
- ❑ We would like to request shareholders to kindly restrict their time for speaking to a maximum of 5 minutes.
- ❑ During the proceedings of AGM, if a member faces any issue, he or she may contact the help line number mentioned in the notice of the AGM.
- ❑ Participation of members through video conference is being recorded as a statutory requirement.

We would further 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. TVVSN Murthy, Managing Director of the Company has been elected as the Chairman of this meeting and shall now conduct the proceedings of the meeting.

Now I request Mr. TVVSN Murthy, Managing Director of the Company, to officially commence the proceedings of the meeting.

Over to your Sir.

Mr. TVVSN Murthy
[AGM Chairman
& Managing Director]

⇒ Good Afternoon all,

Very warm welcome to all stakeholders to the 18th Annual General Meeting of the Company.

I am Mr. TVVSN Murthy, Managing Director of the Company and Chairman of the CSR Committee.

I will be acting as the Chairman of this meeting.

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

First of all, I would like to explain that although, we always appreciate the physical meeting with our shareholders but conducting AGM through VC allows seamless participation by shareholders as well as provides a platform for the wider section of shareholders to join the meeting from the comfort of their own remote locations.

Hence we are conducting this meeting through VC.

I would like to confirm that this Annual General Meeting is being conducted in virtual mode in compliance with various circulars issued by the Ministry of Corporate Affairs and the Securities Exchange Board of India.

Further, we have circulated our Annual Report for the year 2023-24 to all the Shareholders through email on 6th September, 2024 and it is also available on the website of the Company and on the stock exchanges of NSE and BSE.

Additionally, I would also inform that physical copies of the Annual Report has already been dispatched to all those shareholders who have specifically requested for it. Hopefully, the physical Annual Report has been delivered.

Company has provided an overview of business performance & outlined future outlook in the Annual Report. I presume that shareholders must have had the opportunity to review the same.

Before moving ahead with the financials aspect, let me first introduce Board members and other invitees.

- ✓ To my left is **Mr. TV Praveen**, Executive Director
- ✓ **Mrs. Sudeepthi Gopineedi**, Whole-time Director, she is currently traveling aboard, she is joining the meeting through VC from Italy. (she is finding some technical difficulty in joining the meeting and may join any time soon).
- ✓ **Mr. P Sarath Kumar**, Independent Director and Chairman of Audit committee and stakeholder's relationship committee is also traveling and joining the meeting through video conference from Suryapet.
- ✓ **Dr. Mannam Malakondaiah**, Independent Director and Chairman of Nomination & Remuneration committee is joining the meeting through video conference from his remote location at Guntur.
- ✓ **Dr. Srinivas Samavedam**, Independent Director is also joining through video conference from Hyderabad.

I would also like to inform that CA GVL Prasad, Partner, Rambabu & Co, who has signed the Auditors report and annual accounts, CA Venkateswara Rao, Internal Auditor and Mr. C Sudhir Babu, Secretarial Auditor and Scrutinizer for the 18th AGM are physically present in the registered office of the Company.

However, Mr. N Rajendra Prasad, CFO of the Company is currently travelling aboard and joining us from Birmingham, Australia.

Once again, I will welcome all and thank the Shareholders, Board members, invites and office bearers for joining this meeting and making this meeting as success.

Before moving to the performance of your Company, I must apprise that the Indian economy has demonstrated remarkable resilience amidst global uncertainties.

Despite challenges such as geopolitical tensions, supply chain constraints and the economic slowdown, Your Company has managed to maintain sustainable profit margins.

During the fiscal year, standalone operational revenue was ₹300 Crores, with an EBITA of ₹38.27 crores as against ₹31.64 crores in 2022-23, with a growth of 21%.

However, the consolidated operational revenue of your Company has slightly declined to ₹306 crores as compared to ₹315 crores in the previous year; with an operational profitability of ₹35 crores against ₹34 crores, including exceptional income of ₹2.35 crores during the previous year.

But after providing for interest expense, depreciation and taxation, the consolidated bottom-line for the year was ₹6.33 Crores against ₹11.38 crores in 2022-23, which indicates a downward slide of around 44%.

I would like to update that the decline in bottom-line is because the subsidiary company has reported a net loss of ₹6.91 Crores during the period under review as compared to net loss of ₹0.21 Crores in the previous year.

The main reason for increase in losses in subsidiary are low operations with less margins and delay in regulatory approvals apart from substantial increase in depreciation cost.

Although, the manufacturing facility of subsidiary is upgraded with enhanced capacities and ready to meet the high standards of regulatory compliances of USFDA & EDQM but we are still awaiting for regulatory approvals which may take place in the ensuing calendar year 2025.

Mr. Praveen, Executive Director of the Company will update business operations & future outlook of the Company in his speech.

Looking forward, your Company having accumulated more than 30 years of experience and has developed valuable domain knowledge and is well poised to sustain its growth momentum and expand in new products and customer base.

On a positive note your Company is continuously increasing the budget for Research and Development. During the year, your Company has spent ₹600 lakhs which works out approximately 2% of the turnover of the Company.

Further, as a testimony to good Corporate governance and based on the performance of your Company, the Board has proposed to declare 15% dividend for the year 2023-24 to the shareholders, subject to TDS, as applicable.

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

I repetitively urge all the shareholders to kindly update their respective KYC details, failing which might result in constrain of receipt of any corporate benefit from the Company.

Now coming to the CSR front, your Company is dedicated towards social responsibility and environment sustainability, We have undertaken various CSR projects aiming at Rural Development, Promoting Education and Health care infrastructure.

Further, we have received few questionnaires & suggestions from the shareholders, which will be duly addressed in due course.

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 stakeholders for believing 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 close, I would like to take this opportunity to thank you all for your continuous support and faith in the Company and its management.

Now, I would request our Executive Director, Mr. Praveen to address the shareholders and briefly touch upon the business affairs of the Company and summarize the answer for the queries received by the Company from various investors.

Thank you very much.

Mr. TV Praveen
[Executive Director]

⇒ Thankyou Chairman Sir.

Good Afternoon to Directors, Shareholders, and all Stake holders of the Company. Thank you all for joining the meeting.

As informed by chairman, we have received around 40 plus queries from investors of the Company, which have been summarized and consolidated based on the subject matter.

I will try to respond to all the queries and in case any further follow up questions or suggestions, we welcomed the same. But will take it up after all the speakers who have registered are done with their suggestions and queries.

In the interest of time, we will try to avoid repetitive of questions.

The most asked question was related to DMFs and CEPs filings.

Please note that during the year, your company has filed –

DMF Filing

1. Allopurinol USP

EDQM –CEP

1. Famotidine Ph.Eur
2. Domperidone Ph.Eur
3. Domperidone Maleate Ph.Eur

Please note that the Commercial sales of the products are tentatively expected in FY 2025-26.

Next is related to GROWTH PLANS AND PRODUCT PIPELINE.

We would like to inform that we are working towards good margins rather than the top line growth and expecting CAGR of @ 10 to 15%.

I would like to add that Company is currently focusing on products related to ophthalmic and anti-ulcer therapeutic segments and also few specific customer centric product segment.

Please note that there was a SPIKE IN FINANCIAL NUMBERS IN THE JUNE QUARTER, which was mostly because of product campaigns and validations.

We are looking forward for a sustainable operating margins.

And to update on the COMPANY' PLAN TO PIVOT TO REGULATED MARKETS, let me explain that post demerger we triggered USFDA audit, primarily because we were the source supplier of intermediate for regulatory market of an API manufacturer.

Further, Company is also currently realigning its long term goals towards standalone growth by collaborating with customers and creating portfolio across regulatory and semi regulatory segments.

Let me also remind you that post demerger your company faced a big challenge in one of the product Ranitidine HCL and successfully overcome the challenge by process improvement.

We also have a STRONG TECHNICAL TEAM, MANAGEMENT AND HIGHLY SKILLED BOARD who are well vested with API manufacturing Process with a working experience of more than 30 years.

We maintain a healthy customer relationship with our existing bandwidth which gives leverage to explore other verticals and geographical locations.

Regarding ANTI DIABETIC DRUGS AND OBESITY RELATED DRUGS, let me clarify that it belongs to peptide segment and we are currently not investing any resources on it.

Coming to USFDA AUDIT, Our Kazipally Plant Successfully completed USFDA Audit in April 2022. USFDA audits are based on product, volume, value and requirement and may get triggered at any point of time and there is no specific timeline as such.

Now regarding the BREAKUP RATIO OF EXPORTS in terms of semi regulated to highly regulated market, let me inform the stakeholders that export sales to Regulatory Markets was 19% / Semi Regulatory Markets was 80% / Non Regulatory Markets was 1%. Furthermore, the domestic sales to Regulatory Markets was 2% and Semi Regulatory Markets was 98%.

& we are anticipating that the export sales to Regulatory Markets will be around 25-30% and Semi Regulatory Markets will be around 70-75% / Non Regulatory Markets will be negligible say 1%.

On the domestic sales side, the ratio of Regulatory and Semi Regulatory Markets shall be 20% and 80% respectively.

Coming to CAPACITY UTILIZATION, currently Company is around 70 -75%, from the sales point of view, in the last 2 years it was 1354.54 M.T and 1421.55 M.T respectively. Peak revenue achievable with existing capacities would be approx. 550 Crores on standalone basis. I will also like to add that currently your subsidiary company is functioning around 40-45%.

As a Group, we are extremely confident that by the year 2026-27 we will have optimal capacity utilization.

Let's discuss on the TIE UPS AND COLLABORATION by the Company in recent years, Company has entered into a strategic investment cum collaboration agreement with ChemWerth Inc, which is a 50 year Pharmaceutical supplier in USA having a source of procurement from China manufacturing units.

To reduce the dependency from China they enter into a strategic association with SMS Life Group and selected as source manufacturer with investment in Mahi Drugs Private limited.

Being a strategic partner, this association will be a win-win situation to market the products globally.

And talking about the association with C2 Pharma, it will boost the profit margins, as the ophthalmic products are niche segment, which in turn will have positive repercussions on the bottom line of the Company.

See, we do acknowledge that the RELATED PARTY TRANSACTIONS have increased in recent years, but please note that the Transactions are mostly recurring in nature and in the best interest of the Company and are purely for the purpose of furthering the main business activities.

& also this transactions are with compliance with applicable provisions of Companies Act and SEBI regulations.

On RANITIDINE UPDATE, please note that Company doesn't foresee any extreme changes in the demand of ranitidine in the ensuing years, supply chain is more or less been crystalized since two years and going forward there will be marginal increase in volumes.

Let me now touch upon the FUTURE OUTLOOK of the Company.

Company shall continuously expose newer opportunities and possibilities to increase the profitability and the same shall be based on the R&D sourcing.

In this process the company has so far filed DMF for 8 products, CEP for 6 products and ASMF for one product.

However, we may give caveat that given the size of the Company there may not be extreme and major impact on the business operations of the Company. Anyhow, as already informed your Company has a robust plan to grow @ 10 to 15% with increased profitability.

Next query was related to WORKING CAPITAL REQUIREMENT,

Let me inform the shareholders that usually the working capital cycle in pharma sector would range between 60 days to 120 days or more depending on products. We are within the line and anticipating it will continue further in coming years.

Regarding CAPEX plan, Company is incurring regular capital expenditure of 10 to 15 crores annually.

The same trend will continue.

Regarding, change in tax regime, we would like to update that your Company is reviewing every year which tax regime is advantageous. As of now old tax regime is preferable.

We foresee no regime change in taxation in the next two years. Tax rate for next 2 years is expected to be around 29.12%

I would also take the opportunity to brief on the subsidiary Company, Current holding of your Company in Mahi Drugs Private Limited is 60% after receipt of FDI in 2022. Even though the stake has been diluted but the day-to-day business affairs and decision-making powers shall continue with your Company.

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

Now coming to the operation side, as informed by chairman that subsidiary Company has incurred a loss of ₹6.91 Crores,

Please note that subsidiary has been reporting losses for last couple of years, however, the losses are non-operating in nature - - except for the FY 2023-24. Going forward there will be marginal profits till USFDA inspection and it is envisaged that will pick up post USFDA Inspection.

Some shareholder asked about the timeline of USFDA audit, let me explain that currently Mahi is manufacturing API/ bulk drugs / intermediaries and the USFDA audits is based on product, volume, value and other requirements and the audit may trigger at any point of time.

Just to keep you all informed, we are anticipating FDA inspection for MAHI Drugs in calendar year 2025.

Not to miss, the product pipelined for subsidiary are high valued drugs and we are targeting for overall 20% EBITDA Margins and revenue growth of 10 to 15%.

Talking about further capital investment in subsidiary, I would like to inform that it will be self-funding by ploughing back the profits. In case, any further capital assistance is required. Banking options will be suitably explored.

Additionally, it will be important to add that the manpower in subsidiary is adequate to support full capacity production as the drugs planned are of low volume and high value drugs.

Before I conclude, I would like to inform that we have received a suggestion to submit a detailed INVESTOR PRESENTATION, we will like to inform that the suggestion has been taken in a constructive note and we shall discuss it internally and take suitable action.

Thanks all 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,

Now, we will take Notice, Directors' Report and Statutory Auditors Report as Read -

I would like to update that the notice of the 18th AGM along with the Audited Financial Statements, Reports of the Board, Statutory Auditors and Secretarial Auditors were circulated through email to all the shareholders as per the MCA and SEBI guidelines.

The Statutory Auditors and the Secretarial Auditors have expressed unqualified opinion in respect of audit reports for the year 2023-24. 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 along with standalone and consolidated financials are available on page number 101 and 173 respectively of the Annual Report.

The Secretarial Audit Report is enclosed as Annexure VII to the Boards report on page number 79 of the Annual Report.

Coming back to the AGM notice.

We have 3 (three) ordinary business which are --

- 1) Approval of Financial Statements for the year 2023-24 along with Report of Board and Auditors,
- 2) Declaration of dividend for the year 2023-24 and
- 3) Reappointment of Mr. TV Praveen as Director retiring by rotation.

And further 3 (three) Special business which needs to be passed by ordinary resolutions:

- 4) Approval of Material Related Party Transactions for the year 2024-25
- 5) Approval of Material Related Party Transactions of the material subsidiary of the Company for the year 2024-25.
- 6) Ratification of remuneration payable to Cost Auditors.

Mr. TVSN Murthy is an interested party in the agenda no. 3 / 4 / 5 hence, we hereby request Mr. P. Sarath Kumar, Independent Director to Chair the meeting for the said agendas.

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

With the permission of the Chairman and all the members I hereby take the notice of the AGM, Directors Report and Statutory Auditors Report, along with all annexures, as Read.

Further, I would quickly brief about E-voting during the AGM

Pursuant to the provisions of Section 108 of the Companies Act, 2013, read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 (as amended), and the MCA Circulars, the Company has provided the facility to members to exercise their right to vote by electronic means through remote e-voting and voting during the AGM through CDSL.

Remote E- Voting facility was provided from 26th September 2024 (9 am IST) to 29th September 2024 (5 pm IST).

If the shareholder has not voted through remote evoting, please note that the e-Voting during the AGM is available for voting on CDSL e-Voting web page.

I would also like to inform that the Company has appointed Mr. C Sudhir Babu, Practicing Company Secretary to act as the Scrutinizer, to scrutinize the e-voting process and voting during the AGM. The results of the remote e-voting and voting during the AGM, shall be submitted by the Scrutinizer within 2 working days of the conclusion of the AGM.

The results declared, along with the report of the Scrutinizer, shall be placed on the website of the Company and on the website of CDSL immediately after the declaration of results and shall be submitted to stock exchange.

Now, the Members who have registered as speakers and desire to ask any follow up questions may do so.

Please note that the questionnaires' received by the Company has already been addressed by Mr. TV Praveen, hence in the interest of time, kindly refrain from repeating the questions.

Also members are requested to keep their questions brief and specific. The moderator will facilitate the questions. Answers to all the questions will be provided towards the end.

I hereby request the moderator to announce the name and unmute the speaker shareholder. Over to CDSL team.

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.

I now call upon Managing Director to present the vote of thanks.

TVVSN Murthy
[AGM Chairman & Managing Director]

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

Further, I hereby authorise Company Secretary to receive and declare the voting result of the AGM.

Now with the permission of members, we would like to close the meeting. I once again take this opportunity to thank all my colleagues on the Board & shareholders for attending this meeting.

Thank you all very much.

AGM RECORDING LINK: https://youtu.be/qxMISOxq_iA