



SMS PHARMACEUTICALS LIMITED
Regd. Office: Plot No.19-III, Opp. Bharatiya Vidya Bhavan Public School,
Road No.71, Jubilee Hills, Hyderabad-500 096
Phones : 040-66288888, Fax : 040-23551401/402
E-Mail : cs@smspharma.com; Website : www.smspharma.com;



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POSTAL BALLOT FORM

Serial No.

1. Name and address of the Shareholder(s) including Joint-holders, if any. (in Block Letters)
2. DP ID No./Client ID No./ Registered Folio No. (Applicable to Shareholders holding shares in Physical form).

3. No. of shares held

I/ We hereby exercise my/ our vote in respect of the resolution to be passed through postal ballot for the business stated in the Notice of the Company by sending my/our assent or dissent to the said resolution by placing (✓) mark at the appropriate box below:

Description	No. of Shares for which vote cast	FOR I/We assent to the resolution	AGAINST I/We dissent to the resolution
Special Resolution for Buy Back of Company's Shares.			

Place:

Date:

(Signature of the Shareholder)

NOTICE OF POSTAL BALLOT TO THE SHAREHOLDERS

(NOTICE ISSUED TO MEMBERS PURSUANT TO SECTION 192A(2) OF THE COMPANIES ACT, 1956)

Dear Members,

Notice is hereby given, pursuant to section 192A(2) of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011, that the resolutions set out below for the buyback of equity shares of the Company are proposed to be passed by Postal Ballot.

Accordingly, your consent is sought for the proposal as contained in the Resolution attached. An explanatory statement pertaining to the resolution setting out all material facts and the reasons therefore, along with the Postal Ballot Form together with reply Business envelop duly stamped are enclosed.

The Company has appointed Mr. C. Sudhir Babu, Practicing Company Secretary, to act as the scrutinizer for conducting the postal ballot process, in a fair and transparent manner. The members are requested to carefully read the instructions printed on the Postal Ballot Form and return the Form duly completed in all respects in the enclosed self-addressed, postage pre-paid envelope, so as to reach the scrutinizer at the registered office of the Company on or before the close of working hours on 30th April, 2013. The scrutinizer will submit his report after completion of the scrutiny and the result of the voting by Postal Ballot will be announced in accordance with the provisions of section 192(A) read with the Companies (Passing of the Resolution by Postal Ballot) Rules 2011, on 04th May, 2013 at the Corporate Office of the Company.

SPECIAL RESOLUTION

1. To consider and if deemed fit, to pass through postal ballot, the following resolution as special resolution.

“RESOLVED THAT in accordance with Article 58 (d) of the Articles of Association of the Company and the provisions of Sections 77A, 77AA, 77B and all other applicable provisions, if any, of the Companies Act, 1956 (“the Act”) and in compliance of the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998, including any amendments, statutory modification(s) or re-enactment, for the time being in force and subject to such other approvals, permissions and sanctions as may be necessary and subject to any modifications and conditions, if any, as may be prescribed by the appropriate authorities which the Board of Directors of the Company (herein after referred to as the Board) which expression includes a Committee of Directors of the Company constituted for this purpose) is authorized to accept, the consent of the Members be and is accorded for the buyback by the Company of its fully paid-up Equity Shares of a face value of Rs. 10/- each to the extent not exceeding 25% of the Company’s paid-up Equity Share Capital during the financial year at such price not exceeding Rs. 300/- per equity share from the Open Market through the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited, subject to the condition that the aggregate amount for the Buy-back shall not exceed Rs. 46.50 Crores (“Buy-back”), which is within 25% of the Company’s fully paid-up Equity Share Capital and Free Reserves as per latest Audited Balance Sheet as on 31st March, 2012.”

“RESOLVED FURTHER THAT the number of shares to be bought back shall be subject to a minimum of 3,87,500 Equity Shares (Minimum Offer Shares) and a maximum of 15,50,000 Equity Shares (Maximum Offer Shares).”

“RESOLVED FURTHER THAT the Board (which expression includes a Committee of Directors of the Company constituted for this purpose) be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary, expedient or proper, to be in the best interest of the shareholders for the implementation of the Buy-back, carry out incidental documentation as also to make applications to the appropriate authorities for their approvals and to initiate all necessary actions for preparation and issue of various documents, opening of accounts including public announcement, declaration of solvency, extinguishment of share certificates and ‘Certificates of Extinguishment’ required to be filed in connection with the Buy-back on behalf of the Board and such other undertakings, agreements, papers, documents and correspondence as may be necessary for the implementation of the Buy-back to the Securities and Exchange Board of India, Reserve Bank of India, Bombay Stock Exchange Limited, National Stock Exchange of India Limited, Registrar of Companies, Depositories and/or other authorities.”

“RESOLVED FURTHER THAT the Board in its absolute discretion, be and is hereby authorized to accept and make, in the interest of the Company, any alteration(s), modification(s) to the terms and conditions as it may deem necessary, concerning any aspect of the Buy-back, in accordance with the statutory requirements, including, the decision for closure of the Buy-back once the minimum number of shares are bought back and do all such acts, deeds, matters and things in connection therewith and incidental thereto as the Board may deem necessary, expedient, proper or desirable and to settle all questions, difficulties or doubts that may arise in relation to the proposed Buy-back at any stage without requiring to seek any further consent or approval of the members or otherwise to the end and intent that they shall be deemed to have given approval thereto expressly by the authority of this resolution.”

By the order of the Board

Sd/-

Ramesh Babu Potluri
Chairman & Managing Director

Place: Hyderabad
Date: 26th February, 2013

Notes:

1. The Explanatory Statement and reasons for the proposed resolution pursuant to Section 173 (2) read with 192A of the Companies Act, 1956, is annexed hereto.
2. The Board of Directors has appointed Mr. C. Sudhir Babu, Practicing Company Secretary as Scrutinizer for conducting the Postal Ballot process in accordance with the law in a fair and transparent manner. The Postal Ballot Form and the self-addressed business reply envelope are enclosed for use of members.
3. You are requested to carefully read the instructions printed overleaf on the Postal Ballot Form and return the said Postal Ballot Form duly completed and signed with the assent (for) or dissent (against), in the enclosed self-addressed, postage pre-paid business reply envelope so as to reach the Scrutinizer not later than close of working hours on 30th April, 2013, to be eligible for being considered, failing which, it will be strictly treated as if no reply has been received from the Member.
4. Members are requested to carefully read the instructions printed in the attached Postal Ballot Form. The Postal Ballot Form, duly completed and signed should be returned in the enclosed self-addressed postage prepaid envelope directly to the Scrutinizer so as to reach the Scrutinizer before the close of working hours (18:00 hours) on or before 30th April, 2013. Consent or otherwise received after 30 days of issuance of this notice shall be treated as if the reply from the shareholders has not been received.
5. Members are requested to exercise their voting rights by using the attached Postal Ballot form only. No other form or photocopy of the form is permitted.
6. The Scrutinizer will submit his report to the Chairman of the Company after completion of the scrutiny of the Postal Ballots and the results thereof will be announced on 04th May, 2013 at the Registered Office of the Company at Plot No.19-III, Opp. Bharatiya Vidya Bhavan Public School, Road No.71, Jubilee Hills, Hyderabad-500 096 and the said date of declaration of result of Postal Ballot will be taken to be the date of passing of the Resolution.
7. The result will also be communicated to the Stock Exchanges (BSE & NSE) where the shares of the Company are listed, displayed on the Company’s website (www.smspharma.com;) and subsequently published in the newspapers.
8. All documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company during the office hours on all working days between 10:00 am to 1:00pm upto 30th day of April, 2013.

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

1. As per the requirements of Section 173(2) read with Section 77A and other applicable provisions of the Companies Act, 1956 and the Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998, the relevant and material information to enable the shareholders to consider and approve the Special Resolution for buy-back of the Company’s shares is set out below.
2. The Board of Directors of the Company at its meeting held on 26th February, 2013 approved, subject to the consent of the members of the Company, the proposal for buy-back of the Company’s shares.
3. The Company intends to Buy-back of fully paid up equity shares of Rs. 10 each of the Company (“the Buyback”), in accordance with the provisions contained in Article 58(d) of the Articles of Association of the Company, Section 77A, 77AA, 77B and other applicable provisions of the Act and the provisions contained in the Buyback Regulations subject to other applicable laws, approval/s as may be necessary, from statutory authorities including Securities and Exchange Board of India, BSE Limited, The National Stock Exchange of India Limited, Reserve Bank of India etc., and further subject to such conditions as may be prescribed while granting such approval/s which may be agreed to by the Board.
4. The equity shares of the Company are proposed to be bought back through the methodology of “Open Market Purchases through Stock Exchanges”. The equity shares of the Company are listed on BSE Limited (“BSE”) and The National Stock Exchange of India Limited (“NSE”). The Buyback will be made through NSE and BSE (hereinafter collectively referred to as “Stock Exchanges”). There will be no buy-back from any persons through negotiated deals whether through the Stock Exchanges or through spot transactions or through any private arrangement. The Buyback is being proposed in keeping with Company’s desire to enhance overall shareholders’ value. This is proposed to be achieved by returning surplus cash back to the willing shareholders, provide a tax efficient mechanism to return the money to the shareholders and to create long term value for continuing shareholders. The Buyback would lead to reduction of outstanding equity shares, possible improvement in earnings per share and enhance return on networth.
6. The aggregate paid-up share capital and free reserves of the Company as on 31st March, 2012 was Rs. 221.08 Crores and under the provisions of the Act, the funds deployed for buy-back shall not exceed 25% of the paid-up capital and free reserves of the Company. Accordingly, the maximum amount that can be utilised in the present buy-back is Rs. 55.27 crores.
7. The aggregate amount proposed to be utilised for the Buyback is Rs. 46.50 crores (exclusive of brokerage and other charges, if any) (“Buyback Size”), which is 21.03% of the paid up capital and free reserves of the Company as at March 31, 2012 and within the maximum amount as aforesaid.
8. The maximum number of equity shares which can be bought back in accordance with the provisions of Section 77A (c) of the Act are 25,03,800. The maximum number of equity shares to be bought back by the Company are 15,50,000 being 15.48% of equity shares of Rs. 10 each outstanding as at March 31, 2012, and the number of shares to be bought back shall be subject to a minimum of 3,87,500 equity shares. The special resolution seeks the approval of the shareholders to authorize the Board to determine the price and number of equity shares to be bought back by the Company within the limits aforesaid. The maximum buy-back price of Rs. 300/- has been arrived at after considering many factors such as average price of the equity shares of the Company on the BSE

- Limited and the National Stock Exchange of India Limited, the net worth of the Company and the impact of the Buyback on the earnings per share of the Company. The money required for the buy-back will be drawn out of internal funds and free reserves of the Company and will also be met out of the cash/bank balances and/or investments made by the Company in fixed deposits.
9.

The Promoters, Persons in Promoter Group and Persons acting in concert will not participate in the Buyback.
10.

The aggregate shareholding of the Promoters and of the Directors of Promoters, if any, Persons who are in control of the Company and Promoter Group as on date of this notice is 54,10,443 Equity Shares each of Rs. 10/- each constituting 52.02% of the total paid-up Equity Share Capital of the Company. Depending on the response to the buy-back offer, the percentage holding of the Promoters would increase marginally. Such an increase in the percentage holding/voting rights of the Promoters is not an active acquisition and is incidental to the buyback and falls within the limits prescribed under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("Takeover Regulations"). In view of the exemption available in terms of the clause (iii) to the Proviso to regulation 10(4)(c) of the Takeover Regulations, please note that the Company will duly comply with the proviso of the aforesaid clause of the Takeover Regulations. The Promoter Directors of the Company being interested in the resolution approving the Buyback in their capacity as Directors of the Company have abstained themselves from voting in resolution approving the Buyback passed by the Board of Directors of the Company at its meeting held on February 26, 2013. Such an increase in the percentage holding/voting rights of the Promoters is not an active acquisition and is incidental to the buyback and falls within the limits prescribed under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.
11.

None of the promoters, directors of the promoters, persons in promoter group and persons acting in concert have purchased or sold any shares or securities in the Company during the 6 months prior to the date of this notice.
12.

The aggregate shareholding of the Directors of the Company as on date of the Notice is given in the following table:-

Name of the Director	No. of Shares	the % of holding	
		As on 31.03.2012	As on 26.02.2013
Mr. Ramesh Babu Potluri	12,37,336	12.35	12.35
Mr. TVVSN Murthy	8,22,700	8.21	8.21
Mr. A.P. Rao	19,000	0.19	0.19
- None of the above Directors has purchased or sold any shares of the Company during the period of six months preceding the date of this Notice.
- The Directors do not intend to participate in the Buyback.
13.

As required under the Act, the ratio of the debt owed by the Company would not be more than twice the share capital and free reserves after the Buyback.
14.

Under the Act, the special resolution passed by the shareholders approving the Buy-back will be valid for a maximum period of twelve months from the date of passing of the said special resolution. Subject to the maximum price for Buy-back and maximum validity period of twelve months, the time frame and the price will be determined by the Board (which expression shall also include a Committee of Directors of the Company constituted for this purpose).
15.

As per the provisions of Section 77A(8) of the Act, the Company is not allowed to issue fresh equity shares within six months after the completion of the Buy-back except by way of bonus issue or in the discharge of subsisting obligations such as conversion of warrants, stock option schemes, sweat equity or conversion of preference shares or debentures into equity shares. The Company confirms that there are no defaults subsisting in the repayment of term loans to any financial institutions or banks.
16.

The Company confirms that there are no defaults subsisting in the repayment of deposits or interest payable thereon, redemption of debentures or preference shares or payment of dividend to any shareholder or repayment of any term loan or interest payable thereon to any financial institutions or banks.
17.

The Board confirms that it has made a full inquiry into the affairs and prospects of the Company and has formed the opinion:

a)

that immediately following the date of board meeting and special resolution, there will be no grounds on which the Company could be found unable to pay its debts;

b)

that as regards its prospects for the year immediately following the date on which the results of postal ballot will be declared, having regard to their intentions with respect to the management of the Company's business during that year and to the amount and character of the financial resources which will, in the view of the Board, be available to the Company during that year, the Company will be able to meet its liabilities as and when they fall due and will not be rendered insolvent within a period of one year from the aforesaid date; and

c)

that in forming its opinion for the above purposes, the Board has taken into account the liabilities as if the Company were being wound up under the provisions of the Act (including prospective and contingent liabilities).
18.

The Company shall transfer from its free reserves a sum equal to the nominal value of the equity shares purchased through the Buy-back to the Capital Redemption Reserve account and the detail of such transfer shall be disclosed in its subsequent audited balance sheet.
19.

The Company shall not buy locked-in shares or other specified securities and non-transferable shares or other specified securities till the pendency of the lock-in or till the shares or other specified securities become transferable.
20.

The Buy-back from non-resident shareholders, Overseas Corporate Bodies (OCBs) and Foreign Institutional Investors (FIIs), and shareholders of foreign nationality, if any, etc. shall be subject to such approvals as are required including approvals from the Reserve Bank of India under the Foreign Exchange Management Act, 1999 and the rules, regulations framed there under, if any.
21.

The Report dated 26th February, 2013 received from M/s Ram Babu & Co and M/s P. Murali & Company, Chartered Accountants.; the Statutory Auditors of the Company addressed to the Board of Directors of the Company is reproduced below:

In connection with the proposed buy-back of equity shares by SMS Pharmaceuticals Limited (the 'Company') in pursuance of the provisions of sections 77A, 77AA and 77B of the Companies Act, 1956 (the 'Act') and the Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998, as amended, and based on the information, explanations and representations given to us which to the best of our knowledge and belief were necessary for the purpose, we report as follows:

a)

We have inquired into the state of affairs of the Company in relation to audited financial statements for the year ended March 31, 2012, which was approved by the board of directors at their meeting held on August 10, 2012 and adopted at the Annual General Meeting ('AGM') held on September 29, 2012, and the unaudited financial results for the nine months period ending on December 31, 2012 which were approved by the Board of Directors at their meeting held on February 12, 2013.

b)

The amount of permissible capital payment (including premium) for the proposed buy back of equity shares, as computed in the table below, has been, in our view, properly determined in accordance with section 77A (2) (c) of the Act. The following amounts of share capital and free reserves have been extracted from the audited financial statements of the Company as at March 31, 2012.

Particulars		Amount (Rs. in crores)	Amount (Rs. in crores)
Paid up capital (1,00,15,203 shares of Rs.10 each)	A		10.01
Free Reserves:			
Securities Premium Account		109.29	
Profit and loss account balance		26.54	
General Reserve		75.24	
Total Free Reserves	B		211.07
Total paid up capital and free reserves	(A+B)		221.08
Permissible capital payment (25% of the paid up capital and free reserves)			55.27

c)

The Board of Directors of the Company, in their meeting held on 26th February, 2013, have formed their opinion as specified in clause (x) of Schedule I to the Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 on reasonable grounds, that the Company will not, having regard to its state of affairs, will not be rendered insolvent within a period of one-year from the date of passing the special resolution by the shareholders of the Company through postal ballot under Section 192A of the Act.

d)

We have not performed an audit, the objective of which would be the expression of an opinion on the specified elements, accounts or items thereof, for the purpose of this report. Accordingly we do not express such opinion.

e)

This report has been issued at the request of the Company solely for use of the Company in relation to filling information with the explanatory statement to the notice for special resolution for the buyback of equity shares and cannot be used for any other purpose.

22.

All the material documents referred to in the Explanatory statement such as the Memorandum and Articles of Association, relevant Board resolutions for buying back the shares and the Auditors Report on their enquiry into the state of affairs of the Company will be made available for inspection at the Registered and Corporate office of the Company at Hyderabad on all working days between 10:00 am and 1:00 pm upto the date of the declaration of postal ballot results.

23.

The Board of the Company recommends the Resolution for your approval. None of the Directors of the Company is, in anyway, concerned or interested in the resolution, save to the extent that like any other shareholder in the same position, their proportion in the post-buyback equity capital will stand enhanced as a result of the buyback.

NOTES/INSTRUCTIONS

- (1)

Pursuant to the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules 2011, the assent or dissent of the Shareholders in respect of the Special Resolution contained in the Postal Ballot Notice dated 26.02.2013 is being determined through postal ballot.
- (2)

The votes should be cast either in favour or against by putting the tick (✓) Mark in the column provided for assent or dissent. Postal Ballot Form bearing (✓) in both the column will render the form invalid.
- (3)

A Member desirous of exercising his/her/its vote by Postal Ballot may complete this Postal Ballot Form and send it to the Scrutinizer in the enclosed self-addressed envelope, so as to reach the Scrutinizer on or before the close of the business hours on 30th April, 2013. Postage will be borne and paid by the Company. However, any envelope containing Postal Ballot if sent by courier at the expense of the Registered Member will also be accepted. The Postal Ballot forms received after this date will be strictly treated as if the reply from the shareholder has not been received.
- (4)

This form should be completed and signed by the Shareholder as per the specimen signature registered with the Company/Depository Participant. In case of joint holding, this form should be completed and signed by the first named Shareholder and in his absence, by the next named Shareholder. (However, where the form is sent separately by the first named Shareholder as well as the Joint Holder(s), the vote of the first named Shareholder would be valid.).
- (5)

A Member may request for a duplicate Postal Ballot Form, if so required. However, the duly completed Postal Ballot Form should reach the scrutinizer not later than the date specified hereinbefore. Request for issue of duplicate Postal Ballot Form shall not be entertained after 20th April, 2013.
- (6)

Each share will carry one (1) vote and the voting rights shall be reckoned on the number of shares registered in the name of the Shareholders on the date of dispatch of the Notice, the date shall be announced through advertisement.
- (7)

In case of shares held by Companies, Trusts, Societies etc., the duly completed Postal Ballot Form should be accompanied by a certified true copy of the Board Resolution/Authority, under the signature/s of Authorised Signatory (ies).
- (8)

Postal Ballot cannot be exercised by Proxy.
- (9)

Incomplete, unsigned or incorrectly filled Postal Ballot Forms are subject to rejection by the Scrutinizer. Shareholders are requested not to send any other paper along with the Postal Ballot Form in the enclosed self-addressed postage pre-paid envelope,
- (10)

The result of the Postal Ballot will be published in the newspapers within 48 hours of the declaration of the results and will be placed at the website of the Company.
- (11)

The scrutinizer's decision on validity of Postal Ballot will be final.
- (12)

The results of postal ballot will be declared by the Chairman on 04th May, 2013 at the Registered Office of the Company and the date of declaration of result shall be the date of passing of the resolution.

By the order of the Board

Sd/-

Ramesh Babu Potluri

Chairman & Managing Director

Place: Hyderabad

Date: 26th February, 2013