



pharmaceuticals ltd.

Registered & Corporate Office :

Plot No. 19-111, Road No. 71,
Opp. Bharatiya Vidya Bhavan Public School,
Jubilee Hills Hyderabad - 500 096. Telangana. INDIA,
Tel : +91-40-6628 8888, Fax : +91-40-2355 1402
CIN : L24239AP1987PLC008066
Email : info@smspharma.com, www.smspharma.com

23rd November, 2016

To

The Managers,
Corporate Filings Department,
Bombay Stock Exchange Limited,
PhirozeJeejeebhoy Towers,
Dalal Street,
Mumbai- 400 001

The Managers,
Listing Compliance Department,
National Stock Exchange of India Ltd.
Exchange Plaza, Plot no. C/1, G Block
Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051.

Security Code:532815

Symbol: SMSPHARMA

**Sub: Notice of the Court Convened Meeting of the Equity Shareholders,
Secured and Unsecured Creditors of the Company-Reg.**

Dear Sir / Madam,

In continuation to our letter dated 16th November, 2016, Please find enclosed herewith Notice of the Court Convened Meeting of the Equity Shareholders and Secured & Unsecured Creditors of the Company scheduled to be held on Saturday the 17th day of December, 2016 at 11:00 a.m., and at 3.00 p.m respectively at Jubilee Hills International Centre, Jubilee Hills, Hyderabad-500033, Telangana, for the approval of the Scheme of Arrangement between M/s. SMS Pharmaceuticals Limited with M/s. SMS Lifesciences India Limited and their respective Shareholders and Creditors.

Kindly take the same on record.

The above information is also available on the website of the Company:
www.smspharma.com

Yours truly,

For SMS Pharmaceuticals Limited

Thirumalesh Tumma
Company Secretary



Encl: As Above



Pharmaceuticals Ltd.

CIN : L24239AP1987PLC008066

Regd. Office : Plot No. I 9-III, Road No. 71,
Opp. Bharatiya Vidya Bhavan Public School, Jubilee Hills,
Hyderabad – 500 096, Telangana, India.

Tel : + 91 (40) 66288888 Fax : + 91 (40) 23551401 / 1402

Email : info@smspharma.com | Website : www.smspharma.com

NOTICE OF COURT CONVENED MEETING OF THE EQUITY SHAREHOLDERS OF SMS PHARMACEUTICALS LIMITED

Day	:	Saturday
Date	:	17th December, 2016
Time	:	11.00 A.M.
Venue	:	Jubilee Hills International Centre, Jubilee Hills, Hyderabad-500 033, Telangana

E-voting

Commencing on	9.00 A.M. on 13 th December, 2016
Ending on	5.00 P.M. on 16 th December, 2016

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**IN THE HIGH COURT OF JUDICATURE AT HYDERABAD FOR THE STATE OF TELANGANA AND STATE OF
ANDHRA PRADESH
(ORIGINAL JURISDICTION)
IN THE MATTER OF COMPANIES ACT, 1956
AND
IN THE MATTER OF SECTIONS 391 TO 394 OF THE COMPANIES ACT, 1956. READ WITH SECTIONS 100 TO
103 OF THE SAID ACT, AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013
AND
IN THE MATTER OF SMS PHARMACEUTICALS LIMITED
AND
IN THE MATTER OF SCHEME OF ARRANGEMENT OF SMS PHARMACEUTICALS LIMITED WITH
SMS LIFESCIENCES INDIA LIMITED AND
THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS
COMPANY APPLICATION NO. 1504 OF 2016**

SMS PHARMACEUTICALS LIMITED CIN: L24239AP1987PLC008066 Regd Office : 19-III, Road No.71 Opp.Bharatiya Vidya Bhavan Public School, Jubilee Hills, Hyderabad-500 096	Applicant / Transferor Company
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**NOTICE CONVENING THE MEETING OF EQUITY SHAREHOLDERS OF
SMS PHARMACEUTICALS LIMITED**

To,

The Equity Shareholder(s) of SMS PHARMACEUTICALS LIMITED (Applicant Company)

TAKE NOTICE that by an Order made on **31st October, 2016**, in the above mentioned Company Application, the Hon'ble High Court of Judicature at Hyderabad for the State of Telangana and State of Andhra Pradesh has directed that a meeting of the Equity Shareholders of the Applicant Company, be convened and held at Jubilee Hills International Centre, Jubilee Hills, Hyderabad-500 033, Telangana on Saturday, **17th day of December, 2016** at 11.00 AM to transact the following Business:

To consider and, if thought fit, to approve with or without modification(s), the following Resolution under Sections 391 to 394 read with Sections 100 to 103 of the said Act and other applicable provisions of the Companies Act, 2013, as may be applicable, for approval of the proposed Scheme of Arrangement of SMS Pharmaceuticals Limited ("Transferor Company") with SMS Lifesciences India Limited ("Resulting Company") and their respective shareholders and creditors ("Scheme" or "the Scheme"):

"RESOLVED THAT pursuant to the provisions of Sections 391 to 394 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force), the provisions of the Companies Act, 2013 as may be applicable, the provisions of the Memorandum and Articles of Association of the Company and subject to approval of the Hon'ble High Court of Judicature at Hyderabad for the State of Telangana and State of Andhra Pradesh or National Company Law Tribunal (NCLT) if and when applicable, and subject to such other approvals, permissions and sanctions of regulatory and other authorities as may be necessary and subject to such conditions and modifications as may be prescribed or imposed, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to mean and include one or more Committee(s) constituted/to be constituted by the Board or any other person authorised by it to exercise its powers including the powers conferred by this resolution), the Scheme of Arrangement of SMS Pharmaceuticals Limited (Transferor Company) with SMS Lifesciences India Limited (Transferee Company) and their respective shareholders and creditors ("Scheme") placed before this meeting and initialled by the Chairman of the Meeting for the purpose of identification, be and is hereby approved.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things, as it may, in its absolute discretion deem requisite, desirable, appropriate or necessary to give effect to this resolution and effectively implement the demerger embodied in the Scheme and to accept such modifications, limitations and/or conditions, if any, which may be required and/or imposed by the Hon'ble High Court of Judicature at Hyderabad for the State of Telangana and State of Andhra Pradesh or National Company Law Tribunal (NCLT) if and when applicable while sanctioning the Scheme of Arrangement

or by any authorities under law, or as may be required for the purpose of resolving any doubts or difficulties that may arise in giving effect to the Scheme, as the Board may deem fit and proper.”

TAKE FURTHER NOTICE that in pursuance of the said Order and as directed therein, a meeting of the Equity Shareholders of **SMS PHARMACEUTICALS LIMITED**, the Transferor Company, will be convened and held at Jubilee Hills International Centre, Jubilee Hills, Hyderabad-500 033, Telangana on Saturday, the 17th December, 2016 at 11.00 A.M. at which place, day, date and time you are requested to attend.

TAKE FURTHER NOTICE that you may attend and vote at the said meeting in person or by proxy provided that a proxy in the prescribed form, duly signed by you or your authorised representative, is deposited at the Registered Office of the Applicant Company 19-III, Road No.71, Opp. Bharatiya Vidya Bhavan Public School, Jubilee Hills, Hyderabad-500 096, Telangana, India not later than 48 hours before the time fixed for the aforesaid meeting.

The Hon'ble High Court of Judicature at Hyderabad for the State of Telangana and State of Andhra Pradesh has appointed Mrs. H. Sita Devi, Advocate to be the Chairman of the said meeting or any adjournment thereof.

A copy each of the Explanatory Statement under Section 393 of the Companies Act, 1956 and Section 102 of the Companies Act, 2013, the Scheme of Arrangement, Fairness Opinion issued by M/s Systematix Corporate Services Limited, Complaints Report, Observation Letters issued by BSE Limited (BSE) and National Stock Exchange of India Limited (NSE), Form of Proxy and Attendance Slip, are annexed.

Sd/-

H. Sita Devi

Chairperson appointed for the meeting

Place : Hyderabad

Date : 15th November, 2016

SMS PHARMACEUTICALS LIMITED

CIN : L24239AP1987PLC008066 Registered Office : 19-III, Road No.71,

Opp. Bharatiya Vidya Bhavan Public School, Jubilee Hills, Hyderabad-500 096, Telangana, India.

Tel. : 040-66288888 • Fax : 040 - 23551401 • www.smspharma.com • E-mail : info@smspharma.com

Notes:

1. A registered equity shareholder of the Applicant/Transferor Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a member. The instrument appointing the proxy, in order to be effective, must be deposited at the company's registered office, duly completed and signed in the format sent herewith, not less than forty-eight hours before the commencement of the meeting.
2. As per Section 105 of the Companies Act, 2013 and rules made thereunder, a person can act as Proxy on behalf of not more than 50 (fifty) members holding in aggregate, not more than 10% (ten percent) of the total share capital of the Applicant Company carrying voting rights. Further, a member holding more than 10% of the total share capital of the Applicant Company carrying voting rights may appoint a single person as Proxy and such person shall not act as Proxy for any other person or shareholder.
3. All alterations made in the form of proxy should be initialled.
4. The authorized representative of a Body Corporate or Foreign Institutional Investor ("FII") which is a registered equity shareholder of the Applicant Company may attend and vote at the meeting, provided a certified copy of the resolution of the Board of Directors or other governing body of such Body Corporate/ FII, authorizing such representative to attend and vote at the meeting on behalf of such body corporate/FII is deposited at the Registered Office of the Applicant Company not later than 48 (forty eight) hours before the commencement of the meeting.
5. During the period beginning 24 (twenty four) hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled to inspect the proxies lodged at any time during the business hours of the Company, provided that not less than 3 (three) days of notice in writing is given to the Company.
6. Shareholders are requested to hand over the enclosed Attendance Slip, duly signed in accordance with their specimen signature(s) registered with the Transferor Company for admission to the Meeting Hall. Shareholders who hold shares in dematerialized form are requested to bring in their Client ID and DP ID numbers for identification.

7. Registered equity shareholders are informed that in case of joint holders attending the meeting, only such joint holder whose name stands first in the register of members of the Transferor Company/list of beneficial owners as received from National Securities Depository Limited/Central Depository Services (India) Limited in respect of such joint holding, will be entitled to vote.
8. The notice is being sent to all the equity Shareholders, whose name appeared in the Register of Members as on 11th November, 2016. This notice of the Court Convened Meeting of the Shareholders of the Company is also displayed/ posted on the website of the Company www.smspharma.com.
9. The Applicant Company has engaged M/s. Central Depository Services (India) Limited (CDSL) to provide e-voting facility to the shareholders of the Company to exercise vote to those shareholders holding shares as on 10th December, 2016 being the cut-off date fixed for determining the voting rights.
10. Each member can opt for only one mode of voting i.e., either at the venue of the meeting or by way of e-voting. If you opt for e-voting then do not vote at the venue of the meeting. In case any shareholder exercises his/her right to vote via both modes i.e., at the venue of the meeting as well as e-voting, then the e-voting will prevail and the voting cast at the venue of the meeting shall be treated as invalid.
11. The Notice convening the aforesaid meeting will be published through advertisement in 'Business Standard' in English language and in 'Andhra Bhoomi' in Telugu language.
12. The material documents referred to in the accompanying Explanatory Statement shall be open for inspection by the Equity Shareholders at the Registered office of the Transferor Company on all working days between 11.00 a.m. to 1.00 p.m except Saturday, Sunday and Public Holidays.

Notes for E-Voting:

In compliance with Section 108 and other applicable provisions of the Act read with the Companies (Management and Administration) Rules, 2014 and Regulation 44 of the SEBI (LODR) Regulations, 2015 the Company is offering Electronic Voting (“e-voting”) facility to all the members.

The instructions for shareholders voting electronically are as under:

- (i) The voting period begins on **13th December, 2016 at 9:00 A.M.** and ends on **16th December, 2016 at 05:00 P.M.** During this period shareholders’ of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 10th December, 2016, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iii) Click on Shareholders.
- (iv) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) - Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field. - In case the sequence number is less than 8 digits enter the applicable number of 0’s before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.
DOB	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details	Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio. Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).

- (viii) After entering these details appropriately, click on “SUBMIT” tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach ‘Password Creation’ menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

- (xi) Click on the EVSN for the relevant <Company Name> on which you choose to vote.
- (xii) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xv) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.
- (xvii) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) Note for Non – Individual Shareholders and Custodians
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xix) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

Sd/-

H. Sita Devi

Chairperson appointed for the meeting

Place : Hyderabad

Date : 15th November, 2016

SMS PHARMACEUTICALS LIMITED

CIN : L24239AP1987PLC008066 Registered Office : I 9-III, Road No.71,

Opp. Bharatiya Vidya Bhavan Public School, Jubilee Hills, Hyderabad-500 096, Telangana, India.

Tel. : 040-66288888 • Fax : 040 - 23551401 • www.smspharma.com • E-mail : info@smspharma.com

**IN THE HIGH COURT OF JUDICATURE AT HYDERABAD FOR THE STATE OF TELANGANA AND STATE OF
ANDHRA PRADESH
(ORIGINAL JURISDICTION)
IN THE MATTER OF COMPANIES ACT, 1956
AND
IN THE MATTER OF SECTIONS 391 TO 394 OF THE COMPANIES ACT, 1956. READ WITH SECTIONS 100 TO
103 OF THE SAID ACT, AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013
AND
IN THE MATTER OF SMS PHARMACEUTICALS LIMITED
AND
IN THE MATTER OF SCHEME OF ARRANGEMENT OF SMS PHARMACEUTICALS LIMITED WITH
SMS LIFESCIENCES INDIA LIMITED AND
THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS
COMPANY APPLICATION NO. 1504 OF 2016**

SMS PHARMACEUTICALS LIMITED CIN: L24239AP1987PLC008066 Regd Office : 19-III, Road No.71 Opp. Bharatiya Vidya Bhavan Public School, Jubilee Hills, Hyderabad-500 096, Telangana	Applicant / Transferor Company
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EXPLANATORY STATEMENT UNDER SECTION 393 OF THE COMPANIES ACT, 1956 READ WITH SECTION 102, 108 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 FOR THE NOTICE OF THE COURT CONVENED MEETING AND E-VOTING FOR THE EQUITY SHAREHOLDERS OF SMS PHARMACEUTICALS LIMITED

1. Pursuant to an Order dated 31st October, 2016 passed by the Hon'ble High Court of Judicature at Hyderabad for the State of Telangana and State of Andhra Pradesh in the Company Application No.1504 of 2016 referred to hereinabove, a meeting of the Equity Shareholders of the Applicant Company is being convened and held on Saturday, 17th December, 2016 at Jubilee Hills Club, Jubilee Hills, Hyderabad-500 033, Telangana at 11.00 A.M. for the purpose of considering and, if thought fit, approving with or without modification(s), the Scheme of Arrangement of SMS Pharmaceuticals Limited ("the Applicant Company/Transferor Company") with SMS Lifesciences India Limited ("the Resulting Company") and their respective shareholders ("Scheme" or "the Scheme"). A copy of the Scheme setting out in detail the terms and conditions of the arrangement, which has been, inter-alia, approved by the Audit Committee on 8th August, 2016 and the Board of Directors on 13th August, 2016 of the Applicant/Transferor Company and the Board of Directors on 13th August, 2016 of the Resulting Company is attached and forms part of this Statement.
2. Additionally, in terms of Circular No. CIR/CFD/CMD/16/2015 dated 30th November, 2015, the Scheme shall be subject to the approval of the public shareholders (i.e. equity shareholders other than those forming part of Promoter and Promoter Group) by passing a resolution through Postal Ballot / e-voting.
3. In terms of the said order, the quorum for the Court Convened Meeting shall be 50 members present in person. Further, the Hon'ble High Court of Judicature at Hyderabad for the State of Telangana and State of Andhra Pradesh has appointed Mrs. H. Sita Devi, Advocate to be the Chairman of the said meeting.
4. The Scheme provides for the transfer of demerged undertaking to the Resulting Company, according to the applicable provisions of the Act and / or any other applicable laws.
5. The Scheme proposes to transfer the Semi-Regulated Units of the transferor company on going concern basis, together with all its assets and liabilities to the Resulting Company. The Resulting Company is a wholly owned subsidiary of the Applicant/Transferor Company.
6. **Background of the Companies:**
 - I. (i) SMS Pharmaceuticals Limited ("Transferor Company") is a public limited company incorporated under the provisions of the Companies Act, 1956 on 14th day of December, 1987 originally in the name of "S.M.S. Pharmaceuticals Private Limited" and subsequently converted into a Public Limited Company in the name of

“S.M.S. Pharmaceuticals Limited” on 2nd November, 1994. The name of the Company has been changed from S.M.S. Pharmaceuticals Limited to SMS Pharmaceuticals Limited with effect from 12th April, 2004. It is engaged in the business of manufacturing and sale of active pharmaceutical ingredients and intermediates. The Equity Shares of Transferor Company are listed on BSE Limited (‘BSE’) having Security Code “532815” and National Stock Exchange of India Limited (‘NSE’) having Symbol “SMSPHARMA”. The Corporate Identity Number of the Company is L24239AP1987PLC008066.

- (ii) The Registered Office of the Applicant Company is situated at Regd Office : 19-III, Road No.71 Opp. Bharatiya Vidya Bhavan Public School, Jubilee Hills, Hyderabad-500 096.
- (iii) As per the latest audited annual accounts of the Applicant Company as on March 31, 2016, the Authorized, issued, subscribed and paid up share capital of the Applicant Company is as follows:

Particulars	Amount in Rs.
AUTHORISED SHARE CAPITAL	12,00,00,000
SUBSCRIBED, ISSUED AND PAID-UP SHARE CAPITAL	8,46,52,030

The equity shares of the Transferor Company are listed on BSE and NSE.

- (iv) The Main Objects of the Applicant Company as set out in its Memorandum of Association are, inter alia, as follows:
 1. To manufacture buy, sell, offer consultancy import & export, act as commission agents and generally deal with all types of Organic & Inorganic Chemicals, Pharmaceuticals, Drugs and Intermediates.
 2. To undertake research work in developing marketing newer indigenous technologies for various medicines and also newer medicines for various therapeutics uses.
 3. To fabricate, manufacture, buy, sell, import, export and generally deal in all types of chemicals, surgical, medical, pharmaceutical and scientific equipment, appliances and accessories.
 4. To carry on the business of manufacturer, trader, exporter, importer, whole sale and retail sellers, dealers in all types of Herbal Products, Bio-chemicals, Bio-technology products, active pharmaceutical intermediates and ingredients, herbal extracts, phyto-pharmaceuticals, botanical extracts, amino-acids, herbal formulations, agroceuticals/naturoceuticals/nutraceuticals and alternate medicines and also to do research and development in these areas.
 5. To undertake, promote, assist, engage, and deal in research, development and manufacturing and distribution of Bio Technology Products and Services related to Clinical Diagnostics, Diagnostic kits, Biological products, Therapeutics and Genomics. And the setup laboratories, purchase and acquire any equipment and instruments required for carrying out research in the in the fields of Bio-technology, Medical research.

- II. (i) SMS Lifesciences India Limited (“Resulting Company”) is a public limited company incorporated under the provisions of the Companies Act, 1956, on 31st day of May, 2006, originally as Private Limited Company in the name of “Potluri Real Estate Private Limited” and subsequently changed its name to “Potluri Packaging Industries Private Limited” on 6th November, 2013. Thereafter the Company had changed its name as “SMS Lifesciences India Private Limited” on 4th August, 2014 and subsequently converted as Public Limited Company with effect from 22nd June, 2016 having its registered office at Plot No. 265Q, Road No. 10, Jubilee Hills, Hyderabad and its Corporate Identity No. is U74930TG2006PLC050223. The Resulting Company is a wholly owned Subsidiary of the Transferor Company and is presently engaged in the business of manufacturing, buying, selling, offering consultancy, importing and exporting, acting as commission agents and generally dealing with of all types of Organic & Inorganic Chemicals, Pharmaceuticals, Active Pharmaceutical Ingredients (API) and Intermediates.
- (ii) The Registered Office of the Resulting Company is situated at Plot No. 265Q, Road No. 10, Jubilee Hills, Hyderabad-500 033.

- (iii) As per the latest audited annual accounts of the Resulting Company as on March 31, 2016, the Authorized, issued, subscribed and paid up share capital of the Applicant Company is as follows:

Particulars	Amount in Rs.
AUTHORISED SHARE CAPITAL	25,00,000
SUBSCRIBED, ISSUED AND PAID-UP SHARE CAPITAL	1,00,000

The entire share capital of the Resulting Company as on 1st April, 2016 is held by the Transferor Company and hence Resulting Company is a wholly-owned subsidiary of the Transferor Company.

The Main Objects of the Resulting Company as set out in its Memorandum of Association are, inter alia, as follows:

1. To manufacture buy, sell, offer consultancy import & export, act as commission agents and generally deal with all types of Organic & Inorganic Chemicals, Pharmaceuticals, Drugs and Intermediates.
2. To undertake research work in developing marketing newer indigenous technologies for various medicines and also newer medicines for various therapeutics uses.
3. To fabricate, manufacture, buy, sell, import, export and generally deal in all types of chemicals, surgical, medical, pharmaceutical and scientific equipment, appliances and accessories.
4. To carry on the business of manufacturer, trader, exporter, importer, whole sale and retail sellers, dealers in all types of Herbal Products, Bio-chemicals, Bio-technology products, active pharmaceutical intermediates and ingredients, herbal extracts, phyto-pharmaceuticals, botanical extracts, amino-acids, herbal formulations, agrochemicals/natuorochemicals/nutraceuticals and alternate medicines and also to do research and development in these areas.
5. To undertake, promote, assist, engage, and deal in research, development and manufacturing and distribution of Bio Technology Products and Services related to Clinical Diagnostics, Diagnostic kits, Biological products, Therapeutics and Genomics. And the setup laboratories, purchase and acquire any equipment and instruments required for carrying out research in the in the fields of Bio-technology, Medical research.

7. Rationale of the Scheme

- (i) This Scheme is presented under Sections 391 to 394 read with Sections 100 to 103 of the Companies Act, 1956 and the provisions of the Companies Act, 2013 as applicable for transfer of the Semi Regulated Units namely I, IV and V and other assets (defined as demerged undertaking) of the Transferor Company as a going concern to the Resulting Company, a wholly-owned subsidiary of the Transferor Company and consequential restructure of its share capital in form of Utilisation of General Reserve Account of the Transferor Company.
- (ii) The Transferor Company has presently operating five units out of which three manufacturing divisions are Semi-Regulated Units namely Unit I (i.e. Khazipally Unit), which is located at Sy. No. 180/2, IDA Kazipally Village, Jinnaram Mandal, Medak District, Hyderabad, Telangana State; Unit IV (i.e. Jeedimetla Unit), which is located at Plot No. 66/B-2, Phase-I, IDA Jeedimetla, Hyderabad, Telangana State and Unit V (i.e. Bollaram Unit) which is located at Sy. No. 296/7/4, S.V. Co.op. Ind. Estate I.D.A., Bollaram, Medak District, Hyderabad, Telangana State and the rest of the Units are Regulated Units. With a view to reduce the impact of semi-regulated units on regulated units, achieving operational efficiencies, site synergies and streamlining its current structure, the Transferor Company has decided to demerge its Unit Nos. I, IV and V and transfer to the Resulting Company along with other assets and Investments with primary intention to bifurcate its units which are semi regulated under FDA (Food and Drug Administration) norms and transfer them to a separate Company. The circumstances, reasons and/or grounds that have necessitated and/or justified the Scheme and the advantages thereof are, inter alia, as follows:
 - a) The nature of risk and return involved in the business of Semi-Regulated units is distinct from the Regulated Units of the Transferor Company. Hence, transfer of all the Semi-Regulated units under one umbrella would enable these Units to run independently and in a more cohesive manner so as to run more profitably and attract potential collaborators for future growth and development of business by the Resulting Company, without impacting the Transferor Company.

- b) The transfer and vesting of the de-merged undertaking of the Transferor Company to the Resulting Company through this Scheme is with a view to unlock the economic value of both the Companies.
- c) The said transfer of Undertaking would provide greater flexibility and visibility on the operational and financial performance of the semi-regulated units and would provide higher degree of independence as well as accountability.
- d) The Board of Directors of the Transferor Company is of the opinion that the Scheme of Arrangement would benefit the shareholders, creditors, employees and other stakeholders of both the Companies.

8. Salient features of the Scheme

- (i) The Scheme provides for transfer of demerged undertaking to the Resulting Company, according to the applicable provisions of the Act and/or any other applicable laws.
- (ii) The Transferor Company will continue its interests in the Remaining Undertaking as is presently being carried out but with greater focus on growth opportunities.
- (iii) The Resulting Company shall issue and allot equity shares to all the shareholders of the Transferor Company as consideration for the transfer of the Demerged Undertaking, in proportion of their shareholding in the Transferor Company as per the share entitlement ratio. Simultaneously with issuance of equity shares, in the books of the Resulting Company, all the equity shares held by the Transferor Company shall, without further deed, act or approvals, stand cancelled, extinguished and annulled on and from the Effective Date.
- (iv) The Equity Shares issued by the Resulting Company to the shareholders of the Transferor Company shall be listed on BSE and NSE subject to Listing Regulations.
- (v) The Demerger of the Demerged Undertaking in accordance with this Scheme shall take effect from the Appointed Date in accordance of the provisions of Sections 391-394 of the Act read with Sections 100-103 of the Companies Act, 1956 and the provisions of Companies Act, 2013 as may be applicable and shall be in accordance with Section 2 (19AA) of the Income Tax Act, 1961, such that:
 - (a) all the assets relatable to the Demerged Undertaking being transferred by the Transferor Company, as on the Appointed Date shall become the properties of the Resulting Company by virtue of this Scheme;
 - (b) all the liabilities relatable to the Demerged Undertaking, as on the Appointed Date shall become the liabilities of the Resulting Company by virtue of this Scheme;
 - (c) all the assets and the liabilities relatable to the Demerged Undertaking being transferred by the Transferor Company shall be transferred to the Resulting Company, on a going concern basis, at the value appearing in the books of account of the Transferor Company immediately before the Demerger;
 - (d) the Resulting Company shall issue, in consideration of the Demerger Undertaking, its Equity Shares to the shareholders of the Transferor Company as on the Record Date as per the share entitlement ratio; and
 - (e) all the shareholders of the Transferor Company as on the Record Date shall become the shareholders of the Resulting Company by virtue of the Demerger.
- (vi) The Scheme shall be in compliance with the applicable SEBI Guidelines, Regulations including Listing Regulations, SCRR and the Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 any subsequent amendments thereof ("**SEBI Circular**").

Please note that the features set out above are only the salient features of the Scheme. The members are requested to read the entire text of the Scheme to get fully acquainted with the provisions thereof.

9. Approvals

- (a) The Audit Committee at the meeting held on 8th August, 2016 recommended the draft Scheme of Arrangement and the Board of Directors of the Company at their meeting held on 13th August, 2016 approved the Scheme after taking into account the Valuation Report issued by M/s Raju & Prasad, Chartered Accountants, an independent valuer and Fairness Opinion issued by M/s. Systematix Corporate Services Limited.

The Board of Directors had approved the Scheme subject to approval of the various authorities, and the Shareholders of the Company.

(b) The Company has received, in terms of Regulation 37 of SEBI LODR Regulations (erstwhile Clause 24(f) of the Listing Agreement), Observation Letter dated 13th October, 2016 from BSE Limited and Letter dated 14th October, 2016 from National Stock Exchange of India Limited conveying their no objection to the Scheme. The Stock Exchanges have informed the Company that SEBI has vide letter dated 13th October, 2016, has given following comments on the draft Scheme of Amalgamation.

1. The stock exchange may ensure compliance with the SEBI Circular No.CIR/CFD/CMD/16/2015 dated 30th November, 2016.
2. The Company shall duly comply with various provisions of the Circular.

A copy of each of the Observation Letters are enclosed as an Annexure to this Notice.

As required under the SEBI circular, the Applicant Company has filed the Complaints Report with National Stock Exchange of India Limited and BSE Limited on 19th September, 2016. After filing of the Complaint Reports, the Applicant Company has not received any complaints. A copy of the Complaints Report is enclosed as Annexure to this Notice.

10. **Shareholding of Directors and Key Managerial Personnel:**

The Directors and Key Managerial Personnel (KMP) of the Applicant Company and Resulting Company may be deemed to be concerned and/or interested in the Scheme only to the extent of their shareholding in their respective companies or to the extent the said directors/KMP are the directors, partners, members of the companies, firms, association of persons, bodies corporate and /or beneficiary of trust that hold shares in any of the companies. Save as aforesaid, none of the directors, managing director or the manager or KMP of the Applicant Company or the Resulting Company has any material interest in the Scheme.

11. The shareholding of the present Directors and Key Managerial Personnel (KMP) of the Applicant Company and the Resulting Company as on 30th September, 2016 is as under:

Shareholding of Directors and KMP of SMS Pharmaceuticals Limited (Applicant Company):

Sl. No	Name	Position	Equity Shares of Re.1/- each held	Equity Shares of Rs.10/- each held
			in Applicant Company	in Resulting Company
1.	Mr. Ramesh Babu Potluri	CMD	1,13,56,960	1
2.	Mr. T V V S N Murthy	VC & JMD	82,27,000	1
3.	Dr.Mihir K Chaudhuri	Director	Nil	Nil
4.	Mr. P Sharath Kumar	Director	Nil	Nil
5.	Dr. (Smt.) T Neelaveni	Director	Nil	Nil
6.	Mr. P S Rao	Director	Nil	1
7.	Dr. AymanSahli	Nominee Director	Nil	Nil
8.	Mr.UtpalGokhale	Nominee Director	Nil	Nil
9.	Mr. N Rajendra Prasad	CFO	Nil	Nil
10.	Mr. Saurav Roy	Company Secretary	Nil	Nil

Shareholding of Directors and KMP of SMS Lifesciences India Limited (Resulting Company):

Sl. No	Name	Position	Shares held	Shares held
			in Applicant Company	in Resulting Company
1.	Mr. Ramesh Babu Potluri	Chairman and Managing Director	1,13,56,960	1
2.	Mr. TVVSN Murthy	Vice-Chairman and Joint Managing Director	82,27,000	1
3.	Mr. P. S. Rao	Director	Nil	1

Except for the shares held by the Directors and KMP stated above, none of the Directors or KMP of the Applicant Company are in any way connected or interested in the aforesaid resolution.

12. Capital Structure – Pre and Post Arrangement

On the Scheme of Arrangement becoming effective, the equity shares held by the applicant company in the resulting company shall stand cancelled and extinguished without any act, deed or approval.

The pre-amalgamation capital structure of the Applicant Company is already given in 6(I)(iii)

13. Shareholding Pattern – Pre and Post Arrangement

Pursuant to the Listing Regulations, 2015, Pre and Post Arrangement (Expected) Shareholding Pattern of the Applicant Company and Resulting Company are given below. (As on 30th September, 2016).

PRE AND POST SHAREHOLDING OF SMS PHARMACEUTICALS LIMITED					
Code	Category	Pre-Scheme of Arrangement		Post- Scheme of Arrangement	
		Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding
(A)	Promoter and Promoter Group				
(I)	Indian				
(a)	Individuals/Hindu undivided Family	48205430	56.95	48205430	56.95
(b)	Corporate Bodies	5867420	6.93	5867420	6.93
(2)	Foreign	0	0.00	0	0.00
	Total (A)	54072850	63.88	54072850	63.88
(B)	Public Shareholding				
(I)	Institutions				
(a)	Mutual Funds	178385	0.21	178385	0.21
(b)	Financial Institutions/Banks	99438	0.12	99438	0.12
(2)	Non-Institutions				
(a)	Individuals				
	i. Individual shareholders holding nominal share capital up to Rs.2 lakhs	15958589	18.85	15958589	18.85
	ii. Individual shareholders holding nominal share capital excess Rs.2 lakhs	4174982	4.93	4174982	4.93
(b)	NBFCs Registered with RBI	15550	0.02	15550	0.02
(c)	Others				
	Non-Resident Indian (NRI) - Non Repatriable	1365360	1.61	1365360	1.61
	Non-Resident Indian (NRI) - Repatriable	459899	0.54	459899	0.54
	Corporate Bodies	3471616	4.10	3471616	4.10
	Clearing Member	370620	0.44	370620	0.44
	Corporate Bodies - OCB Repatriable	4482531	5.30	4482531	5.30
	Trust	1710	0.00	1710	0.00
	Unclaimed Susp A/c	500	0.00	500	0.00
	Total (B)	30579180	36.12	30579180	36.12
	Grand Total (A+B)	84652030	100.00	84652030	100.00

PRE AND POST SHAREHOLDING OF SMS LIFE SCIENCES INDIA LIMITED					
Code	Category	Pre-Scheme of Arrangement		Post- Scheme of Arrangement	
		Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding
(A)	Promoter and Promoter Group				
(1)	Indian				
(a)	Individuals/Hindu undivided Family			1721623	56.95
(b)	Corporate Bodies	10000	100.00	209550	6.93
(2)	Foreign	0	0.00	0	0.00
	TOTAL(A)	10000	100.00	1931173	63.88
(B)	Public Shareholding				
(1)	Institutions			9922	0.33
(a)	Mutual Funds				
(b)	Financial Institutions/Banks				
(2)	Non-Institutions			1082192	35.80
(a)	Individuals				
	i. Individual shareholders holding nominal share capital up to Rs.2 lakhs				
	ii. Individual shareholders holding nominal share capital excess Rs.2 lakhs				
(b)	NBFCs Registered with RBI				
(c)	Others				
	Non-Resident Indian (NRI) - Non Repatriable				
	Non-Resident Indian (NRI) - Repatriable				
	Corporate Bodies				
	Clearing Member				
	Corporate Bodies - OCB Repatriable				
	Trust				
	Unclaimed Susp A/c				
	Total (B)	0	0.00	1092114	36.12
	Grand Total (A+B)	10000	100.00	3023287	100.00

Pursuant to the Scheme of Arrangement, 1 (One) equity share of Rs.10/- each (fully paid-up) of the resulting company shall be issued and allotted for every 28 (Twenty Eight) equity shares of Rs.1/- each (fully paid-up) held by the shareholders of Applicant Company/Transferor Company as on record date.

14. GENERAL

- The rights and interests of the Equity Shareholders, Creditors of the Applicant Company and the Resulting Company will not be prejudicially affected by the Scheme as no sacrifice or waiver is, at all called from them nor their rights sought to be modified in any manner.
- In relation to the Court Convened Meeting, the equity shareholders of the Applicant Company whose names appearing in the records of the Company as on 10th December, 2016 shall be eligible to attend and vote at the Court convened meeting of the equity shareholders of the Applicant Company.

- (c) No investigation proceedings have been instituted or are pending under Sections 235 to 251 of the Companies Act, 1956 and Section 210 of the Companies Act, 2013, against the Applicant Company or the Resulting Company.
- (d) This statement may be treated as an Explanatory Statement under Section 393 of the Companies Act, 1956 and Sections 102 and 108 of the Companies Act, 2013 to the Court Convened Meeting and E-voting.
- (e) On the Scheme being approved by the requisite majority of the Shareholders and Creditors the Applicant and the Resulting Company shall file a petition with the Hon'ble High Court of Judicature at Hyderabad for the State of Telangana and State of Andhra Pradesh respectively for sanction of the Scheme under Sections 391 to 394 and other applicable provisions of the Act.
- (f) The following documents will be open for inspection by the equity shareholders of the Applicant Company up to 1 (one) day prior to the date of the meeting at its Registered Office between 11:00 a.m. and 1:00 p.m. on all working days, except Saturdays, Sundays and Public Holidays:
 - (a) Copy of the Order dated 31st October, 2016 of the Hon'ble High Court of Judicature at Hyderabad for the State of Telangana and State of Andhra Pradesh passed in Company Application No. 1504 of 2016 directing the convening of the meeting of the Equity Shareholders of Transferor Company;
 - (b) Scheme of Arrangement;
 - (c) Memorandum and Articles of Association of Applicant/Transferor Company and Resulting Company;
 - (d) Annual Reports of the Applicant/Transferor Company and Resulting Company for the last three financial years ended on March 31, 2014, March 31, 2015 and March 31, 2016;
 - (e) Unaudited Financial Statements of the Applicant Company for the quarter ended 30th September, 2016;
 - (f) Copy of the valuation report dated 11th August, 2016 issued by M/s. Raju & Prasad, Chartered Accountants, an independent valuer;
 - (g) Copy of the Fairness Opinion dated 12th August, 2016 issued by M/s. Systematix Corporate Services Limited
 - (h) Copy of the Complaints Report submitted to National Stock Exchange of India Limited and BSE Limited on 19th September, 2016.
 - (i) Copy of Observation letters dated 13th October, 2016 received from BSE Limited and letter dated 14th October, 2016 received National Stock Exchange of India Limited;
 - (j) Register of Directors' Shareholdings of the Applicant Company.
 - (k) A copy of the Scheme, Explanatory Statement and Proxy Form may be obtained from the Registered Office of the Applicant Company.

Sd/-

H. Sita Devi

Chairperson appointed for the meeting

Place : Hyderabad

Date : 15th November, 2016

**IN THE HIGH COURT OF JUDICATURE AT HYDERABAD FOR THE STATE OF TELANGANA AND STATE OF
ANDHRA PRADESH
(ORIGINAL JURISDICTION)
IN THE MATTER OF COMPANIES ACT, 1956
AND
IN THE MATTER OF SECTIONS 391 TO 394 OF THE COMPANIES ACT, 1956. READ WITH SECTIONS 100 TO
103 OF THE SAID ACT, AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013
AND
IN THE MATTER OF SMS PHARMACEUTICALS LIMITED
AND
IN THE MATTER OF SCHEME OF ARRANGEMENT OF SMS PHARMACEUTICALS LIMITED WITH
SMS LIFESCIENCES INDIA LIMITED AND
THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS
COMPANY APPLICATION NO. 1504 OF 2016**

SMS PHARMACEUTICALS LIMITED

CIN: L24239AP1987PLC008066

Regd Office : 19-III, Road No.71

Opp. Bharatiya Vidya Bhavan Public School, Jubilee Hills,

Hyderabad-500 096, Telangana

.....Applicant / Transferor Company

FORM OF PROXY

I/We,the undersigned being the Equity Shareholder
(s) of SMS PHARMACEUTICALS LIMITED, the Applicant Company, do hereby appoint :

1. Name..... Email Id:.....
Address
Signature..... Or failing him/her
2. Name..... Email Id:.....
Address
Signature..... Or failing him/her
3. Name..... Email Id:.....
Address
Signature.....

as my / our proxy, to act for me / us at the Court Convened meeting of the Equity Shareholders of the Applicant Company to be held at Jubilee Hills International Centre, Jubilee Hills, Hyderabad-500 033, Telangana on Saturday 17th December, 2016 at 11.00 a.m. for the purpose of considering and, if thought fit, approving, with or without modification(s), the Scheme of Arrangement of SMS Pharmaceuticals Limited with SMS Lifesciences India Limited and their respective Shareholders (the "Scheme") and at such meeting and any adjournment (s) thereof, to vote, for me / us and in my / our name (s)

..... (here, if for insert 'FOR'; if against insert 'AGAINST',
and in the latter case, strike out the words "either with or without modification(s)" after the word "Scheme") the said Scheme,
either with or without modification(s)*, as my / our proxy may approve.

Dated this.....day of.....2016

Name and Address of Equity Shareholder :

No. of shares held : Folio No. DP ID/client ID.....

(*) Applicable to shareholder(s) holding shares in dematerialized form.

Signature of : Sole / First / Second / Third holder :

Affix Re. I
Revenue
Stamp

(Contd.)

Notes:

1. Proxy need not be a member of the Applicant Company
2. The Form of Proxy must be deposited at the Registered Office of the Applicant Company at Plot No.19-III, Opp. Bharatiya Vidya Bhavan Public School, Road No.71, Jubilee Hills, Hyderabad, Telangana – 500 096 atleast 48 hours before the time scheduled/fixed for the said meeting.
3. All alterations in the form of proxy should be initialled.
4. In case of multiple proxies, the proxy later in time shall be accepted.
5. Strike out what is not necessary.



Pharmaceuticals Ltd.

CIN : L24239AP1987PLC008066

Regd. Office : Plot No. I 9-III, Road No.7I,

Opp. Bharatiya Vidya Bhavan Public School, Jubilee Hills,

Hyderabad – 500 096, Telangana, India.

Tel : +91 (40) 66288888 Fax : +91 (40) 23551401 / 1402

Email : info@smspharma.com | Website : www.smspharma.com

ATTENDANCE SLIP

Please fill this attendance slip and hand it over at the entrance of the meeting hall.

Joint shareholders may obtain additional Attendance Slip at the venue of the meeting.

DP. Id*		Folio No.	
Client Id*		No. of Share(s) held	

Name and Address of the Shareholder/Proxy Holder :

.....

.....

I hereby record my presence at the meeting of the Equity Shareholders of the Company, convened pursuant to the Order dated 31st October, 2016 of the High Court of Judicature at Hyderabad for the State of Telangana and State of Andhra Pradesh on Saturday, 17th December, 2016 at 11.00 a.m.

Signature of the Equity Shareholder or Proxy: _____

Notes:

1. *Applicable for shareholders holding shares in dematerialised form.
2. Shareholders attending the meeting in person or by Proxy are requested to bring the Attendance Slip with them when they come to the meeting and hand it over at the entrance after fixing their signature on it.
3. Shareholders who come to attend the meeting are requested to bring with them copy of the Notice.

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Route Map of the Court Convened Meeting of SMS Pharmaceuticals Limited



Venue:

Jubilee Hills International Centre,
Jubilee Hills,
Hyderabad-500 033, Telangana

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ANNEXURES

Sl. No.	Contents	Annexure	Page Nos.
1.	Scheme of Arrangement between SMS Pharmaceuticals Limited (Applicant/Transferor Company and SMS Lifesciences India Limited (Resulting Company) and their respective shareholders and creditors under Section 391 to 394 and other relevant provisions of the Companies Act, 1956 read with Section 100 to 103 and other applicable provisions of the Companies Act, 2013.	Annexure – I	1-17
2.	Fairness opinion dated 12 th August, 2016 issued by M/s. Systematix Corporate Services Limited	Annexure -2	18-21
3.	Complaints Report dated 19 th September, 2016 filed by SMS Pharmaceuticals Limited with Stock Exchanges.	Annexure-3	22
4.	Observation letter dated 13 th October, 2016 issued by BSE Limited to SMS Pharmaceuticals Limited.	Annexure-4	23-24
5.	Observation letter dated 14 th October, 2016 issued by National Stock Exchange of India Limited to SMS Pharmaceuticals Limited.	Annexure-5.	25-26

SCHEME OF ARRANGEMENT

(UNDER SECTION 391 TO 394 READ WITH SECTION 100 TO 103
OF THE COMPANIES ACT, 1956 AND OTHER PROVISIONS OF THE COMPANIES ACT, 2013 AS APPLICABLE)

IN THE NATURE OF DE-MERGER AND TRANSFER OF

DE-MERGED UNDERTAKING

BETWEEN

SMS PHARMACEUTICALS LIMITED

(Demerged Company)

AND

SMS LIFESCIENCES INDIA LIMITED

(Resulting Company)

AND

THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

A. PREAMBLE

- (i) This Scheme of Arrangement (“Demerger”) provides for the demerger of the Semi Regulated Units No. I, IV and V along with premises situated at Industrial Estate, Santhnagar, Hyderabad; Industrial Development Area, Jeedimetla, Hyderabad ; Premises bearing Flat No.417, Nilgiri, Aditya Enclave, Ameerpet, Hyderabad; vacant land admeasuring Ac 19.00 cents situated at Pharma City, Parawada, Visakhapatnam and Investments relating to Semi Regulated Units (“Demerged Undertaking”) of SMS Pharmaceuticals Limited, the “Demerged Company” into SMS Lifesciences India Limited, the “Resulting Company”, pursuant to provisions of Sections 391-394, read with Sections 100-103 of the Companies Act, 1956, and other applicable provisions of the Companies Act, 2013, and
- (ii) Subject to the satisfactory fulfilment and implementation of (i) above, reduction and reorganisation of equity share capital of SMS Lifesciences India Limited (Resulting Company) and utilisation of General Reserve Account of SMS Pharmaceuticals Limited (Demerged Company) pursuant to Sections 391-394 read with Sections 100-103 of the Companies Act, 1956.

B. DESCRIPTION OF COMPANIES

- (i) SMS Pharmaceuticals Limited (“Demerged Company”) is a public limited company incorporated under the provisions of the Companies Act, 1956 on 14th day of December, 1987 originally in the name of “S.M.S. Pharmaceuticals Private Limited” and subsequently converted into a Public Limited Company in the name of “S.M.S. Pharmaceuticals Limited” on 2nd November, 1994. The name of the Company has been changed from S.M.S. Pharmaceuticals Limited to SMS Pharmaceuticals Limited with effect from 12th April, 2004. The Registered Office of the company is situated at Plot No.19-III, Road No.71, Opp. Bharatiya Vidya Bhavan Public School, Jubilee Hills, Hyderabad. It is engaged in the business of manufacturing and sale of active pharmaceutical ingredients and intermediates. The Equity Shares of Demerged Company are listed on BSE Limited (‘BSE’) having Security Code “532815” and National Stock Exchange of India Limited (‘NSE’) having Symbol “SMSPHARMA”. The Corporate Identity Number of the Company is L24239AP1987PLC008066.
- (ii) SMS Lifesciences India Limited (“Resulting Company”) is a public limited company incorporated under the provisions of the Companies Act, 1956, on 31st day of May, 2006, originally as Private Limited Company in the name of “Potluri Real Estate Private Limited” and subsequently changed its name to “Potluri Packaging Industries Private Limited” on 6th November, 2013. Thereafter the Company had changed its name as “SMS Lifesciences India Private Limited” on 4th August, 2014 and subsequently converted as Public Limited Company with effect from 22nd June, 2016 having its registered office at Plot No. 265Q, Road No. 10, Jubilee Hills, Hyderabad and its Corporate Identity No. is U74930TG2006PLC050223. The Resulting Company is a wholly owned Subsidiary

of the Demerged Company and is presently engaged in the business of manufacturing, buying, selling, offering consultancy, importing and exporting, acting as commission agents and generally dealing with of all types of Organic & Inorganic Chemicals, Pharmaceuticals, Active Pharmaceutical Ingredients (API) and Intermediates.

C. RATIONALE

- (i) This Scheme is presented under Sections 391 to 394 read with Sections 100 to 103 of the Companies Act, 1956 and the provisions of the Companies Act, 2013 as applicable for transfer of the Semi Regulated Units namely I, IV and V and other assets (defined as demerged undertaking) of the Demerged Company as a going concern to the Resulting Company, a wholly-owned subsidiary of the Demerged Company and consequential restructure of its share capital in form of Utilisation of General Reserve Account of the Demerged Company.
- (ii) The Demerged Company has presently operating five units out of which three manufacturing divisions are Semi-Regulated Units namely Unit I (i.e. Khazipally Unit), which is located at Sy. No. 180/2, IDA Kazipally Village, Jinnaram Mandal, Medak District, Hyderabad, Telangana State; Unit IV (i.e. Jeedimetla Unit), which is located at Plot No. 66/B-2, Phase-I, IDA Jeedimetla, Hyderabad, Telangana State and Unit V (i.e. Bollaram Unit) which is located at Sy. No. 296/7/4, S.V. Co.op. Ind. Estate I.D.A., Bollaram, Medak District, Hyderabad, Telangana State and the rest of the Units are Regulated Units. With a view to reduce the impact of semi-regulated units on regulated units, achieving operational efficiencies, site synergies and streamlining its current structure, the Demerged Company has decided to demerge its Unit Nos. I, IV and V and transfer to the Resulting Company along with other assets and Investments with primary intention to bifurcate its units which are semi regulated under FDA (Food and Drug Administration) norms and transfer them to a separate Company. The circumstances, reasons and/or grounds that have necessitated and/or justified the Scheme and the advantages thereof are, inter alia, as follows:
 - a) The nature of risk and return involved in the business of Semi-Regulated units is distinct from the Regulated Units of the Demerged Company. Hence, transfer of all the Semi-Regulated units under one umbrella would enable these Units to run independently and in a more cohesive manner so as to run more profitably and attract potential collaborators for future growth and development of business by the Resulting Company, without impacting the Demerged Company.
 - b) The transfer and vesting of the de-merged undertaking of the Demerged Company to the Resulting Company through this Scheme is with a view to unlock the economic value of both the Companies.
 - c) The said transfer of Undertaking would provide greater flexibility and visibility on the operational and financial performance of the semi-regulated units and would provide higher degree of independence as well as accountability.
 - d) The Board of Directors of the Demerged Company is of the opinion that the Scheme of Arrangement would benefit the shareholders, creditors, employees and other stakeholders of both the Companies.

D. OPERATION OF THE SCHEME

- (i) The Scheme provides for transfer of demerged undertaking to the Resulting Company, according to the applicable provisions of the Act and/or any other applicable laws.
- (ii) The Demerged Company will continue its interests in the Remaining Undertaking as is presently being carried out but with greater focus on growth opportunities.
- (iii) The Resulting Company shall issue and allot equity shares to all the shareholders of the Demerged Company as consideration for the transfer of the Demerged Undertaking, in proportion of their shareholding in the Demerged Company as per the share entitlement ratio. Simultaneously with issuance of equity shares, in the books of the Resulting Company, all the equity shares held by the Demerged Company shall, without further deed, act or approvals, stand cancelled, extinguished and annulled on and from the Effective Date.
- (iv) The Equity Shares issued by the Resulting Company to the shareholders of the Demerged Company shall be listed on BSE and NSE subject to Listing Regulations.
- (v) The Demerger of the Demerged Undertaking in accordance with this Scheme shall take effect from the Appointed Date in accordance of the provisions of Sections 391-394 of the Act read with Sections 100-103 of the Companies Act, 1956 and the provisions of Companies Act, 2013 as may be applicable and shall be in accordance with Section 2 (19AA) of the Income Tax Act, 1961, such that:

- (a) all the assets relatable to the Demerged Undertaking being transferred by the Demerged Company, as on the Appointed Date shall become the properties of the Resulting Company by virtue of this Scheme;
 - (b) all the liabilities relatable to the Demerged Undertaking, as on the Appointed Date shall become the liabilities of the Resulting Company by virtue of this Scheme;
 - (c) all the assets and the liabilities relatable to the Demerged Undertaking being transferred by the Demerged Company shall be transferred to the Resulting Company, on a going concern basis, at the value appearing in the books of account of the Demerged Company immediately before the Demerger;
 - (d) the Resulting Company shall issue, in consideration of the Demerger Undertaking, its Equity Shares to the shareholders of the Demerged Company as on the Record Date as per the share entitlement ratio; and
 - (e) all the shareholders of the Demerged Company as on the Record Date shall become the shareholders of the Resulting Company by virtue of the Demerger.
- (vi) The Scheme shall be in compliance with the applicable SEBI Guidelines, Regulations including Listing Regulations, SCRR and the Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 any subsequent amendments thereof (**“SEBI Circular”**).

E. PARTS OF THE SCHEME

The Scheme is divided into the following parts:

Part I - deals with definitions, interpretations and share capital

Part II - deals with transfer and vesting of demerged undertaking

Part III - deals with General terms and conditions.

PART I

DEFINITIONS, INTERPRETATIONS AND SHARE CAPITAL

I. DEFINITIONS AND INTERPRETATIONS

- I.1 In this Scheme, unless inconsistent with the subject or context, the following expressions shall have the following meanings:

“Act” means the Companies Act, 1956 and any statutory modification or re-enactment thereof for the time being in force.

“Applicable Laws” means any statute, notification, bye laws, rules, regulations, guidelines, rule of common law, policy, code, directives, ordinance, orders or instructions having the force of law enacted or issued by any Appropriate Authority including any statutory modification or re-enactment thereof for the time being in force.

“Appointed Date” means opening business hours of 1st April, 2016.

“Appropriate Authority” means and includes any governmental, statutory, departmental or public body or authority, including RBI, SEBI, BSE, NSE, Registrar of Companies, National Company Law Tribunal and the High Court.

“Articles of Association” means the articles of association of the Demerged and Resulting Companies.

“Board” in relation to each of the Demerged Company and the Resulting Company, as the case may be, means the Board of directors of such company, and shall include a committee duly constituted and authorised for the purposes of matters pertaining to the Demerger, the Scheme and/or any other matter relating thereto.

“BSE” means the BSE Limited.

“Demerged Company” means SMS Pharmaceuticals Limited, a company incorporated under the provisions of the Companies Act, 1956 under CIN: **L24239AP1987PLC008066** and having registered office at Plot No.19-III, Road No.71, Opp. Bharatiya Vidya Bhavan School, Jubilee Hills, Hyderabad 500 096.

“Demerged Undertaking” means and include

- I. all the business, undertaking, properties, investments and liabilities of whatsoever nature and kind and wheresoever situated, of the Demerged Company, in relation to and pertaining to the Semi-Regulated Units No. I, IV and V on going concern basis, together with all its assets and liabilities and shall mean and include (without limitation):
 - (a) all the movable and immovable properties including plant and machinery, equipment, furniture, fixtures, vehicles, stocks and inventory, freehold/leasehold assets and other contingent assets (whether tangible or intangible) of whatsoever nature in relation to the Semi-Regulated Units, approvals, consents, letters of intent, registrations, contracts, engagements, arrangements, settlements, rights, credits, titles, interests, benefits, advantages, leasehold rights, sub-letting tenancy rights, with or without the consent of the lessor/landlord as may be required by law, goodwill, other intangibles, industrial and other licenses, permits, authorisations, import quotas and other quota rights, right to use and avail of telephones, telex, facsimile and other communication facilities, connections, installations and equipment, utilities, electricity and electronic and all other services of every kind, nature and description whatsoever, provisions, funds and benefits of all agreements, arrangements, deposits, advances, recoverable and receivables, whether from government, semi-government, local authorities or any other person including customers, contractors or other counter parties, etc., all earnest monies and/or deposits, privileges, liberties, easements, advantages, benefits, exemptions, licenses, privileges concerning the Semi-Regulated Units and approvals of whatsoever nature (including but not limited to benefits of all tax holiday, tax relief including under the Income Tax Act, 1961 such as credit for advance tax, taxes deducted at source, brought forward accumulated tax losses, unabsorbed depreciation, etc.) and wheresoever situated, belonging to or in the ownership, power or possession or control of or vested in or granted in favour of or enjoyed by the Demerged Company in relation to the Semi-Regulated Units as on the Appointed Date;
 - (b) all the debts, borrowings, obligations and liabilities, whether present, or future, whether secured or unsecured, of the Demerged Company in relation to the Semi-Regulated Units as on the Appointed Date comprising of:
 - (i) all the debts, duties, obligations and liabilities including contingent liabilities which arise out of the activities or operations of the Demerged company in relation to the Semi-Regulated Units and all other debts,

- liabilities, duties, and obligations of the Demerged Company relating to the Demerged Undertaking which may accrue or arise after the Appointed Date but which related to the period up to the day of immediately preceding the Appointed Date;
- (ii) the specific loans and borrowings raised, incurred and utilised solely for the activities and operations of Demerged Company in relation to the Semi-Regulated Units; and
 - (iii) liabilities other than those referred to in sub-clauses (i) and (ii) above and not directly relatable to the Semi-Regulated Units, being the amounts of any general or multipurpose borrowings of Demerged Company as stand in the same proportion which the value of assets transferred under this Clause of Semi-Regulated Units bears to the total value of the assets of the Demerged Company immediately before the Appointed Date;
- (c) all intellectual property rights, including trademarks, trade names and the goodwill associated therewith, patents, patent rights, copyrights and other industrial designs and intellectual properties and rights of any nature whatsoever including know-how, or any applications for the above, assignments and grants in respect thereof of the Demerged Company in relation to the Semi-Regulated Units as on the Appointed Date;
 - (d) all books, records, files, papers, engineering and process information, records of standard operating procedures, computer programmes along with their licenses, drawings, manuals, date catalogues, quotations, sales and advertising materials, lists of present and former customers and suppliers, customer credit information, customer pricing information and other records whether in physical or electronic form, in connection with or relating to the Semi-Regulated Units of the Demerged Company as on the Appointed Date;
 - (e) all employees of the Demerged Company engaged in the Semi-Regulated Units; and
 - (f) any question that may arise as to whether a specific asset (tangible or intangible) or any liability pertains or does not pertain to the Semi-Regulated Units or whether it arises out of the activities or operations of the Semi-Regulated Units or not, shall be decided by the Board of the Demerged Company or any Committee thereof.
2. Premises located at C-23 Industrial Estate, Sanatnagar Hyderabad to be transferred to the Resulting Company without any further deed or act under this Scheme.
 3. Premises located at D-63, Phase I, Industrial Development Authority, Jeedimetla, Hyderabad, to be transferred to the Resulting Company without any further deed or act under this Scheme.
 4. Premises located at Flat No. 417, Nilgiri, Aditya Enclave, Ameerpet, Hyderabad, to be transferred to the Resulting Company without any further deed or act under this Scheme.
 5. Vacant land admeasuring Ac. 19 in Plot bearing no. 46 located at Pharma City, Parawada Mandal, Visakhapatnam District, Andhra Pradesh to be transferred to the Resulting Company without any further deed or act under this Scheme.
 6. Investments relating to Semi Regulated Units held by Demerged Company, in other entities to be transferred to the Resulting Company without any further deed or act under this Scheme.

“Effective Date” means the last of the date on which the certified copy or authenticated copy of the order of the High Court sanctioning the Scheme is filed with the Registrar of Companies by the Demerged Company and the Resulting Company. Reference in this Scheme to the date of “coming into effect of this Scheme” or “effectiveness of this Scheme” shall mean the Effective Date.

“Encumbrance” means (i) any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment, deed of trust, title retention, security interest or other encumbrance of any kind securing, or conferring any priority of payment in respect of, any obligation of any person, including any right granted by a transaction which in legal terms, is not the granting of security but which has an economic or financial effect similar to the granting of security under Applicable Laws; (ii) any proxy, power of attorney, voting trust agreement, interest, option, right of first offer, refusal or transfer restriction in favour of any person; and (iii) any adverse claim as to title, possession or use.

“High Court” means the Hon’ble High Court of Judicature at Hyderabad for the State of Telangana and the State of Andhra Pradesh and shall include National Company Law Tribunal constituted under the Act as applicable.

“Listing Agreement” means the listing agreement executed by the Demerged Company with each of the BSE and the NSE.

“Listing Regulations” means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other SEBI Regulations as applicable to the Scheme.

“Memorandum” means memorandum of association of a Company.

“NSE” means the National Stock Exchange of India Limited.

“Parties” or “Parties to the Scheme” means the Demerged Company and the Resulting Company.

“RBI” means the Reserve Bank of India.

“Record Date” means the date to be fixed by the Board of Directors of the Resulting Company in consultation with the Demerged Company for the purpose of reckoning names of the equity shareholders of the Demerged Company, who shall be entitled to receive Equity Shares of the Resulting Company pursuant to this Scheme.

“Registrar of Companies” means the Registrar of Companies at Hyderabad for the State of Andhra Pradesh and the State of Telangana.

“Regulated Units” means, those units which are certified by the authorities of highly regulated markets of United States of America, Europe & Australia and have high entry barriers in terms of intellectual property rights and requirements/compliances for Regulated Units, including obtaining facility approvals etc.

“Remaining Employees” mean all the permanent employees of the Demerged Company other than the Transferred Employees.

“Remaining Undertaking” means all the undertakings, businesses, activities and operations of the Demerged Company other than those comprised in the Demerged Undertaking and remaining with the Demerged Company after giving effect to this Scheme.

“Resulting Company” means SMS Lifesciences India Limited, a company Incorporated under the provisions of the Companies Act, 1956 under **CIN: U74930TG2006PLC050223** and having registered office at Plot No. 265Q, Road No. 10, Jubilee Hills, Hyderabad.

“SCRR” means Securities Contracts (Regulation) Rules, 1957

“SEBI” means the Securities and Exchange Board of India.

“Scheme”, “the Scheme”, “this Scheme”, “Scheme of Arrangement” means this Scheme of Arrangement in its present form or as may be modified by an agreement between the Parties submitted to the High Court or any other Appropriate Authority in the relevant jurisdictions with any modification thereof as the High Court or any other Appropriate Authority may direct.

“Semi-Regulated Units” means, units which are certified on accreditation basis and include rest of the world [apart from markets mentioned under Regulated Units except USA, Europe and Australia], which offer low entry barriers in terms of Regulated Units requirements and intellectual property rights, which includes:

- o Unit I (i.e. Khazipally Unit), which is located at Sy. No. 180/2, IDA Kazipally Village, Jinnaram Mandal, Medak Dist., Hyderabad, Telangana State;
- o Unit IV (i.e. Jeedimetla Unit), which is located at Plot No. 66/B-2, Phase-I, IDA Jeedimetla, Hyderabad, Telangana State, and
- o Unit V (i.e. Bollaram Unit) which is located at Sy. No. 296/7/4, S.V. Co.op. Ind. Estate I.D.A., Bollaram, Medak District, Hyderabad, Telangana State.

“Share Entitlement Ratio” means, the number of equity shares of SMS Lifesciences India Limited(Resulting Company) to which a shareholder of SMS Pharmaceuticals Limited(Demerged Company) would be entitled to in proportion of his existing shares in SMS Pharmaceuticals Limited(Demerged Company).

“Stock Exchanges” means collectively, the BSE and the NSE.

All terms and words not defined in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning ascribed to them under the Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996, Income Tax Act, 1961 and other Applicable laws, rules, regulations, bye laws, as the case may be, including any statutory modification or re-enactment thereof from time to time.

- 1.2 In this Scheme, unless the context otherwise requires:
- words denoting singular shall include plural and vice versa;
 - headings and bold typeface are only for convenience and shall be ignored for the purposes of interpretation;
 - references to the word “include” or “including” shall be construed without limitation;
 - a reference to an article, section, paragraph or schedule is, unless indicated of the contrary, a reference to an article, section, paragraph or schedule of this Scheme;
 - unless otherwise defined, the reference to the word “days” shall mean calendar days;
 - references to dates and times shall be construed to be references to Indian dates and times;
 - reference to a document includes an amendment or supplement to or replacement or novation of, that document;
 - word(s) and expression(s) elsewhere defined in the Scheme will have the meaning(s) respectively ascribed to them.

2. **DATE OF TAKING EFFECT AND OPERATIVE DATE**

The Scheme set out herein in its present form or with any modification(s) approved or imposed or directed by the High Court, shall be effective from the Appointed Date but shall be operative from the Effective Date.

3. **SHARE CAPITAL**

- 3.1 The share capital of the Demerged Company as on **31st March, 2016** is as under:

Particulars	Amount in Rs.
AUTHORISED SHARE CAPITAL	12,00,00,000
SUBSCRIBED, ISSUED AND PAID-UP SHARE CAPITAL	8,46,52,030

The equity shares of the Demerged Company are listed on BSE and NSE.

- 3.2 The Share capital of the Resulting Company as on **31st March, 2016** is as under:

Particulars	Amount in Rs.
AUTHORISED SHARE CAPITAL	25,00,000
SUBSCRIBED, ISSUED AND PAID-UP SHARE CAPITAL	1,00,000

The entire share capital of the Resulting Company as on 1st April, 2016 is held by the Demerged Company and hence Resulting Company is a wholly-owned subsidiary of the Demerged Company.

4. **COMPLIANCE WITH TAX LAWS**

The Scheme has been drawn up to comply with the conditions relating to “demerger” as defined under Section 2(19AA) and other relevant sections of the Income-tax Act, 1961 and accordingly all the Assets and Liabilities pertaining to the demerged undertaking shall be transferred from the transferor company to transferee company at book values only. If any terms or provisions of the Scheme are found to be or interpreted to be inconsistent with any of the said provisions at a later date whether as a result of any amendment of law or any judicial or executive interpretation or for any other reason whatsoever, the aforesaid provisions of the tax laws shall prevail. The Scheme shall then stand modified to the extent determined necessary to comply with the said provisions. The power to make such amendments shall vest the Board of Directors of demerged Company, which power can be exercised anytime and shall be exercised in the best interest of the companies and their shareholders.

PART II

TRANSFER AND VESTING OF DEMERGED UNDERTAKING AS A GOING CONCERN

5. TRANSFER AND VESTING

With effect from the Appointed Date, the Demerged Undertaking of the Demerged Company shall, stand transferred to and vested in or deemed to be transferred to and vested in Resulting Company, as a going concern and in the following manner:

- 5.1 With effect from the Appointed Date and upon the Scheme becoming effective, the whole of Demerged Undertaking and its properties, shall pursuant to the provisions contained in Sections 391 to 394 and all other applicable provisions, if any, of the Act and without any further act, deed, matter or thing, stand transferred to and vested in and/or be deemed to be transferred to and vested in Resulting Company so as to vest in Resulting company all rights, title and interest pertaining to the Demerged Undertaking as follows:
- a) All the movable assets (as specified in Schedule I) pertaining to the Demerged Undertaking, which are capable of being physically transferred including cash on hand, shall be physically handed over by manual delivery or endorsement and delivery, to the end and intent that the ownership and property therein passes to Resulting Company on such handing over in pursuance of the provisions of Section 394 of the Act. Such delivery and transfer shall be made on a date to be mutually agreed upon between the respective Board of Directors or Committees thereof of Demerged Company and Resulting Company within 30 days from the effective date.
 - b) In respect of other assets other than those referred to sub-clause 5.1.(a) above, pertaining to Demerged Undertaking including actionable claims, sundry debtors, outstanding loans, advances recoverable in cash or kind or for value to be received and deposits with the Government, semi-Government, local and other authorities and bodies and customers, Demerged Company shall, issue notices in such form as Resulting Company may specify stating that pursuant to this Scheme, the relevant debt, loan, advance, deposit or other asset, be paid or made good to, or be held on account of, Resulting Company as the person entitled thereto, to the end and intent that the right of Demerged Company to receive, recover or realize the same, stands transferred to Resulting Company and that appropriate entries should be passed in their respective books to record the aforesaid changes;
 - c) In respect of such of the assets belonging to the Demerged Undertaking other than those referred to in sub-clauses (a) and (b), the same shall be transferred to and vested in and/or be deemed to be transferred to and vested in Resulting Company on the Appointed Date pursuant to the provisions of Section 394 of the Act.
- 5.2 With effect from the Appointed Date and upon the Scheme becoming effective, all debts, liabilities including accrued interest thereon, contingent liabilities, duties and obligations of every kind, nature and description of Demerged Company pertaining to the Demerged Undertaking under the provisions of Sections 391 to 394 and all other applicable provisions, if any, of the Act, and without any further act or deed, be transferred to or be deemed to be transferred to Resulting Company, so as to become from the Appointed Date the debts, liabilities including accrued interest thereon, contingent liabilities, duties and obligations of Resulting Company and it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such debts, liabilities including accrued interest thereon, contingent liabilities, duties and obligations have arisen in order to give effect to the provisions of this sub-clause.
- 5.3 With effect from the Appointed Date and upon the Scheme becoming effective, any statutory licenses, permissions or approvals or consents held by Demerged Company required to carry on operations of the Demerged Undertaking shall stand vested in or transferred to Resulting Company without any further act or deed, and shall be appropriately mutated by the statutory authorities concerned therewith in favour of Resulting Company and the benefit of all statutory and Regulated permissions, environmental approvals and consents, registration or other licenses, etc., shall vest in and become available to Resulting Company as if they were originally obtained by Resulting Company. In so far as the various incentives, subsidies, rehabilitation schemes, special status and other benefits or privileges enjoyed, granted by any Government body, local authority or by any other person or availed of by Demerged Company relating to the Demerged Undertaking, are concerned, the same shall vest with and be available to Resulting Company on the same terms and conditions as applicable to Demerged Company, as if the same had been allotted and/or granted and/or sanctioned and/or allowed to Resulting Company.
- 5.4 The entitlement to various benefits under Incentive Schemes and Policies in relation to the Demerged Undertaking of the Demerged Company shall stand transferred to and be vested in and/or be deemed to have been transferred to and vested in the Resulting Company together with all benefits, entitlements or incentives of any nature whatsoever. Such

entitlements shall include (but shall not be limited to) income-tax, sales tax, value added tax, turnover tax, excise duty, service tax, customs and others and incentives in relation to the Demerged Undertaking to be claimed by the Resulting Company with effect from the appointed date as if the Resulting Company was originally entitled to all such benefits under such incentive scheme and/or policies, subject to continued compliance by the Resulting Company of all the terms and conditions subject to which the benefits under such incentive Schemes were made available to the Demerged Company.

- 5.5 Since each of the permissions, approval, consents, sanctions, remissions (including remission under Income-tax, sales tax, value added tax, excise duty, service tax, customs), special reservations, sales tax remissions, holidays, incentives, concessions and other authorisations relating to the Demerged Company, shall stand transferred under the Scheme to the Resulting Company, the Resulting Company shall file the relevant intimations if any, for the record of the statutory authorities who shall take them on file, pursuant to this Scheme coming into effect.
- 5.6 It is clarified that all the taxes and duties pertaining to the Demerged Undertaking payable by the Demerged Company, from the appointed date onwards including all or as any refund and claims shall, for all purposes, be treated as the tax and are duties, liabilities or refunds and claims of Resulting Company. Accordingly, upon the Scheme becoming effective, the Resulting Company is expressly to file its respective income-tax, sales tax, value added tax, turnover tax, excise duty, service tax, customs and any other return to claim refunds/ credits, pursuant to the provisions of this Scheme.
- 5.7 The transfer and vesting of the Demerged Undertaking as aforesaid shall be subject to the existing securities, charges, mortgages and other encumbrances if any, subsisting over or in respect of the property and assets or any part thereof relating to the Demerged Undertaking to the extent such securities, charges, mortgages, encumbrances are created to secure the liabilities forming part of the Demerged Undertaking.
- a) In so far as any securities, charges, hypothecation and mortgages over the assets comprised in the Demerged Undertaking are securities for liabilities of the Remaining Undertaking, the same shall, on the Effective Date, without any further act, instrument or deed be modified to the extent that all such assets shall stand released and discharged from the obligations and security relating to the same and the securities, charges, hypothecation and mortgages shall only extend to and continue to operate against the assets retained by Demerged Company and shall cease to operate against any of the assets transferred to Resulting Company in terms of this Scheme. The absence of any formal amendment which may be required by a lender or third party shall not affect the operation of the above. The provisions of this Clause shall operate notwithstanding anything contained in any instrument, deed, agreement or writing or terms of sanction or issue or any security document, all of which instruments, deeds and writings shall stand modified and/or superseded by the foregoing provision.
 - b) Provided further that the securities, charges, hypothecation and mortgages (if any subsisting) over and in respect of the assets or any part thereof of Resulting Company and this Scheme shall not operate to enlarge such securities, charges, hypothecation or mortgages and shall not extend or be deemed to extend, to any of the assets of the Demerged Undertaking vested in Resulting Company, provided always that this Scheme shall not operate to enlarge the security of any loan, deposit or facility created by Demerged Company in relation to the Demerged Undertaking which shall vest in Resulting Company by virtue of the vesting of the Demerged Undertaking with Resulting Company and there shall not be any obligation to create any further or additional security therefore after the Scheme has become effective.
 - c) Provided further that all the loans, advances and other facilities sanctioned to Demerged Company in relation to the Demerged Undertaking by its bankers and financial institutions prior to the Appointed Date, which are partly drawn or utilised shall be deemed to be the loans and advances sanctioned to Resulting Company and the said loans and advances may be drawn and utilised either partly or fully by Demerged Company from the Appointed Date till the Effective Date and all the loans, advances and other facilities so drawn by Demerged Company in relation to the Demerged Undertaking (within the overall limits sanctioned by their bankers and financial institutions) shall on the Effective Date be treated as loans, advances and other facilities made available to Resulting Company and all the obligations of Demerged Company in relation to the Demerged Undertaking under the loan agreement shall stand released and discharged and shall become the obligation of Resulting Company without any further act or deed on the part of Resulting Company.
- 5.8 Without prejudice to the above and upon the effectiveness of this Scheme, the Demerged Company and the Resulting Company shall execute any instruments or documents or do all the acts and deeds as may be required, including the filing of necessary particulars and/or modification(s) of charge, with the Registrar of Companies and other Authorities under the Act to give formal effect to the above provisions, if required.

- 5.9 It is expressly provided that, save as mentioned in this scheme, no other term and condition of the liability transferred to the Resulting company is modified by virtue of this Scheme except to the extent that such amendment is required by necessary implication.
- 5.10 Subject to necessary consents being obtained in accordance with the terms of this Scheme the provisions of above sub-clauses shall operate, notwithstanding anything to the contrary contained in any instrument, deed or writing or the terms of sanction or issue or any security document.
- 5.11 It is clarified that if any assets, (estate, claims, rights, title, interest in or authorities relating to such assets) or any contract, deeds, bonds, agreements, schemes, arrangements of other instruments of whatsoever in relation to any of the Demerged Undertaking which Demerged Company owns or to which Demerged Company is a party and which cannot be transferred to Resulting Company or to its successor in business, for any reason whatsoever, Demerged Company shall hold such assets or contract, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in trust for the benefit of Resulting Company to which the Demerged Undertaking is being transferred in terms of this scheme, in so far as it is permissible so to do, till such time as the transfer is affected.
- 5.12 With effect from the appointed date, the general reserve of the demerged Company pertaining to the demerged undertaking shall become the General Reserves of the Resulting Company.
- 6. ISSUE OF SHARES BY THE RESULTING COMPANY**
- 6.1 Upon this Scheme becoming effective, Resulting Company shall without any further application or deed, issue and allot Shares, credited as fully paid-up, to the extent indicated below to the shareholders of Demerged Company, holding shares in Demerged Company and whose name appear in the Register of Members on the Record Date or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognised by the respective Board of Directors in the following proportion:
- 1 (one) Equity share of Rs. 10/- each (fully paid-up) of Resulting Company shall be issued and allotted for every 28 (twenty eight) Equity Shares of Re. 1/- each (fully paid-up) held by the shareholders in Demerged Company.
- 6.2 The equity shares issued and allotted by the Resulting Company in terms of this Scheme shall rank pari-passu in all respects with the existing equity shares of the Resulting Company.
- 6.3 No fractional certificate(s) shall be issued by the Resulting Company in respect of any fractions which the members of the Demerged Company may be entitled to on issue and allotment of the New Equity Shares as aforesaid by the Company. The Board of Directors of the Resulting Company shall instead, consolidate all such fractional entitlements and allot New Equity Shares in lieu thereof to a Director or an officer of the Resulting Company or such other person(s) as the Board of Directors of the Resulting Company shall appoint in this regard who shall hold the New Equity Shares in trust on behalf of the members entitled to such fractional entitlements with express understanding that such director or officer or person(s) shall sell the same in market at such time(s) (not later than 6 months upon coming into effect of this Scheme) at such price(s) and to such person(s) as it/he/they may deem fit, and pay to the Resulting Company the net sale proceeds thereof. Thereupon the Resulting Company shall distribute the net sale proceeds, after deduction of applicable taxes/duties/levies, if any, to the members entitled in proportion to their respective fractional entitlements. In case the number of such shares to be allotted to the Director/officer by virtue of consolidation of fractional entitlements is a fraction, one additional equity share will be issued in the Resulting Company to such Director/officer.
- 6.4 Shares to be issued by Resulting Company pursuant to Clause 6.1 in respect of any equity shares held by shareholder of Demerged Company which are held in abeyance under the provisions of Section 126 of the Companies Act, 2013 or otherwise shall, pending allotment or settlement of dispute by order of Court or otherwise, also be held in abeyance by Resulting Company.
- 6.5 In so far as the issue of equity shares pursuant to Clause 6.1 is concerned, the same shall be issued and allotted in dematerialized form to those equity shareholders who hold equity shares in Demerged Company in dematerialized form, in to the account with the Depository Participant in which the equity shares of Demerged Company are held or such other account with the Depository Participant as is intimated by the equity shareholders to Resulting Company before the Record Date. All those equity shareholders of Demerged Company who hold equity shares of Demerged Company in physical form shall also have the option to receive the shares, as the case may be, in dematerialised form provided the details of their account with the Depository Participant are intimated in writing to Resulting Company before the Record Date. In the event that Resulting Company has received notice from any equity shareholder of Demerged Company that equity shares are to be issued in physical form or if any member has not provided the requisite details relating to his/her/its account with a Depository Participant or other confirmations as may be required or if the details furnished by any member do not permit electronic credit of the shares of Resulting Company, then Resulting Company shall issue equity

shares of Resulting Company, in accordance with the Demerged Company Share Entitlement Ratio, as the case may be, in physical form to such equity Shareholder.

- 6.6 In the event of there being any pending share transfers, whether lodged or outstanding, of any shareholder of Demerged Company, the Board of Directors or any committee thereof of Demerged Company shall be empowered in appropriate cases, prior to or even subsequent to the Record Date, to effectuate such a transfer in Demerged Company as if such changes in registered holder were operative as on the Record Date, in order to remove any difficulties arising to the transfer of the share in Demerged Company and in relation to the shares issued by Resulting Company after the effectiveness of this Scheme. The Board of Directors of Demerged Company and Resulting Company shall be empowered to jointly remove such difficulties as may arise in the course of implementation of this Scheme and registration of new members in Resulting Company on account of difficulties faced in the transaction period.
- 6.7 For the purpose as aforesaid the Resulting Company shall, and to the extent required, increase its Authorised Capital after this Scheme has been sanctioned by the High Court but before the issue and allotment of shares. It shall also, if and to the extent required, apply for and obtain the requisite approvals including that of SEBI, Reserve Bank of India and other appropriate authorities concerned for issue and allotment by the Resulting Company to the members of the Demerged Company of the Equity shares in the said reorganised share capital of the Resulting Company in the ratio as aforesaid.
- 6.8 The equity shares issued by Resulting Company, in terms of Clause 6.1 of this Scheme, will be listed and/or admitted to trading on the stock exchange where the demerged Company shares are already traded subject to necessary approval to be obtained from Regulated authorities and all necessary applications and compliances will be made in this respect by Resulting Company.
- 6.9 Approval of this Scheme by the shareholders of Resulting Company shall be deemed to be the due compliance of the provisions of Section 62 of the Act and the other relevant and applicable provisions of the Companies Act, 2013 for the issue and allotment of equity shares by Resulting Company to the equity shareholders of Demerged Company, as provided in this Scheme.
- 6.10 The equity shares allotted pursuant to the Scheme shall remain frozen in the depositories system till listing/trading permission is given by the designated stock exchange.
- 6.11 The equity shares to be issued by Resulting Company shall be subject to the Scheme and the Memorandum and Articles of Association of Resulting Company.
- 6.12 The Resulting Company shall, if and to the extent required to, apply for and obtain any approvals from the concerned Regulated authorities for the issue and allotment by the Resulting Company of new equity shares to the equity shareholders of the Demerged Company.
- 6.13 Resulting Company shall comply with the relevant and applicable rules and regulations including provisions of Foreign Exchange Management Act, 1999 to enable it to issue shares pursuant to this scheme.
- 6.14 In so far as the equity shares of the Resulting Company held by the Demerged Company are concerned, such shares would be cancelled on the effective date and the capital of the Resulting Company shall be reduced to that extent.

7. INCREASE OF AUTHORISED SHARE CAPITAL AND AMENDMENT TO MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION

A. RESULTING COMPANY

7.1 Capital Clause

Upon the Scheme being effective, the Authorised Share Capital of the Resulting Company shall automatically stand increased by Rs. 3,50,00,000/-, as on the effective date, without any further act or deed and accordingly Clause V of the Memorandum of Association of the Resulting Company shall be altered. The Resulting Company will file necessary forms with concerned Registrar of Companies for increasing Authorised Share Capital.

B. DEMERGED COMPANY

7.2 Upon the Scheme being effective the authorised Share Capital of the Demerged Company will remain at Rs. 12,00,00,000/- and there is no change in the Authorised and Paid-up Share Capital.

7.3 Under the accepted principle of Single Window Clearance, it is hereby provided that the above referred amendments, viz. Change in the Capital Clause of Resulting Company shall become operative on the scheme being effective by virtue of the fact that the Shareholders of the Demerged Company and the Resulting Company, while approving the scheme as a whole, have also resolved and accorded the relevant consents as required under the provisions of the Act and shall not be required to pass separate resolutions as required under the Act.

8. ACCOUNTING TREATMENT IN THE BOOKS OF RESULTING COMPANY

On the Scheme becoming effective and with effect from the Appointed Date, the Resulting Company shall account for demerger in its books as under:

- 8.1 All the assets, including but not limited to the fixed assets, intangible and any other assets pertaining to the demerged undertaking, shall be recorded by the Resulting Company at their respective book values.
- 8.2 All the liabilities pertaining to the Demerged Undertaking shall be recorded by the Resulting Company at their book values.
- 8.3 In case of any difference in accounting policies between the Demerged Company and the Resulting Company the accounting policies followed by the Resulting Company shall prevail to ensure that the financial statements reflect the financial position on the basis of consistent accounting policies.
- 8.4 Resulting Company shall credit to the Share Capital account in its books of account, the aggregate face value of the shares issued and allotted as per Clause 6.1 of the Scheme to shareholders of Demerged Company.
- 8.5 The difference being the excess of the Net Assets Value of the Demerged Undertaking transferred to and recorded by Resulting Company as per Clause 8.1 and 8.2 above and the face value of Shares allotted as per Clause 8.4 above, after considering the adjustments mentioned in Clause 8.3 above, shall be credited to General Reserve of Resulting Company. The shortfall, if any, shall be debited to Goodwill account of Resulting Company. ("Net Assets Value" shall be computed as the value of assets less the value of liabilities, of the Demerged Undertaking transferred to Resulting Company and recorded in Resulting Company in terms of Clause 8.1 and 8.2).

9. ACCOUNTING TREATMENT IN THE BOOKS OF DEMERGED COMPANY

On the Scheme becoming effective and with effect from the Appointed Date, the Demerged Company shall account for demerger in its books as under:

- 9.1 Upon the Scheme becoming effective and from the Appointed Date, Demerged Company shall reduce from its books, the book value of assets and liabilities transferred part of the Demerged Undertaking to Resulting Company, pursuant to the Scheme.
- 9.2 The difference in the book value of assets and the book value of liabilities transferred pursuant to the Scheme shall be adjusted entirely against the General Reserve Account as provided in detail in Clause 18 herein below.

10. CONDUCT OF BUSINESS UNTILL THE EFFECTIVE DATE

- 10.1 Demerged Company in respect of the Demerged Undertaking, shall carry on and be deemed to have been carrying on the business and activities and shall stand possessed of and hold all of its properties and assets for and on account of and in trust for Resulting Company. Demerged Company hereby undertakes to hold the said assets with utmost prudence until the Effective Date.
- 10.2 With effect from the Appointed Date, all the profits or income accruing or arising to Demerged Company in respect of the Demerged Undertaking or expenditure or losses arising to or incurred by Demerged Company in respect of the Demerged Undertaking, shall for all purposes and intents be treated and be deemed to be and accrue as the profits or incomes or expenditure or losses (as the case may be) of Resulting Company.
- 10.3 Demerged Company in respect of the Demerged Undertaking shall carry on the business and activities with reasonable diligence, business prudence and shall not without the prior written consent of Resulting Company, alienate, charge, mortgage, encumber or encumber or otherwise deal with or dispose-off the Demerged Undertaking or any part thereof except in respect of activities in the ordinary course of business nor shall it undertake any new businesses within the Demerged Undertaking or a substantial expansion of the Demerged Undertaking.
- 10.4 Demerged Company shall not vary the terms and conditions of service of the employees or conclude settlements with unions or employees, except in the ordinary course of business or consistent with past practice or pursuant to any pre-existing obligation without the prior written consent of the Board of Directors of Resulting Company.

11. DECLARATION OF DIVIDEND

- 11.1 For the avoidance of doubt it is hereby clarified that nothing in this Scheme shall prevent Demerged Company from declaring and paying dividends, whether interim or final, to its equity shareholders as on the record date for the purpose of any such dividend.
- 11.2 Demerged Company shall not utilise the profits or income, if any, relating to the Demerged Undertaking for the purpose of declaring or paying any dividend to its shareholders or for any other purpose in respect of the period falling on and after the Appointed Date, without the prior written consent of the Board of Directors of Resulting Company.

12. LEGAL PROCEEDINGS

- 12.1 All legal proceedings of whatsoever nature by or against Demerged Company pending and/or arising before the Effective Date and relating to the Demerged Undertaking, shall not abate or be discontinued or be in any way prejudicially affected by reason of the Scheme or by anything contained in this Scheme but shall be continued and enforced by or against the Resulting Company, as the case may be, in the same manner and to the same extent as would or might have been continued and enforced by or against Demerged Company.
- 12.2 After the Effective Date, if any proceedings are taken against Demerged Company in respect of the matters referred to in Clause 12.1 above, it shall defend the same at the cost of Resulting Company and Resulting Company shall reimburse and indemnify Demerged Company against all liabilities and obligations incurred by Demerged Company in respect thereof.
- 12.3 Resulting Company undertakes to have all respective legal or other proceedings initiated by or against Demerged Company referred to in Clause 12.1 or 12.2 above transferred into its name and to have the same continued, prosecuted and enforced by or against Resulting Company as the case may be, to the exclusion of Demerged Company.

13. CONTRACTS, DEEDS, BONDS AND OTHER INSTRUMENTS

- 13.1 Notwithstanding anything to the contrary contained in the contract, deed, bond, agreement or any other instrument, but subject to the other provisions of this Scheme, all contracts, deeds, bonds, agreements and other instruments, if any, of whatsoever nature and subsisting or having effect on the Effective Date and relating to the Demerged Undertaking, shall continue in full force and effect against or in favour of Resulting Company and may be enforced effectively by or against Resulting Company as fully and effectually as if, instead of Demerged Company, Resulting Company had been a party thereto.
- 13.2 The Resulting Company, at any time after coming into effect of this Scheme in accordance with the provisions hereof, if so required, under any law or otherwise, enter into, or issue or execute deeds, writings, confirmations, notations, declarations, or other documents with, or in favour of any party to any contract or arrangement to which Demerged Company is a party or any writings as may be necessary to be executed in order to give formal effect to the above provisions. Resulting Company shall, be deemed to be authorised to execute any such writings on behalf of Demerged Company and to carry out or perform all such formalities or compliances required for the purposes referred to above on the part of Demerged Company.
- 13.3 Even after this Scheme becomes effective, the Resulting Company shall, as its own right, be entitled to realise all monies and complete and enforce all pending contracts and transactions pertaining to the Demerged Undertaking, in so far as may be necessary, until the transfer of rights and obligations of the Demerged Company to the Resulting Company under this Scheme is formally accepted by the third parties.

14. SAVING OF CONCLUDED TRANSACTIONS

The transfer of assets, properties and liabilities above and the continuance of proceedings by or against Resulting Company above shall not affect any transaction or proceedings already concluded in Demerged Company, in relation to the Demerged Undertaking on or after the Appointed Date till the Effective Date, to the end and intent that Resulting Company accepts and adopts all acts, deeds and things done and executed by Demerged Company, in relation to the Demerged Undertaking in respect thereto as done and executed on their behalf.

15. STAFF, WORKMEN AND EMPLOYEES OF DEMERGED UNDERTAKING

- 15.1 Upon the coming into effect of this Scheme, all staff, workmen and employees of Demerged Company engaged in or in relation to the Demerged Undertaking and who are in such employment as on the Effective Date shall become the staff, workmen and employees of Resulting Company from Appointed Date or their respective joining date, whichever is later and, subject to the provisions of this Scheme, on terms and conditions not less favourable than those on which they are engaged by Demerged Company and without any interruption of or break in service as a result of the transfer of the Demerged Undertaking.
- 15.2 In so far as the existing provident fund, gratuity fund and pension and/or superannuation fund, trusts, retirement fund or benefits and any other funds or benefits created by Demerged Company for the employees related to the Demerged Undertaking (collectively referred to as the "Funds"), the Funds and such of the investments made by the Funds which are preferable to the employees related to the Demerged Undertaking being transferred to Resulting Company, in terms of the Scheme shall be transferred to Resulting Company and shall be held for their benefit pursuant to this Scheme in the manner provided hereinafter. The Funds shall, subject to the necessary approvals and permissions and at the discretion of Resulting Company, either be continued as separate funds of Resulting Company for the benefit of the employees related to the Demerged Undertaking or be transferred to and merged with other similar funds of Resulting

Company. In the event that Resulting Company does not have its own funds in respect of any of the above, Resulting Company may, subject to necessary approvals and permissions, continue to contribute to relevant funds of Demerged Company, until such time that Resulting Company creates its own fund, at which time the Funds and the investments and contributions pertaining to the employees related to the Demerged Undertaking shall be transferred to the funds created by Resulting Company. Subject to the relevant law, rules and regulations applicable to the Funds, the Board of Directors or any committee thereof of Demerged Company and Resulting Company may decide to continue to make the said contributions to the Funds of Demerged Company. It is clarified that the services of the employees of the Demerged Undertaking will be treated as having been continuous and not interrupted for the purpose of the said fund or funds.

- 15.3 Any question that may arise as to whether any employee belongs to or does not belong to the Demerged Undertaking shall be decided by the Board of Directors or Committee thereof of Demerged Company.

16. REMAINING UNDERTAKING OF DEMERGED COMPANY

- 16.1 It is clarified that, the Remaining Undertaking of the Demerged Company shall continue as follows:

- a) The Remaining Undertaking of Demerged Company and all the assets, liabilities and obligations pertaining thereto shall continue to belong to and be managed by Demerged Company;
- b) All legal and other proceedings by or against Demerged Company under any statute, whether pending on the Appointed Date or which may be initiated in future, whether or not in respect of any matter arising before the Effective Date and relating to the Remaining Undertaking of Demerged Company (including those relating to any property, right, power, liability, obligation or duty, of Demerged Company in respect of the Remaining Undertaking of Demerged Company) shall be continued and enforced by or against Demerged Company.

- 16.2 With effect from the Appointed Date and including the Effective Date:

- a) Demerged Company shall be deemed to have been carrying on and to be carrying on all business and activities relating to the Remaining Undertaking of Demerged Company for and on its own behalf;
- b) All profit accruing to Demerged Company thereon or losses arising or incurred by it relating to the Remaining Undertaking of Demerged Company shall, for all purposes, be treated as the profit or losses, as the case may be, of Demerged Company.

17. TAX CREDITS

- 17.1 Resulting Company will be the successors of Demerged Company vis-a-vis the Demerged Undertaking. Hence, it will be deemed that the benefit of any tax credits whether central, state or local, availed vis-a-vis the Demerged Undertaking and the obligations if any for payment of the tax on any assets forming part of the Demerged Undertaking or their erection and/or installation, etc. shall be deemed to have been availed by Resulting Company or as the case may be deemed to be the obligations of Resulting Company. Consequently, and as the Scheme does not contemplate removal of any asset by Resulting Company from the premises in which it is installed, no reversal of any tax credit needs to be made or is required to be made by Demerged Company.
- 17.2 With effect from the Appointed Date and upon the Scheme becoming effective, all taxes, duties, cess payable/receivable by Demerged Company relating to the Demerged Undertaking including all or any refunds/credit/claims relating thereto shall be treated as the asset/liability or refunds/credit/claims, as the case may be, of Resulting Company.
- 17.3 Demerged Company and Resulting Company are expressly permitted to revise their respective tax returns including tax deducted at source (TDS) certificates / returns and to claim refunds, advance tax credits, excise and service tax credits, set off, etc., on the basis of the accounts of the Demerged Undertaking of Demerged Company as vested with Resulting Company upon coming into effect of this Scheme, and its right to make such revisions in the related tax returns and related certificates as applicable and the right to claim refunds, adjustments, credits, set-offs, advance tax credits pursuant to the sanction of this Scheme and the Scheme becoming effective is expressly reserved.
18. Consequent to the demerger of the demerged undertaking of the demerged Company, as envisaged under clause 8.5 hereinabove, the amount of difference in the book value of assets and the book value of liabilities transferred pursuant to the Scheme shall be adjusted entirely against the General Reserve Account of the demerged company.

PART III

GENERAL TERMS AND CONDITIONS

19. LISTING AGREEMENT AND SEBI COMPLIANCES

- 19.1 On approval of the Scheme by the Hon'ble High Court, the Resulting Company shall apply for listing and trading permissions of its Equity Shares in the BSE and NSE and comply with the SEBI Regulations including the Listing Regulations and SCRR in this regard.
- 19.2 The Demerged Company being a Listed Company shall continue to comply with all the requirements under the Listing Agreement/Regulations and all statutory directives of SEBI in so far as they relate to sanction and implementation of this Scheme.
- 19.3 The Demerged Company in compliance with Listing Agreement/Regulations shall apply for approval of BSE and NSE where the shares are listed, before approaching the High Court for sanction of this Scheme.
- 19.4 New equity shares allotted to the Shareholders of the Demerged Company by the Resulting Company pursuant to the Scheme shall remain frozen in the depositories system until listing /trading permission is granted by the Stock Exchanges between the date of allotment of Equity shares of the Resulting Company to the shareholders of Demerged Company on the date of Listing of Equity shares of the Resulting Company to the Stock Exchanges.
- 19.5 There shall be no change in the shareholding pattern or control in the Resulting Company between the record date and the listing of the new equity shares being allotted to the shareholders of the Demerged Company.
- 19.6 The Demerged Company shall also comply with the Directives of SEBI contained in Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015.

20. GENERAL TERMS

- 20.1 It is clarified that all the taxes paid by the Demerged Company, relating to the demerged undertaking from the appointed date onwards including all or any refunds and claims, for all purposes, be treated as the tax liabilities or refunds and claims on the Resulting Company. Accordingly, upon the Scheme becoming effective, the Resulting Company is expressly permitted to revise its VAT and Sales tax returns, Excise and/or CENVAT Returns, other tax returns and to claim refunds/credits, pursuant to the provisions of this Scheme, if any.
- 20.2 In accordance with the CENVAT Rules framed under the Central Excise Act, 1944, as are prevalent on the effective date, the unutilised Credits relating to the Excise Duties paid on inputs /capital goods lying to the account of the Demerged Company, if any, shall be permitted to be transferred to the Credit of the Resulting Company, as if all such unutilised credits were lying in the Account of the Resulting Company. The Resulting Company shall accordingly be entitled to set off all such unutilised credits against the Excise Duty payable by it.
- 20.3 Upon the Scheme coming into effect, all the taxes paid (including TDS) by the Demerged Company from the appointed date, regardless of the period to which they relate, shall be deemed to have been paid for and on behalf of and to the credit of the Resulting Company as effectively as if the Resulting Company had paid the same.

21. APPLICATIONS TO HIGH COURT

- 21.1 Each of the Demerged Company and the Resulting Company shall with all reasonable dispatch, make all necessary applications under Section 391 to 394 of the said Act and other applicable provisions of the Act, to the Hon'ble High Court seeking orders for dispensing with or convening, holding and conducting of the Meetings of the respective classes of members and/or creditors of each of the Demerged Company and the Resulting Company as may be directed by the High Court.
- 21.2 On the Scheme being agreed to by the requisite majority of the classes of the members and/or creditors of the Demerged Company and the Resulting Company as directed by the High Court, the Demerged Company and the Resulting Company shall, with all reasonable dispatch, apply to the High Court for sanctioning the composite Scheme of Arrangement under Sections 391 and 394 of the Act, and for such other order or orders, as the said High Court may deem fit for carrying the Scheme into effect.

22. MODIFICATION OR AMENDMENTS TO THE SCHEME

- 22.1 The Demerged Company and Resulting Company (by their respective Board of Directors or any duly authorised Committee thereof) in their full and absolute discretion may assent to any modification(s) or amendment(s) or of any conditions or limitations in the Scheme which the High Court or such other appropriate authority and/or any other authorities may deem fit to direct or impose or which may otherwise be considered necessary or desirable for settling any question or doubt or difficulty that may arise for implementing and/or carrying out the Scheme and do all such acts, deeds and things as may be necessary for putting the Scheme into effect.
- 22.2 The Demerged Company and Resulting Company (by their respective Board of Directors or any duly authorised Committee thereof) in their full and absolute discretion may assent to any modification(s) or amendment(s) in the Scheme which may be considered necessary or desirable for any reason whatsoever and without prejudice to the generality of the foregoing, any modifications to this Scheme involving withdrawal of any of the parties to this Scheme at any time and for any reason whatsoever; the implementation of the Scheme shall not get adversely effected as a result of acceptance of any such modification by the Board of Directors or its Committee thereof of the Demerged Company or by the Board of Directors or by its Committee thereof of the Resulting Company, who are hereby authorised to take such steps and do all acts, deeds and things as may be necessary, desirable or proper to give effect to this Scheme or to resolve any doubt, difficulties or questions whether by reason of any orders of the High Court or of any directive or orders of any other authorities or otherwise how so ever.
- 22.3 Arising out of, under or by virtue of this Scheme and/or any matters concerning or connected therewith, the Board of Directors of the Demerged Company hereby expressly authorise the Board of Directors of the Resulting Company for the aforesaid purpose.

23. SCHEME CONDITIONAL ON APPROVAL/SANCTIONS

This Scheme is and shall be conditional upon and subject to:

- a) The Scheme being approved by the requisite majority of shareholders and creditors of the Demerged Company and the shareholders of the Resulting Company as per the applicable provisions of the Companies Act, 1956 and the Companies Act, 2013
- b) The Scheme being approved by the High Court, whether with any modification(s) or amendment(s) as the High Court may deem fit or otherwise.
- c) The sanction or approval of all persons or authorities concerned under any law or statute of Central Government, Stock Exchanges or any other agency, department or authorities concerned being obtained and granted in respect of any of the matters in respect of which such sanction or approval is required.
- d) Requisite approvals of RBI being obtained if necessary, under the provisions of FEMA, 1999 for issue of equity shares of the Resulting Company for the non-residential shareholders of the Demerged Company.
- e) The approval of the public shareholders of the Demerged Company through postal ballot and e-voting after disclosure of all material facts in the explanatory statement sent to the shareholders in relation to such resolution, and such resolution shall be acted upon if only the votes cast by the public shareholders in favour of the Scheme are more than the number of votes cast by public shareholders against it. The term "public" shall carry the same meaning as defined under Rule 2 of Securities Contract (Regulation) Rules, 1957.
- f) The certified or authenticated copies of the Orders of the High Court being filed with the Registrar of Companies of Andhra Pradesh and Telangana, Hyderabad under Sections 391 to 394 and other applicable provisions of the Act, the requisite resolutions under the applicable provisions of the said Act passed by the shareholders of the Resulting Company for any of the matters provided for or relating to the Scheme as may be necessary or desirable.

24. EXPENSES CONNECTED WITH THE SCHEME

All costs, charges and expenses of the Demerged Company and the Resulting Company in relation to or in connection with the Scheme and of carrying out and complete the terms and provisions of the Scheme and/or incidental to the completion of the arrangement between the Demerged Company and the Resulting Company, in pursuance of the Scheme shall be borne by the respective Companies.

SCHEDULE-I

The statement indicating broad Assets and liabilities of the De-merged Undertaking based on the Audited financial statements as on 31st March, 2016

Particulars	As on 31-03-2016
LIABILITIES	
Non-current liabilities	
(a) Long-term borrowings	23,49,13,110
(b) Deferred tax liabilities (Net)	10,53,53,582
(c) Long-term provisions	1,67,65,739
Current Liabilities	
(a) Short-term borrowings	5,33,62,690
(b) Trade payables	52,58,70,437
(c) Other current liabilities	11,31,43,632
(d) Short term provisions	26,46,263
ASSETS	
Non-current assets	
Fixed assets	
(i) Tangible assets	74,01,62,659
(ii) Intangible assets	-
(iii) Capital work-in-progress	2,61,88,062
(iv) Non-Current Investments	4,10,680
(v) Long term loans and advances	1,49,46,979
Current assets	
(a) Inventories	41,83,55,878
(b) Trade Receivables	39,87,46,066
(c) Cash and cash equivalents	2,54,17,486
(d) Short term loans and advances	4,88,44,325
(e) Other current assets	6,08,18,460



August 12, 2016
SCSL/16-17/026

Systematix Corporate Services Ltd.

Corporate Office : The Capital, "A" Wing, 6th Floor, No. 603 - 606, Plot No. C-70, G-Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.
Tel. : +91-22-6704 8000 • Fax : +91-22-6704 8022

The Board of Directors
SMS Pharmaceuticals Limited
Plot No. 19-III, Road No.71
Opp. Bhartiya Vidya Bhawan School
Jubilee Hills, Hyderabad 500 096.

Sub: Fairness Opinion on "Share Entitlement Ratio" based on the Valuation Report dated August 11, 2016 for "Regulated and Semi-Regulated Business" of SMS Pharmaceuticals Limited ("the Company") as prepared by M/s Raju and Prasad, Chartered Accountants (FRN: 0034755) - ("the Valuer").

Ref: Appointment of Systematix Corporate Services Limited as the Merchant Banker to provide "Fairness Opinion" on demerger or Scheme of Arrangement vide your letter dated April 1, 2016.

Dear Members of the Board,

I. Engagement Background

Systematix Corporate Services Limited ("Systematix"), a public limited company listed on BSE Limited, Mumbai and also a SEBI registered Category I Merchant Banker having permanent Registration Number INM000004224, has been appointed by SMS Pharmaceuticals Limited (CIN: L24239AP1987PLC008066) to provide a "Fairness Opinion" pursuant to Regulation 11, 37 and 94 of the Listing Regulations vide SEBI Circular CIR/CFD/CMD/16/2015 dated November 30, 2015 ("SEBI Circular") on the proposed Scheme for Demerger of "Semi Regulated Business" of your the Company under Section 391-394 read with Sections 100-103 of the Companies Act, 1956 ("the Scheme").

The Scheme envisages a demerger of Semi Regulatory Units namely I, IV and V and other assets ("the Demerged Undertaking") of SMS Pharmaceuticals Limited ("the Demerged Company") as a going concern into SMS Lifesciences India Limited (CIN: U74930TG2006PLC050223) ("the Resulting Company"), a wholly-owned subsidiary of the Demerged Company and consequential restructure of its share capital in the form of Utilisation of General Reserve Account of the Demerged Company alongwith other terms and conditions fully set forth in the Scheme to be placed before the Board for their approval.

The Demerged Company will continue its interests in the Remaining Undertaking including Regulated Units II, VII and R&D Unit as is presently being carried out but with greater focus on growth opportunities. The Resulting Company shall, issue and allot equity shares to all the shareholders of the Demerged Company as consideration for the transfer of the Demerged Undertaking in proportion of their shareholding in the Demerged Company as per the Share Entitlement Ratio. Simultaneously with issuance of equity shares, in the books of the Resulting Company, all the equity shares held by the Demerged Company shall stand cancelled, extinguished and annulled on and from the Effective Date. The Equity Shares issued by the Resulting Company to the shareholders of the Demerged Company shall be listed on BSE and NSE. The Unit III of the Demerged Company was closed in FY2012 and the Unit VI was sold in the FY 2013.

The Demerger of the Demerged Undertaking in accordance with this Scheme shall take effect from the Appointed Date (April 1, 2016) in accordance of the provisions of Sections 391-394 of the Act read with Sections 100-103 of the Companies Act, 1956 and the provisions of Companies Act, 2013 as applicable and shall be in accordance with Section 2 (19AA) of the Income Tax Act, 1961, such that:

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Tel.: +91 731 3018111 - 15 • Fax : +91 731 4068253

Email : secretarial@systematixgroup.in • Website : www.systematixgroup.in

SEBI Merchant Banking Registration No.: INM000004224 CIN : L91990MP1985PLC002969



1



- (a) all the assets relatable to the Demerged Undertaking being transferred by the Demerged Company, as on the Appointed Date shall become the assets of the Resulting Company by virtue of this Scheme;
- (b) all the liabilities relatable to the Demerged Undertaking, as on the Appointed Date shall become the liabilities of the Resulting Company by virtue of this Scheme;
- (c) all the assets and the liabilities relatable to the Demerged Undertaking being transferred by the Demerged Company shall be transferred to the Resulting Company, on a going concern basis, at the value appearing in the books of account of the Demerged Company immediately before the Demerger;
- (d) the Resulting Company shall issue, in consideration of the Demerger, its Equity Shares to the shareholders of the Demerged Company as on the Record Date on a proportionate basis;
- (e) all the shareholders of the Demerged Company as on the Record Date shall become the shareholders of the Resulting Company by virtue of the Demerger; and

In consideration of the transfer of the Demerged Undertaking to the Resulting Company pursuant to the Scheme,

- for every 28 (Twenty-Eight) equity share of the face value of Re. 1.00 each held by the shareholders of the Demerged Company, the Resulting Company shall issue and allot 1 (One) equity share of the face value of Rs. 10.00 each fully paid-up ("**the Entitlement Ratio**").

In connection with the aforesaid, you requested our "**Fairness Opinion**" as of the date hereof as to the fairness of the Entitlement Ratio to the Equity Shareholders of the Demerged Company as on the "Record Date" as defined in the Scheme.

II. Basis of Opinion

In the Rationale of the Scheme, the following has been provided that in order to create an independent platform for the Demerged Undertaking:

- (a) The nature of risk and return involved in the non-regulated units is distinct from the regulated units of the Demerged Company. Hence, transfer of non-regulated units would enable these units run independently and to evaluate potential independent collaborators and expansion without impacting the Demerged Company entirely.
- (b) The transfer and vesting of the demerged undertaking of the Demerged Company to the Resulting Company through this Scheme is with a view to unlock the economic value of both the Companies.
- (c) Transfer would provide greater flexibility and visibility on the operational and financial performance of the semi-regulated units and would provide higher degree of independence as well as accountability.
- (d) The Board of Directors of the Demerged Company is of the opinion that the Scheme would benefit the shareholders, creditors, employees and other stakeholders of both the Companies.
- (e) Effective Date for the purpose of valuation is March 31, 2016 closing hours.

A brief history of each of the aforesaid companies is as under:

SMS Pharmaceuticals Limited ("the Company" or "the Demerged Company"), a public limited company listed on BSE and NSE. The Company is a public limited company incorporated under the provisions of the Companies Act, 1956 on 14th day of December, 1987 originally in the name of "S.M.S. Pharmaceuticals Private Limited" and subsequently converted into a "Public Limited Company" in the name of "S.M.S. Pharmaceuticals Limited" on 2nd November, 1994 having its registered office at Plot No.19-III, Road No.71,



Opp. Bharatiya Vidya Bhavan School, Jubilee Hills, Hyderabad 500 096. The name of the Company has been changed from "S.M.S. Pharmaceuticals Limited" to "SMS Pharmaceuticals Limited" with effect from 12th April, 2004. The Company is engaged in the business of manufacturing and sale of active pharmaceutical ingredients and drugs intermediates.

SMS Lifesciences India Limited ("the Resulting Company") is a public limited company incorporated under the provisions of the Companies Act, 1956 on 31st day of May, 2006, as "Private Limited Company" named "Potluri Real Estate Private Limited" and subsequently changed its name to "Potluri Packaging Industries Private Limited" on 12th October, 2013 thereafter the company had renamed it as "SMS Lifesciences India Private Limited" on 1st July, 2014 which is now converted as Public Limited Company with effect from 22nd June, 2016 having its registered office at Plot No. 265Q, Road No. 10, Jubilee Hills, Hyderabad 500 033. The Resulting Company is a wholly owned Subsidiary of the Demerged Company and is presently engaged in the business of manufacturing, buying, selling, offering consultancy, importing & exporting, acting as commission agents and generally dealing with of all types of Organic & Inorganic Chemicals, Pharmaceuticals, Drugs and Intermediates.

The key features and rationale of the Scheme as disclosed above alongwith the valuation report for entitlement ratio as submitted by M/s Raju and Prasad, Chartered Accountants are relied upon by us for framing fairness opinion on the Entitlement Ratio. We have taken the foregoing facts (together with other facts and assumptions set forth in

III. Sources of Information

For recommendations of "Fairness Opinion on value of Demerged Undertaking"; we have relied upon the following data and documents:

- Copy of the "Valuation Report" and "Share Entitlement Report" prepared by M/s Raju and Prasad, Chartered Accountants vide their reports dated August 11, 2016.
- Copy of "the Scheme" as provided by the Company.
- MOA & AOA of the Demerged Company and the Resulting Company.
- BSE and NSE Websites (www.bseindia.com; www.nseindia.com) and
- Other information and explanations as provided by the Company.

IV. Limitation of Scope and Review

Our "Fairness Opinion" and analysis is limited to the extent of review of the documents as provided to us by the Company including the Valuation Report and Share Entitlement Report prepared by the Valuer and the draft Scheme. We have relied upon the accuracy and completeness of all the information and documents provided to us without carrying out any due diligence or independent verification or validation of such information to establish its accuracy or sufficiency. We are not provided with any forward looking financial projections w.r.t. the Demerged Company or the Resulting Company.

We have not conducted any independent valuation or appraisal of any of the assets or liabilities of the Demerged Company or the Resulting Company. We also do not express any opinion as to the price at which equity shares of the Resulting Company may list or trade at any point of time.

In rendering our opinion, we have assumed that the Scheme will be implemented on the terms described therein without any waiver or modification of any material terms or conditions and that in course of obtaining the necessary Regulatory or third party approvals for the Scheme. Further, we do not express any opinion in any other matter except what is stated in this report w.r.t. the Demerged Company and the Resulting Company.



It is understood that this Fairness Opinion may not be relied upon by, nor be disclosed, in whole or in part to any third party for any purpose whatsoever. Notwithstanding the foregoing, this Fairness Opinion may be reproduced in the explanatory statement sent to the shareholders along with the Notice of General Meeting / Postal Ballot form, conducted to get approval for the proposed Demerger, so long as form of reproduction of the Fairness Opinion in such report or any description of or reference in such report to Systematix, is in a form acceptance to us.

Our fees for services will be payable on delivery of this report and is not contingent on the successful completion of the Scheme.

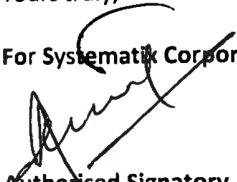
Our Fairness Opinion is not intended to and does not constitute a recommendation to any shareholder as to how such holder should vote or act in connection with the Scheme or any matter related thereto.

V. Conclusion

Based on and subject to the foregoing, we are of the opinion that as of the date hereof, the Entitlement Ratio is FAIR to the Equity Shareholders of the Demerged Company.

Yours truly,

For Systematix Corporate Services Limited


Authorised Signatory





pharmaceuticals ltd.

Registered & Corporate Office :

Plot No. 19-111, Road No. 71,
Opp. Bharatiya Vidya Bhavan Public School,
Jubilee Hills Hyderabad - 500 096, Telangana, INDIA,
Tel : +91-40-6628 8888, Fax : +91-40-2355 1402
CIN : L24239AP1987PLC008066
Email : info@smspharma.com, www.smspharma.com

19th September, 2016

To,
Mr. Marian DSouza,
Associate Manager,
Listing Operations
Bombay Stock Exchange Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400 001

Mr. Harmeet Singh
Assistant Manager ,
Listing Compliance,
National Stock Exchange of India Ltd.
Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051.

Security Code: 532815**Symbol: SMSPHARMA****Subject: Complaint Report as per Annexure III**

Ref : Scheme of Arrangement in nature of Demerger between SMS Pharmaceuticals Limited (Demerged Company) & SMS Lifesciences India Limited (Resulting Company) and their respective Shareholders and Creditors under Section 391 - 394 of the Companies Act, 1956 and other applicable provisions, if any of the Companies Act, 1956 and Companies Act, 2013. ("Scheme")

Dear Sir,

We are submitting herewith the Investor Complaints Report as required under paragraph I(A)(6)(a) "Redressal of Complaints" of ANNEXUR.III of the SEBI Circular CIR/CFD/CMD/16/2015 dated November 30, 2015.

Annexure-III**Part A**

Sr. No.	Particulars	Number
1.	Number of complaints received directly	NIL
2.	Number of complaints forwarded by Stock Exchange	NIL
3.	Total Number of complaints/comments received (1+2)	NIL
4.	Number of complaints resolved	NIL
5.	Number of complaints pending	NIL

Part B

Sr. No.	Name of complainant	Date of complaint	Status (Resolved/Pending)
Not Applicable			

Please take the same on your records.

Yours faithfully

For SMS PHARMACEUTICALS LIMITED


Saurav Roy
Company Secretary





DCS/AMAL/MD/24(F)/573/2016-17
October 13, 2016

The Company Secretary
SMS Pharmaceuticals Limited,
Plot No. 19 - III, Road No. 71,
Jubilee Hills (Opp. Bharatiya Vidya Bhavan Public School),
Hyderabad ,Telangana ,500096

Sir,

Sub: Observation letter regarding the Draft Scheme of Arrangement between SMS Pharmaceuticals Ltd and SMS Lifesciences India Ltd.

We are in receipt of Draft Scheme of Arrangement of SMS Pharmaceuticals Limited with SMS Lifesciences India Limited:

As required under SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015; SEBI vide its letter dated October 13, 2016 has inter alia given the following comment(s) on the draft scheme of arrangement:

- “Company shall duly comply with various provisions of the Circulars.”

Accordingly, based on aforesaid comment offered by SEBI, the company is hereby advised:

- To duly comply with various provisions of the circulars.

In light of the above, we hereby advise that we have no adverse observations with limited reference to those matters having a bearing on listing/de-listing/continuous listing requirements within the provisions of Listing Agreement, so as to enable the company to file the scheme with Hon'ble High Court.

However, the listing of equity shares of SMS Lifesciences India Limited on the BSE Limited, shall be subject to SEBI granting relaxation under Rule 19(2)(b) of the Securities Contract (Regulation) Rules, 1957 and compliance with the requirements of SEBI circular. No. CIR/CFD/CMD/16/2015 dated November 30, 2015. Further, SMS Lifesciences India Ltd shall comply with SEBI Act, Rules, Regulations, directions of the SEBI and any other statutory authority and Rules, Byelaws, and Regulations of the Exchange.

The Company shall fulfill the Exchange's criteria for listing the securities of such company and also comply with other applicable statutory requirements. However, the listing of shares of SMS Lifesciences India Limited is at the discretion of the Exchange. In addition to the above, the listing of SMS Lifesciences India Limited pursuant to the Scheme of Arrangement shall be subject to SEBI approval and the Company satisfying the following conditions:

1. To submit the Information Memorandum containing all the information about SMS Lifesciences India Ltd in line with the disclosure requirements applicable for public issues with BSE, for making the same available to the public through the website of the Exchange. Further, the company is also advised to make the same available to the public through its website.

..... 2/-



BSE Limited (Formerly Bombay Stock Exchange Ltd.)
Registered Office : Floor 25, P J Towers, Dalal Street, Mumbai 400 001 India
T : +91 22 2272 1234/33 E: corp.comm@bseindia.com www.bseindia.com
Corporate Identity Number : U67120MH2005PLC155138

2. To publish an advertisement in the newspapers containing all the information SMS Lifesciences Ltd in line with the details required as per the aforesaid SEBI circular no. CIR/CFD/CMD/16/2015 dated November 30, 2015. The advertisement should draw a specific reference to the aforesaid Information Memorandum available on the website of the company as well as BSE.
3. To disclose all the material information about SMS Lifesciences Ltd on a continuous basis so as to make the same public, in addition to the requirements if any, specified in Listing Agreement for disclosures about the subsidiaries.
4. The following provisions shall be incorporated in the scheme:
 - i. "The shares allotted pursuant to the Scheme shall remain frozen in the depository system till listing/trading permission is given by the designated stock exchange."
 - ii. "There shall be no change in the shareholding pattern of SMS Lifesciences Ltd between the record date and the listing which may affect the status of this approval."

Further you are also advised to bring the contents of this letter to the notice of your shareholders, all relevant authorities as deemed fit, and also in your application for approval of the scheme of arrangement.

Further, pursuant to the above SEBI circulars, upon sanction of the Scheme by the Hon'ble High Court, the listed company shall submit to the stock exchange the following:

- a) Copy of the High Court approved Scheme;
- b) Result of voting by shareholders for approving the Scheme;
- c) Statement explaining changes, if any, and reasons for such changes carried out in the Approved Scheme vis-à-vis the Draft Scheme;
- d) Copy of the observation letter issued by all the Stock Exchanges where Company is listed.
- e) Status of compliance with the Observation Letter/s of the stock exchanges;
- f) The application seeking exemption from Rule 19(2)(b) of SCRR, 1957, wherever applicable; and
- g) Complaints Report as per Annexure II of this Circular.
- h) Any other document/disclosure as informed by the Exchange.

The Exchange reserves its right to withdraw its 'No adverse observation' at any stage if the information submitted to the Exchange is found to be incomplete / incorrect / misleading / false or for any contravention of Rules, Bye-laws and Regulations of the Exchange, Listing Agreement, Guidelines/Regulations issued by statutory authorities.

Please note that the aforesaid observations does not preclude the Company from complying with any other requirements.

Yours faithfully,


Nitin Pujari
Manager

Ref: NSE/LIST/90233

October 14, 2016

The Company Secretary
SMS Pharmaceuticals Limited,
Plot No. 19-III, Opp.
Bharatiya Vidya Bhavan Public
Road No. 71, Jubilee Hills
Hyderabad - 500096

Kind Attn.: Mr.P Prabhakara Rao

Dear Sir,

Sub: Observation letter for draft Scheme of Arrangement (under section 391 to 394 read with section 100 to 103 of the Companies Act, 1956 and other provisions of the Companies Act, 2013 as applicable) in the nature of De-merger and transfer of De-merged undertaking between SMS Pharmaceuticals Limited (Demerged Company) and SMS Lifesciences India Limited (Resulting Company) and their respective shareholders and creditors.

This has reference to draft Scheme of Arrangement (under section 391 to 394 read with section 100 to 103 of the Companies Act, 1956 and other provisions of the Companies Act, 2013 as applicable) in the nature of De-merger and transfer of de-merged undertaking between SMS Pharmaceuticals Limited (demerged company) and SMS Lifesciences India Limited (resulting company) and their respective shareholders and creditors vide letter dated August 17, 2016.

Based on our letter reference no Ref: NSE/LIST/85988 submitted to SEBI and pursuant to SEBI Circular CIR/CFD/CMD/16/2015 dated November 30, 2015, SEBI has vide letter dated October 13, 2016 has given following comments on the draft Scheme of Amalgamation:

“a. The Company shall duly comply with various provisions of the Circulars.”

Based on the draft scheme and other documents submitted by the Company, including undertaking given in terms of regulation 11 of SEBI (LODR) Regulation, 2015, we hereby convey our “No-objection” in terms of regulation 94 of SEBI (LODR) Regulation, 2015, so as to enable the Company to file the draft scheme with the Hon’ble High Court.

However, the listing of equity shares of SMS Lifescience India Limited on the National Stock Exchange India Limited shall be subject to SEBI granting relaxation under Rule 19(2)(b) of the Securities Contract (Regulation) Rules, 1957. Further, SMS Lifescience India Limited shall comply with SEBI Act, Rules, Regulations, directions of the SEBI and any other statutory authorities and Rules, Byelaws and Regulations of the Exchange.

The Company should also fulfill the Exchange’s criteria for listing of such company and also comply with other applicable statutory requirements. However, the listing of shares of SMS Lifescience India Limited is at the discretion of the Exchange.

The listing of SMS Lifescience India Limited pursuant to the Scheme of Arrangement shall be subject to SEBI approval & Company satisfying the following conditions:

1.



1. To submit the Information Memorandum containing all the information about SMS Lifescience India Limited and its group companies in line with the disclosure requirements applicable for public issues with NSE for making the same available to the public through website of the companies.
2. To publish an advertisement in the newspapers containing all the information about SMS Lifescience India Limited in line with the details required as per SEBI Circular CIR/CFD/CMD/16/2015 dated November 30, 2015. The advertisement should draw a specific reference to the aforesaid Information Memorandum available on the website of the company as well as NSE.
3. To disclose all the material information about SMS Lifescience India Limited to NSE on the continuous basis so as to make the same public, in addition to the requirements, if any, specified in Listing Agreement for disclosures about the subsidiaries.
4. The following provision shall be incorporated in the scheme:
 - (a) "The shares allotted pursuant to the Scheme shall remain frozen in the depositories system till listing/trading permission is given by the designated stock exchange."
 - (b) "There shall be no change in the shareholding pattern or control in SMS Lifescience India Limited between the record date and the listing which may affect the status of this approval."

However, the Exchange reserves its rights to raise objections at any stage if the information submitted to the Exchange is found to be incomplete/ incorrect/ misleading/ false or for any contravention of Rules, Bye-laws and Regulations of the Exchange, Listing Agreement, Guidelines / Regulations issued by statutory authorities.

The validity of this "Observation Letter" shall be six months from October 14, 2016 within which the Scheme shall be submitted to the Hon'ble High Court. Further pursuant to the above cited SEBI circulars upon sanction of the Scheme by the Hon'ble High Court, you shall submit to NSE the following:

- a. Copy of Scheme as approved by the High Court;
- b. Result of voting by shareholders for approving the Scheme;
- c. Statement explaining changes, if any, and reasons for such changes carried out in the Approved Scheme vis-à-vis the Draft Scheme
- d. Status of compliance with the Observation Letter/s of the stock exchanges
- e. The application seeking exemption from Rule 19(2)(b) of SCRR, 1957, wherever applicable; and
- f. Complaints Report as per SEBI Circular CIR/CFD/CMD/16/2015 dated November 30, 2015.

Yours faithfully,
For National Stock Exchange of India Limited

Kamlesh Patel
Manager

P.S. Checklist for all the Further Issues is available on website of the exchange at the following URL
http://www.nseindia.com/corporates/content/further_issues.htm

2.

This Document is Digitally Signed



Signer : Patel Kamlesh Naginbhai
Date: Fri, Oct 14, 2016 20:16:46 GMT+05:30
Location: NSE



Pharmaceuticals Ltd.

CIN : L24239AP1987PLC008066

Regd. Office : Plot No. I 9-III, Road No.7I,

Opp. Bharatiya Vidya Bhavan Public School, Jubilee Hills,
Hyderabad – 500 096, Telangana, India.

Tel : +91 (40) 66288888 Fax : +91 (40) 23551401 / 1402

Email : info@smspharma.com | Website : www.smspharma.com

NOTICE OF COURT CONVENED MEETING OF THE SECURED AND UNSECURED CREDITORS

Day	:	Saturday
Date	:	17th December, 2016
Time	:	3.00 P.M.
Venue	:	Jubilee Hills International Centre, Jubilee Hills, Hyderabad-500 033, Telangana

S. No.	Contents	Page No.
1.	Notice of the Court Convened Meeting of the Creditors of SMS Pharmaceuticals Limited	2-4
2.	Explanatory Statement under Section 393 of the Companies Act, 1956 read with Section 102 and other applicable provisions of Companies Act, 2013.	5-12
3.	Scheme of Arrangement between SMS Pharmaceuticals Limited (Applicant/Transferor Company) and SMS Lifesciences India Limited (Resulting Company) and their respective shareholders and creditors under Section 391 to 394 and other relevant provisions of the Companies Act, 1956 read with Section 100 to 103 and other applicable provisions of the Companies Act, 2013.	Annexure-1
4.	Fairness opinion dated 12 th August, 2016 issued by M/s. Systematix Corporate Services Limited	Annexure-2
5.	Complaints Report dated 19 th September, 2016 filed by SMS Pharmaceuticals Limited with Stock Exchanges.	Annexure-3
6.	Observation letter dated 13 th October, 2016 issued by BSE Limited to SMS Pharmaceuticals Limited.	Annexure-4
7.	Observation letter dated 14 th October, 2016 issued by National Stock Exchange of India Limited to SMS Pharmaceuticals Limited.	Annexure-5.
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**IN THE HIGH COURT OF JUDICATURE AT HYDERABAD FOR THE STATE OF TELANGANA AND STATE OF
ANDHRA PRADESH
(ORIGINAL JURISDICTION)
IN THE MATTER OF COMPANIES ACT, 1956
AND
IN THE MATTER OF SECTIONS 391 TO 394 OF THE COMPANIES ACT, 1956. READ WITH SECTIONS 100 TO
103 OF THE SAID ACT, AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013
AND
IN THE MATTER OF SMS PHARMACEUTICALS LIMITED
AND
IN THE MATTER OF SCHEME OF ARRANGEMENT OF SMS PHARMACEUTICALS LIMITED WITH
SMS LIFESCIENCES INDIA LIMITED AND
THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS
COMPANY APPLICATION NO. 1504 OF 2016**

SMS PHARMACEUTICALS LIMITED

a Company incorporated under the
Provisions of the Companies Act, 1956
and having its Registered Office at
Plot No.19-III, Road No.71, Opp. Bharatiya
Vidya Bhavan Public School, Jubilee Hills
Hyderabad – 500 096, Telangana, India

.Applicant Company/Transferor Company

**Notice convening the meeting of Creditors of
SMS Pharmaceuticals Limited**

To,
The Secured and Unsecured Creditors of SMS Pharmaceuticals Limited
(the “Applicant / Transferor Company”)

TAKE NOTICE that by an Order made on 31st October, 2016, in the abovementioned Company Summons for Direction (the “Order”), the High Court of Judicature at Hyderabad for the State of Telangana and State of Andhra Pradesh has directed that a meeting of the Secured and Unsecured Creditors of the Applicant Company be convened and held at Jubilee Hills International Centre, Jubilee Hills, Hyderabad-500033, Telangana. on Saturday, 17th day of December, 2016 at 03:00 p.m. for the purpose of considering and if thought fit, approving, the proposed arrangement embodied in the Scheme of Arrangement between SMS Pharmaceuticals Limited (therein referred to as the “Applicant Company / Transferor Company”) and SMS Lifesciences India Limited, (therein referred to as the “Resulting Company/ Transferee Company”) and their respective shareholders and creditors (the “Scheme of Arrangement”).

TAKE FURTHER NOTICE that in pursuance of the said Order, a meeting of the Secured and Unsecured Creditors of the Applicant Company, will be held at Jubilee Hills International Centre, Jubilee Hills, Hyderabad-500033, Telangana. on Saturday, 17th day of December, 2016 at 03:00 pm when you are requested to attend. At the meeting, the following resolution will be considered and if thought fit, be passed:

“RESOLVED THAT pursuant to the provisions of Sections 391 to 394 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force), the provisions of the Companies Act, 2013 as may be applicable, the provisions of the Memorandum and Articles of Association of the Company and subject to approval of the Hon'ble High Court of Judicature at Hyderabad for the State of Telangana and State of Andhra Pradesh or National Company Law Tribunal (NCLT) if and when applicable, and subject to such other approvals, permissions

and sanctions of regulatory and other authorities as may be necessary and subject to such conditions and modifications as may be prescribed or imposed, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to mean and include one or more Committee(s) constituted/to be constituted by the Board or any other person authorised by it to exercise its powers including the powers conferred by this resolution), the Scheme of Arrangement of SMS Pharmaceuticals Limited (Transferor Company) with SMS Lifesciences India Limited (Transferee Company) and their respective shareholders and creditors ("Scheme") placed before this meeting and initialled by the Chairman of the Meeting for the purpose of identification, be and is hereby approved.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things, as it may, in its absolute discretion deem requisite, desirable, appropriate or necessary to give effect to this resolution and effectively implement the demerger embodied in the Scheme and to accept such modifications, limitations and/or conditions, if any, which may be required and/or imposed by the Hon'ble High Court of Judicature at Hyderabad for the State of Telangana and State of Andhra Pradesh or National Company Law Tribunal (NCLT) if and when applicable while sanctioning the Scheme of Arrangement or by any authorities under law, or as may be required for the purpose of resolving any doubts or difficulties that may arise in giving effect to the Scheme, as the Board may deem fit and proper."

TAKE FURTHER NOTICE that you may attend and vote at the said meeting in person or by proxy provided that a proxy in the prescribed form, duly signed by you or your authorised representative, is deposited at the registered office of the Applicant Company at 19-III, Road No.71, Opp. Bharatiya Vidya Bhavan Public School, Jubilee Hills, Hyderabad-500 096, Telangana not later than 48 (forty-eight) hours before the scheduled time of the commencement of the said meeting.

The Hon'ble High Court of Judicature at Hyderabad for the State of Telangana and State of Andhra Pradesh has appointed Mrs. Ammaji Nettem, Advocate as the Chairman of the aforesaid meeting.

A copy each of the Explanatory Statement under Section 393 of the Companies Act, 1956 read with Section 102 of the Companies Act, 2013, the Scheme of Arrangement, a Form of Proxy and Attendance Slip are annexed.

Sd/-

Ammaji Nettem

Chairperson appointed for the meeting

Place : Hyderabad

Date : 15th November, 2016

Registered Office:

Plot No.19-III, Road No.71, Opp. Bharatiya

Vidya Bhavan Public School, Jubilee Hills

Hyderabad – 500 096, Telangana, India

NOTES :

- 1) All alterations made in the form of proxy should be duly signed.
- 2) A CREDITOR MAY ATTEND THE MEETING EITHER IN PERSON OR BY PROXY. THE PROXY NEED NOT BE A CREDITOR OF THE APPLICANT COMPANY.
- 3) THE PROXY FORM DULY EXECUTED BY THE CREDITOR OR HIS AUTHORIZED REPRESENTATIVES IN THE PRESCRIBED FORM, AS ATTACHED WITH THE NOTICE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE APPLICANT COMPANY NOT LATER THAN 48 HOURS BEFORE THE MEETING.
- 4) A body corporate may attend and vote through its authorized representative provided a certified copy of the resolution under Section 113 of the Companies Act, 2013 of its Board of Directors or other governing body authorizing such representative to attend and vote at the meeting is lodged with the Applicant Company.
- 5) The persons attending the meeting are advised to bring their photo identity document for verification.
- 6) THE PERSON ATTENDING THE MEETING MUST BRING THE DULY FILLED-IN ATTENDANCE SLIP ANNEXED HERETO.

Sd/-

Ammaji Nettem

Chairperson appointed for the meeting

Place : Hyderabad

Date : 15th November, 2016

Registered Office:

Plot No.19-III, Road No.71, Opp. Bharatiya

Vidya Bhavan Public School, Jubilee Hills

Hyderabad – 500 096, Telangana, India

**IN THE HIGH COURT OF JUDICATURE AT HYDERABAD FOR THE STATE OF TELANGANA AND STATE OF
ANDHRA PRADESH
(ORIGINAL JURISDICTION)
IN THE MATTER OF COMPANIES ACT, 1956
AND
IN THE MATTER OF SECTIONS 391 TO 394 OF THE COMPANIES ACT, 1956. READ WITH SECTIONS 100 TO
103 OF THE SAID ACT, AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013
AND
IN THE MATTER OF SMS PHARMACEUTICALS LIMITED
AND
IN THE MATTER OF SCHEME OF ARRANGEMENT OF SMS PHARMACEUTICALS LIMITED WITH
SMS LIFESCIENCES INDIA LIMITED AND
THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS
COMPANY APPLICATION NO. 1504 OF 2016**

SMS PHARMACEUTICALS LIMITED

a Company incorporated under the
Provisions of the Companies Act, 1956
and having its Registered Office at
Plot No.19-III, Road No.71, Opp. Bharatiya
Vidya Bhavan Public School, Jubilee Hills
Hyderabad – 500 096, Telangana, India

.Applicant Company/Transferor Company

**EXPLANATORY STATEMENT UNDER SECTION 393 OF THE COMPANIES ACT, 1956
READ WITH SECTION 102 OF THE COMPANIES ACT, 2013**

1. Pursuant to an order dated 31st October, 2016, passed by the Hon'ble High Court of Judicature at Hyderabad for the State of Telangana and State of Andhra Pradesh in the Company Application referred to herein above, a meeting of the Creditors of the Applicant Company is being convened and held at **Jubilee Hills International Centre, Jubilee Hills, Hyderabad, Telangana, India on Saturday, the 17th day of December, 2016 at 3.00 P.M.** for the purpose of considering and, if thought fit, approving the arrangement embodied in the Scheme of Arrangement between M/s. SMS Pharmaceuticals Limited ("the Transferor Company") and M/s. SMS Lifesciences India Limited ("the Transferee Company") and their respective members and creditors ("Scheme" or "the Scheme").
2. In this Statement, M/s. SMS Pharmaceuticals Limited is hereinafter referred to as "the Transferor Company" or "the Applicant Company" and M/s. SMS Lifesciences India Limited as "the Transferee Company" or "the Resulting Company". The other definitions contained in the Scheme will apply to this Explanatory Statement also.
3. The proposed Scheme provides for the demerger and vesting of the Demerged Undertaking (as defined in Clause I.1 of the Scheme) of the Applicant Company into Resulting Company pursuant to the provisions of Sections 391 to 394 read with Section 100 to 103 of the Companies Act, 1956 and other applicable provisions of the Companies Act, 2013 ("the Act").
4. A copy of the Scheme setting out in detail the terms and conditions of the arrangement, as approved by Board of Directors of the Applicant Company at its meeting held on 13th August, 2016 is attached to this Explanatory Statement and forms part of this Explanatory Statement.

5. Background of the Companies:

5.1 SMS Pharmaceuticals Limited (“Applicant Company” or “the Transferor Company”)

- a) The Applicant Company is a public limited company incorporated under the provisions of the Companies Act, 1956 on 14th day of December, 1987 originally in the name of “S.M.S. Pharmaceuticals Private Limited” and subsequently converted into a Public Limited Company in the name of “S.M.S. Pharmaceuticals Limited” on 2nd November, 1994. The name of the Company has been changed from S.M.S. Pharmaceuticals Limited to SMS Pharmaceuticals Limited with effect from 12th April, 2004.
- b) The Registered Office of the Applicant Company is at present situated at Plot No.19-III, Road No.71, Opp. Bharatiya Vidya Bhavan Public School, Jubilee Hills, Hyderabad-500 096, Telangana, India.
- c) The authorized, issued, subscribed and paid-up Share Capital of the Applicant Company No.1 as on 30th September, 2016 is as follows:

Particulars	Amount Rs.
Authorised Share Capital	
12,00,00,000 Equity Shares of Rs.1/- each	12,00,00,000
Total	12,00,00,000
Issued, Subscribed And Paid-Up Share Capital	8,46,52,030
8,46,52,030 Equity Shares of Rs.1/- each	8,46,52,030
Total	8,46,52,030

- d) The equity shares of Applicant Company are listed on Bombay Stock Exchange and National Stock Exchange.
- e) The Applicant Company is engaged in the business of manufacturing and Sale of various Active Pharma Ingredients (APIs) and intermediates. The main objects of the Applicant Company as per its Memorandum of Association are as set out hereunder:
 - i. To manufacture buy, sell, offer consultancy import and export, act as commission agents and generally deal with all types of organic and inorganic chemicals, Pharmaceuticals, Drugs and Intermediates.
 - ii. To undertake research work in developing marketing newer indigenous technologies for various medicines and also newer medicines for various therapeutics uses.
 - iii. To fabricate, manufacture, buy, sell, import, export and generally deal in all types of chemicals, surgical, medical, pharmaceuticals and scientific equipment, appliances and accessories.
 - iv. To carry on the business of manufacturer, trader, exporter, importer, whole sale and retail sellers, dealers in all types of Herbal Products, Bio-chemicals, Bio-technology products, Active Pharmaceutical Intermediates and Ingredients, herbal extracts, phyto-pharmaceuticals, botanical extracts, amino-acids, herbal formulations, agroceuticals / naturoceuticals / nutraceuticals and alternate medicines and also to do research and development in these areas.
 - v. To undertake, promote, assist, engage, and deal in research, development and manufacturing and distribution of Bio Technology products and services related to Clinical Diagnostics, Diagnostic Kits, Biological Products, Therapeutics and genomics and the setup laboratories, purchase and acquire any equipment and instruments required for carrying out research in the fields of Bio-Technology, Medical research.

5.2 SMS Lifesciences India Limited (“Resulting Company” or “the Transferee company”)

- a) The Resulting Company is a public limited company incorporated under the provisions of the Companies Act, 1956, on 31st day of May, 2006, originally as Private Limited Company in the name of “Potluri Real Estate Private Limited” and subsequently changed its name to “Potluri Packaging Industries Private Limited” on 6th November, 2013. Thereafter the Company had changed its name as “SMS Lifesciences India Private Limited” on 4th August, 2014 and subsequently converted as Public Limited Company with effect from 22nd June, 2016.

- b) The Registered Office of the Resulting Company is at present situated at Plot No. 265Q, Road No. 10, Jubilee Hills, Hyderabad-500 096, Telangana, India.
- c) The authorized, issued, subscribed and paid-up Share Capital of the Resulting Company as on September 30, 2016 is as follows :

Particulars	Amount Rs.
Authorised Share Capital	
2,50,000 Equity Shares of Rs.10/- each	25,00,000
Total	25,00,000
Issued, Subscribed And Paid-Up Share Capital	
10,000 Equity Shares of Rs.10/- each	1,00,000
Total	1,00,000

- d) The Resulting Company is wholly owned subsidiary company of the Applicant Company
- e) The Resulting Company is presently engaged in the business of manufacturing, buying, selling, offering consultancy, importing and exporting, acting as commission agents and generally dealing with all types of organic and Inorganic chemicals, Pharmaceuticals, Active Pharmaceutical Ingredients (API) and intermediates. The main objects of the Resulting Company as per its Memorandum of Association are as set out hereunder:
- To manufacture buy, sell, offer consultancy import and export, act as commission agents and generally deal with all types of organic & inorganic chemicals, Pharmaceuticals, Drugs and Intermediates.
 - To undertake research work in developing marketing newer indigenous technologies for various medicines and also newer medicines for various therapeutics uses.
 - To fabricate, manufacture, buy, sell, import, export and generally deal in all types of chemicals, surgical, medical, pharmaceuticals and scientific equipment, appliances and accessories.
 - To carry on the business of manufacturer, trader, exporter, importer, whole sale and retail sellers, dealers in all types of Herbal Products, Bio-chemicals, Bio-technology products, Active Pharmaceutical Intermediates and Ingredients, herbal extracts, phyto-pharmaceuticals, botanical extracts, amino-acids, herbal formulations, agroceuticals / naturoceuticals / nutraceuticals and alternate medicines and also to do research and development in these areas.
 - To undertake, promote, assist, engage, and deal in research, development and manufacturing and distribution of Bio Technology products and services related to Clinical Diagnostics, Diagnostic Kits, Biological Products, Therapeutics and genomics and the setup laboratories, purchase and acquire any equipment and instruments required for carrying out research in the fields of Bio-Technology, Medical research.

6. Rationale of the Scheme

- (a) This Scheme is presented under Sections 391 to 394 read with Sections 100 to 103 of the Companies Act, 1956 and the provisions of the Companies Act, 2013 as applicable for transfer of the Semi Regulated Units namely I, IV and V and other assets (defined as demerged undertaking) of the Transferor Company as a going concern to the Resulting Company, a wholly-owned subsidiary of the Transferor Company and consequential restructure of its share capital in form of Utilisation of General Reserve Account of the Transferor Company.
- (b) The Transferor Company has presently operating five units out of which three manufacturing divisions are Semi-Regulated Units namely Unit I (i.e. Khazipally Unit), which is located at Sy. No. 180/2, IDA Kazipally Village, Jinnaram Mandal, Medak District, Hyderabad, Telangana State; Unit IV (i.e. Jeedimetla Unit), which is located at Plot No. 66/B-2, Phase-I, IDA Jeedimetla, Hyderabad, Telangana State and Unit V (i.e. Bollaram Unit) which is located at Sy. No. 296/7/4, S.V. Co.op. Ind. Estate I.D.A., Bollaram, Medak District, Hyderabad, Telangana State and the rest of the Units are Regulated Units. With a view to reduce the impact of semi-regulated units on regulated units, achieving operational efficiencies, site synergies and streamlining its current structure, the Transferor Company has decided to demerge its Unit Nos. I, IV and V and transfer to the Resulting Company along with other assets

and Investments with primary intention to bifurcate its units which are semi regulated under FDA (Food and Drug Administration) norms and transfer them to a separate Company. The circumstances, reasons and/or grounds that have necessitated and/or justified the Scheme and the advantages thereof are, inter alia, as follows:

- i. The nature of risk and return involved in the business of Semi-Regulated units is distinct from the Regulated Units of the Transferor Company. Hence, transfer of all the Semi-Regulated units under one umbrella would enable these Units to run independently and in a more cohesive manner so as to run more profitably and attract potential collaborators for future growth and development of business by the Resulting Company, without impacting the Transferor Company.
- ii. The transfer and vesting of the de-merged undertaking of the Transferor Company to the Resulting Company through this Scheme is with a view to unlock the economic value of both the Companies.
- iii. The said transfer of Undertaking would provide greater flexibility and visibility on the operational and financial performance of the semi-regulated units and would provide higher degree of independence as well as accountability.
- iv. The Board of Directors of the Transferor Company is of the opinion that the Scheme of Arrangement would benefit the shareholders, creditors, employees and other stakeholders of both the Companies.

7. Salient Features of the Scheme are set out as below :

- (i) The Scheme provides for transfer of demerged undertaking to the Resulting Company, according to the applicable provisions of the Act and/or any other applicable laws.
- (ii) The Transferor Company will continue its interests in the Remaining Undertaking as is presently being carried out but with greater focus on growth opportunities.
- (iii) The Resulting Company shall issue and allot equity shares to all the shareholders of the Transferor Company as consideration for the transfer of the Demerged Undertaking, in proportion of their shareholding in the Transferor Company as per the share entitlement ratio. Simultaneously with issuance of equity shares, in the books of the Resulting Company, all the equity shares held by the Transferor Company shall, without further deed, act or approvals, stand cancelled, extinguished and annulled on and from the Effective Date.
- (iv) The Equity Shares issued by the Resulting Company to the shareholders of the Transferor Company shall be listed on BSE and NSE subject to Listing Regulations.
- (v) The Demerger of the Demerged Undertaking in accordance with this Scheme shall take effect from the Appointed Date in accordance of the provisions of Sections 391-394 of the Act read with Sections 100-103 of the Companies Act, 1956 and the provisions of Companies Act, 2013 as may be applicable and shall be in accordance with Section 2 (19AA) of the Income Tax Act, 1961, such that:
 - (a) all the assets relatable to the Demerged Undertaking being transferred by the Transferor Company, as on the Appointed Date shall become the properties of the Resulting Company by virtue of this Scheme;
 - (b) all the liabilities relatable to the Demerged Undertaking, as on the Appointed Date shall become the liabilities of the Resulting Company by virtue of this Scheme;
 - (c) all the assets and the liabilities relatable to the Demerged Undertaking being transferred by the Transferor Company shall be transferred to the Resulting Company, on a going concern basis, at the value appearing in the books of account of the Transferor Company immediately before the Demerger;
 - (d) the Resulting Company shall issue, in consideration of the Demerger Undertaking, its Equity Shares to the shareholders of the Transferor Company as on the Record Date as per the share entitlement ratio; and
 - (e) all the shareholders of the Transferor Company as on the Record Date shall become the shareholders of the Resulting Company by virtue of the Demerger.
- (vi) The Scheme shall be in compliance with the applicable SEBI Guidelines, Regulations including Listing Regulations, SCRR and the Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 any subsequent amendments thereof ("**SEBI Circular**").

You are requested to read the entire text of the Scheme to get fully acquainted with the provisions thereof. The aforesaid are only some of the key provisions of the Scheme.

8. The Audit Committee of the Applicant Company, in its meeting held on August 8, 2016, recommended the Scheme to the Board of Directors of the Applicant Company interalia taking into account the Valuation Report issued by Raju & Prasad, Chartered Accountants, Hyderabad describing the methodology adopted by them in arriving the share entitlement ratio and the Fairness Opinion dated 12th August, 2016 issued by M/s. Systematix Corporate Services Limited, Mumbai, an Independent Merchant Banker.
9. The proposed Scheme was placed before the Board of Directors of Applicant Company on 13th August, 2016 wherein the valuation report issued by M/s. Raju & Prasad, Chartered Accountants, Hyderabad, Independent Valuer, and the Fairness Opinion issued by M/s. Systematix Corporate Services Limited, Mumbai, Independent Merchant Banker.
10. The Board of Directors of the Applicant Company, in its meeting held on August 13, 2016 has approved the Scheme along with the valuation report issued by M/s. Raju & Prasad, Chartered Accountants, Hyderabad, Independent Valuer, and the Fairness Opinion issued by M/s. Systematix Corporate Services Limited, Mumbai, Independent Merchant Banker, taking into account recommendations made by the Audit Committee.
11. The proposed Scheme was placed before the Board of Directors of Resulting Company on August 13, 2016 wherein the valuation report issued by M/s. Raju & Prasad, Chartered Accountants, Hyderabad, Independent Valuer, and the Fairness Opinion issued by M/s. Systematix Corporate Services Limited, Mumbai, Independent Merchant Banker.
12. The Board of Directors of the Resulting Company, in its meeting held on August 13, 2016 approved the Scheme along with the valuation report issued by M/s. Raju & Prasad, Chartered Accountants, Hyderabad, Independent Valuer, and the Fairness Opinion issued by M/s. Systematix Corporate Services Limited, Mumbai, Independent Merchant Banker.
13. The proposed Scheme is not intended in any manner, to have any beneficial effect on the material interest if any, of the Directors of the Applicant Company and the Resulting Company. The Directors of Applicant Company and Resulting Company may be deemed to be concerned and/ or interested in the Scheme to the extent of their shareholding in the said companies or to the extent the said Directors are common Directors in the Companies, or to the extent the said directors are the partners, directors, members of the companies, firms, association of persons, bodies corporate and/or beneficiary of trust, that hold shares in any of the said companies.
14. The details of the present directors and Key Managerial Personnel (KMP) of the Applicant Company and their respective shareholdings in the Applicant Company and Resulting Company as on 30th September, 2016 are as follows:

S. No.	Name	Designation	Eq. Shares of Rs.1/- each held in the Applicant Company	Eq. Shares of Rs.10/- each held in the Resulting Company
1.	Mr. Ramesh Babu Potluri	CMD	1,13,56,960	1
2.	Mr. T V V S N Murthy	VC & JMD	82,27,000	1
3.	DrMihir K Chaudhuri	Director	Nil	Nil
4	Mr. P Sharath Kumar	Director	Nil	Nil
5.	Dr. (Smt.) T Neelaveni	Director	Nil	Nil
6.	Mr. P S Rao	Director	Nil	1
7.	Dr. AymanSahli	Nominee Director	Nil	Nil
8.	Mr.UtpalGokhale	Nominee Director	Nil	Nil
9.	Mr. N Rajendra Prasad	CFO	Nil	Nil
10.	Mr. Saurav Roy	Company Secretary	Nil	Nil

15. The details of the present directors and Key Managerial Personnel (KMP) of the Resulting Company and their respective shareholdings in the Applicant Company and Resulting Company are as follows :

S. No.	Name	Designation	Eq. Shares of Rs.1/- each held in the Applicant Company	Eq. Shares of Rs.10/- each held in the Resulting Company
1.	Mr. Ramesh Babu Potluri	CMD	1,13,56,960	1
2.	Mr. T V V S N Murthy	VC & JMD	82,27,000	1
3.	Mr. P S Rao	Director	Nil	1

16. The pre and post (expected) Scheme equity shareholder pattern of Transferor Company and Transferee Company as follows:

PRE AND POST SHAREHOLDING OF SMS PHARMACEUTICALS LIMITED					
Code	Category	Pre- Scheme of Arrangement as on 30 th September, 2016		Post- Scheme of Arrangement	
		Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding
(A)	Promoter and Promoter Group				
(I)	Indian				
(a)	Individuals/Hindu undivided Family	48205430	56.95	48205430	56.95
(b)	Corporate Bodies	5867420	6.93	5867420	6.93
(2)	Foreign	0	0.00	0	0.00
	Total (A)	54072850	63.88	54072850	63.88
(B)	Public Shareholding				
(I)	Institutions				
(a)	Mutual Funds	178385	0.21	178385	0.21
(b)	Financial Institutions/Banks	99438	0.12	99438	0.12
(2)	Non-Institutions				
(a)	Individuals				
	i. Individual shareholders holding nominal share capital up to Rs.2 lakhs	15958589	18.85	15958589	18.85
	ii. Individual shareholders holding nominal share capital excess Rs.2 lakhs	4174982	4.93	4174982	4.93
(b)	NBFCs Registered with RBI	15550	0.02	15550	0.02
(c)	Others				
	Non-Resident Indian (NRI) - Non Repatriable	1365360	1.61	1365360	1.61
	Non-Resident Indian (NRI) - Repatriable	459899	0.54	459899	0.54
	Corporate Bodies	3471616	4.10	3471616	4.10
	Clearing Member	370620	0.44	370620	0.44
	Corporate Bodies - OCB Repatriable	4482531	5.30	4482531	5.30
	Trust	1710	0.00	1710	0.00
	Unclaimed Susp A/c	500	0.00	500	0.00
	Total (B)	30579180	36.12	30579180	36.12
	Grand Total (A+B)	84652030	100.00	84652030	100.00

PRE AND POST SHAREHOLDING OF SMS LIFE SCIENCES INDIA LIMITED					
Code	Category	Pre-Scheme of Arrangement as on 30 th September, 2016		Post- Scheme of Arrangement	
		Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding
(A)	Promoter and Promoter Group				
(1)	Indian				
(a)	Individuals/Hindu undivided Family			1721623	56.95
(b)	Corporate Bodies	10000	100.00	209550	6.93
(2)	Foreign	0	0.00	0	0.00
	TOTAL(A)	10000	100.00	1931173	63.88
(B)	Public Shareholding				
(1)	Institutions			9922	0.33
(a)	Mutual Funds				
(b)	Financial Institutions/Banks				
(2)	Non-Institutions			1082192	35.80
(a)	Individuals				
	i. Individual shareholders holding nominal share capital up to Rs.2 lakhs				
	ii. Individual shareholders holding nominal share capital excess Rs.2 lakhs				
(b)	NBFCs Registered with RBI				
(c)	Others				
	Non-Resident Indian (NRI) - Non Repatriable				
	Non-Resident Indian (NRI) - Repatriable				
	Corporate Bodies				
	Clearing Member				
	Corporate Bodies - OCB Repatriable				
	Trust				
	Unclaimed Susp A/c				
	Total (B)	0	0.00	1092114	36.12
	Grand Total (A+B)	10000	100.00	3023287	100.00

17. No investigation/proceedings are initiated or are pending in relation to the Applicant Company and the Resulting Company under Section 235 to 251 of the Companies Act, 1956/ Section 206 to 229 of the Companies Act, 2013.
18. The proposed Scheme would be in the best interest of the Applicant Company and the Resulting Company and all their shareholder(s), employee(s) and creditor(s).
19. On the Scheme being approved by the requisite majority of the Creditors, the Applicant Company shall be filed a petition with The Hon'ble High Court of Judicature At Hyderabad for The State of Telangana And State of Andhra Pradesh for sanction of the Scheme under Sections 391-394 read with Section 100 to 103 of the Companies Act, 1956 and other applicable provisions of the Companies Act, 2013.
20. The following documents will be open for inspection by the Creditors of the Applicant Company up to 1 (one) day prior to the date of the meeting at its registered office between 11:00 A.M. and 1:00 P.M. on all working days, except Saturdays, Sundays and Public Holidays:

- i. Copy of the Order dated 31st October, 2016 of the The Hon'ble High Court of Judicature At Hyderabad For The State of Telangana And State of Andhra Pradesh passed in Company Application 1504 of 2016 directing the company to convene the meeting of the Secured and Unsecured Creditors of Applicant Company;
 - ii. Copy of the Company Application No.1504 of 2016;
 - iii. Scheme of Arrangement;
 - iv. Memorandum and Articles of Association of Applicant Company and Resulting Company;
 - v. Annual Report of Applicant Company and Resulting Company for the financial year ended 31st March, 2016;
 - vi. Audited Financials of Applicant Company and Resulting Company for the Financial Year ended on 31st March, 2016;
 - vii. Copy of the Valuation Report dated 11th August, 2016 issued by M/s Raju & Prasad, Chartered Accountants, Hyderabad, an independent valuer;
 - viii. Copy of the Fairness Opinion report 12th August, 2016 by M/s Systematix Corporate Services Limited, Mumbai, Independent Merchant Banker;
 - ix. Observation letter dated 13th October, 2016 issued by BSE to applicant Company;
 - x. Observation letter dated 14th October, 2016 issued by NSE to applicant Company;
 - xi. Observation letter dated 13th October, 2016 issued by SEBI;
 - xii. Register of Director's Shareholdings of the Applicant Company.
21. A copy of the Scheme, Explanatory Statement and Proxy Form may be obtained from the registered office of the Applicant Company situated at Plot No.19-III, Road No.71, Opp. Bharatiya Vidya Bhavan Public School, Jubilee Hills, Hyderabad 500096 Telangana, India.

Sd/-

Ammaji Nettem

Chairperson appointed for the meeting

Place : Hyderabad

Date : 15th November, 2016

Registered Office:

Plot No.19-III, Road No.71, Opp. Bharatiya
Vidya Bhavan Public School, Jubilee Hills
Hyderabad – 500 096, Telangana, India

IN THE HIGH COURT OF JUDICATURE AT HYDERABAD FOR THE STATE OF TELANGANA AND STATE OF
ANDHRA PRADESH

(ORIGINAL JURISDICTION)

IN THE MATTER OF COMPANIES ACT, 1956

AND

IN THE MATTER OF SECTIONS 391 TO 394 OF THE COMPANIES ACT, 1956. READ WITH SECTIONS 100 TO
103 OF THE SAID ACT, AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013

AND

IN THE MATTER OF SMS PHARMACEUTICALS LIMITED

AND

IN THE MATTER OF SCHEME OF ARRANGEMENT OF SMS PHARMACEUTICALS LIMITED WITH
SMS LIFESCIENCES INDIA LIMITED AND

THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

COMPANY APPLICATION NO. 1504 OF 2016

SMS PHARMACEUTICALS LIMITED

a Company incorporated under the
Provisions of the Companies Act, 1956
and having its Registered Office at
Plot No.19-III, Road No.71, Opp. Bharatiya
Vidya Bhavan Public School, Jubilee Hills
Hyderabad – 500 096, Telangana, India

.Applicant Company/Transferor Company

FORM OF PROXY

I/We the undersigned, as Creditors of SMS Pharmaceuticals Limited, the Transferor Company/Applicant Company hereby appoint _____ of _____ and failing him/her _____ of _____ as my / our proxy, to act for me / us at the Court Convened Meeting of the Creditors to be held at Jubilee Hills International club, Jubilee Hills, Hyderabad 500 033, Telangana on Saturday 17th day of December, 2016 at 3.00 P.M. for the purpose of considering and, if thought fit, approving, with or without modification(s), the Scheme of Arrangement between M/s. SMS Pharmaceuticals Limited and M/s. SMS Lifesciences India Limited and their respective shareholders and creditors at such meeting, and any adjournment/ adjournments thereof, to vote, for me/us and in my/our name(s) _____ (here, if for insert 'For', if against insert 'Against' and in the latter case strike out the words "either with or without modifications" after the word "Arrangement") the said arrangement embodied in the Scheme of Arrangement either with or without modifications as my/our proxy may approve.(strikeout what is not necessary).

Dated this _____ day of _____ 2016

Name of the Creditor :

Address of the Creditor :

NOTE: THE PROXY MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE TRANSFEROR COMPANY/ APPLICANT COMPANY PLOT No.19-III, ROAD NO.71, OPP. BHARATIYA VIDYA BHAVAN PUBLIC SCHOOL, JUBILEE HILLS, HYERABAD-500 096, TELANGANA, INDIA ATLEAST 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING.

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Pharmaceuticals Ltd.

CIN : L24239AP1987PLC008066

Regd. Office : Plot No. I 9-III, Road No. 71,

Opp. Bharatiya Vidya Bhavan Public School, Jubilee Hills,
Hyderabad – 500 096, Telangana, India.

Tel : +91 (40) 66288888 Fax : +91 (40) 23551401 / 1402

Email : info@smspharma.com | Website : www.smspharma.com

ATTENDANCE SLIP

COURT CONVENED MEETING OF CREDITORS ON 17TH DECEMBER, 2016

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

I hereby record my presence at the Meeting of the Creditors of the Company, convened pursuant to the Order dated 31st October, 2016 of the of the Hon'ble High Court of Judicature at Hyderabad for the State of Telangana and State of Andhra Pradesh on 17th December, 2016 at 3.00 P.M.

Full Name :

Address :

SIGNATURE OF THE CREDITOR/PROXY/AUTHORISED SIGNATORY

Route Map of the Court Convened Meeting of SMS Pharmaceuticals Limited



Venue:

Jubilee Hills International Centre,
Jubilee Hills,
Hyderabad-500 033, Telangana

ANNEXURES

Sl. No.	Contents	Annexure	Page Nos.
1.	Scheme of Arrangement between SMS Pharmaceuticals Limited (Applicant/Transferor Company and SMS Lifesciences India Limited (Resulting Company) and their respective shareholders and creditors under Section 391 to 394 and other relevant provisions of the Companies Act, 1956 read with Section 100 to 103 and other applicable provisions of the Companies Act, 2013.	Annexure – I	1-17
2.	Fairness opinion dated 12 th August, 2016 issued by M/s. Systematix Corporate Services Limited	Annexure -2	18-21
3.	Complaints Report dated 19 th September, 2016 filed by SMS Pharmaceuticals Limited with Stock Exchanges.	Annexure-3	22
4.	Observation letter dated 13 th October, 2016 issued by BSE Limited to SMS Pharmaceuticals Limited.	Annexure-4	23-24
5.	Observation letter dated 14 th October, 2016 issued by National Stock Exchange of India Limited to SMS Pharmaceuticals Limited.	Annexure-5.	25-26

SCHEME OF ARRANGEMENT

(UNDER SECTION 391 TO 394 READ WITH SECTION 100 TO 103
OF THE COMPANIES ACT, 1956 AND OTHER PROVISIONS OF THE COMPANIES ACT, 2013 AS APPLICABLE)

IN THE NATURE OF DE-MERGER AND TRANSFER OF

DE-MERGED UNDERTAKING

BETWEEN

SMS PHARMACEUTICALS LIMITED

(Demerged Company)

AND

SMS LIFESCIENCES INDIA LIMITED

(Resulting Company)

AND

THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

A. PREAMBLE

- (i) This Scheme of Arrangement (“Demerger”) provides for the demerger of the Semi Regulated Units No. I, IV and V along with premises situated at Industrial Estate, Santhnagar, Hyderabad; Industrial Development Area, Jeedimetla, Hyderabad ; Premises bearing Flat No.417, Nilgiri, Aditya Enclave, Ameerpet, Hyderabad; vacant land admeasuring Ac 19.00 cents situated at Pharma City, Parawada, Visakhapatnam and Investments relating to Semi Regulated Units (“Demerged Undertaking”) of SMS Pharmaceuticals Limited, the “Demerged Company” into SMS Lifesciences India Limited, the “Resulting Company”, pursuant to provisions of Sections 391-394, read with Sections 100-103 of the Companies Act, 1956, and other applicable provisions of the Companies Act, 2013, and
- (ii) Subject to the satisfactory fulfilment and implementation of (i) above, reduction and reorganisation of equity share capital of SMS Lifesciences India Limited (Resulting Company) and utilisation of General Reserve Account of SMS Pharmaceuticals Limited (Demerged Company) pursuant to Sections 391-394 read with Sections 100-103 of the Companies Act, 1956.

B. DESCRIPTION OF COMPANIES

- (i) SMS Pharmaceuticals Limited (“Demerged Company”) is a public limited company incorporated under the provisions of the Companies Act, 1956 on 14th day of December, 1987 originally in the name of “S.M.S. Pharmaceuticals Private Limited” and subsequently converted into a Public Limited Company in the name of “S.M.S. Pharmaceuticals Limited” on 2nd November, 1994. The name of the Company has been changed from S.M.S. Pharmaceuticals Limited to SMS Pharmaceuticals Limited with effect from 12th April, 2004. The Registered Office of the company is situated at Plot No.19-III, Road No.71, Opp. Bharatiya Vidya Bhavan Public School, Jubilee Hills, Hyderabad. It is engaged in the business of manufacturing and sale of active pharmaceutical ingredients and intermediates. The Equity Shares of Demerged Company are listed on BSE Limited (‘BSE’) having Security Code “532815” and National Stock Exchange of India Limited (‘NSE’) having Symbol “SMSPHARMA”. The Corporate Identity Number of the Company is L24239AP1987PLC008066.
- (ii) SMS Lifesciences India Limited (“Resulting Company”) is a public limited company incorporated under the provisions of the Companies Act, 1956, on 31st day of May, 2006, originally as Private Limited Company in the name of “Potluri Real Estate Private Limited” and subsequently changed its name to “Potluri Packaging Industries Private Limited” on 6th November, 2013. Thereafter the Company had changed its name as “SMS Lifesciences India Private Limited” on 4th August, 2014 and subsequently converted as Public Limited Company with effect from 22nd June, 2016 having its registered office at Plot No. 265Q, Road No. 10, Jubilee Hills, Hyderabad and its Corporate Identity No. is U74930TG2006PLC050223. The Resulting Company is a wholly owned Subsidiary

of the Demerged Company and is presently engaged in the business of manufacturing, buying, selling, offering consultancy, importing and exporting, acting as commission agents and generally dealing with of all types of Organic & Inorganic Chemicals, Pharmaceuticals, Active Pharmaceutical Ingredients (API) and Intermediates.

C. RATIONALE

- (i) This Scheme is presented under Sections 391 to 394 read with Sections 100 to 103 of the Companies Act, 1956 and the provisions of the Companies Act, 2013 as applicable for transfer of the Semi Regulated Units namely I, IV and V and other assets (defined as demerged undertaking) of the Demerged Company as a going concern to the Resulting Company, a wholly-owned subsidiary of the Demerged Company and consequential restructure of its share capital in form of Utilisation of General Reserve Account of the Demerged Company.
- (ii) The Demerged Company has presently operating five units out of which three manufacturing divisions are Semi-Regulated Units namely Unit I (i.e. Khazipally Unit), which is located at Sy. No. 180/2, IDA Kazipally Village, Jinnaram Mandal, Medak District, Hyderabad, Telangana State; Unit IV (i.e. Jeedimetla Unit), which is located at Plot No. 66/B-2, Phase-I, IDA Jeedimetla, Hyderabad, Telangana State and Unit V (i.e. Bollaram Unit) which is located at Sy. No. 296/7/4, S.V. Co.op. Ind. Estate I.D.A., Bollaram, Medak District, Hyderabad, Telangana State and the rest of the Units are Regulated Units. With a view to reduce the impact of semi-regulated units on regulated units, achieving operational efficiencies, site synergies and streamlining its current structure, the Demerged Company has decided to demerge its Unit Nos. I, IV and V and transfer to the Resulting Company along with other assets and Investments with primary intention to bifurcate its units which are semi regulated under FDA (Food and Drug Administration) norms and transfer them to a separate Company. The circumstances, reasons and/or grounds that have necessitated and/or justified the Scheme and the advantages thereof are, inter alia, as follows:
 - a) The nature of risk and return involved in the business of Semi-Regulated units is distinct from the Regulated Units of the Demerged Company. Hence, transfer of all the Semi-Regulated units under one umbrella would enable these Units to run independently and in a more cohesive manner so as to run more profitably and attract potential collaborators for future growth and development of business by the Resulting Company, without impacting the Demerged Company.
 - b) The transfer and vesting of the de-merged undertaking of the Demerged Company to the Resulting Company through this Scheme is with a view to unlock the economic value of both the Companies.
 - c) The said transfer of Undertaking would provide greater flexibility and visibility on the operational and financial performance of the semi-regulated units and would provide higher degree of independence as well as accountability.
 - d) The Board of Directors of the Demerged Company is of the opinion that the Scheme of Arrangement would benefit the shareholders, creditors, employees and other stakeholders of both the Companies.

D. OPERATION OF THE SCHEME

- (i) The Scheme provides for transfer of demerged undertaking to the Resulting Company, according to the applicable provisions of the Act and/or any other applicable laws.
- (ii) The Demerged Company will continue its interests in the Remaining Undertaking as is presently being carried out but with greater focus on growth opportunities.
- (iii) The Resulting Company shall issue and allot equity shares to all the shareholders of the Demerged Company as consideration for the transfer of the Demerged Undertaking, in proportion of their shareholding in the Demerged Company as per the share entitlement ratio. Simultaneously with issuance of equity shares, in the books of the Resulting Company, all the equity shares held by the Demerged Company shall, without further deed, act or approvals, stand cancelled, extinguished and annulled on and from the Effective Date.
- (iv) The Equity Shares issued by the Resulting Company to the shareholders of the Demerged Company shall be listed on BSE and NSE subject to Listing Regulations.
- (v) The Demerger of the Demerged Undertaking in accordance with this Scheme shall take effect from the Appointed Date in accordance of the provisions of Sections 391-394 of the Act read with Sections 100-103 of the Companies Act, 1956 and the provisions of Companies Act, 2013 as may be applicable and shall be in accordance with Section 2 (19AA) of the Income Tax Act, 1961, such that:

- (a) all the assets relatable to the Demerged Undertaking being transferred by the Demerged Company, as on the Appointed Date shall become the properties of the Resulting Company by virtue of this Scheme;
 - (b) all the liabilities relatable to the Demerged Undertaking, as on the Appointed Date shall become the liabilities of the Resulting Company by virtue of this Scheme;
 - (c) all the assets and the liabilities relatable to the Demerged Undertaking being transferred by the Demerged Company shall be transferred to the Resulting Company, on a going concern basis, at the value appearing in the books of account of the Demerged Company immediately before the Demerger;
 - (d) the Resulting Company shall issue, in consideration of the Demerger Undertaking, its Equity Shares to the shareholders of the Demerged Company as on the Record Date as per the share entitlement ratio; and
 - (e) all the shareholders of the Demerged Company as on the Record Date shall become the shareholders of the Resulting Company by virtue of the Demerger.
- (vi) The Scheme shall be in compliance with the applicable SEBI Guidelines, Regulations including Listing Regulations, SCRR and the Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 any subsequent amendments thereof (**“SEBI Circular”**).

E. PARTS OF THE SCHEME

The Scheme is divided into the following parts:

Part I - deals with definitions, interpretations and share capital

Part II - deals with transfer and vesting of demerged undertaking

Part III - deals with General terms and conditions.

PART I

DEFINITIONS, INTERPRETATIONS AND SHARE CAPITAL

I. DEFINITIONS AND INTERPRETATIONS

- I.1 In this Scheme, unless inconsistent with the subject or context, the following expressions shall have the following meanings:

“Act” means the Companies Act, 1956 and any statutory modification or re-enactment thereof for the time being in force.

“Applicable Laws” means any statute, notification, bye laws, rules, regulations, guidelines, rule of common law, policy, code, directives, ordinance, orders or instructions having the force of law enacted or issued by any Appropriate Authority including any statutory modification or re-enactment thereof for the time being in force.

“Appointed Date” means opening business hours of 1st April, 2016.

“Appropriate Authority” means and includes any governmental, statutory, departmental or public body or authority, including RBI, SEBI, BSE, NSE, Registrar of Companies, National Company Law Tribunal and the High Court.

“Articles of Association” means the articles of association of the Demerged and Resulting Companies.

“Board” in relation to each of the Demerged Company and the Resulting Company, as the case may be, means the Board of directors of such company, and shall include a committee duly constituted and authorised for the purposes of matters pertaining to the Demerger, the Scheme and/or any other matter relating thereto.

“BSE” means the BSE Limited.

“Demerged Company” means SMS Pharmaceuticals Limited, a company incorporated under the provisions of the Companies Act, 1956 under CIN: **L24239AP1987PLC008066** and having registered office at Plot No.19-III, Road No.71, Opp. Bharatiya Vidya Bhavan School, Jubilee Hills, Hyderabad 500 096.

“Demerged Undertaking” means and include

- I. all the business, undertaking, properties, investments and liabilities of whatsoever nature and kind and wheresoever situated, of the Demerged Company, in relation to and pertaining to the Semi-Regulated Units No. I, IV and V on going concern basis, together with all its assets and liabilities and shall mean and include (without limitation):
 - (a) all the movable and immovable properties including plant and machinery, equipment, furniture, fixtures, vehicles, stocks and inventory, freehold/leasehold assets and other contingent assets (whether tangible or intangible) of whatsoever nature in relation to the Semi-Regulated Units, approvals, consents, letters of intent, registrations, contracts, engagements, arrangements, settlements, rights, credits, titles, interests, benefits, advantages, leasehold rights, sub-letting tenancy rights, with or without the consent of the lessor/landlord as may be required by law, goodwill, other intangibles, industrial and other licenses, permits, authorisations, import quotas and other quota rights, right to use and avail of telephones, telex, facsimile and other communication facilities, connections, installations and equipment, utilities, electricity and electronic and all other services of every kind, nature and description whatsoever, provisions, funds and benefits of all agreements, arrangements, deposits, advances, recoverable and receivables, whether from government, semi-government, local authorities or any other person including customers, contractors or other counter parties, etc., all earnest monies and/or deposits, privileges, liberties, easements, advantages, benefits, exemptions, licenses, privileges concerning the Semi-Regulated Units and approvals of whatsoever nature (including but not limited to benefits of all tax holiday, tax relief including under the Income Tax Act, 1961 such as credit for advance tax, taxes deducted at source, brought forward accumulated tax losses, unabsorbed depreciation, etc.) and wheresoever situated, belonging to or in the ownership, power or possession or control of or vested in or granted in favour of or enjoyed by the Demerged Company in relation to the Semi-Regulated Units as on the Appointed Date;
 - (b) all the debts, borrowings, obligations and liabilities, whether present, or future, whether secured or unsecured, of the Demerged Company in relation to the Semi-Regulated Units as on the Appointed Date comprising of:
 - (i) all the debts, duties, obligations and liabilities including contingent liabilities which arise out of the activities or operations of the Demerged company in relation to the Semi-Regulated Units and all other debts,

- liabilities, duties, and obligations of the Demerged Company relating to the Demerged Undertaking which may accrue or arise after the Appointed Date but which related to the period up to the day of immediately preceding the Appointed Date;
- (ii) the specific loans and borrowings raised, incurred and utilised solely for the activities and operations of Demerged Company in relation to the Semi-Regulated Units; and
 - (iii) liabilities other than those referred to in sub-clauses (i) and (ii) above and not directly relatable to the Semi-Regulated Units, being the amounts of any general or multipurpose borrowings of Demerged Company as stand in the same proportion which the value of assets transferred under this Clause of Semi-Regulated Units bears to the total value of the assets of the Demerged Company immediately before the Appointed Date;
- (c) all intellectual property rights, including trademarks, trade names and the goodwill associated therewith, patents, patent rights, copyrights and other industrial designs and intellectual properties and rights of any nature whatsoever including know-how, or any applications for the above, assignments and grants in respect thereof of the Demerged Company in relation to the Semi-Regulated Units as on the Appointed Date;
 - (d) all books, records, files, papers, engineering and process information, records of standard operating procedures, computer programmes along with their licenses, drawings, manuals, date catalogues, quotations, sales and advertising materials, lists of present and former customers and suppliers, customer credit information, customer pricing information and other records whether in physical or electronic form, in connection with or relating to the Semi-Regulated Units of the Demerged Company as on the Appointed Date;
 - (e) all employees of the Demerged Company engaged in the Semi-Regulated Units; and
 - (f) any question that may arise as to whether a specific asset (tangible or intangible) or any liability pertains or does not pertain to the Semi-Regulated Units or whether it arises out of the activities or operations of the Semi-Regulated Units or not, shall be decided by the Board of the Demerged Company or any Committee thereof.
2. Premises located at C-23 Industrial Estate, Sanatnagar Hyderabad to be transferred to the Resulting Company without any further deed or act under this Scheme.
 3. Premises located at D-63, Phase I, Industrial Development Authority, Jeedimetla, Hyderabad, to be transferred to the Resulting Company without any further deed or act under this Scheme.
 4. Premises located at Flat No. 417, Nilgiri, Aditya Enclave, Ameerpet, Hyderabad, to be transferred to the Resulting Company without any further deed or act under this Scheme.
 5. Vacant land admeasuring Ac. 19 in Plot bearing no. 46 located at Pharma City, Parawada Mandal, Visakhapatnam District, Andhra Pradesh to be transferred to the Resulting Company without any further deed or act under this Scheme.
 6. Investments relating to Semi Regulated Units held by Demerged Company, in other entities to be transferred to the Resulting Company without any further deed or act under this Scheme.

“Effective Date” means the last of the date on which the certified copy or authenticated copy of the order of the High Court sanctioning the Scheme is filed with the Registrar of Companies by the Demerged Company and the Resulting Company. Reference in this Scheme to the date of “coming into effect of this Scheme” or “effectiveness of this Scheme” shall mean the Effective Date.

“Encumbrance” means (i) any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment, deed of trust, title retention, security interest or other encumbrance of any kind securing, or conferring any priority of payment in respect of, any obligation of any person, including any right granted by a transaction which in legal terms, is not the granting of security but which has an economic or financial effect similar to the granting of security under Applicable Laws; (ii) any proxy, power of attorney, voting trust agreement, interest, option, right of first offer, refusal or transfer restriction in favour of any person; and (iii) any adverse claim as to title, possession or use.

“High Court” means the Hon’ble High Court of Judicature at Hyderabad for the State of Telangana and the State of Andhra Pradesh and shall include National Company Law Tribunal constituted under the Act as applicable.

“Listing Agreement” means the listing agreement executed by the Demerged Company with each of the BSE and the NSE.

“Listing Regulations” means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other SEBI Regulations as applicable to the Scheme.

“Memorandum” means memorandum of association of a Company.

“NSE” means the National Stock Exchange of India Limited.

“Parties” or “Parties to the Scheme” means the Demerged Company and the Resulting Company.

“RBI” means the Reserve Bank of India.

“Record Date” means the date to be fixed by the Board of Directors of the Resulting Company in consultation with the Demerged Company for the purpose of reckoning names of the equity shareholders of the Demerged Company, who shall be entitled to receive Equity Shares of the Resulting Company pursuant to this Scheme.

“Registrar of Companies” means the Registrar of Companies at Hyderabad for the State of Andhra Pradesh and the State of Telangana.

“Regulated Units” means, those units which are certified by the authorities of highly regulated markets of United States of America, Europe & Australia and have high entry barriers in terms of intellectual property rights and requirements/compliances for Regulated Units, including obtaining facility approvals etc.

“Remaining Employees” mean all the permanent employees of the Demerged Company other than the Transferred Employees.

“Remaining Undertaking” means all the undertakings, businesses, activities and operations of the Demerged Company other than those comprised in the Demerged Undertaking and remaining with the Demerged Company after giving effect to this Scheme.

“Resulting Company” means SMS Lifesciences India Limited, a company Incorporated under the provisions of the Companies Act, 1956 under **CIN: U74930TG2006PLC050223** and having registered office at Plot No. 265Q, Road No. 10, Jubilee Hills, Hyderabad.

“SCRR” means Securities Contracts (Regulation) Rules, 1957

“SEBI” means the Securities and Exchange Board of India.

“Scheme”, “the Scheme”, “this Scheme”, “Scheme of Arrangement” means this Scheme of Arrangement in its present form or as may be modified by an agreement between the Parties submitted to the High Court or any other Appropriate Authority in the relevant jurisdictions with any modification thereof as the High Court or any other Appropriate Authority may direct.

“Semi-Regulated Units” means, units which are certified on accreditation basis and include rest of the world [apart from markets mentioned under Regulated Units except USA, Europe and Australia], which offer low entry barriers in terms of Regulated Units requirements and intellectual property rights, which includes:

- o Unit I (i.e. Khazipally Unit), which is located at Sy. No. 180/2, IDA Kazipally Village, Jinnaram Mandal, Medak Dist., Hyderabad, Telangana State;
- o Unit IV (i.e. Jeedimetla Unit), which is located at Plot No. 66/B-2, Phase-I, IDA Jeedimetla, Hyderabad, Telangana State, and
- o Unit V (i.e. Bollaram Unit) which is located at Sy. No. 296/7/4, S.V. Co.op. Ind. Estate I.D.A., Bollaram, Medak District, Hyderabad, Telangana State.

“Share Entitlement Ratio” means, the number of equity shares of SMS Lifesciences India Limited(Resulting Company) to which a shareholder of SMS Pharmaceuticals Limited(Demerged Company) would be entitled to in proportion of his existing shares in SMS Pharmaceuticals Limited(Demerged Company).

“Stock Exchanges” means collectively, the BSE and the NSE.

All terms and words not defined in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning ascribed to them under the Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996, Income Tax Act, 1961 and other Applicable laws, rules, regulations, bye laws, as the case may be, including any statutory modification or re-enactment thereof from time to time.

- 1.2 In this Scheme, unless the context otherwise requires:
- words denoting singular shall include plural and vice versa;
 - headings and bold typeface are only for convenience and shall be ignored for the purposes of interpretation;
 - references to the word “include” or “including” shall be construed without limitation;
 - a reference to an article, section, paragraph or schedule is, unless indicated of the contrary, a reference to an article, section, paragraph or schedule of this Scheme;
 - unless otherwise defined, the reference to the word “days” shall mean calendar days;
 - references to dates and times shall be construed to be references to Indian dates and times;
 - reference to a document includes an amendment or supplement to or replacement or novation of, that document;
 - word(s) and expression(s) elsewhere defined in the Scheme will have the meaning(s) respectively ascribed to them.

2. **DATE OF TAKING EFFECT AND OPERATIVE DATE**

The Scheme set out herein in its present form or with any modification(s) approved or imposed or directed by the High Court, shall be effective from the Appointed Date but shall be operative from the Effective Date.

3. **SHARE CAPITAL**

- 3.1 The share capital of the Demerged Company as on **31st March, 2016** is as under:

Particulars	Amount in Rs.
AUTHORISED SHARE CAPITAL	12,00,00,000
SUBSCRIBED, ISSUED AND PAID-UP SHARE CAPITAL	8,46,52,030

The equity shares of the Demerged Company are listed on BSE and NSE.

- 3.2 The Share capital of the Resulting Company as on **31st March, 2016** is as under:

Particulars	Amount in Rs.
AUTHORISED SHARE CAPITAL	25,00,000
SUBSCRIBED, ISSUED AND PAID-UP SHARE CAPITAL	1,00,000

The entire share capital of the Resulting Company as on 1st April, 2016 is held by the Demerged Company and hence Resulting Company is a wholly-owned subsidiary of the Demerged Company.

4. **COMPLIANCE WITH TAX LAWS**

The Scheme has been drawn up to comply with the conditions relating to “demerger” as defined under Section 2(19AA) and other relevant sections of the Income-tax Act, 1961 and accordingly all the Assets and Liabilities pertaining to the demerged undertaking shall be transferred from the transferor company to transferee company at book values only. If any terms or provisions of the Scheme are found to be or interpreted to be inconsistent with any of the said provisions at a later date whether as a result of any amendment of law or any judicial or executive interpretation or for any other reason whatsoever, the aforesaid provisions of the tax laws shall prevail. The Scheme shall then stand modified to the extent determined necessary to comply with the said provisions. The power to make such amendments shall vest the Board of Directors of demerged Company, which power can be exercised anytime and shall be exercised in the best interest of the companies and their shareholders.

PART II

TRANSFER AND VESTING OF DEMERGED UNDERTAKING AS A GOING CONCERN

5. TRANSFER AND VESTING

With effect from the Appointed Date, the Demerged Undertaking of the Demerged Company shall, stand transferred to and vested in or deemed to be transferred to and vested in Resulting Company, as a going concern and in the following manner:

- 5.1 With effect from the Appointed Date and upon the Scheme becoming effective, the whole of Demerged Undertaking and its properties, shall pursuant to the provisions contained in Sections 391 to 394 and all other applicable provisions, if any, of the Act and without any further act, deed, matter or thing, stand transferred to and vested in and/or be deemed to be transferred to and vested in Resulting Company so as to vest in Resulting company all rights, title and interest pertaining to the Demerged Undertaking as follows:
- a) All the movable assets (as specified in Schedule I) pertaining to the Demerged Undertaking, which are capable of being physically transferred including cash on hand, shall be physically handed over by manual delivery or endorsement and delivery, to the end and intent that the ownership and property therein passes to Resulting Company on such handing over in pursuance of the provisions of Section 394 of the Act. Such delivery and transfer shall be made on a date to be mutually agreed upon between the respective Board of Directors or Committees thereof of Demerged Company and Resulting Company within 30 days from the effective date.
 - b) In respect of other assets other than those referred to sub-clause 5.1.(a) above, pertaining to Demerged Undertaking including actionable claims, sundry debtors, outstanding loans, advances recoverable in cash or kind or for value to be received and deposits with the Government, semi-Government, local and other authorities and bodies and customers, Demerged Company shall, issue notices in such form as Resulting Company may specify stating that pursuant to this Scheme, the relevant debt, loan, advance, deposit or other asset, be paid or made good to, or be held on account of, Resulting Company as the person entitled thereto, to the end and intent that the right of Demerged Company to receive, recover or realize the same, stands transferred to Resulting Company and that appropriate entries should be passed in their respective books to record the aforesaid changes;
 - c) In respect of such of the assets belonging to the Demerged Undertaking other than those referred to in sub-clauses (a) and (b), the same shall be transferred to and vested in and/or be deemed to be transferred to and vested in Resulting Company on the Appointed Date pursuant to the provisions of Section 394 of the Act.
- 5.2 With effect from the Appointed Date and upon the Scheme becoming effective, all debts, liabilities including accrued interest thereon, contingent liabilities, duties and obligations of every kind, nature and description of Demerged Company pertaining to the Demerged Undertaking under the provisions of Sections 391 to 394 and all other applicable provisions, if any, of the Act, and without any further act or deed, be transferred to or be deemed to be transferred to Resulting Company, so as to become from the Appointed Date the debts, liabilities including accrued interest thereon, contingent liabilities, duties and obligations of Resulting Company and it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such debts, liabilities including accrued interest thereon, contingent liabilities, duties and obligations have arisen in order to give effect to the provisions of this sub-clause.
- 5.3 With effect from the Appointed Date and upon the Scheme becoming effective, any statutory licenses, permissions or approvals or consents held by Demerged Company required to carry on operations of the Demerged Undertaking shall stand vested in or transferred to Resulting Company without any further act or deed, and shall be appropriately mutated by the statutory authorities concerned therewith in favour of Resulting Company and the benefit of all statutory and Regulated permissions, environmental approvals and consents, registration or other licenses, etc., shall vest in and become available to Resulting Company as if they were originally obtained by Resulting Company. In so far as the various incentives, subsidies, rehabilitation schemes, special status and other benefits or privileges enjoyed, granted by any Government body, local authority or by any other person or availed of by Demerged Company relating to the Demerged Undertaking, are concerned, the same shall vest with and be available to Resulting Company on the same terms and conditions as applicable to Demerged Company, as if the same had been allotted and/or granted and/or sanctioned and/or allowed to Resulting Company.
- 5.4 The entitlement to various benefits under Incentive Schemes and Policies in relation to the Demerged Undertaking of the Demerged Company shall stand transferred to and be vested in and/or be deemed to have been transferred to and vested in the Resulting Company together with all benefits, entitlements or incentives of any nature whatsoever. Such

entitlements shall include (but shall not be limited to) income-tax, sales tax, value added tax, turnover tax, excise duty, service tax, customs and others and incentives in relation to the Demerged Undertaking to be claimed by the Resulting Company with effect from the appointed date as if the Resulting Company was originally entitled to all such benefits under such incentive scheme and/or policies, subject to continued compliance by the Resulting Company of all the terms and conditions subject to which the benefits under such incentive Schemes were made available to the Demerged Company.

- 5.5 Since each of the permissions, approval, consents, sanctions, remissions (including remission under Income-tax, sales tax, value added tax, excise duty, service tax, customs), special reservations, sales tax remissions, holidays, incentives, concessions and other authorisations relating to the Demerged Company, shall stand transferred under the Scheme to the Resulting Company, the Resulting Company shall file the relevant intimations if any, for the record of the statutory authorities who shall take them on file, pursuant to this Scheme coming into effect.
- 5.6 It is clarified that all the taxes and duties pertaining to the Demerged Undertaking payable by the Demerged Company, from the appointed date onwards including all or as any refund and claims shall, for all purposes, be treated as the tax and are duties, liabilities or refunds and claims of Resulting Company. Accordingly, upon the Scheme becoming effective, the Resulting Company is expressly to file its respective income-tax, sales tax, value added tax, turnover tax, excise duty, service tax, customs and any other return to claim refunds/ credits, pursuant to the provisions of this Scheme.
- 5.7 The transfer and vesting of the Demerged Undertaking as aforesaid shall be subject to the existing securities, charges, mortgages and other encumbrances if any, subsisting over or in respect of the property and assets or any part thereof relating to the Demerged Undertaking to the extent such securities, charges, mortgages, encumbrances are created to secure the liabilities forming part of the Demerged Undertaking.
- a) In so far as any securities, charges, hypothecation and mortgages over the assets comprised in the Demerged Undertaking are securities for liabilities of the Remaining Undertaking, the same shall, on the Effective Date, without any further act, instrument or deed be modified to the extent that all such assets shall stand released and discharged from the obligations and security relating to the same and the securities, charges, hypothecation and mortgages shall only extend to and continue to operate against the assets retained by Demerged Company and shall cease to operate against any of the assets transferred to Resulting Company in terms of this Scheme. The absence of any formal amendment which may be required by a lender or third party shall not affect the operation of the above. The provisions of this Clause shall operate notwithstanding anything contained in any instrument, deed, agreement or writing or terms of sanction or issue or any security document, all of which instruments, deeds and writings shall stand modified and/or superseded by the foregoing provision.
 - b) Provided further that the securities, charges, hypothecation and mortgages (if any subsisting) over and in respect of the assets or any part thereof of Resulting Company and this Scheme shall not operate to enlarge such securities, charges, hypothecation or mortgages and shall not extend or be deemed to extend, to any of the assets of the Demerged Undertaking vested in Resulting Company, provided always that this Scheme shall not operate to enlarge the security of any loan, deposit or facility created by Demerged Company in relation to the Demerged Undertaking which shall vest in Resulting Company by virtue of the vesting of the Demerged Undertaking with Resulting Company and there shall not be any obligation to create any further or additional security therefore after the Scheme has become effective.
 - c) Provided further that all the loans, advances and other facilities sanctioned to Demerged Company in relation to the Demerged Undertaking by its bankers and financial institutions prior to the Appointed Date, which are partly drawn or utilised shall be deemed to be the loans and advances sanctioned to Resulting Company and the said loans and advances may be drawn and utilised either partly or fully by Demerged Company from the Appointed Date till the Effective Date and all the loans, advances and other facilities so drawn by Demerged Company in relation to the Demerged Undertaking (within the overall limits sanctioned by their bankers and financial institutions) shall on the Effective Date be treated as loans, advances and other facilities made available to Resulting Company and all the obligations of Demerged Company in relation to the Demerged Undertaking under the loan agreement shall stand released and discharged and shall become the obligation of Resulting Company without any further act or deed on the part of Resulting Company.
- 5.8 Without prejudice to the above and upon the effectiveness of this Scheme, the Demerged Company and the Resulting Company shall execute any instruments or documents or do all the acts and deeds as may be required, including the filing of necessary particulars and/or modification(s) of charge, with the Registrar of Companies and other Authorities under the Act to give formal effect to the above provisions, if required.

- 5.9 It is expressly provided that, save as mentioned in this scheme, no other term and condition of the liability transferred to the Resulting company is modified by virtue of this Scheme except to the extent that such amendment is required by necessary implication.
- 5.10 Subject to necessary consents being obtained in accordance with the terms of this Scheme the provisions of above sub-clauses shall operate, notwithstanding anything to the contrary contained in any instrument, deed or writing or the terms of sanction or issue or any security document.
- 5.11 It is clarified that if any assets, (estate, claims, rights, title, interest in or authorities relating to such assets) or any contract, deeds, bonds, agreements, schemes, arrangements of other instruments of whatsoever in relation to any of the Demerged Undertaking which Demerged Company owns or to which Demerged Company is a party and which cannot be transferred to Resulting Company or to its successor in business, for any reason whatsoever, Demerged Company shall hold such assets or contract, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in trust for the benefit of Resulting Company to which the Demerged Undertaking is being transferred in terms of this scheme, in so far as it is permissible so to do, till such time as the transfer is affected.
- 5.12 With effect from the appointed date, the general reserve of the demerged Company pertaining to the demerged undertaking shall become the General Reserves of the Resulting Company.
- 6. ISSUE OF SHARES BY THE RESULTING COMPANY**
- 6.1 Upon this Scheme becoming effective, Resulting Company shall without any further application or deed, issue and allot Shares, credited as fully paid-up, to the extent indicated below to the shareholders of Demerged Company, holding shares in Demerged Company and whose name appear in the Register of Members on the Record Date or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognised by the respective Board of Directors in the following proportion:
- 1 (one) Equity share of Rs. 10/- each (fully paid-up) of Resulting Company shall be issued and allotted for every 28 (twenty eight) Equity Shares of Re. 1/- each (fully paid-up) held by the shareholders in Demerged Company.
- 6.2 The equity shares issued and allotted by the Resulting Company in terms of this Scheme shall rank pari-passu in all respects with the existing equity shares of the Resulting Company.
- 6.3 No fractional certificate(s) shall be issued by the Resulting Company in respect of any fractions which the members of the Demerged Company may be entitled to on issue and allotment of the New Equity Shares as aforesaid by the Company. The Board of Directors of the Resulting Company shall instead, consolidate all such fractional entitlements and allot New Equity Shares in lieu thereof to a Director or an officer of the Resulting Company or such other person(s) as the Board of Directors of the Resulting Company shall appoint in this regard who shall hold the New Equity Shares in trust on behalf of the members entitled to such fractional entitlements with express understanding that such director or officer or person(s) shall sell the same in market at such time(s) (not later than 6 months upon coming into effect of this Scheme) at such price(s) and to such person(s) as it/he/they may deem fit, and pay to the Resulting Company the net sale proceeds thereof. Thereupon the Resulting Company shall distribute the net sale proceeds, after deduction of applicable taxes/duties/levies, if any, to the members entitled in proportion to their respective fractional entitlements. In case the number of such shares to be allotted to the Director/officer by virtue of consolidation of fractional entitlements is a fraction, one additional equity share will be issued in the Resulting Company to such Director/officer.
- 6.4 Shares to be issued by Resulting Company pursuant to Clause 6.1 in respect of any equity shares held by shareholder of Demerged Company which are held in abeyance under the provisions of Section 126 of the Companies Act, 2013 or otherwise shall, pending allotment or settlement of dispute by order of Court or otherwise, also be held in abeyance by Resulting Company.
- 6.5 In so far as the issue of equity shares pursuant to Clause 6.1 is concerned, the same shall be issued and allotted in dematerialized form to those equity shareholders who hold equity shares in Demerged Company in dematerialized form, in to the account with the Depository Participant in which the equity shares of Demerged Company are held or such other account with the Depository Participant as is intimated by the equity shareholders to Resulting Company before the Record Date. All those equity shareholders of Demerged Company who hold equity shares of Demerged Company in physical form shall also have the option to receive the shares, as the case may be, in dematerialised form provided the details of their account with the Depository Participant are intimated in writing to Resulting Company before the Record Date. In the event that Resulting Company has received notice from any equity shareholder of Demerged Company that equity shares are to be issued in physical form or if any member has not provided the requisite details relating to his/her/its account with a Depository Participant or other confirmations as may be required or if the details furnished by any member do not permit electronic credit of the shares of Resulting Company, then Resulting Company shall issue equity

shares of Resulting Company, in accordance with the Demerged Company Share Entitlement Ratio, as the case may be, in physical form to such equity Shareholder.

- 6.6 In the event of there being any pending share transfers, whether lodged or outstanding, of any shareholder of Demerged Company, the Board of Directors or any committee thereof of Demerged Company shall be empowered in appropriate cases, prior to or even subsequent to the Record Date, to effectuate such a transfer in Demerged Company as if such changes in registered holder were operative as on the Record Date, in order to remove any difficulties arising to the transfer of the share in Demerged Company and in relation to the shares issued by Resulting Company after the effectiveness of this Scheme. The Board of Directors of Demerged Company and Resulting Company shall be empowered to jointly remove such difficulties as may arise in the course of implementation of this Scheme and registration of new members in Resulting Company on account of difficulties faced in the transaction period.
- 6.7 For the purpose as aforesaid the Resulting Company shall, and to the extent required, increase its Authorised Capital after this Scheme has been sanctioned by the High Court but before the issue and allotment of shares. It shall also, if and to the extent required, apply for and obtain the requisite approvals including that of SEBI, Reserve Bank of India and other appropriate authorities concerned for issue and allotment by the Resulting Company to the members of the Demerged Company of the Equity shares in the said reorganised share capital of the Resulting Company in the ratio as aforesaid.
- 6.8 The equity shares issued by Resulting Company, in terms of Clause 6.1 of this Scheme, will be listed and/or admitted to trading on the stock exchange where the demerged Company shares are already traded subject to necessary approval to be obtained from Regulated authorities and all necessary applications and compliances will be made in this respect by Resulting Company.
- 6.9 Approval of this Scheme by the shareholders of Resulting Company shall be deemed to be the due compliance of the provisions of Section 62 of the Act and the other relevant and applicable provisions of the Companies Act, 2013 for the issue and allotment of equity shares by Resulting Company to the equity shareholders of Demerged Company, as provided in this Scheme.
- 6.10 The equity shares allotted pursuant to the Scheme shall remain frozen in the depositories system till listing/trading permission is given by the designated stock exchange.
- 6.11 The equity shares to be issued by Resulting Company shall be subject to the Scheme and the Memorandum and Articles of Association of Resulting Company.
- 6.12 The Resulting Company shall, if and to the extent required to, apply for and obtain any approvals from the concerned Regulated authorities for the issue and allotment by the Resulting Company of new equity shares to the equity shareholders of the Demerged Company.
- 6.13 Resulting Company shall comply with the relevant and applicable rules and regulations including provisions of Foreign Exchange Management Act, 1999 to enable it to issue shares pursuant to this scheme.
- 6.14 In so far as the equity shares of the Resulting Company held by the Demerged Company are concerned, such shares would be cancelled on the effective date and the capital of the Resulting Company shall be reduced to that extent.

7. INCREASE OF AUTHORISED SHARE CAPITAL AND AMENDMENT TO MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION

A. RESULTING COMPANY

7.1 Capital Clause

Upon the Scheme being effective, the Authorised Share Capital of the Resulting Company shall automatically stand increased by Rs. 3,50,00,000/-, as on the effective date, without any further act or deed and accordingly Clause V of the Memorandum of Association of the Resulting Company shall be altered. The Resulting Company will file necessary forms with concerned Registrar of Companies for increasing Authorised Share Capital.

B. DEMERGED COMPANY

7.2 Upon the Scheme being effective the authorised Share Capital of the Demerged Company will remain at Rs. 12,00,00,000/- and there is no change in the Authorised and Paid-up Share Capital.

7.3 Under the accepted principle of Single Window Clearance, it is hereby provided that the above referred amendments, viz. Change in the Capital Clause of Resulting Company shall become operative on the scheme being effective by virtue of the fact that the Shareholders of the Demerged Company and the Resulting Company, while approving the scheme as a whole, have also resolved and accorded the relevant consents as required under the provisions of the Act and shall not be required to pass separate resolutions as required under the Act.

8. ACCOUNTING TREATMENT IN THE BOOKS OF RESULTING COMPANY

On the Scheme becoming effective and with effect from the Appointed Date, the Resulting Company shall account for demerger in its books as under:

- 8.1 All the assets, including but not limited to the fixed assets, intangible and any other assets pertaining to the demerged undertaking, shall be recorded by the Resulting Company at their respective book values.
- 8.2 All the liabilities pertaining to the Demerged Undertaking shall be recorded by the Resulting Company at their book values.
- 8.3 In case of any difference in accounting policies between the Demerged Company and the Resulting Company the accounting policies followed by the Resulting Company shall prevail to ensure that the financial statements reflect the financial position on the basis of consistent accounting policies.
- 8.4 Resulting Company shall credit to the Share Capital account in its books of account, the aggregate face value of the shares issued and allotted as per Clause 6.1 of the Scheme to shareholders of Demerged Company.
- 8.5 The difference being the excess of the Net Assets Value of the Demerged Undertaking transferred to and recorded by Resulting Company as per Clause 8.1 and 8.2 above and the face value of Shares allotted as per Clause 8.4 above, after considering the adjustments mentioned in Clause 8.3 above, shall be credited to General Reserve of Resulting Company. The shortfall, if any, shall be debited to Goodwill account of Resulting Company. ("Net Assets Value" shall be computed as the value of assets less the value of liabilities, of the Demerged Undertaking transferred to Resulting Company and recorded in Resulting Company in terms of Clause 8.1 and 8.2).

9. ACCOUNTING TREATMENT IN THE BOOKS OF DEMERGED COMPANY

On the Scheme becoming effective and with effect from the Appointed Date, the Demerged Company shall account for demerger in its books as under:

- 9.1 Upon the Scheme becoming effective and from the Appointed Date, Demerged Company shall reduce from its books, the book value of assets and liabilities transferred part of the Demerged Undertaking to Resulting Company, pursuant to the Scheme.
- 9.2 The difference in the book value of assets and the book value of liabilities transferred pursuant to the Scheme shall be adjusted entirely against the General Reserve Account as provided in detail in Clause 18 herein below.

10. CONDUCT OF BUSINESS UNTILL THE EFFECTIVE DATE

- 10.1 Demerged Company in respect of the Demerged Undertaking, shall carry on and be deemed to have been carrying on the business and activities and shall stand possessed of and hold all of its properties and assets for and on account of and in trust for Resulting Company. Demerged Company hereby undertakes to hold the said assets with utmost prudence until the Effective Date.
- 10.2 With effect from the Appointed Date, all the profits or income accruing or arising to Demerged Company in respect of the Demerged Undertaking or expenditure or losses arising to or incurred by Demerged Company in respect of the Demerged Undertaking, shall for all purposes and intents be treated and be deemed to be and accrue as the profits or incomes or expenditure or losses (as the case may be) of Resulting Company.
- 10.3 Demerged Company in respect of the Demerged Undertaking shall carry on the business and activities with reasonable diligence, business prudence and shall not without the prior written consent of Resulting Company, alienate, charge, mortgage, encumber or encumber or otherwise deal with or dispose-off the Demerged Undertaking or any part thereof except in respect of activities in the ordinary course of business nor shall it undertake any new businesses within the Demerged Undertaking or a substantial expansion of the Demerged Undertaking.
- 10.4 Demerged Company shall not vary the terms and conditions of service of the employees or conclude settlements with unions or employees, except in the ordinary course of business or consistent with past practice or pursuant to any pre-existing obligation without the prior written consent of the Board of Directors of Resulting Company.

11. DECLARATION OF DIVIDEND

- 11.1 For the avoidance of doubt it is hereby clarified that nothing in this Scheme shall prevent Demerged Company from declaring and paying dividends, whether interim or final, to its equity shareholders as on the record date for the purpose of any such dividend.
- 11.2 Demerged Company shall not utilise the profits or income, if any, relating to the Demerged Undertaking for the purpose of declaring or paying any dividend to its shareholders or for any other purpose in respect of the period falling on and after the Appointed Date, without the prior written consent of the Board of Directors of Resulting Company.

12. LEGAL PROCEEDINGS

- 12.1 All legal proceedings of whatsoever nature by or against Demerged Company pending and/or arising before the Effective Date and relating to the Demerged Undertaking, shall not abate or be discontinued or be in any way prejudicially affected by reason of the Scheme or by anything contained in this Scheme but shall be continued and enforced by or against the Resulting Company, as the case may be, in the same manner and to the same extent as would or might have been continued and enforced by or against Demerged Company.
- 12.2 After the Effective Date, if any proceedings are taken against Demerged Company in respect of the matters referred to in Clause 12.1 above, it shall defend the same at the cost of Resulting Company and Resulting Company shall reimburse and indemnify Demerged Company against all liabilities and obligations incurred by Demerged Company in respect thereof.
- 12.3 Resulting Company undertakes to have all respective legal or other proceedings initiated by or against Demerged Company referred to in Clause 12.1 or 12.2 above transferred into its name and to have the same continued, prosecuted and enforced by or against Resulting Company as the case may be, to the exclusion of Demerged Company.

13. CONTRACTS, DEEDS, BONDS AND OTHER INSTRUMENTS

- 13.1 Notwithstanding anything to the contrary contained in the contract, deed, bond, agreement or any other instrument, but subject to the other provisions of this Scheme, all contracts, deeds, bonds, agreements and other instruments, if any, of whatsoever nature and subsisting or having effect on the Effective Date and relating to the Demerged Undertaking, shall continue in full force and effect against or in favour of Resulting Company and may be enforced effectively by or against Resulting Company as fully and effectually as if, instead of Demerged Company, Resulting Company had been a party thereto.
- 13.2 The Resulting Company, at any time after coming into effect of this Scheme in accordance with the provisions hereof, if so required, under any law or otherwise, enter into, or issue or execute deeds, writings, confirmations, notations, declarations, or other documents with, or in favour of any party to any contract or arrangement to which Demerged Company is a party or any writings as may be necessary to be executed in order to give formal effect to the above provisions. Resulting Company shall, be deemed to be authorised to execute any such writings on behalf of Demerged Company and to carry out or perform all such formalities or compliances required for the purposes referred to above on the part of Demerged Company.
- 13.3 Even after this Scheme becomes effective, the Resulting Company shall, as its own right, be entitled to realise all monies and complete and enforce all pending contracts and transactions pertaining to the Demerged Undertaking, in so far as may be necessary, until the transfer of rights and obligations of the Demerged Company to the Resulting Company under this Scheme is formally accepted by the third parties.

14. SAVING OF CONCLUDED TRANSACTIONS

The transfer of assets, properties and liabilities above and the continuance of proceedings by or against Resulting Company above shall not affect any transaction or proceedings already concluded in Demerged Company, in relation to the Demerged Undertaking on or after the Appointed Date till the Effective Date, to the end and intent that Resulting Company accepts and adopts all acts, deeds and things done and executed by Demerged Company, in relation to the Demerged Undertaking in respect thereto as done and executed on their behalf.

15. STAFF, WORKMEN AND EMPLOYEES OF DEMERGED UNDERTAKING

- 15.1 Upon the coming into effect of this Scheme, all staff, workmen and employees of Demerged Company engaged in or in relation to the Demerged Undertaking and who are in such employment as on the Effective Date shall become the staff, workmen and employees of Resulting Company from Appointed Date or their respective joining date, whichever is later and, subject to the provisions of this Scheme, on terms and conditions not less favourable than those on which they are engaged by Demerged Company and without any interruption of or break in service as a result of the transfer of the Demerged Undertaking.
- 15.2 In so far as the existing provident fund, gratuity fund and pension and/or superannuation fund, trusts, retirement fund or benefits and any other funds or benefits created by Demerged Company for the employees related to the Demerged Undertaking (collectively referred to as the "Funds"), the Funds and such of the investments made by the Funds which are preferable to the employees related to the Demerged Undertaking being transferred to Resulting Company, in terms of the Scheme shall be transferred to Resulting Company and shall be held for their benefit pursuant to this Scheme in the manner provided hereinafter. The Funds shall, subject to the necessary approvals and permissions and at the discretion of Resulting Company, either be continued as separate funds of Resulting Company for the benefit of the employees related to the Demerged Undertaking or be transferred to and merged with other similar funds of Resulting

Company. In the event that Resulting Company does not have its own funds in respect of any of the above, Resulting Company may, subject to necessary approvals and permissions, continue to contribute to relevant funds of Demerged Company, until such time that Resulting Company creates its own fund, at which time the Funds and the investments and contributions pertaining to the employees related to the Demerged Undertaking shall be transferred to the funds created by Resulting Company. Subject to the relevant law, rules and regulations applicable to the Funds, the Board of Directors or any committee thereof of Demerged Company and Resulting Company may decide to continue to make the said contributions to the Funds of Demerged Company. It is clarified that the services of the employees of the Demerged Undertaking will be treated as having been continuous and not interrupted for the purpose of the said fund or funds.

- 15.3 Any question that may arise as to whether any employee belongs to or does not belong to the Demerged Undertaking shall be decided by the Board of Directors or Committee thereof of Demerged Company.

16. REMAINING UNDERTAKING OF DEMERGED COMPANY

- 16.1 It is clarified that, the Remaining Undertaking of the Demerged Company shall continue as follows:

- a) The Remaining Undertaking of Demerged Company and all the assets, liabilities and obligations pertaining thereto shall continue to belong to and be managed by Demerged Company;
- b) All legal and other proceedings by or against Demerged Company under any statute, whether pending on the Appointed Date or which may be initiated in future, whether or not in respect of any matter arising before the Effective Date and relating to the Remaining Undertaking of Demerged Company (including those relating to any property, right, power, liability, obligation or duty, of Demerged Company in respect of the Remaining Undertaking of Demerged Company) shall be continued and enforced by or against Demerged Company.

- 16.2 With effect from the Appointed Date and including the Effective Date:

- a) Demerged Company shall be deemed to have been carrying on and to be carrying on all business and activities relating to the Remaining Undertaking of Demerged Company for and on its own behalf;
- b) All profit accruing to Demerged Company thereon or losses arising or incurred by it relating to the Remaining Undertaking of Demerged Company shall, for all purposes, be treated as the profit or losses, as the case may be, of Demerged Company.

17. TAX CREDITS

- 17.1 Resulting Company will be the successors of Demerged Company vis-a-vis the Demerged Undertaking. Hence, it will be deemed that the benefit of any tax credits whether central, state or local, availed vis-a-vis the Demerged Undertaking and the obligations if any for payment of the tax on any assets forming part of the Demerged Undertaking or their erection and/or installation, etc. shall be deemed to have been availed by Resulting Company or as the case may be deemed to be the obligations of Resulting Company. Consequently, and as the Scheme does not contemplate removal of any asset by Resulting Company from the premises in which it is installed, no reversal of any tax credit needs to be made or is required to be made by Demerged Company.

- 17.2 With effect from the Appointed Date and upon the Scheme becoming effective, all taxes, duties, cess payable/receivable by Demerged Company relating to the Demerged Undertaking including all or any refunds/credit/claims relating thereto shall be treated as the asset/liability or refunds/credit/claims, as the case may be, of Resulting Company.

- 17.3 Demerged Company and Resulting Company are expressly permitted to revise their respective tax returns including tax deducted at source (TDS) certificates / returns and to claim refunds, advance tax credits, excise and service tax credits, set off, etc., on the basis of the accounts of the Demerged Undertaking of Demerged Company as vested with Resulting Company upon coming into effect of this Scheme, and its right to make such revisions in the related tax returns and related certificates as applicable and the right to claim refunds, adjustments, credits, set-offs, advance tax credits pursuant to the sanction of this Scheme and the Scheme becoming effective is expressly reserved.

18. Consequent to the demerger of the demerged undertaking of the demerged Company, as envisaged under clause 8.5 hereinabove, the amount of difference in the book value of assets and the book value of liabilities transferred pursuant to the Scheme shall be adjusted entirely against the General Reserve Account of the demerged company.

PART III

GENERAL TERMS AND CONDITIONS

19. LISTING AGREEMENT AND SEBI COMPLIANCES

- 19.1 On approval of the Scheme by the Hon'ble High Court, the Resulting Company shall apply for listing and trading permissions of its Equity Shares in the BSE and NSE and comply with the SEBI Regulations including the Listing Regulations and SCRR in this regard.
- 19.2 The Demerged Company being a Listed Company shall continue to comply with all the requirements under the Listing Agreement/Regulations and all statutory directives of SEBI in so far as they relate to sanction and implementation of this Scheme.
- 19.3 The Demerged Company in compliance with Listing Agreement/Regulations shall apply for approval of BSE and NSE where the shares are listed, before approaching the High Court for sanction of this Scheme.
- 19.4 New equity shares allotted to the Shareholders of the Demerged Company by the Resulting Company pursuant to the Scheme shall remain frozen in the depositories system until listing /trading permission is granted by the Stock Exchanges between the date of allotment of Equity shares of the Resulting Company to the shareholders of Demerged Company on the date of Listing of Equity shares of the Resulting Company to the Stock Exchanges.
- 19.5 There shall be no change in the shareholding pattern or control in the Resulting Company between the record date and the listing of the new equity shares being allotted to the shareholders of the Demerged Company.
- 19.6 The Demerged Company shall also comply with the Directives of SEBI contained in Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015.

20. GENERAL TERMS

- 20.1 It is clarified that all the taxes paid by the Demerged Company, relating to the demerged undertaking from the appointed date onwards including all or any refunds and claims, for all purposes, be treated as the tax liabilities or refunds and claims on the Resulting Company. Accordingly, upon the Scheme becoming effective, the Resulting Company is expressly permitted to revise its VAT and Sales tax returns, Excise and/or CENVAT Returns, other tax returns and to claim refunds/credits, pursuant to the provisions of this Scheme, if any.
- 20.2 In accordance with the CENVAT Rules framed under the Central Excise Act, 1944, as are prevalent on the effective date, the unutilised Credits relating to the Excise Duties paid on inputs /capital goods lying to the account of the Demerged Company, if any, shall be permitted to be transferred to the Credit of the Resulting Company, as if all such unutilised credits were lying in the Account of the Resulting Company. The Resulting Company shall accordingly be entitled to set off all such unutilised credits against the Excise Duty payable by it.
- 20.3 Upon the Scheme coming into effect, all the taxes paid (including TDS) by the Demerged Company from the appointed date, regardless of the period to which they relate, shall be deemed to have been paid for and on behalf of and to the credit of the Resulting Company as effectively as if the Resulting Company had paid the same.

21. APPLICATIONS TO HIGH COURT

- 21.1 Each of the Demerged Company and the Resulting Company shall with all reasonable dispatch, make all necessary applications under Section 391 to 394 of the said Act and other applicable provisions of the Act, to the Hon'ble High Court seeking orders for dispensing with or convening, holding and conducting of the Meetings of the respective classes of members and/or creditors of each of the Demerged Company and the Resulting Company as may be directed by the High Court.
- 21.2 On the Scheme being agreed to by the requisite majority of the classes of the members and/or creditors of the Demerged Company and the Resulting Company as directed by the High Court, the Demerged Company and the Resulting Company shall, with all reasonable dispatch, apply to the High Court for sanctioning the composite Scheme of Arrangement under Sections 391 and 394 of the Act, and for such other order or orders, as the said High Court may deem fit for carrying the Scheme into effect.

22. MODIFICATION OR AMENDMENTS TO THE SCHEME

- 22.1 The Demerged Company and Resulting Company (by their respective Board of Directors or any duly authorised Committee thereof) in their full and absolute discretion may assent to any modification(s) or amendment(s) or of any conditions or limitations in the Scheme which the High Court or such other appropriate authority and/or any other authorities may deem fit to direct or impose or which may otherwise be considered necessary or desirable for settling any question or doubt or difficulty that may arise for implementing and/or carrying out the Scheme and do all such acts, deeds and things as may be necessary for putting the Scheme into effect.
- 22.2 The Demerged Company and Resulting Company (by their respective Board of Directors or any duly authorised Committee thereof) in their full and absolute discretion may assent to any modification(s) or amendment(s) in the Scheme which may be considered necessary or desirable for any reason whatsoever and without prejudice to the generality of the foregoing, any modifications to this Scheme involving withdrawal of any of the parties to this Scheme at any time and for any reason whatsoever; the implementation of the Scheme shall not get adversely effected as a result of acceptance of any such modification by the Board of Directors or its Committee thereof of the Demerged Company or by the Board of Directors or by its Committee thereof of the Resulting Company, who are hereby authorised to take such steps and do all acts, deeds and things as may be necessary, desirable or proper to give effect to this Scheme or to resolve any doubt, difficulties or questions whether by reason of any orders of the High Court or of any directive or orders of any other authorities or otherwise how so ever.
- 22.3 Arising out of, under or by virtue of this Scheme and/or any matters concerning or connected therewith, the Board of Directors of the Demerged Company hereby expressly authorise the Board of Directors of the Resulting Company for the aforesaid purpose.

23. SCHEME CONDITIONAL ON APPROVAL/SANCTIONS

This Scheme is and shall be conditional upon and subject to:

- a) The Scheme being approved by the requisite majority of shareholders and creditors of the Demerged Company and the shareholders of the Resulting Company as per the applicable provisions of the Companies Act, 1956 and the Companies Act, 2013
- b) The Scheme being approved by the High Court, whether with any modification(s) or amendment(s) as the High Court may deem fit or otherwise.
- c) The sanction or approval of all persons or authorities concerned under any law or statute of Central Government, Stock Exchanges or any other agency, department or authorities concerned being obtained and granted in respect of any of the matters in respect of which such sanction or approval is required.
- d) Requisite approvals of RBI being obtained if necessary, under the provisions of FEMA, 1999 for issue of equity shares of the Resulting Company for the non-residential shareholders of the Demerged Company.
- e) The approval of the public shareholders of the Demerged Company through postal ballot and e-voting after disclosure of all material facts in the explanatory statement sent to the shareholders in relation to such resolution, and such resolution shall be acted upon if only the votes cast by the public shareholders in favour of the Scheme are more than the number of votes cast by public shareholders against it. The term "public" shall carry the same meaning as defined under Rule 2 of Securities Contract (Regulation) Rules, 1957.
- f) The certified or authenticated copies of the Orders of the High Court being filed with the Registrar of Companies of Andhra Pradesh and Telangana, Hyderabad under Sections 391 to 394 and other applicable provisions of the Act, the requisite resolutions under the applicable provisions of the said Act passed by the shareholders of the Resulting Company for any of the matters provided for or relating to the Scheme as may be necessary or desirable.

24. EXPENSES CONNECTED WITH THE SCHEME

All costs, charges and expenses of the Demerged Company and the Resulting Company in relation to or in connection with the Scheme and of carrying out and complete the terms and provisions of the Scheme and/or incidental to the completion of the arrangement between the Demerged Company and the Resulting Company, in pursuance of the Scheme shall be borne by the respective Companies.

SCHEDULE-I

The statement indicating broad Assets and liabilities of the De-merged Undertaking based on the Audited financial statements as on 31st March, 2016

Particulars	As on 31-03-2016
LIABILITIES	
Non-current liabilities	
(a) Long-term borrowings	23,49,13,110
(b) Deferred tax liabilities (Net)	10,53,53,582
(c) Long-term provisions	1,67,65,739
Current Liabilities	
(a) Short-term borrowings	5,33,62,690
(b) Trade payables	52,58,70,437
(c) Other current liabilities	11,31,43,632
(d) Short term provisions	26,46,263
ASSETS	
Non-current assets	
Fixed assets	
(i) Tangible assets	74,01,62,659
(ii) Intangible assets	-
(iii) Capital work-in-progress	2,61,88,062
(iv) Non-Current Investments	4,10,680
(v) Long term loans and advances	1,49,46,979
Current assets	
(a) Inventories	41,83,55,878
(b) Trade Receivables	39,87,46,066
(c) Cash and cash equivalents	2,54,17,486
(d) Short term loans and advances	4,88,44,325
(e) Other current assets	6,08,18,460



August 12, 2016
SCSL/16-17/026

Systematix Corporate Services Ltd.

Corporate Office : The Capital, "A" Wing, 6th Floor, No. 603 - 606, Plot No. C-70, G-Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.
Tel. : +91-22-6704 8000 • Fax : +91-22-6704 8022

The Board of Directors
SMS Pharmaceuticals Limited
Plot No. 19-III, Road No.71
Opp. Bhartiya Vidya Bhawan School
Jubilee Hills, Hyderabad 500 096.

Sub: Fairness Opinion on "Share Entitlement Ratio" based on the Valuation Report dated August 11, 2016 for "Regulated and Semi-Regulated Business" of SMS Pharmaceuticals Limited ("the Company") as prepared by M/s Raju and Prasad, Chartered Accountants (FRN: 0034755) - ("the Valuer").

Ref: Appointment of Systematix Corporate Services Limited as the Merchant Banker to provide "Fairness Opinion" on demerger or Scheme of Arrangement vide your letter dated April 1, 2016.

Dear Members of the Board,

I. Engagement Background

Systematix Corporate Services Limited ("Systematix"), a public limited company listed on BSE Limited, Mumbai and also a SEBI registered Category I Merchant Banker having permanent Registration Number INM000004224, has been appointed by SMS Pharmaceuticals Limited (CIN: L24239AP1987PLC008066) to provide a "Fairness Opinion" pursuant to Regulation 11, 37 and 94 of the Listing Regulations vide SEBI Circular CIR/CFD/CMD/16/2015 dated November 30, 2015 ("SEBI Circular") on the proposed Scheme for Demerger of "Semi Regulated Business" of your the Company under Section 391-394 read with Sections 100-103 of the Companies Act, 1956 ("the Scheme").

The Scheme envisages a demerger of Semi Regulatory Units namely I, IV and V and other assets ("the Demerged Undertaking") of SMS Pharmaceuticals Limited ("the Demerged Company") as a going concern into SMS Lifesciences India Limited (CIN: U74930TG2006PLC050223) ("the Resulting Company"), a wholly-owned subsidiary of the Demerged Company and consequential restructure of its share capital in the form of Utilisation of General Reserve Account of the Demerged Company alongwith other terms and conditions fully set forth in the Scheme to be placed before the Board for their approval.

The Demerged Company will continue its interests in the Remaining Undertaking including Regulated Units II, VII and R&D Unit as is presently being carried out but with greater focus on growth opportunities. The Resulting Company shall, issue and allot equity shares to all the shareholders of the Demerged Company as consideration for the transfer of the Demerged Undertaking in proportion of their shareholding in the Demerged Company as per the Share Entitlement Ratio. Simultaneously with issuance of equity shares, in the books of the Resulting Company, all the equity shares held by the Demerged Company shall stand cancelled, extinguished and annulled on and from the Effective Date. The Equity Shares issued by the Resulting Company to the shareholders of the Demerged Company shall be listed on BSE and NSE. The Unit III of the Demerged Company was closed in FY2012 and the Unit VI was sold in the FY 2013.

The Demerger of the Demerged Undertaking in accordance with this Scheme shall take effect from the Appointed Date (April 1, 2016) in accordance of the provisions of Sections 391-394 of the Act read with Sections 100-103 of the Companies Act, 1956 and the provisions of Companies Act, 2013 as applicable and shall be in accordance with Section 2 (19AA) of the Income Tax Act, 1961, such that:

Registered Office : 206 - 207, Bansi Trade Centre, 581 / 5, M. G. Road, Indore - 452 001.
Tel.: +91 731 3018111 - 15 • Fax : +91 731 4068253

Email : secretarial@systematixgroup.in • Website : www.systematixgroup.in

SEBI Merchant Banking Registration No.: INM000004224 CIN: L91990MP1985PLC002969



1



- (a) all the assets relatable to the Demerged Undertaking being transferred by the Demerged Company, as on the Appointed Date shall become the assets of the Resulting Company by virtue of this Scheme;
- (b) all the liabilities relatable to the Demerged Undertaking, as on the Appointed Date shall become the liabilities of the Resulting Company by virtue of this Scheme;
- (c) all the assets and the liabilities relatable to the Demerged Undertaking being transferred by the Demerged Company shall be transferred to the Resulting Company, on a going concern basis, at the value appearing in the books of account of the Demerged Company immediately before the Demerger;
- (d) the Resulting Company shall issue, in consideration of the Demerger, its Equity Shares to the shareholders of the Demerged Company as on the Record Date on a proportionate basis;
- (e) all the shareholders of the Demerged Company as on the Record Date shall become the shareholders of the Resulting Company by virtue of the Demerger; and

In consideration of the transfer of the Demerged Undertaking to the Resulting Company pursuant to the Scheme,

- for every 28 (Twenty-Eight) equity share of the face value of Re. 1.00 each held by the shareholders of the Demerged Company, the Resulting Company shall issue and allot 1 (One) equity share of the face value of Rs. 10.00 each fully paid-up ("**the Entitlement Ratio**").

In connection with the aforesaid, you requested our "**Fairness Opinion**" as of the date hereof as to the fairness of the Entitlement Ratio to the Equity Shareholders of the Demerged Company as on the "Record Date" as defined in the Scheme.

II. Basis of Opinion

In the Rationale of the Scheme, the following has been provided that in order to create an independent platform for the Demerged Undertaking:

- (a) The nature of risk and return involved in the non-regulated units is distinct from the regulated units of the Demerged Company. Hence, transfer of non-regulated units would enable these units run independently and to evaluate potential independent collaborators and expansion without impacting the Demerged Company entirely.
- (b) The transfer and vesting of the demerged undertaking of the Demerged Company to the Resulting Company through this Scheme is with a view to unlock the economic value of both the Companies.
- (c) Transfer would provide greater flexibility and visibility on the operational and financial performance of the semi-regulated units and would provide higher degree of independence as well as accountability.
- (d) The Board of Directors of the Demerged Company is of the opinion that the Scheme would benefit the shareholders, creditors, employees and other stakeholders of both the Companies.
- (e) Effective Date for the purpose of valuation is March 31, 2016 closing hours.

A brief history of each of the aforesaid companies is as under:

SMS Pharmaceuticals Limited ("the Company" or "the Demerged Company"), a public limited company listed on BSE and NSE. The Company is a public limited company incorporated under the provisions of the Companies Act, 1956 on 14th day of December, 1987 originally in the name of "S.M.S. Pharmaceuticals Private Limited" and subsequently converted into a "Public Limited Company" in the name of "S.M.S. Pharmaceuticals Limited" on 2nd November, 1994 having its registered office at Plot No.19-III, Road No.71,



Opp. Bharatiya Vidya Bhavan School, Jubilee Hills, Hyderabad 500 096. The name of the Company has been changed from "S.M.S. Pharmaceuticals Limited" to "SMS Pharmaceuticals Limited" with effect from 12th April, 2004. The Company is engaged in the business of manufacturing and sale of active pharmaceutical ingredients and drugs intermediates.

SMS Lifesciences India Limited ("the Resulting Company") is a public limited company incorporated under the provisions of the Companies Act, 1956 on 31st day of May, 2006, as "Private Limited Company" named "Potluri Real Estate Private Limited" and subsequently changed its name to "Potluri Packaging Industries Private Limited" on 12th October, 2013 thereafter the company had renamed it as "SMS Lifesciences India Private Limited" on 1st July, 2014 which is now converted as Public Limited Company with effect from 22nd June, 2016 having its registered office at Plot No. 265Q, Road No. 10, Jubilee Hills, Hyderabad 500 033. The Resulting Company is a wholly owned Subsidiary of the Demerged Company and is presently engaged in the business of manufacturing, buying, selling, offering consultancy, importing & exporting, acting as commission agents and generally dealing with of all types of Organic & Inorganic Chemicals, Pharmaceuticals, Drugs and Intermediates.

The key features and rationale of the Scheme as disclosed above alongwith the valuation report for entitlement ratio as submitted by M/s Raju and Prasad, Chartered Accountants are relied upon by us for framing fairness opinion on the Entitlement Ratio. We have taken the foregoing facts (together with other facts and assumptions set forth in

III. Sources of Information

For recommendations of "Fairness Opinion on value of Demerged Undertaking"; we have relied upon the following data and documents:

- Copy of the "Valuation Report" and "Share Entitlement Report" prepared by M/s Raju and Prasad, Chartered Accountants vide their reports dated August 11, 2016.
- Copy of "the Scheme" as provided by the Company.
- MOA & AOA of the Demerged Company and the Resulting Company.
- BSE and NSE Websites (www.bseindia.com; www.nseindia.com) and
- Other information and explanations as provided by the Company.

IV. Limitation of Scope and Review

Our "Fairness Opinion" and analysis is limited to the extent of review of the documents as provided to us by the Company including the Valuation Report and Share Entitlement Report prepared by the Valuer and the draft Scheme. We have relied upon the accuracy and completeness of all the information and documents provided to us without carrying out any due diligence or independent verification or validation of such information to establish its accuracy or sufficiency. We are not provided with any forward looking financial projections w.r.t. the Demerged Company or the Resulting Company.

We have not conducted any independent valuation or appraisal of any of the assets or liabilities of the Demerged Company or the Resulting Company. We also do not express any opinion as to the price at which equity shares of the Resulting Company may list or trade at any point of time.

In rendering our opinion, we have assumed that the Scheme will be implemented on the terms described therein without any waiver or modification of any material terms or conditions and that in course of obtaining the necessary Regulatory or third party approvals for the Scheme. Further, we do not express any opinion in any other matter except what is stated in this report w.r.t. the Demerged Company and the Resulting Company.



It is understood that this Fairness Opinion may not be relied upon by, nor be disclosed, in whole or in part to any third party for any purpose whatsoever. Notwithstanding the foregoing, this Fairness Opinion may be reproduced in the explanatory statement sent to the shareholders along with the Notice of General Meeting / Postal Ballot form, conducted to get approval for the proposed Demerger, so long as form of reproduction of the Fairness Opinion in such report or any description of or reference in such report to Systematix, is in a form acceptance to us.

Our fees for services will be payable on delivery of this report and is not contingent on the successful completion of the Scheme.

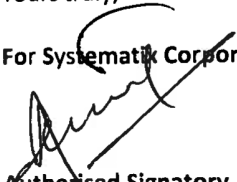
Our Fairness Opinion is not intended to and does not constitute a recommendation to any shareholder as to how such holder should vote or act in connection with the Scheme or any matter related thereto.

V. Conclusion

Based on and subject to the foregoing, we are of the opinion that as of the date hereof, the Entitlement Ratio is FAIR to the Equity Shareholders of the Demerged Company.

Yours truly,

For Systematix Corporate Services Limited


Authorised Signatory





pharmaceuticals ltd.

Registered & Corporate Office :

Plot No. 19-111, Road No. 71,
Opp. Bharatiya Vidya Bhavan Public School,
Jubilee Hills Hyderabad - 500 096, Telangana, INDIA,
Tel : +91-40-6628 8888, Fax : +91-40-2355 1402
CIN : L24239AP1987PLC008066
Email : info@smspharma.com, www.smspharma.com

19th September, 2016

To,
Mr. Marian DSouza,
Associate Manager,
Listing Operations
Bombay Stock Exchange Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400 001

Mr. Harmeet Singh
Assistant Manager ,
Listing Compliance,
National Stock Exchange of India Ltd.
Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051.

Security Code: 532815**Symbol: SMSPHARMA****Subject: Complaint Report as per Annexure III**

Ref : Scheme of Arrangement in nature of Demerger between SMS Pharmaceuticals Limited (Demerged Company) & SMS Lifesciences India Limited (Resulting Company) and their respective Shareholders and Creditors under Section 391 - 394 of the Companies Act, 1956 and other applicable provisions, if any of the Companies Act, 1956 and Companies Act, 2013. ("Scheme")

Dear Sir,

We are submitting herewith the Investor Complaints Report as required under paragraph I(A)(6)(a) "Redressal of Complaints" of ANNEXUR.III of the SEBI Circular CIR/CFD/CMD/16/2015 dated November 30, 2015.

Annexure-III**Part A**

Sr. No.	Particulars	Number
1.	Number of complaints received directly	NIL
2.	Number of complaints forwarded by Stock Exchange	NIL
3.	Total Number of complaints/comments received (1+2)	NIL
4.	Number of complaints resolved	NIL
5.	Number of complaints pending	NIL

Part B

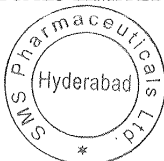
Sr. No.	Name of complainant	Date of complaint	Status (Resolved/Pending)
Not Applicable			

Please take the same on your records.

Yours faithfully

For SMS PHARMACEUTICALS LIMITED

Saurav Roy
Saurav Roy
Company Secretary





DCS/AMAL/MD/24(F)/573/2016-17
October 13, 2016

The Company Secretary
SMS Pharmaceuticals Limited,
Plot No. 19 - III, Road No. 71,
Jubilee Hills (Opp. Bharatiya Vidya Bhavan Public School),
Hyderabad ,Telangana ,500096

Sir,

Sub: Observation letter regarding the Draft Scheme of Arrangement between SMS Pharmaceuticals Ltd and SMS Lifesciences India Ltd.

We are in receipt of Draft Scheme of Arrangement of SMS Pharmaceuticals Limited with SMS Lifesciences India Limited:

As required under SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015; SEBI vide its letter dated October 13, 2016 has inter alia given the following comment(s) on the draft scheme of arrangement:

- “Company shall duly comply with various provisions of the Circulars.”

Accordingly, based on aforesaid comment offered by SEBI, the company is hereby advised:

- To duly comply with various provisions of the circulars.

In light of the above, we hereby advise that we have no adverse observations with limited reference to those matters having a bearing on listing/de-listing/continuous listing requirements within the provisions of Listing Agreement, so as to enable the company to file the scheme with Hon'ble High Court.

However, the listing of equity shares of SMS Lifesciences India Limited on the BSE Limited, shall be subject to SEBI granting relaxation under Rule 19(2)(b) of the Securities Contract (Regulation) Rules, 1957 and compliance with the requirements of SEBI circular. No. CIR/CFD/CMD/16/2015 dated November 30, 2015. Further, SMS Lifesciences India Ltd shall comply with SEBI Act, Rules, Regulations, directions of the SEBI and any other statutory authority and Rules, Byelaws, and Regulations of the Exchange.

The Company shall fulfill the Exchange's criteria for listing the securities of such company and also comply with other applicable statutory requirements. However, the listing of shares of SMS Lifesciences India Limited is at the discretion of the Exchange. In addition to the above, the listing of SMS Lifesciences India Limited pursuant to the Scheme of Arrangement shall be subject to SEBI approval and the Company satisfying the following conditions:

1. To submit the Information Memorandum containing all the information about SMS Lifesciences India Ltd in line with the disclosure requirements applicable for public issues with BSE, for making the same available to the public through the website of the Exchange. Further, the company is also advised to make the same available to the public through its website.

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BSE Limited (Formerly Bombay Stock Exchange Ltd.)
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Corporate Identity Number : U67120MH2005PLC155138

2. To publish an advertisement in the newspapers containing all the information SMS Lifesciences Ltd in line with the details required as per the aforesaid SEBI circular no. CIR/CFD/CMD/16/2015 dated November 30, 2015. The advertisement should draw a specific reference to the aforesaid Information Memorandum available on the website of the company as well as BSE.
3. To disclose all the material information about SMS Lifesciences Ltd on a continuous basis so as to make the same public, in addition to the requirements if any, specified in Listing Agreement for disclosures about the subsidiaries.
4. The following provisions shall be incorporated in the scheme:
 - i. "The shares allotted pursuant to the Scheme shall remain frozen in the depository system till listing/trading permission is given by the designated stock exchange."
 - ii. "There shall be no change in the shareholding pattern of SMS Lifesciences Ltd between the record date and the listing which may affect the status of this approval."

Further you are also advised to bring the contents of this letter to the notice of your shareholders, all relevant authorities as deemed fit, and also in your application for approval of the scheme of arrangement.

Further, pursuant to the above SEBI circulars, upon sanction of the Scheme by the Hon'ble High Court, the listed company shall submit to the stock exchange the following:

- a) Copy of the High Court approved Scheme;
- b) Result of voting by shareholders for approving the Scheme;
- c) Statement explaining changes, if any, and reasons for such changes carried out in the Approved Scheme vis-à-vis the Draft Scheme;
- d) Copy of the observation letter issued by all the Stock Exchanges where Company is listed.
- e) Status of compliance with the Observation Letter/s of the stock exchanges;
- f) The application seeking exemption from Rule 19(2)(b) of SCRR, 1957, wherever applicable; and
- g) Complaints Report as per Annexure II of this Circular.
- h) Any other document/disclosure as informed by the Exchange.

The Exchange reserves its right to withdraw its 'No adverse observation' at any stage if the information submitted to the Exchange is found to be incomplete / incorrect / misleading / false or for any contravention of Rules, Bye-laws and Regulations of the Exchange, Listing Agreement, Guidelines/Regulations issued by statutory authorities.

Please note that the aforesaid observations does not preclude the Company from complying with any other requirements.

Yours faithfully,


Nitin Pujari
Manager

Ref: NSE/LIST/90233

October 14, 2016

The Company Secretary
SMS Pharmaceuticals Limited,
Plot No. 19-III, Opp.
Bharatiya Vidya Bhavan Public
Road No. 71, Jubilee Hills
Hyderabad - 500096

Kind Attn.: Mr.P Prabhakara Rao

Dear Sir,

Sub: Observation letter for draft Scheme of Arrangement (under section 391 to 394 read with section 100 to 103 of the Companies Act, 1956 and other provisions of the Companies Act, 2013 as applicable) in the nature of De-merger and transfer of De-merged undertaking between SMS Pharmaceuticals Limited (Demerged Company) and SMS Lifesciences India Limited (Resulting Company) and their respective shareholders and creditors.

This has reference to draft Scheme of Arrangement (under section 391 to 394 read with section 100 to 103 of the Companies Act, 1956 and other provisions of the Companies Act, 2013 as applicable) in the nature of De-merger and transfer of de-merged undertaking between SMS Pharmaceuticals Limited (demerged company) and SMS Lifesciences India Limited (resulting company) and their respective shareholders and creditors vide letter dated August 17, 2016.

Based on our letter reference no Ref: NSE/LIST/85988 submitted to SEBI and pursuant to SEBI Circular CIR/CFD/CMD/16/2015 dated November 30, 2015, SEBI has vide letter dated October 13, 2016 has given following comments on the draft Scheme of Amalgamation:

“a. The Company shall duly comply with various provisions of the Circulars.”

Based on the draft scheme and other documents submitted by the Company, including undertaking given in terms of regulation 11 of SEBI (LODR) Regulation, 2015, we hereby convey our “No-objection” in terms of regulation 94 of SEBI (LODR) Regulation, 2015, so as to enable the Company to file the draft scheme with the Hon’ble High Court.

However, the listing of equity shares of SMS Lifescience India Limited on the National Stock Exchange India Limited shall be subject to SEBI granting relaxation under Rule 19(2)(b) of the Securities Contract (Regulation) Rules, 1957. Further, SMS Lifescience India Limited shall comply with SEBI Act, Rules, Regulations, directions of the SEBI and any other statutory authorities and Rules, Byelaws and Regulations of the Exchange.

The Company should also fulfill the Exchange’s criteria for listing of such company and also comply with other applicable statutory requirements. However, the listing of shares of SMS Lifescience India Limited is at the discretion of the Exchange.

The listing of SMS Lifescience India Limited pursuant to the Scheme of Arrangement shall be subject to SEBI approval & Company satisfying the following conditions:

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1. To submit the Information Memorandum containing all the information about SMS Lifescience India Limited and its group companies in line with the disclosure requirements applicable for public issues with NSE for making the same available to the public through website of the companies.
2. To publish an advertisement in the newspapers containing all the information about SMS Lifescience India Limited in line with the details required as per SEBI Circular CIR/CFD/CMD/16/2015 dated November 30, 2015. The advertisement should draw a specific reference to the aforesaid Information Memorandum available on the website of the company as well as NSE.
3. To disclose all the material information about SMS Lifescience India Limited to NSE on the continuous basis so as to make the same public, in addition to the requirements, if any, specified in Listing Agreement for disclosures about the subsidiaries.
4. The following provision shall be incorporated in the scheme:
 - (a) "The shares allotted pursuant to the Scheme shall remain frozen in the depositories system till listing/trading permission is given by the designated stock exchange."
 - (b) "There shall be no change in the shareholding pattern or control in SMS Lifescience India Limited between the record date and the listing which may affect the status of this approval."

However, the Exchange reserves its rights to raise objections at any stage if the information submitted to the Exchange is found to be incomplete/ incorrect/ misleading/ false or for any contravention of Rules, Bye-laws and Regulations of the Exchange, Listing Agreement, Guidelines / Regulations issued by statutory authorities.

The validity of this "Observation Letter" shall be six months from October 14, 2016 within which the Scheme shall be submitted to the Hon'ble High Court. Further pursuant to the above cited SEBI circulars upon sanction of the Scheme by the Hon'ble High Court, you shall submit to NSE the following:

- a. Copy of Scheme as approved by the High Court;
- b. Result of voting by shareholders for approving the Scheme;
- c. Statement explaining changes, if any, and reasons for such changes carried out in the Approved Scheme vis-à-vis the Draft Scheme
- d. Status of compliance with the Observation Letter/s of the stock exchanges
- e. The application seeking exemption from Rule 19(2)(b) of SCRR, 1957, wherever applicable; and
- f. Complaints Report as per SEBI Circular CIR/CFD/CMD/16/2015 dated November 30, 2015.

Yours faithfully,
For National Stock Exchange of India Limited

Kamlesh Patel
Manager

P.S. Checklist for all the Further Issues is available on website of the exchange at the following URL
http://www.nseindia.com/corporates/content/further_issues.htm

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This Document is Digitally Signed



Signer : Patel Kamlesh Naginbhai
Date: Fri, Oct 14, 2016 20:16:46 GMT+05:30
Location: NSE